



Interim Results

Six months to June 2007

INTERIM RESULTS
For the six months to 30 June 2007

Brady plc (the “Company” or the “Group”), the international supplier of risk management software solutions for commodity trading and supply chain management, announces its interim results for the six months to 30 June 2007.

Financial Summary:

	(Unaudited) 6 months to 30 June 2007 £'000	(Unaudited) 6 months to 30 June 2006 (as restated) £'000	(Unaudited) Year to 31 December 2006 (as restated) £'000
Sales revenue	2,548	1,719	4,636
Profit / (loss) for the period before taxation	144	(277)	638
Cash and cash equivalents	5,636	3,920	4,917
Basic earnings per share (pence)	0.38	(0.95)	1.76
Diluted earnings per share (pence)	0.35	(0.95)	1.76

Highlights:

- Sales revenue at £2,548,000 increased 48% over the 30 June 2006 level of £1,719,000
- Two new Trinity licence agreements signed in the first half of 2007 and three clients have either reached project acceptance or gone live
- Profit for the period before taxation at £144,000 compared to a restated loss of £277,000 for the first half of 2006, an increase of £421,000
- Profitability in the second half of 2006 continued into the first half of 2007
- £5.6 million of cash resources at 30 June 2007 and £6.1 million at 31 August 2007
- Board enhanced with new Chairman, Non-Executive Director, Chief Executive Officer and Finance Director
- Substantial market opportunity although delay in signing new licence deals in 2007
- Group is re-organising internal resources to ensure sustained revenue growth. 2008 will be a year of building with payback in late 2008 and beyond

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CHAIRMAN'S STATEMENT

Brady is focused on providing solutions that allow its clients to manage risk, streamline operations and meet regulatory requirements within the commodities sectors. The Trinity and Opval products are capable of meeting these customer needs and of providing the Group with significant medium and long-term growth in sales revenues and profitability.

I am pleased to provide a summary of recent Board changes, the financial results for the first half of 2007 and to provide a more detailed outlook for 2007 and 2008:

Board Changes

I am delighted to report that the Company has been able to announce a number of Board changes in recent months:

Gavin Lavelle has just joined as Chief Executive Officer, bringing over 25 years of experience in the international financial software and banking industry, most recently with SunGard.

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

As Non-Executive Directors, Peter Harverson joined as senior independent Non-Executive Director in January and I joined as Chairman in July. On my appointment, I invested £0.6 million in the Company through the issue of 1,000,000 shares at 60p per share.

The Group's founder, Robert Brady, continues to serve the Group as Chief Technology Officer.

The Board is convinced that the recruitment of this new team brings the skills that will be required to take the Group to the next stage, re-aligning it to fulfil its potential and achieve sustained growth in sales revenues and profits.

Financial Results

The first half of 2007 has seen strong trading. The key performance indicators used by the Board to monitor the financial performance of the Group include revenue, profit and cash generation. I am able to report positive performance in all three of these indicators in the first half of 2007.

Group revenues for the six months to 30 June 2007 increased to £2.5 million from £1.7 million for the six months to 30 June 2006, an increase of 48%. Within the total, £0.7 million (28% of total revenue) was recurring support revenue, compared to £0.6 million (37% of total revenue) for the same period in 2006. £0.8 million (32% of total revenue) was for licence sales, compared to £0.5 million (31% of total revenue) for the same period in 2006. This arose primarily from the acceptance of two Trinity projects that were signed in 2006 - with Prudential Bache, a global financial organisation based in New York and with Mitsubishi, a leading trading house in New York, for its precious metals options. In addition, Aleris, a global leader in aluminium products, recycling and alloy production based in Cleveland, US, went live with Trinity for base metals during the period.

Gross profit for the six months to 30 June 2007 increased to £1.2 million from £0.9 million for the six months to 30 June 2006, at a consistent gross margin level of 49%.

Overall profitability in the second half of 2006 has continued into the first half of 2007, with a profit before taxation of £144,000 compared to a restated loss before taxation of £277,000 for the same period in 2006. Profit after taxation was £101,000, compared to a restated loss after taxation of £246,000 for the same period in 2006. Profit before taxation, adjusted for impairment of goodwill, was £215,000 compared to a restated loss before taxation of £134,000 for the same period in 2006.

The effective tax rate of 30% for the period compared to an effective tax rate of 28% for the full year 2006.

