

10 March 2010

**Brady plc**  
**(“Brady”, “the Company” or “the Group”)**

**PRELIMINARY RESULTS**  
**For the year ended 31 December 2009**

Brady, the leading provider of trading, risk management and settlement solutions to the metals and commodities industries, is pleased to announce its preliminary results for the year ended 31 December 2009.

Financial Summary:

	<b>2009</b>	<b>2008</b>	
	<b>£'000</b>	<b>£'000</b>	<b>% Change</b>
Sales revenue	<b>8,185</b>	6,167	33%
Operating profit	<b>998</b>	698	43%
Profit before taxation	<b>1,043</b>	1,039	-
Profit after taxation	<b>1,056</b>	750	34%
Cash and cash equivalents	<b>5,868</b>	7,828	(25%)
	<b>pence</b>	pence	
Basic earnings per share	<b>3.77</b>	2.73	38%
Diluted earnings per share	<b>3.61</b>	2.67	33%

Financial Highlights:

- Sales revenue up 33% to £8.2 million compared to £6.2 million for 2008, including recurring maintenance revenues of £2.9 million compared to £2.1 million for 2008
- Operating profit before exceptional item up 63% to £1.1 million compared to £0.7 million for 2008 and profit before taxation and exceptional item up 14% to £1.2 million compared to £1.0 million for 2008 in spite of significantly reduced interest income earned from cash balances
- Profit after taxation but before exceptional item up 59% to £1.2 million compared to £0.8 million for 2008 following R&D tax credit claims
- Earnings per share before exceptional item up 56% to 4.27 pence per share compared to 2.73 pence per share for 2008
- Proposed final dividend up 8% to 1.3 pence per share compared to 1.2 pence per share for 2008
- Strong balance sheet with £5.9 million of net cash (equivalent to 21 pence per share) after investing activities totalling £2.2 million in the year and net cash of £6.1m million at 28 February 2010 (equivalent to 22 pence per share)

Operational Highlights:

- Six significant new Trinity licence agreements signed in 2009, including contracts with global metals powerhouses in South America, a major deal with a global metals client in Japan and a landmark deal with a significant gold clearer
- Successful integration and strong performance of the Comsoft acquisition

- Nine more clients have reached project acceptance or have gone live in 2009

Paul Fullagar, Chairman of Brady plc, commented:

“The Group has continued to deliver strong growth in both revenue and profitability in 2009. This demonstrates ongoing success executing the business plan set out in 2008.

Growth has been achieved across all our revenue streams - recurring maintenance, licences and associated services and development, and in both the organic business and the Commodities Software (UK) Ltd (“Comsoft”) acquisition. We have been very pleased with the progress of Comsoft, completed in January 2009, which continues to out-perform our initial expectations. The Group has generated a strong performance with improved operating margins, despite the challenging economic conditions, and has also generated increased profit after taxation in spite of much reduced interest income on cash balances held.”

For further information please contact:

Brady plc

Gavin Lavelle, Chief Executive Officer  
Tony Ratcliffe, Finance Director

Telephone: +44(0)1223 479479

Cenkos Securities Limited

Ivonne Cantu / Alex Aylen

Telephone: +44 (0)20 7397 8900

Buchanan Communications

Tim Thompson / Nicola Cronk

Telephone: +44 (0)20 7466 5000

**About Brady**

Brady plc (BRY.L) is a leading global provider of trading and risk management software to the global commodity markets. On a single platform Brady combines fully integrated and complete solutions supporting the entire commodity trading operation, from capture of financial and physical trading, through risk management, handling of physical operations, back office financials and treasury settlement, for refined and unrefined metals. Brady has more than 20 years of expertise in the commodity markets with 60 customers worldwide, including some of the largest financial institutions and mining corporations that depend on Brady's software solutions to deliver vital business transactions across their global operations. Brady clients include many of the world's largest miners, refiners and producers, tier one banks and a large number of London Metal Exchange (LME) Category 1 and 2 clearing members. For further information visit: [www.bradyplc.com](http://www.bradyplc.com)

## **CHAIRMAN'S STATEMENT**

The Group has continued to deliver strong growth in both revenue and profitability in 2009. This demonstrates ongoing success executing the business plan set out in 2008.

Growth has been achieved across all our revenue streams - recurring maintenance, licences and associated services and development, and in both the organic business and the Commodities Software (UK) Ltd ("Comsoft") acquisition. We have been very pleased with the progress of Comsoft, completed in January 2009, which continues to out-perform our initial expectations. The Group has generated a strong performance with improved operating margins, despite the challenging economic conditions, and has also generated increased profit after taxation in spite of much reduced interest income on cash balances held.

### **Board Change**

With effect from 30 September 2009, Dr. Robert Brady moved from Chief Technology Officer to become a Non-Executive Director of the Company. He remains a major shareholder in the Company.

