

13 March 2008

PRELIMINARY RESULTS
For the year ended 31 December 2007

Brady plc (the “Company” or the “Group”), the global provider of trading, risk management and settlement solutions to the metals and commodities industries, announces its preliminary results for the year to 31 December 2007.

Financial Summary:

	2007	2006
	£'000	£'000
Revenue	5,711	4,636
Profit before taxation	639	638
Cash and cash equivalents	5,957	4,917
Basic earnings per share (pence)	1.82	1.76
Diluted earnings per share (pence)	1.64	1.69
Proposed dividend per share (pence)	1.10	1.00

Highlights:

- Sales revenue at £5.7 million increased 23% over the 2006 level of £4.6 million
- Three significant new Trinity licence agreements signed in 2007 and four clients have gone live
- Profit before taxation of £0.6 million after reorganisation costs
- Proposed final dividend increased by 10%
- Strong balance sheet with £6.0 million of cash resources compared to £4.9 million at 31 December 2006 and £6.7 million at 29 February 2008
- Board enhanced since 31 December 2006 with new Chairman, three Non-Executive Directors, Chief Executive Officer and Finance Director
- Positive market conditions outlined in the last interim results remain as expected
- Group has completed its internal re-organisation and is now well positioned to capitalise on the market opportunity

For further information please contact:
Brady plc
Gavin Lavelle, Chief Executive Officer
Tony Ratcliffe, Finance Director

Telephone: +44(0)1223 479479

Oriel Securities Limited
Andrew Edwards

Telephone: +44 (0)20 7710 7600

CHAIRMAN'S STATEMENT

Overview

The Group's principal activity is the global provision of trading, risk management and settlement solutions to the metals and commodities sectors, through the delivery of customer focused software and services.

I am pleased to provide a brief summary of the financial and operational highlights for 2007, to report on a number of Board changes and to confirm the outlook for 2008.

Financial Highlights

Group revenues increased by 23% to £5.7 million (2006: £4.6 million), which included £1.6 million of recurring maintenance revenues (2006: £1.3 million).

Profit before taxation remained consistent with 2006 at £0.6 million, following the reorganisation and investment in building the Group's routes to market.

Basic earnings per share have increased to 1.82 pence, from 1.76 pence last year.

Cash resources at the end of the year were £6.0 million, an increase of £1.1 million on last year's £4.9 million, contributing to a very strong balance sheet.

Operational Highlights

2007 has seen a number of successful commercial activities:

- Three significant new Trinity licence deals signed in 2007
- Four new Trinity clients have gone live
- First clients live on new version v600
- 21% growth in licence revenues
- 19% growth in recurring maintenance revenues
- 28% growth in services revenues

As highlighted at the time of the interim results, the Group has undertaken a re-organisation of its internal resources in order to focus its efforts aggressively towards sales order and revenue generation. The organisational changes have now been successfully implemented and the Group is well positioned to accelerate its order growth moving forward. Most notably, the Group has expanded its sales team both in Europe and in North America and has formed a US-based service team.

Board

I am pleased to report that the Group has completed a number of Board changes since the previous Annual Report:

Gavin Lavelle joined the Group as Chief Executive Officer in September 2007, bringing over 25 years of experience in the international financial software and banking industry, most recently with SunGard. Following strategic and operational reviews, Gavin has already implemented a number of changes and laid the solid foundations on which the Group expects to build sustained growth in the future.

Robert Brady was appointed Chief Technology Officer in September 2007 enabling him to focus on technological and strategic initiatives.

Tony Ratcliffe joined as Finance Director in May 2007, bringing a wealth of experience gained in building and realising value in high-growth technology companies in software and other sectors.

I was very pleased to be asked to join the Board as Non-Executive Chairman in July 2007.

More recently, Geoffrey Bicknell and Patrick Brazell joined the Board in January 2008 as Non-Executive Directors. As the Group executes its ambitious plans for international growth, they both bring a great deal of experience and will play an important role on the Board. These appointments followed the retirements of Graham Simister and Neil McArthur in December 2007, after a combined 15 years of service on the Brady Board. I would like to thank them both for their expertise and commitment to the Group over so many years of service.

People

I would also like to thank all of our employees for their efforts over the past year, which has seen a number of changes. Their continued commitment, loyalty and support will be vital during the planned period of growth ahead.