Basic earnings per share have increased to 0.38 pence from a restated loss per share of 0.95 pence in the same period of 2006.

The Group's cash balances at 30 June were £5.6 million compared to £3.9 million at 30 June 2006 and £4.9 million at 31 December 2006. Cash balances at 31 August had increased to £6.1 million, primarily as a result of a Placing of ordinary shares raising £0.6 million in July 2007.

Group cash inflows from operating activities increased to £0.9 million compared to £0.3 million for the first half of 2006 and £1.2 million for the full year 2006. The Group is committed to retaining a strong balance sheet and will continue to keep a tight control over cash resources.

2007 Outlook

The Group anticipates completing a number of further Trinity implementations in the second half of 2007 and the revenue associated with these and other activities provides confidence in meeting expectations for 2007 revenue.

The Board anticipates achieving a higher gross margin level in the second half of 2007 compared to the first half of 2007, reflecting a higher proportion of forecasted revenue attributable to licences. The Board anticipates an overall gross margin level for 2007 broadly similar to the level achieved in 2006.

Although the Board will continue to tightly manage its expense base, it is aware that the costs associated with recruiting a new Board and additional team members were not fully anticipated in external expectations of 2007 expenses. This will therefore adversely impact on profits for the full year. The Company is also in the process of re-organising its internal resources to aggressively focus its efforts towards sales order and revenue generation whilst maintaining its strong cash position during this period of change. As a result, the Board anticipates that overall profitability for 2007 will be substantially below external expectations.

2008 Outlook

The metal markets have remained very firm through the first half of 2007. Global growth, driven by expansion in China and India in particular, has increased demand for metals and commodities. For the banks, brokers and hedge funds this is producing record volumes and very profitable trading conditions. Producers are publishing exceptionally strong trading results, whilst strong demand also benefited the fabricators, although this sector had to cope with higher raw material costs.

The Board foresees that these positive market conditions will continue and interest remains strong in the Group's product offerings.

The Board is confident that a number of prospects within the Group's pipeline will move towards close in the coming months. However, following the success in signing seven contracts with Trinity clients in 2006, the Group is disappointed to have signed only two Trinity contracts so far in 2007, which is below the Board's expectation. This has been caused partly by a delay in recruiting the new senior team and establishing a full strength commercial team and partly as a result of the Group's heavy focus on delivering the significant levels of business it secured in 2006, at the expense of seeking new deals. Due to the long lead times associated with Trinity implementations and Brady's conservative accounting policy, the impact of this delay is expected to be seen in 2008 revenues rather than those for 2007. The Group sees limited opportunity to recognise significant licence revenues until the second half of 2008, other than from smaller value Opval deals or additional Trinity licences sold to existing customers. The Group plans to mitigate this effect as far as possible with a focus on generating greater service revenues, particularly from existing clients.

As a consequence of these factors, the Group anticipates delivering a broadly similar level of revenue for 2008 compared to 2007.

The Group recognises the requirement to continue to build its routes to market in order to facilitate success in closing licence deals and maximising revenues within the key European and US territories. The Board strongly believes that this strategic investment is in the best interests of all shareholders and stakeholders. The coming year 2008 is considered to be a year of commercial re-structuring and building, with healthy payback anticipated to commence in late 2008 and beyond with enhanced levels of deal bookings and ultimately revenue recognition.

Conclusion

The new team, in conjunction with the full Board, has undertaken a thorough review of the market opportunity and the Group's strategic and operational plans. I can confirm that, whilst the shorter-term outlook may appear disappointing, the Board continues to see a substantial and attractive market opportunity, with the Company being well positioned to capitalise on its leading position within the metals and mining sector. 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 is excited by the challenge of aggressively seeking and securing new customer opportunities to add to the existing client base, and in delivering attractive organic revenue growth rates. In addition, the Group expects, over time, to become an initiator in the trend to consolidate that is currently being witnessed in the sector. Complementary acquisitions will be identified that further enhance the Group's position in the marketplace and build its critical mass by strengthening its portfolio of offerings and target customers within a number of vertical markets and sectors.

The Board does not recommend the payment of an interim dividend.