Geoff Bicknell has announced his intention to retire from the Board with effect from the date of the forthcoming Annual General Meeting. He has made a substantial contribution to the Board and we wish to record our grateful thanks.

### **People**

I would like to thank all of our Directors and employees for their efforts during the past busy year in delivering this successful growth and strong performance. Their commitment, loyalty and support continues to be much appreciated and will be vital to deliver further positive progress.

### **Conclusion**

The Group has built a world leading position within the metals and mining sector and remains well placed to continue to build on this. It has a strong product offering, enhanced in the year with the Comsoft offering, a solid balance sheet and has continued to build a world class customer base and an excellent reputation. The year has brought notable success following the ongoing investment in the Group's routes to market, delivery capability, product management and latest technologies. The Board is also pleased to see strong performance from the Comsoft acquisition.

The Board continues to see attractive market opportunities and despite the general economic conditions. The Group has a clear strategy and looks forward to building on the momentum achieved in 2009. The Group has a strong customer pipeline and is focussed towards securing a combination of additional licence business and service engagements from existing clients, as well as business from new clients. Economic conditions remain difficult and, naturally, it remains challenging to forecast accurately the timing of new deals. However, the Board remains committed to the Group's ability to deliver on market expectations. To complement the anticipated organic growth, the Group will continue to look for further opportunities to use its strong balance sheet to enhance its product and customer base through selective acquisitions.

I look forward to reporting further progress.

**Paul Fullagar**  
**Chairman**

## **CHIEF EXECUTIVE'S REVIEW**

In a challenging year for global markets, I am very pleased to announce strong growth from the Group. We have won major business around the globe, with some of the best names in the marketplace. We have an excellent product, a first class team and a unique opportunity to grow and maintain a world leading position within our chosen markets. This should create significant value for our shareholders.

I am pleased to provide a summary of the financial and operational highlights in 2009, together with a more detailed outlook for 2010:

### **Financial Highlights (before exceptional item)**

- Group revenues increased by 33% to £8.2 million (2008: £6.2 million), which included £2.8 million of recurring maintenance revenues (2008: £2.1 million), comprising 35% of total revenues;
- Operating profit before exceptional item increased by 63% to £1.1 million (2008: £0.7 million). Profit before taxation increased by 14% to £1.2 million (2008: £1.0 million) in spite of reduced interest income received on cash balances;
- Profit after taxation increased by 59% to £1.2 million (2008: £0.8 million) following R&D tax credit claims;
- Basic earnings per share before exceptional item have increased by 56% to 4.27 pence (2008: 2.73 pence). On a fully diluted basis this equates to an increase of 53% to 4.09 pence (2008: 2.67 pence); and
- Net cash resources at the end of the year were £5.9 million, after investing activities of £2.2 million, contributing to a very strong balance sheet.

These financial highlights are discussed in more detail in the Financial Review.

### **Operational Highlights**

2009 has seen a number of successful commercial activities:

- In total six significant new licence deals were signed in 2009, including the first global deal with a company headquartered in Japan and the Group's first deals in South America with a leading mining company;
- Nine new Trinity clients have either accepted or gone live; and
- Successful integration and strong performance of the Comsoft acquisition.

These highlights are reviewed in more detail below.

### **New Contracts**

The Group has announced six significant new licence contracts in 2009. In March 2009 Xstrata Copper, one of the commodity business units within the major global diversified mining group Xstrata plc, selected Brady's Aquarius solution to supply the organisation's metal trading business, both in Dubai and Argentina. Xstrata Copper is the world's fourth largest copper producer with mining and processing facilities located in Australia, Chile, Peru, Argentina and Canada. These deals represented the Group's first sale of Aquarius since Brady acquired the specialist metals trading technology through its acquisition

of Comsoft in January 2009. In the second half of 2009 the Group further extended this relationship by signing two further significant licence deals with Xstrata, in Chile and Peru. These deals demonstrate the commercial potential of providing an integrated single-source solution for trading, risk management and complete contract management of raw materials, including contract capture, invoicing, QP schedule, mark-to-market, assaying, hedging, financing and credit and market risk. The deals also endorse the strong value and global relevance of the intellectual property acquired and the strong potential to up-sell within major global accounts. The Aquarius solution is also being implemented by Asarco, a fully integrated miner, smelter and refiner of copper, in the United States.

The Group signed a further significant licence deal with a leading global investment bank and member of London Precious Metals Clearing Limited who signed a contract to use Brady's technology for precious metals inventory management and connection to the Aurum clearing system.

Finally, the Group signed a significant licence deal with Japan's largest general trading company, who signed a contract to extend the use of Brady's trading and risk technology to include all of their global trading of both physical and derivative precious metals.

These new contracts also demonstrate the Group's ability to provide solutions to address the increasing focus on gold.

