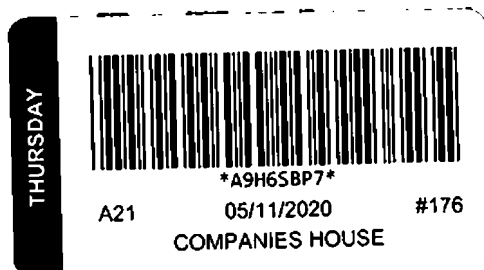


Brady Technologies Limited (formerly Brady plc)
Annual report
for the year ended 31 December 2019

Registered number: **02164768**



Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

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Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Strategic report

Principal activities and business review

Our business

Brady Technologies Limited (formerly Brady plc, the "Group" or "Brady") is a provider of trading and risk management software for the Commodity and Energy markets. We provide complete solutions supporting the entire trading operation from capture of financial and physical trading, through risk management, handling of physical operations, back office financials and treasury settlement, for energy, refined and unrefined metals, soft commodities and agriculturals. Brady has approximately 140 customers worldwide, including some of the largest global financial institutions and corporations.

Our markets

Brady serves customers across the world who operate across local and international markets. Our Energy customers in Europe, in particular, continue to experience market consolidation and deregulation. Increased cross border expansion and greater demand for renewable energy presents Brady with opportunities to meet the challenges that arise for our existing and new customers through the provision of market leading solutions. Fluctuating global commodity prices and the continued drive for efficiencies, means the need to manage risk remains a clear priority for many of our Commodity customers.

Our strategy

Our strategic direction in 2019 was:

- delivering a best in class customer-centric experience;
- new customer acquisition;
- secure funding to enable long term stability and growth;
- product alignment; and
- increasing employee satisfaction through consistent, open engagement whilst ensuring transparency and alignment throughout the organisation.

We have made good progress against these strategic objectives during 2019 and will continue to ensure that our business remains focussed on delivering great customer experience and products that are aligned to their business needs.

2019 culminated in an offer being made by Brady Acquisitions Limited to acquire the business on 14 October 2019. Throughout this time, our staff worked tirelessly to provide our valued customers excellent levels of service. During this period, we maintained communication with many of our existing and prospective customers to keep them abreast of developments and received messages of support. The ultimate controlling party became the Hanover Active Equity Fund II, S.C.A. SICAV-RAIF. Following the acquisition, Brady Technologies Limited (formerly Brady plc) de-listed from AIM on 8 January 2020, a positive outcome reducing both costs and administration. This acquisition was a positive outcome for all our stakeholders and secures the future of our products and ongoing commitments to our customers. Hanover's strategy is to implement a cost reduction and efficiency programme, whilst also undertaking a significant product investment programme. This investment will further improve efficiency in the business and deliver revenue growth. Further, significant investment will be made over the coming years in our product offering and growing the business through acquisition.

Financial performance and position

Our revenues for the year ended 31 December 2019 were £18.2 million (2018: £23.2 million) and adjusted EBITDA before one-off exceptional items was a loss of £3.5 million (2018: adjusted EBITDA profit of £2.6 million). Gross margin has decreased from 60% in 2018 to 46% in 2019 due a predominately fixed cost base and lower capitalised product development additions.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Strategic report (continued)

The Group made a loss for the year amounting to £18.5 million (2018: loss of £2.1 million). Cash as at 31 December 2019 was £2.7 million (2018: £4.6 million) and net debt at 31 December 2019 (defined as cash less any loans excluding lease liabilities and finance lease obligations) was £1.3 million (2018: net cash £4.6 million). This year we incurred non-recurring costs of £13.1 million, compared to £0.3 million in 2018.

Total research and development expenditure for the business amounted to £7.2 million (2018: £7.0 million). Of this, £7.0 million was expensed (2018: £4.1 million) and £0.2 million (2018: £2.9 million) was capitalised.

At 31 December 2019, goodwill and intangible assets were £12.5 million (2018: £26.4 million). The decrease of £13.9 million is due to amortisation charges of £2.5 million (2018: £3.2 million), foreign exchange movements of £0.6m (2018: £0.2 million increase), adoption of IFRS 16 of £0.3 million (2018: £nil) and accelerated amortisation and impairment charges of £10.7 million (2018: £nil), offset by additions to capitalised product development costs of £0.2 million (2018: £3.4 million).

At 31 December 2019, the Group had a loan facility of £5.0 million from Brady Acquisitions Limited, of which £4.0 million was drawn, with interest payable at 2.50% per annum above Bank of England base rate. At the date of signing these financial statements, the loan facility has increased to £9.75 million and the balance increased to £8.75 million. The loan is repayable upon demand.

Key performance indicators

Financial

1. Turnover is a key measure of the Group's performance. Turnover for the year was £18.2 million (2018: £23.2 million).

Turnover decreased by £5.0 million compared to 2018. This was primarily due to the completion of customer obligations on various projects in 2018, which triggered revenue recognition, compared to 2019 where there were fewer customer projects and lower contract volumes. Revenue recognised during the year that was included in contract liabilities at the beginning of the year in relation to professional services, development and licences revenues decreased from £2.3 million in 2018 to £0.6 million in 2019.