Paul Fullagar
Chairman

Consolidated interim income statement

For the six months ended 30 June 2007

		Six months 30 June 2007 (unaudited) £'000	Six months 30 June 2006 (unaudited) (as restated) £'000	Year ended 31 Dec 2006 (unaudited) (as restated) £'000
	Notes			
Sales revenue	4	2,548	1,719	4,636
Cost of sales		(1,300)	(865)	(1,894)
Gross profit		1,248	854	2,742
Selling and administrative expenses		(1,245)	(1,202)	(2,273)
Operating result		3	(348)	469
Finance income		141	71	169
Result for the period before taxation		144	(277)	638
Tax expense, net		(43)	31	(180)
Net result for the period		101	(246)	458
Attributable to shareholders of Brady plc		101	(246)	458
Earnings per share (pence)	6			
Basic		0.38	(0.95)	1.76
Diluted		0.35	(0.95)	1.76

Consolidated interim balance sheet

30 June 2007

	30 June 2007 (unaudited) £'000	30 June 2006 (unaudited) (as restated) £'000	31 Dec 2006 (unaudited) (as restated) £'000
Assets			
Non-current assets			
Goodwill	243	458	314
Other intangible assets	15	15	15
Plant, property and equipment	154	112	139
	<u>412</u>	<u>585</u>	<u>468</u>
Current assets			
Trade and other receivables	1,358	1,719	2,401
Cash and cash equivalents	5,636	3,920	4,917
Total	<u>6,994</u>	<u>5,639</u>	<u>7,318</u>
Total assets	<u>7,406</u>	<u>6,224</u>	<u>7,786</u>
Equity			
Share capital	263	261	262
Share premium account	3,154	3,086	3,121
Merger Reserve	680	680	680
Equity reserve	183	94	161
Capital reserve	1	1	1
Retained earnings	1,062	519	1,223
Total Equity	<u>5,343</u>	<u>4,641</u>	<u>5,448</u>
Liabilities			
Non-current			
Provision for liabilities	-	3	-
Current			
Trade and other payables	1,600	1,460	2,031
Current tax payable	463	120	307
	<u>2,063</u>	<u>1,580</u>	<u>2,338</u>
Total liabilities	<u>2,063</u>	<u>1,583</u>	<u>2,338</u>
Total equity and liabilities	<u>7,406</u>	<u>6,224</u>	<u>7,786</u>

Consolidated interim statement of changes in equity

30 June 2007

Equity attributable to equity holders 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
Increase in equity reserve in relation to options issued	-	-	-	24	-	-	24
Allotment of shares following exercise of share options	1	24	-	-	-	-	25
Loss for the six months period	-	-	-	-	-	(246)	(246)
Balance at 30 January 2006	261	3,086	680	94	1	519	4,641
Increase in equity reserve in relation to options issued	-	-	-	67	-	-	67
Allotment of shares following exercise of share options	1	35	-	-	-	-	36
Profit for the six months period	-	-	-	-	-	704	704
Balance at 31 December 2006	262	3,121	680	161	1	1,223	5,448
Increase in equity reserve in relation to options issued	-	-	-	22	-	-	22
Allotment of shares following exercise of share options	1	33	-	-	-	-	34
Profit for the six months period	-	-	-	-	-	101	101
Dividends	-	-	-	-	-	(262)	(262)
Balance at 30 June 2007	263	3,154	680	183	1	1,062	5,343

Consolidated interim cash flow statement

For the six months ended 30 June 2007

	Six months 30 June 2007 (unaudited) £'000	Six months 30 June 2006 (unaudited) (as restated) £'000	Year ended 31 Dec 2006 (unaudited) (as restated) £'000
Operating activities			
Results for the period after tax	101	(246)	458
Depreciation of plant, property and equipment	46	40	80
Impairment charges of intangible assets	71	144	287
Interest receivable	(141)	(71)	(169)
Employee equity settled share options	22	24	91
Changes in trade and other receivables	929	(746)	(1,132)
Change in trade and other payables	(275)	800	1,251
Taxes refunded	115	317	327
	868	262	1,193
Investing activities			
Additions to property, plant and equipment	(62)	(43)	(110)
Interest received	141	71	169
	79	28	59
Financing activities			
Proceeds from share issues	34	25	60
Dividends paid	(262)	-	-
Net changes in cash and cash equivalents	719	315	1,312
Cash and cash equivalents, beginning of period	4,917	3,605	3,605
Cash and cash equivalents, end of period	5,636	3,920	4,917

Selected explanatory notes

1. Nature of operations and general information

Brady plc and its subsidiaries' principal activity is the provision of IT services and solutions including software, consultancy, support and supply of operational and risk management software.