### **Delivery**

The Group recognises the need to not only acquire new business, but to successfully install and deliver its solutions to its clients and to provide them with ongoing support. This has been shown on a global basis with nine clients reaching project acceptance or going live, including clients in Europe, North and South America, the Middle East and Asia. The Group established a US-based service team in 2008 and further expanded this in 2009. Following the successful establishment of a sales presence in Asia during 2009, the Group intends to create a local service organisation in the region during 2010. We continue to believe the rewards will be maximised by having sales and service personnel located close to our key customers.

### **Acquisition**

The Group completed its acquisition of Comsoft in January 2009. The Aquarius solution is one of the world's leading raw materials trading systems, with substantial intellectual property developed over 25 years. The addition of this raw materials capability has provided Brady with the ability to offer clients the ability to manage raw material contracts from mines through to refined products and associated derivative hedges. In conjunction with Brady's existing risk management expertise, we believe this makes Brady the only company able to provide full trading and risk capability for metals trading companies, whether they are producers, fabricators, trading companies, hedge funds, banks or brokers. Comsoft has some of the best trading companies in the world using the Aquarius product, a testimony to the very strong intellectual property and expertise within the personnel.

The team has been successfully integrated within Brady and has already doubled in size in order to support the growth in the business that has already been secured. The revenues attributable to Comsoft represents significant out-performance compared to both the level of business Comsoft achieved prior to its acquisition and to the Board's expectation for performance in 2009. The Group has good visibility of service work into 2010 and intends to further increase headcount in order to support the level of business already secured and anticipated to follow. The integration of the Group's Trinity offering with Comsoft's Aquarius offering is ongoing.

In addition, the Group was involved in the potential acquisition of another company during the year. Following disagreements over price, the Board decided it was in the best interest of shareholders to withdraw the Group's offer. The Group remains active in seeking potential further opportunities to enhance its product and customer base through selective acquisitions.

## **Strategy and Operations**

The Group has demonstrated that it can secure contracts with some of the very best customer names in the world. With this in mind, the Group has steadily built its presence in North America to service local clients, with 31% of total revenue coming from the Americas. The Group also opened an office in Singapore in the year and has demonstrated early sales success, with Asia and rest of the world generating 24% of total revenue. The Group is optimistic that the demand for raw materials from South East Asia will continue to drive growth in sales for our solutions. To further service our clients, the Group has been working strategically with a world leading system integrator to ensure that all clients' service needs can be met, from business process re-engineering, through to project management, system integration and data migration, in any language and in any time zone.

The Group continue to use Microsoft and Oracle technologies and have been using the very latest offerings, including Silverlight, web services, C#, .Net and Oracle 11g.

The Group is encouraged to see a more advanced pipeline which, in monetary terms, has also increased in the last twelve months and confirms a general trend towards higher value licence deals. The Group is well placed to continue to deliver growth, with six quota carrying sales posts, compared to two that were in place prior to the reorganisation and the new strategy that was implemented in 2008.

The Group has continued to invest significantly in product development aimed to addressing identified market needs, most notably in functionality that supports a SMART interface for the London Metal Exchange ("LME"), increasing trade automation, physical gold trading and enhanced value at risk capability.

## **Market**

Brady's focus is on the commodities markets in general, with a particular expertise on metals, both base and precious, including gold. These markets have continued to receive attention from the investors worldwide given the dramatic price volatility. Despite some sharp falls in 2009, many metals prices are now higher than a year ago. There have been more entrants to the LME which is a core market for the Group, creating an increase in activity in this area, which appears particularly strong relative to other asset classes and bearing in mind the general global situation. A key driver behind the need for new systems is the continued move towards electronic trading, especially in the LME, which has seen growth in LME Select transactions and the introduction of the LME SMART settlement system in late 2009.

Gold prices have stayed strong whilst there has been continued uncertainty within global markets and it remains the ultimate safe haven, providing support to Brady's increased focus on providing gold solutions. Furthermore, there has been much speculation about moving OTC contracts onto exchanges, largely driven by concerns over counterparty risk and subsequent comments from Tim Geithner, the US Treasury Secretary.

The Group believes that recent global economic events are likely to lead to even more regulatory and accounting compliance requirements, which are another key market driver for clients to improve their internal trading and risk management solutions, or to move away from internal legacy systems or spreadsheets.

As a consequence of the recent economic turmoil, the Group did witness a general reduction in the volume of RFP's and RFI's received, particularly in the earlier part of 2009, and has also seen a general delay in clients being able to formally commit to new contracts during 2009. However, the pipeline has grown and there are signals that the pace in market activity is increasing.