2. The operating loss before exceptional cost for the year was £6.4 million (2018: loss of £0.8 million).

The increase in the operating loss of £5.6 million is largely attributable to the decrease in revenue and reduction in gross margin as a result of a predominately fixed cost base and a reduced amount of capitalisation of development costs. The reduction in the amount of costs capitalised followed a review and refocus of the Group on its product strategy to support its customers, which meant that more costs were expensed in the year.

3. Cash at year end was £2.7 million (2018: £4.6 million).

Cash has reduced by £1.9 million compared to 2018, which reflects the underlying performance of the business. The Group has a borrowing facility in place of £5.0 million at 31 December 2019, of which £4.0 million was drawn at the year end. The facility has been subsequently increased to £9.75 million since the year end and £7.75 million drawn.

Non-financial

4. Employee engagement score was 47% in 2019 (34% in 2018).

Increased communication and transparency with our employees during 2019 contributed to the improvement in employee engagement, and the Directors continue to focus on further improving engagement with our team.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Strategic report (continued)

Outlook

On 18 November 2019, Brady Technologies Limited (formerly Brady plc) was acquired by Brady Acquisitions Limited. The ultimate controlling party became the Hanover Active Equity Fund II, S.C.A. SICAV-RAIF. Following the acquisition, Brady Technologies Limited (formerly Brady plc) de-listed from AIM on 8 January 2020.

In 2020, Brady will focus on key areas of execution, including product strategy, technology innovation and customer experience. The Group will make significant investment in strategic product enhancements, for which shareholder funding has been agreed, to ensure the core products maintain their marketing leading position. It will also fully align the business around its product and go to market strategies using cost rationalisation initiatives to deliver optimal financial performance, a superlative quality of service and a positive employee experience. The Group, with funding support from Hanover, will also make significant investment in expanding our product offering within the Energy and Commodities markets, and also look to grow the business through acquisition.

Principal risks and uncertainties

The Group considers the following items as principal risks and uncertainties:

Risk and uncertainty	Explanation of potential impact	Mitigating actions
Delivery	<ul style="list-style-type: none"> The Group's products are critical to our customers' businesses. Any delay or failure in quality would be of the highest significance to our customers and could lead to missed revenue and cash targets as well as compromise our reputation. Some of the Group's commercial contracts include terms where revenues and/or invoicing and cash collections are related to customer acceptance. 	<ul style="list-style-type: none"> For all significant contracts, the contract is reviewed and approved by the Executive Directors after consulting with our in-house legal counsel and/or external legal advisers to ensure that deliverables are realistic and that terms and conditions are reasonable. In establishing a single development team we have introduced common methods and procedures for rigorous testing of products before release to customers. Detailed project implementation plans are prepared that highlight key dependencies, milestones and resources. There are formal project steering group meetings between the customer and Brady to review implementation plans for significant projects. These plans are regularly reviewed against actual progress and any significant issues highlighted and investigated.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Risk and uncertainty	Explanation of potential impact	Mitigating actions
Customer retention	<ul style="list-style-type: none"> A large part of the Group's business is based on repeat business from existing, long-term customers and recurring revenues in the form of maintenance and rental fees. Loss of key customers could adversely impact business results. 	<ul style="list-style-type: none"> Every customer has an account manager whose role is to be the voice of the customer. The Group holds a series of user group meetings to engage with customers, listen to their needs and to promote proposed technology roadmaps. Brady has relatively low customer concentration, with no customer contributing 10% or more on a recurring basis of the Group's revenue.
Technology	<ul style="list-style-type: none"> To remain successful the Group must ensure that its products continue to meet the requirements of customers. Investment in research and innovation in product development is essential to meet customer and partner requirements to maximise revenues and corporate performance. The Group has many products, at differing stages of their life cycle. The extent of investment in each product set needs to be managed and prioritised considering the expected prospects. If products do not meet the requirements of customers they will seek alternative solutions, resulting in the loss of new revenue opportunities and the cancellation of existing contracts. Insufficient focus on key research and development projects may damage the long-term growth prospects of the Group. 	<ul style="list-style-type: none"> The Group invested approximately 40% of annual sales in R&D in 2019 (2018: 30%). The typical level of investment in the industry is usually 20-25% of annual sales. The Group is committed to driving technological innovation into its solutions. To do this the Group has adopted a componentisation strategy to deliver solutions rather than products to customers. Brady validates its solution roadmaps with third party market leaders, such as Microsoft/Oracle, specialised market analysts, e.g. ComTech, and with our 140 customers. Roadmaps are published at our Customer Advisory Board which reviews delivery against promises made in the prior year and validates future roadmaps, ensuring that they are consistent with our customers' needs.
Staff recruitment & retention	<ul style="list-style-type: none"> The Group is reliant on the skills and knowledge of its people in a wide range of areas, but especially in executive management, customer success and software development. Failure to recruit and retain an appropriate number of suitably qualified people in critical areas could lead to a deterioration in the quality of our products and services. This could lead to us failing to meet our customers' needs, losing their business and to the Group failing to deliver expected financial returns to shareholders. 	<ul style="list-style-type: none"> The Group regularly reviews its compensation policies to endeavour to ensure that it can continue to attract, motivate and retain qualified personnel. The Group has established and adopted a 'people first' philosophy and has continued to improve employee engagement. The Group continues to conduct bi-annual global staff surveys. An employee action plan was developed to address staff issues and concerns. The employee engagement index continues to show year on year improvement.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Risk and uncertainty	Explanation of potential impact	Mitigating actions
Foreign exchange	<ul style="list-style-type: none"> The Group operates internationally and is therefore exposed to fluctuations in foreign exchange rates. A major proportion of the Group's receivables and payables is currently denominated in Pound Sterling, Swiss Francs, Norwegian Krone and US Dollars. The relative values of currencies can fluctuate and may have a significant impact on business results. 	<ul style="list-style-type: none"> The Group's foreign exchange exposure is continuously monitored. The Group relies on a partial natural hedge of Swiss Franc, Norwegian Krone as well as US Dollar receivables being partially covered by payables. The Group also has fewer significant transactions in Euros, Canadian Dollars, Australian Dollars and other currencies.
Tax	<ul style="list-style-type: none"> The tax treatment of the Group's cross-border operations is subject to the risk of challenge under tax rules and initiatives targeting multinationals' tax arrangements, including the OECD's Base Erosion and Profit Shifting project and EU state aid rules. Tax liabilities in various territories in which the Group operates could be significantly higher than expected. 	<ul style="list-style-type: none"> Tax laws, regulations and interpretations are kept under on-going review by the Group and its advisors. The Group reviews its operations, including the structuring of intra-Group arrangements, on a periodic basis to ensure that risks are identified and mitigated accordingly. External professional advice is obtained to support positions taken in the financial statements and local tax returns where there is significant uncertainty or risk of challenge.
Brexit	<ul style="list-style-type: none"> The uncertainty around the type of trade deal the United Kingdom will end up with following Brexit may give rise to increased volatility in the foreign exchange exposure in the Group. It may become more difficult to source skilled workers. It may become more difficult to deploy implementation consultants to EU customers. 	<ul style="list-style-type: none"> The Group is naturally hedged with its main currency exposure on revenues denominated in Norwegian Kroner and Swiss Franc broadly matching costs incurred in those currencies. The Group has reviewed its resourcing requirements in the short to medium term and is not materially exposed to a shortage of skilled workers. The Group has reviewed its pool of implementation consultants to ensure it has sufficient resources in countries that already have working arrangements with the EU.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Risk and uncertainty	Explanation of potential impact	Mitigating actions
Covid-19	<ul style="list-style-type: none"> The uncertainty around the impact of Covid-19 on the world economy may give rise to increased volatility in the foreign exchange exposure in the Group. The Group performs service and development work for customers which may be delayed or materially reduced. 	<ul style="list-style-type: none"> The Group is naturally hedged with its main currency exposure on revenues denominated in Norwegian Kroner and Swiss Franc broadly matching costs incurred in those currencies. The Group has a good IT infrastructure enabling its employees to work from home and continue to support and service the customer base remotely. The Group has reviewed its budgets and factored in potential delays for service and development work and made appropriate changes to its operating plans. The Group has reviewed its customers ability to pay invoices as they fall due and no issues have been encountered between the year-end and the date of signing these financial statements. As the Covid-19 situation is rapidly changing, management are continually monitoring the situation and adapting risk mitigation strategies as appropriate.
Cyber security	<ul style="list-style-type: none"> A cyber attack on the Group's IT systems could significantly disrupt its operations, damage its reputation, result in loss of customers and potentially expose it to fines for regulatory breaches. 	<ul style="list-style-type: none"> The Group has cyber security insurance policy in place. A Disaster Recovery and Business Continuity Plan is in place and has been communicated across the organisation. There is a segregation between the Group's business, development and hosted environments. The Group ensures that its third parties providing hosting and network connectivity are ISO/IEC 27001 compliant. There is a multi-level security platform in place with a centralised view of the entire estate that includes home workers.
Data security	<ul style="list-style-type: none"> A breach of data security could mean loss of customer or employee sensitive data, loss of reputation, and potentially expose the group to fines for regulatory breaches 	<ul style="list-style-type: none"> The Group has defined and implemented relevant policies and procedures to ensure compliance with all applicable data protection legislation, including the EU General Data Protection Regulation (GDPR).