Outlook

The strength of the metal markets continued throughout 2007. Increased demand for metals and commodities has provided record volumes and very profitable trading for banks, brokers and hedge funds. Our other targeted customers, producers and fabricators, have also published strong trading results. The Board is confident that the Group is well positioned in this buoyant marketplace.

The outlook for 2008 continues to remain second-half weighted as highlighted at the time of the interim results. The Board re-affirms that due to the long lead times associated with Trinity implementations and the Group's revenue recognition policy, the Group anticipates that there will be limited opportunity to recognise significant new licence revenues until the second half of 2008. However, the Group plans to mitigate this effect as far as possible by focusing on greater service revenues, particularly from existing clients, and from the sale of smaller value Opval licences or additional Trinity licence modules to existing customers.

Conclusion

The Board continues to see a very substantial and attractive market opportunity. The Group has a leading position within the metals and mining sector and is well placed to build on this. It has a strong product offering, a solid balance sheet and has built a quality customer base and excellent reputation over the years.

The new team has undertaken a detailed review of the market opportunity and the Group's strategic and operational plans and has introduced a clear strategy to execute these plans, which is summarised in the Chief Executive's Review. The year 2007 was one of significant change and re-organisation, with the Group now being well placed to aggressively capitalise and build on this excellent opportunity. In addition, the Group will be looking for opportunities to use its strong balance sheet to build on and enhance its product and customer base through selective acquisitions. The Group is well positioned to capitalise on this opportunity. I am confident that we have laid solid foundations in 2007 for ongoing success in 2008 and beyond.

Paul Fullagar
Chairman

CHIEF EXECUTIVE'S REVIEW

Our Markets

The Group is focused on the metals markets, both base and precious, and on the soft commodities markets. In each area I believe that the trading conditions are currently very strong and I anticipate that they should remain so for the foreseeable future. The strong demand for raw materials, driven by growth in the emerging economies, has seen record highs in the base metals markets. Simultaneously, the credit crunch and deterioration in the equity markets has highlighted the safe haven nature of physical materials including precious metals. Record highs in soft commodities have also led to very strong trading conditions. Despite this positive environment, there have been significant trading losses, highlighting the need for effective risk management solutions and controls.

Overall, I expect that the demand in these areas should remain positive. However, one note of caution is that the slow-down or potential recession in the USA could affect the commodity markets, or at least delay the decision-making processes in some organisations.

While there has been general under-investment in these asset classes, this appears to be now changing. More banks and brokers are entering the markets, pension and hedge funds are allocating more assets and the producers are enjoying record results. All-in-all, the conditions appear bullish for further IT investment.

Our Strategy

The Group's target markets are banks and brokers, hedge funds, trading companies, producers and fabricators. For the metals industry, our solutions now offer coverage across the entire industry, from metal concentrates, through refined metals trading, to the most complex financial derivatives. For soft commodities, our solutions can process any financially settled instruments, including complex OTC structures prevalent in that industry, to allow full analysis of trading risk.

Approximately 55% of our revenues derive from Europe, 40% from North America and the remainder from Asia. The Group will strengthen its presence in both continental Europe and the Americas still further in 2008. By strengthening our North American organisation, I am confident that the Group can drive more business in its largest potential market. Strategic Asian clients will continue to be supported in 2008 and I anticipate that the Group will be looking to strengthen its presence in this region during 2009.

Approximately 50% of our revenue derives from banks and brokers, 30% from producers and fabricators and 20% from trading companies. These markets are largely addressed by direct selling, but we will be looking to further develop relationships with partners, integrators and value added resellers (VARs) in 2008.

The Group's solutions provide support for traders, operations, settlements, risk and compliance in an integrated environment. This is critically important to ensure a greater control of the business, lowering cost of ownership and minimising the possibilities of operational risk. In 2008, the Group plans to integrate its Trinity and Opval solutions in order to support the evolving needs of both existing and future clients.

Given the strength of its balance sheet, the Group has appointed an M&A advisor to assist in driving and executing our acquisition strategy. We anticipate that the turbulence in the credit markets should favour cash-rich companies such as Brady and also offer potentially advantageous valuations.

Our Operations

Organisation

Since joining the Group in September 2007, I have significantly strengthened and focused our team in order to take advantage of the positive trading conditions. Three new sales executives have been added to the team and I also plan to hire two further sales executives in 2008.

Furthermore, we now have a clear focus on North America, alongside Europe, for both sales and services. This includes the appointment of Brian Colgan, a seasoned professional with 25 years of experience, to lead North American services. We will continue to strengthen our North American presence in order to provide higher quality services to our clients in their own time zone.