## **Summary and Outlook**

The Board is very pleased with the Group's progress in 2009 which, with a successful acquisition, six significant new licence contracts and nine more clients reaching go-live or acceptance, continues to demonstrate the success of the Group's strategy. The investments made in the Group's sales and delivery capability and the increased commercial focus has delivered strong revenue and profitability growth. The Board believes that this is a strong foundation to support further growth in 2010 and beyond.

In spite of generally very challenging business conditions, the Group expects to see further growth in the pipeline and to translate this into the signing of further licence contracts. The economic climate continues to create significant challenges in accurately forecasting the timing and value of new deals and this represents a risk. The Group has stronger visibility into the first half of 2010 than it had a year ago in relation to service and development revenues attached to a number of substantial implementations attached to licence deals secured in 2009. The year is expected to be very busy as we will be working hard to complete the implementations currently underway and to secure new business going forward.

**Gavin Lavelle**  
**Chief Executive**

## FINANCIAL REVIEW

I am pleased to provide a more detailed review of the financial highlights:

### Group Trading Performance (before exceptional item)

Revenue for the year increased by 33% to £8.2 million (2008: £6.2 million). The revenue composition is summarised in the table below:

	2009		2008	
	£ million	%	£ million	%
Licence revenues	2.6	31%	2.1	34%
Recurring maintenance revenues	2.8	35%	2.1	35%
Services and development revenues	2.8	34%	2.0	31%
Total revenue	8.2	100%	6.2	100%

Growth has occurred in all revenue streams but a key focus is increasing the recurring maintenance component, which grew by 33% to £2.8 million from £2.1 million, as a consequence of the Group's larger installed base of live customers.

Licence revenues increased by 21% to £2.6 million from £2.1 million, following the acceptance in the year of the remaining licence deals secured in 2008 and the acceptance of three of the six significant new licence deals secured in 2009. The licence revenue attached to the other three licence deals secured in 2009 has been deferred and is anticipated to be recognised in the first half of 2010.

Finally, professional services and development revenues have increased 46% to £2.8 million from £2.0 million. This substantial increase derived from the increased service work attached to a number of substantially larger new contracts secured in 2009. The Group anticipates that this skew to increased service and development revenue will increase in the early months of 2010, with substantially more visibility of contracted or anticipated service work as the Group enters 2010 than existed at the start of 2009.

Revenue attributable to the Comsoft acquisition was £1.0 million. Excluding the Comsoft acquisition, revenue for the year increased by 17% to £7.2 million from £6.2 million:

	2009		2008	
	£ million	%	£ million	%
Organic, pre-acquisition	7.2	88%	6.2	100%
Comsoft acquisition	1.0	12%	-	-
Total revenue	8.2	100%	6.2	100%

The overall gross margin remained consistent with 2008 at 60%, in spite of a reduced proportion of total revenues being attributable to higher margin licence revenues. This was caused by further improvements achieved in the level of productivity within the services and development teams.

Selling and administrative expenses before exceptional item increased by 27% to £3.8 million, largely as a result of the Comsoft acquisition and the subsequent increase in this team, increased investment in the Group's routes to market and commitments to further invest in delivery and product management. These expenses also include amortisation of intangible assets acquired following the acquisition of Comsoft, amounting to £86,000 (2008: £nil).

As a consequence of the above, operating profits before exceptional item increased substantially in the year, by 63% to £1.1 million (2008: £0.7 million), representing an improved operating margin of 14% (2008: 11%).

### Exceptional Item

Costs of approximately £140,000 were incurred in connection with an aborted acquisition. Due to the one-off nature of these costs, these costs have been separately disclosed and treated as an exceptional item in the Statement of Comprehensive Income. There were no exceptional items in 2008.

### **Finance Income**

Interest income from the Group's cash resources reduced substantially to £45,000 (2008: £341,000) as a result of a significant reduction in interest rates during the year.

### **Tax**

The corporation tax charge for the year was £0.01 million credit (2008: £0.3 million), representing an effective tax rate on profits of -1% (2008: 28%). The reduction reflects the increased benefit from research and development tax credits including enhanced claims made for 2007 and 2008, of which some were paid in early 2010.

### **Earnings and dividends**

Profit before the exceptional item and tax increased to £1.2 million (2008: £1.0 million), representing a profit before exceptional item and tax margin of 14% (2008: 17%). Profit before the exceptional item and after tax increased to £1.2 million (2008: £0.8 million).

Including the exceptional item, profit before tax remained consistent with 2008 at £1.0 million, representing a profit before tax margin of 13% (2008: 17%). Profit after tax increased to £1.1 million (2008: £0.8 million).

The weighted average number of shares in issue increased to 28.0 million (2008: 27.5 million). Basic earnings per share increased to 4.27 pence (or 3.77 pence after the exceptional item) from 2.73 pence per share in 2008. The weighted average number of dilutive share options in issue increased to 3.9 million (2008: 2.6 million) largely as a result in the increase in average share price in the year. Diluted earnings per share increased to 4.09 pence (or 3.61 pence after the exceptional item) from 2.67 pence per share in 2008.