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Strategic report (continued)**Section 172 statement**

Section 172 of the Companies Act 2006 instructs that the Directors must act in a way that they consider will most likely promote the success of the Group for the benefit of its shareholders. In doing this, the Directors must have regard (amongst other matters) to;

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company maintain a reputation for high standards of business conduct;
- The need to act fairly between members of the Company.

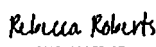
The Directors consider the Company has 4 key stakeholders; shareholders, customers, suppliers and employees. The Directors considers the impact, both in the short and long-term, on each of these stakeholders as part of the decision-making process and proceeds with actions that are most likely to promote the success of the Company, whilst providing positive outcomes for other stakeholders. Where competing stakeholder needs arise, the Directors review the likely impacts, taking advice from external advisors if necessary, and carefully balances the competing needs to promote the long-term success of the Company for the benefit of shareholders.

The Directors believe the key decisions in the year, and how stakeholders were considered in those decisions, were as follows;

Key decision	How stakeholders were considered
Adoption of a "people first" strategy	The Directors consider employees to be key to driving long-term shareholder value. The Company conducts bi-annual global staff surveys, which drives the development and implementation of an employee action plan. From 2018 to 2019, a 13-percentage point improvement in the employee engagement score been achieved through increased communication and transparency and the Directors will continue to consider the interests of employees in key decisions.
Alignment and investment in products	The Directors consider the needs of customers in their product investment strategy and actively engages with existing customers through customer advisory boards and user groups, as well as each customer having a dedicated account manager. The Directors validate its solution roadmaps with market-leading third parties and specialised market analysts, as well as existing customers, to ensure that the strategy aligns with the needs of both existing and future customers to maximise long-term shareholder value.
Sale of Company	In November 2019, the Board of Directors recommended the offer from Brady Acquisitions Limited to the shareholders of the Company. In making this decision, the Directors considered the interests of the shareholders and also the business. The continuation of customer, supplier and employee relationships were considered in this transaction, and in proceeding with the sale, the Directors have secured the backing of new owners who are aligned with the strategic goals of the business, providing customers with a stable supplier who can deliver business-critical software solutions, suppliers with continued custom and employees with continued employment prospects.

The Company's in-house legal counsel and external advisors are available to offer advice and guidance to the Directors to help ensure that there is sufficient consideration to stakeholder issues in accordance with section 172 guidance in all key decisions.

BY ORDER OF THE BOARD

DocuSigned by:

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Rebecca Roberts,
 Director
 28 October 2020

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Directors' report

The Directors present their annual report together with the financial statements for the year ended 31 December 2019.

Directors

The Directors who served the Group during the year and to the date of this report, except as stated otherwise, were as follows:

C Carey
D Look (appointed 01 March 2019)
I Greig (appointed 01 March 2019)
J Dhody (appointed 21 November 2019)
A Creatorex (appointed 21 November 2019)
M Peacock (appointed 21 November 2019)
N Bentley (appointed 27 January 2020, resigned 18 June 2020)
I Powell (appointed 06 March 2020)
R Roberts (appointed 18 June 2020)
E Koehn (resigned 29 April 2019)
I Jenks (resigned 21 November 2019)
B Beveridge (resigned 21 November 2019)
M Thomeycroft (resigned 09 December 2019)

Dividends

The Directors do not recommend the payment of a dividend for the year (2018: £nil).

Treasury shares

Brady Acquisition Limited acquired all of the share capital of Brady Technologies Limited (formerly Brady plc) in November 2019 and the treasury shares were cancelled. There were no treasury shares held at 31 December 2019 (2018: 4,306 shares).

Employees

Brady is committed to providing equality of opportunity and fair treatment in all employment matters and to eliminate barriers to recruitment, retention, promotions and development. Should an employee become disabled during their employment at Brady, where possible, the Company will actively retrain and adjust the environment to allow the employee's potential to be maximised. We pride ourselves in maintaining a variety of cultures and expertise through our people. Through such diversity, we have a dynamic and positive work environment in which we continue to gather a wealth of knowledge that contributes to our commercial success.

Going concern

The Group made a loss in the financial year of £18.5 million (2018: £2.1 million loss) and at 31 December 2019 had net current liabilities of £9.6 million (2018: £2.0 million). The Directors have reviewed the cash flow forecasts of the Group for the period through to September 2021. The Directors have considered the current market conditions, trading activity post-year end and the liquid resources available to the Group, including increased loan facilities secured after the year end, and has obtained a letter of support from its ultimate parent undertaking, Brady Acquisitions Limited. The letter of financial support demonstrates that the Group will be provided with the necessary financial support for the foreseeable future, being at least 12 months from the date of approval of the financial statements. In assessing the future cash flows, the Directors have applied sensitivities to the assumptions on new business and also the cost base.