As well as offering a potent mix of commodity market experience and software industry expertise, I am confident that the new team is now more focused, with clear responsibilities and the skills to deliver each of our business areas' objectives in a cohesive manner.

The Group's overall capability has also been augmented by the introduction of enhanced product management processes and much tighter co-ordination between our development centres.

Marketing

Significant progress has been made in strengthening the Brady brand. This has included the appointment of Avril Adams as Head of Marketing, the appointment of a new PR agency and significantly more focus applied to press and analyst briefings, advertising, trade shows, marketing literature and client testimonials. This is already translating into more incoming requests for information which I anticipate will ultimately create more leads in 2008.

Sales

The refinements that we have made to the value proposition and efforts in implementing targeted sales campaigns are now starting to pay dividends, having led to three significant new licence sales in 2007 (two in North America and one in Europe), all with leading organisations. This will be further enhanced by direct marketing sales campaigns, beginning with hedge funds in the first half of 2008.

Furthermore, in 2008 we plan to further expand our sales reach by working with third-party integrators and technology partners.

Products

In a busy year for product development, our product portfolio has continued to evolve in line with the needs of our customers.

For banks, brokers and traders there have been a number of significant developments to match the functionality of our applications with the latest process and regulatory changes brought in by the London Metal Exchange ("LME"), such as management of steel contracts, LME matching and an LME Select interface to enable direct links to other regulatory and exchange organisations. We will continue to strengthen our partnership with the LME as a key part of our strategy.

For producers, the Group has completed the development of a new Concentrates module, which means that our solutions can now be used to manage both refined and unrefined material.

We are witnessing substantial growth in the trading of metal concentrates across the globe. The Group has recently completed the development of a new Concentrates module, allowing its solutions to be used to manage both refined and unrefined material. This will be further augmented in 2008 with the addition of Assaying, Tolling and Transportation functionality to further extend the Group's coverage in this market sector.

We see the capture and effective analysis of trading risk as a critical component in the volatile and fast-moving commodities markets that we service:

- the Group's P&L Attrition module provides extensive analysis of P&L movements relative to changes in market data, minimising operation down-time;
- the recently released Retrospective functionality offers a powerful forensic analysis tool through the reconstruction of any position back in time; and
- the Group's Value-at-Risk ("VaR") module targets the continued acceptance within the industry of VaR models to report enterprise risks.

The initial design of a message hub has also been completed and this will lay the foundation for high performance messaging between our own components and third party applications, using FIX protocol. This is a key component of the Group's evolution to a service-orientated architecture and will provide immediate benefits of increased scalability, lower cost of ownership and reduced operational risk through accurate high-performance data interfaces, opening the Group's solutions to order management and exchange connectivity.

From a technology perspective, the Group anticipates staying at the forefront of Microsoft and Oracle technology by deepening its use of .NET components and adoption of the Vista operating system. Early in 2008, Oracle 10g and Oracle Standard will be rolled-out, followed later in 2008 by Oracle 11g and the use of a Service Orientated Architecture. In addition, the Group has worked hard on significant performance improvements in key functional areas and we have seen our first clients go live on Trinity v600.

Services

The Group's objective is to be a trusted advisor to all its clients, providing them with high quality consulting and development services and delivering projects on time and on budget. The fact that four new clients have gone live with the Group's solutions in 2007 (two in North America and two in Europe) is testimony to our team's ability to deliver significant projects around the globe.

The Group remains committed to improving customer satisfaction. This involves partnering with our clients at all levels, the roll-out of Prince 2 project management methodology for implementations, and extending automated testing of our solutions. The Group is also initiating further accreditation and training programs in 2008 and is working diligently on faster issue resolution and better documentation.

Our Future

Given the strong growth in earnings for producers in 2007, I anticipate continued strong growth in this area in 2008. I also anticipate that broking volumes should also remain strong in 2008. While there is currently some uncertainty around banks' trading performances, the under-investment to date in these asset classes, combined with increased demand should, I believe, still manifest in further growth in technology spend during 2008. The Group is well positioned to capitalise on this opportunity. I am confident that we have laid solid foundations in 2007 for ongoing success in 2008 and beyond.