The Board is pleased to propose an increase in the dividend to 1.3 pence per share (2008: 1.2 pence per share). If this is approved by shareholders at the forthcoming Annual General Meeting, the dividend will be paid on 25 May 2010 to members whose names appear on the register at the close of business on 23 April 2010.

### **Balance sheet**

The Group continues to retain a very strong balance sheet, dominated by cash and cash equivalents of £5.9 million and free of debt.

Goodwill increased to £1.5m from £0.2 million following the acquisition of Comsoft. The increase of £1.3m related to the excess of the purchase price over the fair value of the net tangible and intangible assets acquired, as adjusted for deferred tax. The Board believes that the goodwill arising on the acquisition is largely attributable to the incremental sales synergies that can be anticipated to be associated with being part of the Group.

Following a detailed review of the fair value of assets and liabilities acquired from the Comsoft acquisition, in accordance with IFRS3 *Business Combinations* the Group has recognised two intangible assets totalling £0.9 million, which are software and customer contracts. These are both being amortised over their estimated economic lives of ten years. At acquisition, the software was valued at £0.6 million and the customer contracts were valued at £0.3 million. Amortisation in the year amounted to £0.1 million.

As required by IAS38 *Intangible assets* the Group capitalised £0.4 million (2008: £0.2 million) of expenditure in relation to strategic software development programmes. The Group has a continued commitment of enhancing and expanding its offerings and taking its technology forward. The bulk of expenditure incurred during the year on research and development was, however, expensed as incurred.

Net of amortisation to date, the book value of capitalised development costs amounted to £0.6 million at the end of 2009.

Trade and other receivables increased to £1.9 million (2008: £1.8 million) largely as a result of R&D tax credits, of which the first repayments were received in early 2010. Trade and other payables decreased to £2.6 million from £3.4 million. The reduction was partly as a result of decreased current tax payable of £0.3 million and reduced deferred income of £0.5 million. The reduced deferred income was as a result of a reduction in licence revenues signed in the year but included within deferred income at the statement of financial position date to be recognised in the following year. As noted in the Chief Executive's review, this reduction in visibility of licence revenues has been compensated by a greater level of visibility of service and development revenues into the earlier months of 2010, although these revenues are ordinarily paid in arrears rather than in advance, as with licences.

### **Cash flow**

The Group continued to enjoy positive operating cash flow, at £0.3 million (2008: £2.2 million). The reduction was primarily caused by timing differences in relation to changes in trade and other payables, in particular current tax payable and deferred income as discussed above.

The Group incurred substantial investments of £2.2 million (2008: £0.4 million prior to interest income) of which £1.7 million related to the Comsoft acquisition. At the time of completion, the Group placed the full anticipated consideration amounts into an escrow bank account and deducted this whole amount from the Group's balance sheet, even though a number of tranches would only become payable upon the achievement of certain performance targets during the two years following the date of acquisition. As of 31 December, £425,000 remained within the escrow bank account and in January 2010 a further £125,000 of this was released to the vendors of Comsoft.

Net cash at the end of the year decreased to £5.9 million (2008: £7.8 million) primarily due to the investing activities of £2.2 million and compared to net cash at 28 February 2010 of £6.1 million. The Group continues to have no debt.

### **Risk**

The principal credit risk faced by the Group relates to trade receivables, although this risk is mitigated by the fact that the Group's principal customers are large institutions or companies. A significant proportion of the Group's revenues and expenses are denominated in pounds sterling. To a degree the Group has a natural hedge with US dollar payables being broadly similar to US dollar receivables. The Board believes that the Group only has minor exchange risk and has not entered into any forward exchange contracts during the year.

**Tony Ratcliffe**  
**Finance Director**

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	<i>Before exceptional item</i>	<i>Except- ional Item</i>	<i>2009</i>	<i>2008</i>
<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Sales revenue</b>	8,185	-	8,185	6,167
Cost of sales	(3,258)	-	(3,258)	(2,484)
<b>Gross profit</b>	4,927	-	4,927	3,683
Selling and administrative expenses	(3,789)	(140)	(3,929)	(2,985)
<b>Operating profit</b>	1,138	(140)	998	698
Finance income	45	-	45	341
<b>Profit for the year before taxation</b>	1,183	(140)	1,043	1,039
Tax expense, net	13	-	13	(289)
<b>Profit for the year</b>	1,196	(140)	1,056	750
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations	(2)	-	(2)	(19)
<b>Other comprehensive income, net of tax</b>	(2)	-	(2)	(19)
<b>Total comprehensive income for the period</b>	1,194	(140)	1,054	731
Profit for the year, attributable to shareholders of Brady plc	1,196	(140)	1,056	750
<b>Total comprehensive income for the year, attributable to shareholders of Brady plc</b>	1,194	(140)	1,054	731
<b>Earnings per share (pence)</b>	5			
Basic			3.77	2.73
Diluted			3.61	2.67

All of the above relate to continuing operations.