In light of recent developments on Covid-19, the Directors have also assessed its impact on business performance to date, in particular the impact of currency fluctuations, the potential increase in credit risk and also the impact on key suppliers. Throughout this period, the Group continues to have close dialogue with its customers and key suppliers.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Directors' report (continued)

On the basis of the Directors' assessment of the Group's and Parent Company's financial position and of the enquires made of the Directors of Brady Acquisitions Limited, the Directors have a reasonable expectation that the Group and Parent Company will continue in operational existence and meets its liabilities as they fall due for the foreseeable future. Accordingly, the Group and Parent Company continue to adopt the going concern basis in preparing these financial statements.

Future developments

Information can be found in the Strategic Report on page 4 of the financial statements.

Research and development activities

The Group continually invests in its products to maintain and enhance its products. During the year, the Group incurred £7.2 million (2018: £7.0 million) of research and development costs of which £0.2 million (2018: £2.9 million) was capitalised. Whilst the overall level of research and development expenditure in 2019 remained consistent with the prior year, the lower level of capitalisation reflects the type of work undertaken in the financial year, being primarily research related. The level of capitalised development is expected to increase in 2020 as the Group intends to refresh its product portfolio.

Post balance sheet events

On 15 July 2020, the Company changed its name from Brady plc to Brady Technologies Limited. Information can be found in note 33 on page 77 of the financial statements.

Financial risk management objectives and policies

Information can be found in note 28 on page 69 of the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Directors' report (continued)


The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The Directors have completed a retender for future audits of the Group and the existing auditor, Grant Thornton UK LLP, declined to seek reappointment. Ernst and Young will be proposed for appointment as auditor at the forthcoming AGM. In accordance with normal practice, the Directors will be authorised to determine the auditor's remuneration.

BY ORDER OF THE BOARD

DocuSigned by:

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Rebecca Roberts
Director
28 October 2020

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Independent auditor's report to the members of Brady Technologies Limited (formerly Brady plc)

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Brady Technologies Limited (formerly Brady plc) (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the Company statement of financial position, the Company statement of changes in equity, the Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's and Parent Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's and the Parent Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group and a Parent Company associated with these particular events.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Group's and the Parent Company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Group's and the Parent Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Parent Company will continue in operation.

Overview of our audit approach



Grant Thornton

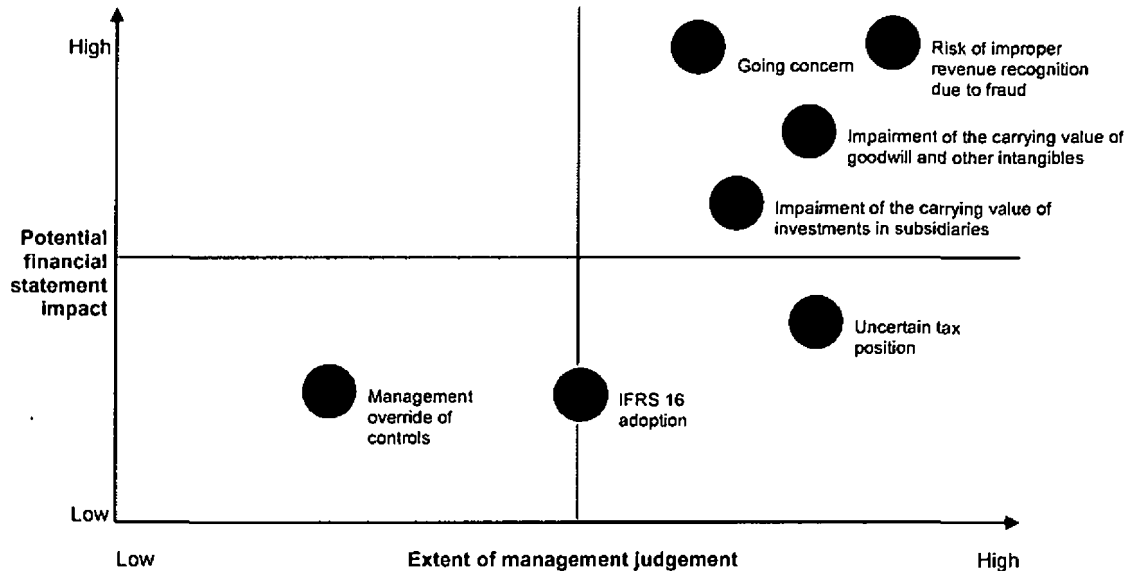
- Overall materiality: £90,000, which represents 0.5% of the Group's forecast revenue at the planning stage of the audit.
- We performed full scope audit procedures on the financial statements of Brady Technologies Limited and on the financial information of Brady Trading Limited, Brady Credit Trading Limited, Brady Credit Limited, Brady Credit Holding Limited, Brady Energy Norway AS and Brady Energy UK Limited.
- We performed specified audit procedures on the financial information of Brady Switzerland S.A. and Brady Energy AG.
- We performed analytical procedures on the financial information of all other components.
- Key audit matters were identified as:
 - Risk of improper recognition of revenue due to fraud;
 - Impairment of the carrying value of goodwill and other intangibles;
 - Going concern; and
 - Impairment of the carrying value of investment in subsidiaries.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