Gavin Lavelle
Chief Executive Officer

FINANCIAL REVIEW

Group Trading Performance

Revenue for the year increased by 23% to £5.7 million, of which £1.6 million of revenue derived from recurring maintenance (2006: £1.3 million). The revenue composition is summarised in the table below:

	2007 £ m	%	2006 £ m	%
Licences	2.3	40%	1.9	41%
Maintenance	1.6	28%	1.3	29%
Services	1.8	32%	1.4	30%
Total	5.7	100%	4.6	100%

The gross margin of 58% remained consistent with the 2006 level of 59%.

Selling and administrative expenses increased to £3.0 million from £2.3 million. This included impairment charges for goodwill of £0.07 million (2006: £0.29 million) and reorganisation costs of £0.15 million (2006: £-). The overall increase was largely as a result of the increased investment in building the Group's routes to market.

Operating profits before reorganisation costs of £0.47 million were consistent with 2006 (2006: £0.47 million), representing an adjusted operating margin of 8% (2006: 10%). Operating profits after reorganisation costs were £0.32 million (2006: £0.47 million), representing an operating margin of 6% (2006: 10%).

Finance Income

Interest income from the Group's cash resources amounted to £0.32 million in the year (2006: £0.17 million), the increase arising from greater cash balances and higher average interest rates earned in the year.

Tax

The corporation tax charge for the year was £0.15 million (2006: £0.18 million), representing an effective tax rate of 24% (2006: 28%). The Group has no tax losses available for offset of future profits.

Earnings and dividends

Profit before tax of £0.64 million remained consistent with 2006 (2006: £0.64 million). Profit after tax was £0.49 million (2006: £0.46 million).

The weighted average number of shares in issue increased to 26.74 million (2006: 26.05 million) following a Placing of one million shares to Paul Fullagar in July 2007 and a number of small share option exercises in the year. Basic earnings per share increased to 1.82 pence from 1.76 pence per share in 2006.

The proposed final dividend for the year has increased to 1.1 pence per share (2006: maiden dividend of 1 pence per share), representing dividend growth of 10%. If approved at the forthcoming Annual General Meeting, the dividend will be paid on 20 May 2008 to members whose names appear on the register at the close of business on 18 April 2008.

Balance sheet

Goodwill has reduced to £0.24 million from £0.31 million. All expenditure in the year on research and development was expensed as incurred.

Trade and other receivables decreased to £2.03 million from £2.40 million. Payables decreased to £2.15 million from £2.34 million.

Cashflow

Operating cash flow at £0.6 million (2006: £1.2 million) continued ahead of the operating profit of £0.3 million (2006: £0.5 million). Cash resources at the end of the year increased to £6.0 million (2006: £4.9 million) and compared to cash resources at 29 February 2008 of £6.7 million.

Risk

The principal credit risk faced by the Group relates to trade receivables. This risk is much reduced because the Group's principal customers are large financial institutions, banks or companies. A significant proportion of the Group's revenues and expenses are denominated in pounds sterling. The Group has limited exchange risk and has not entered into any forward exchange contracts during the year.

International Financial Reporting Standards (IFRS)

Consistent with the interim financial statements, these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. This has changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles ("UK GAAP"). The impact of transition to IFRS is detailed within the selected notes attached.

Tony Ratcliffe
Finance Director

Consolidated Income Statement

For the year ended 31 December 2007

	2007	2006
	£'000	£'000
Revenue	5,711	4,636
Cost of sales	(2,401)	(1,894)
Gross profit	3,310	2,742
Selling and administrative expenses	(2,988)	(2,273)
Operating result	322	469
Finance income	317	169
Profit for the year before taxation	639	638
Tax expense	(153)	(180)
Net profit for the year	486	458
Attributable to shareholders of Brady plc	486	458
Earnings per share (pence)		
Basic	1.82	1.76
Diluted	1.64	1.69

Consolidated Balance Sheet

31 December 2007

	2007	2006
	£'000	£'000
Assets		
Non-current assets		
Goodwill	243	314
Long-term financial assets	15	15
Property, plant and equipment	287	139
	<u>545</u>	<u>468</u>
Current assets		
Trade and other receivables	2,031	2,401
Cash and cash equivalents	5,957	4,917
Total	<u>7,988</u>	<u>7,318</u>
Total assets	<u><u>8,533</u></u>	<u><u>7,786</u></u>
Equity		
Share capital	274	262
Share premium account	3,762	3,121
Merger reserve	680	680
Equity reserve	216	161
Capital reserve	1	1
Retained earnings	1,447	1,223
Total Equity	<u>6,380</u>	<u>5,448</u>
Liabilities		
Current		
Trade and other payables	1,778	2,031
Current tax payable	375	307
	<u>2,153</u>	<u>2,338</u>
Total liabilities	<u>2,153</u>	<u>2,338</u>
Total equity and liabilities	<u><u>8,533</u></u>	<u><u>7,786</u></u>