## Consolidated Statement of Financial Position

31 December 2009

	2009	2008
	£'000	£'000
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill	1,502	243
Other intangible assets	1,389	247
Property, plant and equipment	308	301
	<u>3,199</u>	<u>791</u>
<b>Current assets</b>		
Trade and other receivables	1,819	1,526
Accrued income	112	225
Cash and cash equivalents	5,868	7,828
	<u>7,799</u>	<u>9,579</u>
<b>Total assets</b>	<u>10,998</u>	<u>10,370</u>
<b>Equity</b>		
Share capital	283	276
Share premium account	4,075	3,817
Merger reserve	680	680
Equity reserve	257	309
Foreign exchange reserve	(21)	(19)
Capital reserve	1	1
Retained earnings	2,740	1,896
<b>Total equity</b>	<u>8,015</u>	<u>6,960</u>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables	1,535	1,392
Deferred income	970	1,534
Current tax payable	105	484
	<u>2,610</u>	<u>3,410</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	373	-
<b>Total liabilities</b>	<u>2,983</u>	<u>3,410</u>
<b>Total equity and liabilities</b>	<u>10,998</u>	<u>10,370</u>

## Consolidated Statement of Changes in Equity

31 December 2009

### Equity attributable to shareholders of Brady plc:

	<i>Share capital</i>	<i>Share premium account</i>	<i>Merger reserve</i>	<i>Equity reserve</i>	<i>Foreign exchange reserve</i>	<i>Capital reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2008</b>	274	3,762	680	216	-	1	1,447	6,380
Dividends	-	-	-	-	-	-	(301)	(301)
Increase in equity reserve in relation to options issued	-	-	-	93	-	-	-	93
Allotment of shares following exercise of share options	2	55	-	-	-	-	-	57
Transactions with owners	2	55	-	93	-	-	(301)	(151)
Profit for the year	-	-	-	-	-	-	750	750
Other comprehensive income:								
Exchange difference on translation of foreign operations	-	-	-	-	(19)	-	-	(19)
Total comprehensive income for the year	-	-	-	-	(19)	-	750	731
<b>Balance at 31 December 2008</b>	276	3,817	680	309	(19)	1	1,896	6,960
Dividends	-	-	-	-	-	-	(336)	(336)
Increase in equity reserve in relation to options issued	-	-	-	72	-	-	-	72
Exercise and cancellation of share options	-	-	-	(124)	-	-	124	-
Allotment of shares following exercise of share options	7	258	-	-	-	-	-	265
Transactions with owners	7	258	-	(52)	-	-	(212)	1
Profit for the year	-	-	-	-	-	-	1,056	1,056
Other comprehensive income:								
Exchange difference on translation of foreign operations	-	-	-	-	(2)	-	-	(2)
Total comprehensive income for the year	-	-	-	-	(2)	-	1,056	1,054
<b>Balance at 31 December 2009</b>	283	4,075	680	257	(21)	1	2,740	8,015

## Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009	2008
	£'000	£'000
<b>Operating activities</b>		
Profit for the year	1,056	750
Depreciation of property, plant and equipment	174	140
Amortisation of intangible assets	117	-
Impairment of long term financial assets	-	15
Interest receivable	(45)	(341)
Employee equity settled share options	72	93
Changes in trade and other receivables	29	259
Changes in trade and other payables	(479)	1,477
Taxes (paid) or refunded	(585)	(199)
Exchange differences on consolidation	(2)	(19)
<b>Net cash from operating activities</b>	337	2,175
<b>Investing activities</b>		
Acquisition of subsidiary (net of cash acquired)	(1,701)	-
Additions to property, plant and equipment	(179)	(154)
Additions to capitalised development	(391)	(247)
Interest received	45	341
<b>Net cash from investing activities</b>	(2,226)	(60)
<b>Financing activities</b>		
Proceeds from share issues	265	57
Dividends paid	(336)	(301)
<b>Net cash from financing activities</b>	(71)	(244)
Net changes in cash and cash equivalents	(1,960)	1,871
Cash and cash equivalents, beginning of year	7,828	5,957
<b>Cash and cash equivalents, end of year</b>	5,868	7,828

## **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 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 435 of the Companies Act 2006. The financial information contained in this statement has been extracted from the 2009 financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 248 of the Companies Act 2006.

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 measurement bases and principal accounting policies for the Group are set out below:

#### **Changes in accounting policies**

The accounting policies applied by the Group are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2008, except for the adoption of IAS 1 *Presentation of Financial Statements (Revised 2007)* and IFRS 8 *Operating Segments*.