The Group provides the leading trading and risk management software for global commodity markets. On a single platform, Trinity 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).

These condensed consolidated interim financial statements have been prepared using the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as adopted by the European Union and as issued by the International Accounting Standards Board, and in accordance with IAS34 *Interim Financial Reporting* and the requirements of IFRS1 *First-time Adoption of International Financial Reporting Standards* applicable to Interim Financial Statements. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2006.

Brady plc's consolidated interim 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 statements have been prepared under the historical cost convention except where they have been modified to include the revaluation of certain assets and liabilities. The measurement bases and principal accounting policies for the Group are set out below:

Basis of consolidation

The Group 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 control the financial and operating policies so as to obtain benefits from the activities. 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. 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.

Business combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS3 *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.

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. 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.

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 Company 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;
- Consulting and professional service fee revenues are recognised as the work is performed;
- Maintenance and rental income are recognised over the period to which it relates; 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 contract progresses in accordance with satisfying the remaining obligations on the project for the specific customer.

If applicable, full provision is made for losses on all contracts in the year 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 to 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 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. 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 cost 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, whether or not the asset is revalued.

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; financial assets at fair value through profit or loss; 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 other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets are categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement.

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.

An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is de-recognised only when the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for de-recognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for de-recognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

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. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are measured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other 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.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Employee Benefits

Defined contribution pension scheme: The pension cost charged against operating profits is the contributions payable to the 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

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The Group has no such leases. All other 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

The Company operates a number of employee share schemes under which it makes equity-settled share-based payments to certain employees. For share-based payments to employees of the Company, the fair value is determined at the grant date using the binomial method, and is expensed on a straight-line basis together with a corresponding increase in equity over the vesting period, based on the Group's estimate of the number of shares that will vest.

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.

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Income and expenditure arising on financial instruments is recognised on an accruals basis and credited or charged to the profit and loss account in the financial period to which it relates.

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 Colpan Systems Limited in 2004 that was present under UK GAAP and frozen 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 frozen 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.

Changes in accounting policies:

IFRS1 *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 is required to establish its IFRS accounting policies as at 31 December 2007 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1 January 2006. The principal changes in accounting policies are:

IFRS3 *Business Combinations* requires that goodwill is subject to annual impairment reviews rather than amortisation.

IAS19 *Employee benefits* requires the recording of holiday pay accruals.

The net effect in the income statements for the period under review may be summarised as follows:

	Six months 30 June 2006 (unaudited) £'000	Year ended 31 Dec 2006 (unaudited) £'000
<u>Selling and administrative expenses:</u>		
Under UK GAAP	1,119	2,106
Elimination of amortisation of goodwill	(64)	(127)
IAS36 <i>Impairment of assets</i>	143	286
IAS19 <i>Employee benefits</i>	4	8
Restated under IFRS	1,202	2,273
	Six months 30 June 2006 (unaudited) £'000	Year ended 31 Dec 2006 (unaudited) £'000
<u>Net Result for the period:</u>		
Under UK GAAP	(163)	625
Elimination of amortisation of goodwill	64	127
IAS36 <i>Impairment of assets</i>	(143)	(286)
IAS19 <i>Employee benefits</i>	(4)	(8)
Restated under IFRS	(246)	458

The net effect on the opening balance sheet as at 1 January 2006 may be summarised as follows:

	Under UK GAAP (audited) £'000	IAS36 Impairment of assets £'000	IAS19 Employee benefits £'000	Restated under IFRS (unaudited) £'000
Assets				
Non-current				
Goodwill	939	(338)	-	601
Other intangible assets	15	-	-	15
Plant, property and equipment	109	-	-	109
	1,063	(338)	-	725
Current				
Trade and other receivables	1,290	-	-	1,290
Cash and cash equivalents	3,605	-	-	3,605
	4,895	-	-	4,895
Total assets	5,958	(338)	-	5,620
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	5,208	(338)	(32)	4,838
Liabilities				
Non-current				
Provision for liabilities	3	-	-	3
Current				
Trade and other payables	747	-	32	779
Total liabilities	750	-	32	782
Total equity and liabilities	5,958	(338)	-	5,620

The net effect on the balance sheet as at 30 June 2006 may be summarised as follows:

	Under UK GAAP (unaudited) £'000	IAS36 Impairment of assets £'000	IAS19 Employee benefits £'000	Restated under IFRS (unaudited) £'000
Assets				
Non-current				
Goodwill	875	(417)	-	458
Other intangible assets	15	-	-	15
Plant, property and equipment	112	-	-	112
	1,002	(417)		585
Current				
Trade and other receivables	1,719	-	-	1,719
Cash and cash equivalents	3,920	-	-	3,920
	5,639	-	-	5,639
Total assets	6,641	(417)	-	6,224
Equity				
Share capital	261	-	-	261
Share premium account	3,086	-	-	3,086
Merger Reserve	680	-	-	680
Equity reserve	94	-	-	94
Capital reserve	1	-	-	1
Retained earnings	972	(417)	(36)	519
Total Equity	5,094	(417)	(36)	4,641
Liabilities				
Non-current				
Provision for liabilities	3	-	-	3
Current				
Trade and other payables	1,424	-	36	1,460
Current tax payable	120	-	-	120
Total liabilities	1,544	-	36	1,580
Total equity and liabilities	6,641	(417)	-	6,224

The net effect on the balance sheet as at 31 December 2006 may be summarised as follows:

	Under UK GAAP (audited) £'000	IAS36 Impairment of assets £'000	IAS19 Employee benefits £'000	Restated under IFRS (unaudited) £'000
Assets				
Non-current				
Goodwill	811	(497)	-	314
Other intangible assets	15	-	-	15
Plant, property and equipment	139	-	-	139
	965	(497)	-	468
Current				
Trade and other receivables	2,401	-	-	2,401
Cash and cash equivalents	4,917	-	-	4,917
	7,318	-	-	7,318
Total assets	8,283	(497)	-	7,786
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	5,985	(497)	(40)	5,448
Liabilities				
Current				
Trade and other payables	1,991	-	40	2,031
Current tax payable	307	-	-	307
Total liabilities	2,298	-	40	2,338
Total equity and liabilities	8,283	(497)	-	7,786

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.bradyplc.com. The auditors' report on those financial statements was unqualified and did not contain a statement under Section 240 of the Companies Act 1985. The financial statements for the six months ended 30 June 2007 and 30 June 2006 are unaudited.

3. Sales revenue fluctuations

The ability to predict the timing of large contract closures is inherently difficult. Trinity is an important software application and new customers need to carefully evaluate the software before placing an order. This, together with the Group's revenue recognition policy, creates long lead times are the potential for unpredictable fluctuations in sales revenue.

4. 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:

	Six months 30 June 2007 (unaudited) £'000	Six months 30 June 2006 (unaudited) £'000	Year ended 31 Dec 2006 (unaudited) £'000
United Kingdom	902	1,155	2,259
Rest of Europe	52	16	487
North America	1,357	471	1,763
Rest of World	237	77	127
	2,548	1,719	4,636

5. Share issues

During the period under review, share options under Brady plc's share option schemes have been exercised. This increased Brady plc's ordinary shares issued and fully paid at the end of the period under review by 57,149 (year ended 31 December 2006: 239,800)

6. Earnings per share and dividends

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

	Profits/(losses) attributable to shareholders	Weighted average number of shares	Basic loss per share amount in pence
Six months ended 30 June 2007	101,000	26,370,165	0.38
Six months ended 30 June 2006 (Restated)	(246,000)	25,973,383	(0.95)
Year ended 31 December 2006 (Restated)	458,000	26,054,202	1.76

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

	Dilutive options	Anti-dilutive options	Diluted loss per share amount in pence
Six months ended 30 June 2007	2,744,648	-	0.35
Six months ended 30 June 2006 (Restated)	-	1,983,055	(0.95)
Year ended 31 December 2006 (Restated)	-	2,378,140	1.76

During the period ended 30 June 2007, Brady plc paid its first dividends of £262,000 to its equity shareholders.

7. Post Balance Sheet Events

On 2 July 2007, Paul Fullagar joined the Company as Non-Executive Chairman and on 3 September 2007, Gavin Lavelle joined the Company as Chief Executive Officer.

Following the passing of all resolutions at the Company's Extraordinary General Meeting on 17 July 2007, the Company completed a Placing of 1,000,000 ordinary shares at a price of 60 pence per share to Paul Fullagar on 23 July 2007.

8. Financial Statements

The financial information included in this report does not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. This statement can be obtained from the Company's registered office at 281 Cambridge Science Park, Milton Road, Cambridge, CB4 0WE and will be available on the Company's website www.bradyplc.com.



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