Consolidated Statement of Changes in Equity

31 December 2007

Equity attributable to shareholders of Brady plc:

	Share capital	Share premium account	Merger reserve	Equity reserve	Capital reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2006	260	3,062	680	70	1	765	4,838
Profit for the year and total recognised income and expenditure for the year	-	-	-	-	-	458	458
Allotment of shares following exercise of share options	2	59	-	-	-	-	61
Increase in equity reserve in relation to options issued	-	-	-	91	-	-	91
Balance at 31 December 2006	262	3,121	680	161	1	1,223	5,448
Profit for the year and total recognised income and expenditure for the year	-	-	-	-	-	486	486
Dividends	-	-	-	-	-	(262)	(262)
Increase in equity reserve in relation to options issued	-	-	-	55	-	-	55
Allotment of shares following placing of shares	10	590	-	-	-	-	600
Allotment of shares following exercise of share options	2	51	-	-	-	-	53
Balance at 31 December 2007	274	3,762	680	216	1	1,447	6,380

Consolidated and Company Cash Flow Statement

For the year ended 31 December 2007

	2007	2006
	£'000	£'000
Operating activities		
Profit for the year after tax	486	458
Depreciation of property, plant and equipment	103	80
Impairment charges of intangible assets	71	287
Interest receivable	(317)	(169)
Employee equity settled share options	55	91
Changes in trade and other receivables	255	(1,132)
Change in trade and other payables	(185)	1,250
Taxes refunded	115	327
Cash in flow from operating activities	583	1,192
Investing activities		
Additions to property, plant and equipment	(251)	(110)
Interest received	317	169
Cash in flow from investing activities	66	59
Financing activities		
Proceeds from share issues	653	61
Dividends paid	(262)	-
Cash in flow from financing activities	391	61
Net changes in cash and cash equivalents	1,040	1,312
Cash and cash equivalents, beginning of year	4,917	3,605
Cash and cash equivalents, end of year	5,957	4,917

Selected explanatory notes:

1. Nature of operations and general information

Brady plc and its subsidiaries' principal activity is the provision of trading, risk management and settlement solutions to the metals and commodities industries, through the delivery of customer focused software and services

The Group provides the leading trading and risk management software for global commodity markets. On a single platform, the Group provides a complete integrated solution supporting entire commodities trading operations.

Brady plc, a limited liability company, is the Group's ultimate parent company. It is registered in England and Wales. The address of Brady plc's registered office, which is also its principal place of business, is 281 Cambridge Science Park, Milton Road, Cambridge, CB4 0WE. Brady plc's shares are listed on the London Stock Exchange's Alternative Investment Market (AIM). Brady plc's consolidated full year financial statements are presented in British pounds (£), which is also the functional currency of the ultimate parent company

2. Accounting policies and changes thereto

Basis of preparation

The financial information included in this report does not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. The financial information contained in this statement has been extracted from the 2007 financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 237 of the Companies Act 1985.

These condensed consolidated preliminary financial statements have been prepared in accordance with IFRS as adopted by the European Union and under the historical cost convention. The policies have changed from the previous year when the condensed consolidated preliminary financial statements were prepared under applicable UK GAAP. The comparative information has been restated in accordance with IFRS. The measurement bases and principal accounting policies for the Group are set out below:

Basis of consolidation

The consolidated financial statements consolidate those of the Company and of its subsidiary undertakings at the balance sheet date. Subsidiary undertakings are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the activities, which is considered to represent control. The Group obtains and exercises control through voting rights.

Profits or losses on intra-Group transactions are eliminated in full. Acquisitions of subsidiaries are dealt with by the purchase method.

Business combinations

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Acquisition costs are the fair values at the date of exchange of assets given liabilities incurred or assumed and equity instruments issued by the Group in exchange for control and any costs directly attributable to the business combination.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, then the identifiable assets, liabilities, contingent liabilities and the cost of combination are re-assessed. Following the re-assessment, any profit or loss in excess is recognised immediately.

The Group has elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations prior to the date of transition, 1 January 2006. Accordingly the classification of the combination remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition as they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement.