The adoption of IAS 1 *Presentation of Financial Statements (Revised 2007)* does not affect the financial position or profits of the Group, but gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged, however some items that were recognised directly in equity are now recognised in other comprehensive income, for example, revaluation of property, plant and equipment. IAS 1 *Presentation of Financial Statements (Revised 2007)* affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. IAS 1 *Presentation of Financial Statements (Revised 2007)* also requires presentation of a comparative statement of financial position as at the beginning of the first comparative period, in some circumstances. Management considers that this is not necessary this year because the 2007 statement of financial position is the same as that previously published.

#### **Basis of consolidation**

The Group financial statements consolidate those of Brady plc and of its subsidiary undertakings at the statement of financial position 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, unless intra-group losses indicate impairment in which case elimination may not be appropriate. 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.

### **Operating segments**

The Directors believe that the Group has only one segment and therefore there has been no additional disclosure under IFRS 8 *Operating Segments* in the financial statements.

### **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 statement of financial position of 1 January 2006 has not been reinstated. Goodwill previously written off to reserves is not written back to the statement of comprehensive income 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. All revenue is measured at fair value of consideration. 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 as the work is performed provided that 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 is recognised over the period to which it relates provided that the 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 fulfilling the maintenance or service can be measured 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. Full provision is made for losses on contracts in the period in which the loss is first foreseen.

## **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.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce, and prepare the intangible asset to be capable of operating in the manner intended by management. Directly attributable costs comprise employee salary and other employment costs incurred, on a time apportioned basis, on software development. The costs of internally generated software developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired licences. However, until completion of the development project, the assets are subject to annual impairment testing only. Amortisation commences upon completion of the asset, and is shown within selling and administrative expenses in the statement of comprehensive income. The amortisation period for development costs incurred in the Group is five years.

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 statement of financial position date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Directors.

### **Amortisation of intangible assets**

Intangible assets are stated at cost, net of amortisation and any provision for impairment. Amortisation is calculated to write off the cost of all intangible assets over the expected useful economic lives of typically ten years. Following any impairment, the amortisation is based on the revalued amount and, where applicable, the revised useful life.

### **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 statement of financial position date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, 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.

### **Exceptional items**

Exceptional items are those significant items which are separately disclosed by virtue of their size of incidence to enable a full understanding of the financial position. Transactions which may give rise to exceptional items are principally acquisition costs.

### **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 statement of comprehensive income.

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 statement of comprehensive income 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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

The designation of financial assets is re-evaluated and an assessment for impairment is undertaken at least at each statement of financial position 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 statement of financial position 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 statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of comprehensive income 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 into the functional currency of the individual entity within the Group 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 statement of financial position date. All exchange differences are dealt with through the statement of comprehensive income.

The assets and liabilities in the financial statements of foreign subsidiaries and associates and related goodwill are translated at the rate of exchange ruling at the statement of financial position date. Income and expenses are translated at the actual exchange rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries and associates are taken directly to the foreign currency reserve in equity. On disposal of a foreign operation, the cumulative translation differences are transferred to the statement of comprehensive income as part of the gain or loss on disposal.

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 as the risks and rewards of ownership are not transferred. Payments made under leases are charged to the statement of comprehensive income 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 at the grant date 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 statement of comprehensive income, 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;
- "Foreign exchange reserve" represents the exchange difference on consolidation of investments in overseas subsidiaries; and
- "Retained earnings" represents retained profits.

For further information, please refer to Brady plc's Consolidated Financial Statements 2008, which have been filed with the Registrar of Companies and are available on the Companies website, [www.bradyplc.com](http://www.bradyplc.com)

### 3. Segment reporting

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:

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
United Kingdom	2,965	2,592
Rest of Europe	767	528
North America	2,500	2,587
Rest of World	1,953	460
	<u>8,185</u>	<u>6,167</u>

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

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Software licence sales	2,522	2,087
Recurring maintenance fees	2,850	2,147
Consulting services	1,671	1,179
Development services	1,142	754
	<u>8,185</u>	<u>6,167</u>

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

During 2009, £1.0m or 12% of the Group's revenue depended on a single customer in relation to a licence agreement together with associated services and maintenance. In 2008, revenue from no single customers exceeded 10% of the Group's revenue.

#### 4. Share issues

The Company made various allotments of ordinary 1p shares during the year on the exercise of various share options. This increased the Company's ordinary shares issued and fully paid at the end of the year by 717,666 (2008: 210,000).

#### 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. Separate calculations have been prepared for the year ended 31 December 2009 - earnings per share related to the profit before and after the exceptional item.