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

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p>Risk of improper recognition of revenue due to fraud Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumption that there are risks of fraud in revenue recognition.</p> <p>The Group has recognised revenues of £18.2m (2018: £23.2m) in the year, which is comprised of three revenue streams, being recurring support, maintenance and rentals revenue, services including development revenue and software licences revenue. The nature of the Group's revenue is that each stream possesses different revenue recognition criteria. The Parent Company has also recognised revenue from similar revenue streams in the year.</p> <p>As the Group's and the Parent Company's revenues are material to the consolidated financial statements and the Parent Company's financial statements, respectively, and comprise multiple revenue streams subject to different recognition policies and involves management judgement in their recognition, the presumed risk of improper recognition of revenue due to fraud has been identified as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> assessing whether the revenue recognition policies are in accordance with IFRS 15 'Revenue from Contracts with Customers', testing its consistent application in the current year and with the prior year; detailed testing of recurring revenue, such as support, maintenance and rentals revenue, by selecting a sample throughout the year and agreeing to signed contracts and cash receipts in the year, for each contract in place in the year, to ensure occurrence; detailed testing of services including development revenue by selecting a sample of sales transactions and agreeing through to both cash receipt and timesheet; and detailed testing of software licences revenue to supporting documentation corroborating that successful implementation has been achieved to confirm that it is appropriate to recognise revenue in accordance with IFRS 15. <p>The Group's accounting policy on revenue recognition is disclosed in note 3 to the financial statements and related disclosures are included in note 5.</p>

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p>Impairment of the carrying value of goodwill and other intangibles</p>	<p>Key observations A material audit adjustment to increase revenue recognised in the year was identified by our audit work and subsequently corrected by management.</p>
<p>There is a risk, due to the degree of uncertainty involved in forecasting and discounting future cash flows, that goodwill and other intangibles may be impaired.</p>	<p>Other than the above, no evidence was identified from the audit procedures performed to suggest that there was improper recognition of revenue due to fraud and that revenue has not been recognised in accordance with the Group's accounting policy.</p>
<p>At 31 December 2019, the Group had goodwill with a carrying value of £9.8m (2018: £15.8m) and other intangible assets, including capitalised product development costs, with a carrying value of £2.8m (2018: £10.6m), after accelerated amortisation and impairment of £10.7m on its consolidated statement of financial position.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • comparing the carrying value of cash generating units to management's value in use calculations based on the future income generation that the technology will realise, given that there is no reliable fair value less costs to dispose; • with the assistance of our internal valuations specialist, assessing of the appropriateness of the discount rate used by management in the value in use calculations through comparison of the inputs used against expected amounts and recalculation of the discount rate; • evaluating the historical accuracy of management's estimates by comparing the 2019 forecasts to the results achieved for the year; • performing sensitivity analyses on the value in use calculations for reasonably possible changes in expected revenues for 2020 onwards; • discussing and corroborating the ongoing viability of projects with relevant personnel; and • assessing management's review of the impairment of intangible assets recognised in the Group and challenging the basis of key assumptions used and the consistency of calculations.
<p>The net book value of capitalised product development costs at the year end amounted to £0.9m (2018: £6.8m), including amortisation charged on capitalised development costs of £1.1m (2018: £1.6m) and impairment of £4.9m (2018: £nil). These costs are amortised to ensure the capitalised cost reflects the anticipated benefit of the development projects to the Group over time.</p>	<p>The Group's accounting policy on intangible assets is disclosed in note 3 to the financial statements and related disclosures are included in note 16.</p>
<p>In accordance with International Accounting Standard (IAS) 36, 'Impairment of Assets', an annual impairment review is required to be performed by management for an intangible assets with an indefinite useful life, such as goodwill, or when impairment indicators exist for other assets, to determine whether the carrying value of these assets is appropriate.</p>	<p>Key observations A material adjustment was identified by our audit work and corrected by management to increase the impairment charge following a challenge of management's discount rate. Other than the above, and based on the revised value in use calculations, the Group recognised an impairment charge of £5.5m of goodwill and an impairment charge and accelerated amortisation charge of £5.2m on other intangible assets. We consider that the resulting net book value of £12.5m to not be materially misstated.</p>
<p>The impairment review is based on identifiable assets for which future revenues and gross margins can be assigned to calculate a value in use based on a discounted cash flow model. Management's assessment of the potential impairment of goodwill and other intangibles incorporates key assumptions over the timing and extent of future revenues, gross margin and the discount rate used.</p>	
<p>Due to the inherent uncertainty involved in forecasting and discounting future cash flows, we therefore identified the impairment of goodwill and other intangibles as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Key Audit Matter – Group

Going concern

The impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is amongst the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty.