When Brady plc acquired Colplan Systems Limited in 2004, there was a share-for-share exchange. The UK GAAP merger relief criteria were met and so a merger reserve was recognised. Due to the election not to apply IFRS 3 *Business Combinations* retrospectively to business combinations prior to the date of transition, the merger reserve has remained unchanged on transition to IFRS.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired and is capitalised.

Goodwill is subject to annual impairment testing. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the related cash flows. The recoverable amount is tested annually or when events or changes in circumstances indicate that it may be impaired. The recoverable amount is the higher of the fair value less costs and the value in use in the Group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount. In determining a value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the goodwill that have not already been included in the estimate of future cash flows.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, then the identifiable assets, liabilities, contingent liabilities and the cost of combination are re-assessed. Following the re-assessment, any profit or loss in excess is recognised immediately.

Goodwill previously written-off under UK GAAP prior to the adoption of IFRS for the restated balance sheet of 1 January 2006 has not been reinstated. Goodwill previously written off to reserves is not written back to profit or loss on subsequent disposal.

Revenue

Revenue comprises the value of sales (excluding trade discounts and VAT) of goods and services in the normal course of business. The Group has four sources of revenue and the policy on revenue recognition of each is as follows:

- Licence fee revenues are recognised on practical acceptance of the software, when all obligations have been substantially completed. This is when the customer has accepted the product, the risks and rewards of ownership have been transferred, it is probable that the economic benefits of the transaction will flow to the Group, all costs and revenue in relation to the transaction can reliably be measured and the Group has no further managerial involvement over the goods to the degree usually associated with ownership. To the extent that payments have been received in advance for licences, where practical acceptance has not yet been reached, these amounts are recognised as deferred income;

- Consulting and professional service fee revenues are recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits of the work performed will flow to the Group and the costs involved in providing the service can be measured reliably;
- Maintenance and rental income are recognised by reference to the stage of completion of the transaction at the balance sheet date, the costs to fulfil the remaining maintenance or rental period can be measured reliably, the amount of revenue can be measured reliably and it is probable that the maintenance or rental period will be completed; and
- Where revenue arises from customer specific-software development, or where specific customisation or modification of the software is required, then revenue is recognised as the revenue and costs of the contract progresses, the stage of completion of the contract can be reliably measured and it is probable that the remaining obligations on the project will be satisfied and so economic benefits will flow to the Group.

Interest

Interest is recognised using the effective interest method, which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying value of the financial asset.

Dividends

Dividends are recognised when the shareholders' right to receive payment is established.

Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred are capitalised only when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use the asset or sell it;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation are expensed as incurred. Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Directors. To date, no development expenditure has been capitalised.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment, if applicable. Depreciation is calculated to write off the depreciable amount (cost less residual value) of all property, plant and equipment by equal instalments over their expected useful economic lives. The rates generally applicable are:

- Improvements to property 25% on cost
- Computer equipment 33% on cost
- Computer software 33% on cost
- Fixtures and fittings 25% on cost

Material residual value estimates are updated as required, but at least annually. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

Financial assets

Financial assets are divided into the following categories: loans and receivables; available-for-sale financial assets; and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the statement of changes in equity. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The designation of financial assets is re-evaluated and an assessment for impairment is undertaken at least at each balance sheet date.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of direct issue costs.

At each balance sheet date all financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is de-recognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the income statement.

The Group has taken advantage of the exemption of IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS.

Employee benefits

Defined contribution pension scheme: The pension cost charged against operating profits is the contributions payable to the group personal pension scheme in respect of the accounting period.

Short-term employee benefits, including holiday entitlement are included in current pension and other employee obligations at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

Share options

All share-based payment arrangements granted that had not vested prior to 1 January 2006 are recognised in the financial statements. The Group operates a number of employee share schemes under which it makes

equity-settled share-based payments to certain employees. None of the Group's plans feature any options for a cash settlement.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined by reference to the fair value of equity instruments issued by the Group. The fair value of these instruments (options) is determined using the binomial valuation model. The share-based payment is recognised as an expense in the income statement, together with a corresponding credit to a share-based payment reserve in equity. This expense is incurred on a straight-line basis based on the Group's estimate of the number of shares that will vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded in the share premium account.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium account" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- "Merger reserve" represents the merger reserve set up in relation to the accounting for the acquisition of Colplan Systems Limited in 2004 that was present under UK GAAP and exempt from reclassification on transition to IFRS;
- "Capital reserve" represents the capital reserve set up to account for shares redeemed or purchased wholly out of distributable profits that was present under UK GAAP and exempt from reclassification on transition to IFRS;
- "Equity reserve" represents the reserve in relation to share options issued but not yet exercised; and
- "Retained earnings" represents retained profits.