<i>Year ended</i>	<i>Profits attributable to shareholders</i>	<i>Weighted average number of shares</i>	<i>Basic profit per share amount in pence</i>
31 December 2009 – before exceptional item	1,196,000	28,022,916	4.27
31 December 2009	1,056,000	28,022,916	3.77
31 December 2008	<u>750,000</u>	<u>27,519,550</u>	<u>2.73</u>

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. Separate calculations have been prepared for the year ended 31 December 2009 - earnings per share related to the profit before and after the exceptional item.

<i>Year ended</i>	<i>Dilutive options</i>	<i>Anti-dilutive options</i>	<i>Diluted profit per share amount in pence</i>
31 December 2009 – before exceptional item	1,239,140	300,000	4.09
31 December 2009	1,239,140	300,000	3.61
31 December 2008	<u>541,998</u>	<u>1,244,000</u>	<u>2.67</u>

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

<i>Weighted average number of ordinary shares</i>	<i>2009</i>	<i>2008</i>
used for basic earnings per share	28,022,916	27,519,550
under option	1,239,140	541,998
used for diluted earnings per share	29,262,056	28,061,548

## 6. Dividends

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Proposed dividend on ordinary shares, payable after the year end	368	331

During 2009, Brady plc paid dividends of £336,000 to its shareholders (2008: £301,000). This represented a payment of 1.2 pence per share (2008: 1.1 pence per share).

The Directors propose the payment of a dividend in 2010 of 1.3 pence per share being approximately £368,000 (2008: 1.2 pence per share being approximately £331,000). As the distribution of dividends by the Company requires approval of the shareholders, no liability in this respect is recognised in the 2009 consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the Group level.

## 7. Acquisition

On 9 January 2009 the Company acquired the entire share capital of Comsoft, incorporated in England & Wales. Comsoft provides software for the risk management and administration of raw materials or 'concentrates' for the metals market. Comsoft has been operating since 1994 and its clients are based in Europe and North America. The net assets and liabilities acquired were as follows:

	<i>Book value</i>	<i>Fair value adjustments at acquisition</i>	<i>Fair Value</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Non current assets</b>			
Property, plant and equipment	2	-	2
Intangible assets	-	868	868
<b>Current assets</b>			
Cash and cash equivalents	504	-	504
Accrued income	-	-	-
Trade and other receivables	309	(100)	209
<b>Total assets</b>	815	768	1,583
<b>Liabilities</b>			
Trade and other payables	(394)	-	(394)
Deferred tax liability	-	(243)	(243)
<b>Net assets acquired</b>	421	525	946
Goodwill			1,259
<b>Consideration and cost of investment</b>			2,205
<b>Satisfied by:</b>			
Initial cash consideration			625
Cash consideration in relation to surplus working capital			419
Deferred cash consideration			987
			2,031
Direct costs of acquisition			174
<b>Total consideration</b>			2,205

The fair value adjustment of £100,000 was made to align Comsoft's revenue recognition policies with those of the Group. In addition, following a detailed review of the fair value of assets and liabilities acquired, in accordance with IFRS3 *Business Combinations* the Group has recognised two intangible assets totalling £868,000, which are customer contracts and software, both of which are being amortised over their estimated economic lives of ten years. The customer contracts have been valued at £248,000 and the software has been valued at £620,000.

Goodwill of £1,259,000 represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired. The goodwill arising on the acquisition is largely attributable to the incremental sales synergies anticipated to be associated with being part of the Group.

As part of the acquisition of Comsoft, the Group agreed to pay additional consideration against surplus working capital above an agreed threshold that was retained in the business at completion. Following a completion accounts verification process during the half year period, an amount of £419,000 was paid to the vendors of Comsoft in relation to this surplus working capital.

As part of the acquisition of Comsoft, the Group agreed to pay additional consideration against achievement of certain performance targets during the two years following the date of acquisition. In relation to this, £450,000 was already paid at the date of the statement of financial position, with estimated further amounts payable of £537,000. Of this amount, £425,000 was held within an escrow bank account at the date of the statement of financial position and, although not remitted to the vendors of Comsoft, has been eliminated from the Group's statement of financial position and a further £112,000 is included within current liabilities in the Group's balance sheet. In January 2010, a further £125,000 that was held in the escrow bank account was released to the vendors.

From the date of acquisition to 31 December 2009, Comsoft contributed £985,000 to revenue and £281,000 to profit before taxation and contributed £281,000 to the Group's net operating cash flows. In the last financial year, being the year ended 31 March 2008, Comsoft made a loss before taxation of £57,000 but, adjusting for exceptional amortisation charges and the inclusion of directors' remuneration, Comsoft reported a comparable adjusted profit before taxation of £173,000. From 1 April 2008 to the date of acquisition, Comsoft made a profit before taxation of £353,000 but, adjusting for amortisation charges and the inclusion of directors' remuneration, Comsoft reported a comparable adjusted profit before taxation of £103,000.

## **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.bradypkc.com](http://www.bradypkc.com)