This event could adversely impact the future trading performance of the Group and the Parent Company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. We therefore identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

- obtaining management's base case cash flow forecasts covering the period to 30 September 2021, assessing how these cash flow forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions, primarily revenues, and challenging those assumptions;
- assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast;
- Obtaining management's sensitised forecasts which included the potential impact of Covid-19 on the business. We evaluated management's assumptions regarding the impact of reduction in recurring and new revenue. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken;
- assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities;
- challenging management's forecasts to determine the level of funding required in the current environment, including the risk of customers defaulting on their obligations or renewing their support agreements;
- obtaining corroborative evidence from the shareholder of the intention and ability to provide the necessary financial support to enable the Group to continue trading and meet its liabilities as they fall due for the foreseeable future; and
- assessing the adequacy of related disclosures within the annual report.

The Group's accounting policy on going concern is shown in note 3 to the financial statements.

Key observations

Our testing did not identify any material uncertainties relating to the going concern basis of preparation assumption following the confirmation of the intention and the ability of the shareholder to provide support to the Group and the Parent Company.

We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Key Audit Matter – Parent Company	How the matter was addressed in the audit – Parent Company
<p>Impairment of the carrying value of investments in subsidiaries</p> <p>There is a risk, due to the losses made by the Group in the year and the changes in the Group's product strategy following change in ownership, that the carrying value of the Parent Company's investments in subsidiaries may be impaired.</p> <p>In the Parent Company statement of financial position, the investments in subsidiaries amount to £13.2m (2018: £32.2m) after current year impairment of £19.0m.</p> <p>In accordance with International Accounting Standard 36, 'Impairment of Assets', an impairment review is required to be performed by management when impairment indicators exist, to determine whether the carrying value of the associated assets is appropriate.</p> <p>The impairment review undertaken by management is based on identifiable assets for which future revenues and gross margins can be assigned to calculate a value in use based on a discounted cash flow model. Management's assessment of the potential impairment of investments in subsidiaries incorporates key assumptions over the timing and extent of future revenues, gross margin and the discount rate used.</p> <p>Due to the level of losses incurred and the changes in the Group's product strategy following change in ownership, we therefore identified the impairment of the carrying value of investments in subsidiaries as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • comparing the carrying value of cash generating units to management's value in use calculations based on the future income generation that the technology will realise in the respective subsidiary, given that there is no reliable fair value less costs to dispose; • with the assistance of our internal valuations specialist, assessing of the appropriateness of the discount rate used by management in the value in use calculations through comparison of the inputs used against expected amounts and recalculation of the discount rate; • evaluating the historical accuracy of management's estimates by comparing the 2019 forecasts to the results achieved for the year; • performing sensitivity analyses on the value in use calculations for reasonably possible changes in expected revenues for 2020 onwards; • discussing and corroborating the ongoing viability of projects with relevant personnel; and • assessing management's review of the impairment of investments in subsidiaries held on the Parent Company statement of financial position and challenging the basis of key assumptions used and the consistency of calculations. <p>The Parent Company's accounting policy on impairment is disclosed in note 3 to the financial statements and related disclosures are included in note 4 to the Parent Company financial statements.</p>
	<p>Key observations</p> <p>A material adjustment was identified by our audit work and corrected by management to increase the impairment charge following a challenge of management's discount rate. Other than the above, and based on the revised value in use calculations, the Parent Company recognised an impairment charge of £19.0m on its investments in subsidiaries. We consider that the resulting net book value of £13.2m to not be materially misstated.</p>

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

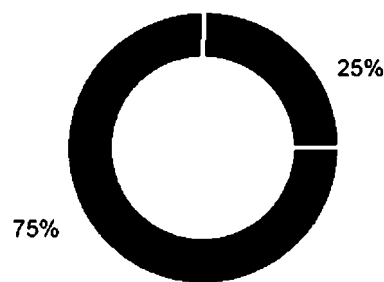
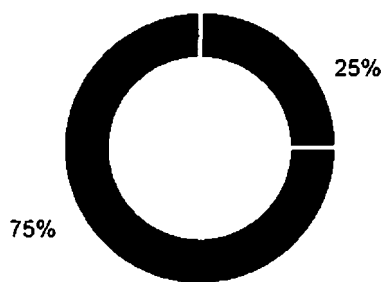
Materiality was determined as follows:

Materiality measure	Group	Parent Company
Financial statements as a whole	£90,000, which is 0.5% of the Group's forecast revenue at the planning stage of the audit. This benchmark is considered to be the most appropriate because the Group and its stakeholders are focused on revenue growth in the absence of profits, and revenue is a key performance indicator (KPI) for the Group. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 to reflect a change in benchmark this year. Last year, materiality was determined using our professional judgement based on a range of benchmarks. Materiality for the current year was determined as above and gave rise to a lower level.	£55,000, which is 2.5% of the Parent Company's forecast revenue at the planning stage of the audit. This benchmark is considered the most appropriate because the Parent Company is a commercially focused organisation with revenues core to its operations. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2018 to reflect the change in benchmark this year. Last year, materiality was determined using our professional judgement. Materiality for the current year was determined as above and gave rise to a lower level.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We also determine a lower level of specific materiality for certain areas such as director's remuneration and related party transactions.	We also determine a lower level of specific materiality for certain areas such as director's remuneration and related party transactions.
Communication of misstatements to the board of directors	£4,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£2,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group