Transition to IFRS

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. The Group established its IFRS accounting policies on its transition date, 1 January 2006, and applied these to the IFRS opening balance sheet at its date of transition, 1 January 2006. The principal changes to UK GAAP accounting policies are:

IFRS 3 *Business Combinations* requires that goodwill be subject to annual impairment reviews rather than amortisation. IFRS 3 also prohibited the amortisation of goodwill, resulting in a reversal of 2006 amortisation previously recognised under UK GAAP. Amortisation pre-transition is not reversed, in line with the IFRS 1 exemption applied to pre-transition business combinations.

IAS 19 *Employee Benefits* requires the recording of holiday pay accruals. This means that the Group has recognised a liability at the balance sheet date in respect of holiday not taken by employees.

The net effect in the Consolidated Income Statement for the comparative year may be summarised as follows:

	2006
	£'000
<u>Selling and administrative expenses:</u>	
Under UK GAAP	2,106
Elimination of amortisation of goodwill	(127)
IAS36 <i>Impairment of Assets</i>	286
IAS19 <i>Employee Benefits</i>	8
Restated under IFRS	<u>2,273</u>
	2006
	£'000
<u>Net profit for the year:</u>	
Under UK GAAP	625
Elimination of amortisation of goodwill	127
IAS36 <i>Impairment of Assets</i>	(286)
IAS19 <i>Employee Benefits</i>	(8)
Restated under IFRS	<u>458</u>

The net effect on the Consolidated Balance Sheet as at 1 January 2006 may be summarised as follows:

	Under UK GAAP	IAS36 Impairment of assets	IAS19 Employee benefits	Restated under IFRS
	£'000	£'000	£'000	£'000
Assets				
Non-current				
Goodwill	939	(338)	-	601
Long-term financial assets	15	-	-	15
Property, plant and equipment	109	-	-	109
	<u>1,063</u>	<u>(338)</u>	<u>-</u>	<u>725</u>
Current				
Trade and other receivables	1,290	-	-	1,290
Cash and cash equivalents	3,605	-	-	3,605
	<u>4,895</u>	<u>-</u>	<u>-</u>	<u>4,895</u>
Total assets	<u>5,958</u>	<u>(338)</u>	<u>-</u>	<u>5,620</u>
Equity				
Share capital	260	-	-	260
Share premium account	3,062	-	-	3,062
Merger reserve	680	-	-	680
Equity reserve	70	-	-	70
Capital reserve	1	-	-	1
Retained earnings	1,135	(338)	(32)	765
Total Equity	<u>5,208</u>	<u>(338)</u>	<u>(32)</u>	<u>4,838</u>
Liabilities				
Non-current				
Provision for liabilities	3	-	-	3
Current				
Trade and other payables	747	-	32	779
Total liabilities	<u>750</u>	<u>-</u>	<u>32</u>	<u>782</u>

Total equity and liabilities	5,958	(338)	-	5,620
-------------------------------------	-------	-------	---	-------

The net effect on the Consolidated Balance Sheet as at 31 December 2006 may be summarised as follows:

	Under UK GAAP	IAS36 Impairment of assets	IAS19 Employee benefits	Restated under IFRS
	£'000	£'000	£'000	£'000
Assets				
Non-current				
Goodwill	811	(497)	-	314
Long-term financial assets	15	-	-	15
Property, plant and equipment	139	-	-	139
	<u>965</u>	<u>(497)</u>	<u>-</u>	<u>468</u>
Current				
Trade and other receivables	2,401	-	-	2,401
Cash and cash equivalents	4,917	-	-	4,917
	<u>7,318</u>	<u>-</u>	<u>-</u>	<u>7,318</u>
Total assets	<u>8,283</u>	<u>(497)</u>	<u>-</u>	<u>7,786</u>
Equity				
Share capital	262	-	-	262
Share premium account	3,121	-	-	3,121
Merger reserve	680	-	-	680
Equity reserve	161	-	-	161
Capital reserve	1	-	-	1
Retained earnings	1,760	(497)	(40)	1,223
Total Equity	<u>5,985</u>	<u>(497)</u>	<u>(40)</u>	<u>5,448</u>
Liabilities				
Current				
Trade and other payables	1,991	-	40	2,031
Current tax payable	307	-	-	307
Total liabilities	<u>2,298</u>	<u>-</u>	<u>40</u>	<u>2,338</u>
Total equity and liabilities	<u>8,283</u>	<u>(497)</u>	<u>-</u>	<u>7,786</u>

The impairment charge recognised against goodwill on transition to IFRS on 1 January 2006 was £338,000. The impairment charge incurred against goodwill in 2006 was £286,000.

The transition to IFRS has not involved any material adjustments to the cash flow statement, except for the revised presentation.

IFRS exemptions

IFRS1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These financial statements have been prepared on the basis of taking the following exemptions:

- Business combinations prior to 1 January 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 *Business Combinations*;

- Cumulative translation differences on foreign operations are deemed to be nil at 1 January 2006, any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date; and
- IFRS 2 Share based Payment has only been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

For further information, please refer to Brady plc's Consolidated Financial Statements 2006, which have been filed with the Registrar of Companies and are available on the Companies website, www.bradypkc.com

3. Segment analysis

The Group has one principal activity and makes sales to a variety of global destinations. An analysis of sales revenue by geographical market is given below:

	2007	2006
	£'000	£'000
United Kingdom	2,350	2,259
Rest of Europe	750	487
North America	2,503	1,763
Rest of World	108	127
	5,711	4,636

Within this one activity, the Group generates revenue from software licence sales, recurring maintenance fees and the provision of consulting and development services. Revenues can be analysed as below:

	2007	2006
	£'000	£'000
Software licence sales	2,282	1,880
Recurring maintenance fees	1,582	1,323
Consulting services	1,185	1,210
Development services	662	223
	5,711	4,636

The management of the Group do not analyse the net assets according to revenue type.

4. Share issues

The Company made allotments of 166,000 ordinary 1p shares during the year on the exercise of various share options and issued 1,000,000 ordinary 1p shares at a price of 60p per share in relation to a placing of shares to Paul Fullagar. This increased the Company's ordinary shares issued and fully paid at the end of the year by 1,166,000 (2006: 57,149).

5. Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Brady plc divided by the weighted average number of shares in issue during the year. All earnings per share calculations relate to continuing operations of the Group.

Profits	Weighted	Basic profit
attributable to	average number	per share
shareholders	of shares	amount in
£'000	£'000	pence
2,282	1,166,000	1.96
1,582	1,000,000	1.58
1,185	1,166,000	1.01
662	1,166,000	0.57
5,711	4,498,000	1.27

Year ended 31 December 2007	486,000	26,742,316	1.82
Year ended 31 December 2006	458,000	26,054,202	1.76

The calculation of the diluted earnings per share is based on the profits attributable to the shareholders of Brady plc divided by the weighted average number of shares in issue during the year, as adjusted for dilutive share options. All earnings per share calculations relate to continuing operations of the Group.

	Dilutive options	Anti-dilutive options	Diluted profit per share amount in pence
Year ended 31 December 2007	2,852,423	200,000	1.64
Year ended 31 December 2006	1,117,444	1,204,000	1.69

The reconciliation of average number of ordinary shares used for basic and diluted earnings per share is as below:

	2007	2006
Weighted average number of ordinary shares used for basic earnings per share	26,742,316	26,054,202
Weighted average number of ordinary shares under option	2,852,423	1,117,444
Weighted average number of ordinary shares used for diluted earnings per share	29,594,739	27,171,646

6. Dividends

	2007 £'000	2006 £'000
Dividend on ordinary shares proposed after the year end	301	262

During 2007, Brady plc paid dividends of £262,000 to its shareholders (2006: £nil). This represented a payment of 1 pence per share (2006: nil).

The Directors propose the payment of a dividend in 2008 of £301,000 equating to 1.1 pence per share (2007: £262,000 equating to 1 pence per share). As the distribution of dividends by the Company requires approval of the shareholders, no liability in this respect is recognised in the 2007 consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the Group level.

7. Post balance sheet events

On 2 January 2008, Geoffrey Bicknell and Patrick Brazell joined Brady plc as Non-Executive Directors following the retirement of Neil McArthur and Graham Simister on 31 December 2007.

8. Financial Statements

Copies of the annual return and accounts will be posted to shareholders shortly and will be available from the Company's registered office at 281 Cambridge Science Park, Milton Road, Cambridge, CB4 0WE and on the Company's website www.bradypc.com