Overall materiality – Parent Company



■ Tolerance for potential uncorrected mis-statements

■ Performance materiality

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- Evaluation by the Group audit team of identified components to assess the significance of each component and to determine the planned audit response based on a measure of materiality. Significance was determined as a percentage of the Group's total assets, revenues and loss before tax;
- We performed full scope audit procedures on the financial statements of Brady Technologies Limited and on the financial information of Brady Trading Limited, Brady Credit Limited, Brady Credit Trading Limited, Brady Credit Holding Limited, Brady Energy Norway AS and Brady Energy UK Limited. We performed specified audit procedures on the financial information of Brady Switzerland S.A. and Brady Energy AG. We performed analytical procedures on the financial information of all other components;
- Component auditors were used to complete audit procedures for Brady Energy Norway AS, Brady Energy AG and Brady Switzerland S.A. The Group audit team sent Group instructions to the component auditors as to the required procedures to be completed over the significant areas for Group purposes within each component. The Group audit team visited the component auditors and reviewed the underlying audit working papers for these significant areas;
- The total percentage coverage of full-scope and specified audit procedures over the Group's revenue was 98%;
- The total percentage coverage of full scope and specified audit procedures over the Group's total assets was 99%; and
- Our audit approach in the current year is consistent with the audit approach adopted for the year ended 31 December 2018, being substantive in nature.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matters on which we are required to report under the Companies Act 2006

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

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities, set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

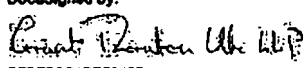
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Christopher Frostwick
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
28-Oct-2020

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Consolidated income statement

For the year ended 31 December 2019

	Notes	Before exceptional items 2019 £'000	Exceptional items 2019 £'000	2019 £'000	Before exceptional items 2018 £'000	Exceptional items 2018 £'000	2018 £'000
Revenue from contracts with customers	5	18,181	-	18,181	23,157	-	23,157
Cost of revenues		(9,823)	-	(9,823)	(9,250)	-	(9,250)
Gross profit		8,358	-	8,358	13,907	-	13,907
Operating expenses	8.1	(14,515)	(12,179)	(26,694)	(14,480)	(274)	(14,754)
Net impairment losses on financial and contract assets	28.5	(243)	-	(243)	(255)	-	(255)
Operating loss		(6,400)	(12,179)	(18,579)	(828)	(274)	(1,102)
Analysed as:							
Gross profit		8,358	-	8,358	13,907	-	13,907
Other operating expenses		(11,898)	(1,509)	(13,407)	(11,279)	(274)	(11,553)
Adjusted EBITDA		(3,540)	(1,509)	(5,049)	2,020	(274)	2,354
IFRS 16 impact	19.2	879	-	879	-	-	-
Share based payment credit	27.2, 8.1	8	-	8	137	-	137
Depreciation	8.1	(1,130)	-	(1,130)	(367)	-	(367)
Amortisation and impairment of acquired intangible assets	8.1	(1,181)	(5,740)	(6,921)	(1,283)	-	(1,283)
Amortisation and impairment of other intangible assets	8.1	(1,428)	(4,930)	(6,358)	(1,943)	-	(1,943)
Operating loss		(6,400)	(12,179)	(18,579)	(828)	(274)	(1,102)
Net finance expense	9	(283)	(315)	(598)	(42)	-	(42)
Loss before tax		(6,683)	(12,494)	(19,177)	(870)	(274)	(1,144)
Income tax credit/(expense)	10.1	1,311	(639)	672	(664)	-	(664)
Loss for the year from continuing operations		(5,372)	(13,133)	(18,505)	(1,534)	(274)	(1,808)
Loss from discontinued operations	37	-	-	-	(271)	-	(271)
Loss for the year		(5,372)	(13,133)	(18,505)	(1,805)	(274)	(2,079)
Loss for the year attributable to the equity shareholders of the parent company (pence)							
Basic	11.1			(22.20p)			(2.49p)
Diluted	11.1			(22.20p)			(2.49p)

The accompanying notes are an integral part of these financial statements.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Loss for the year		(18,505)	(2,079)
Other comprehensive (loss)/income:			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on retranslation of foreign operations	25	(1,028)	272
Exchange differences relating to discontinued operations	25	-	(27)
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Remeasurements of post-employment benefit obligations	21.2.1	(949)	704
Other comprehensive (loss)/income for the year		(1,977)	949
Total comprehensive loss for the year		(20,482)	(1,130)

The accompanying notes are an integral part of these financial statements.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital & premium £'000	Other equity £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	38,120	(3)	(3,714)	(12,198)	22,205
Loss for the year	-	-	-	(2,079)	(2,079)
Other comprehensive income	-	-	245	704	949
Total comprehensive loss for the year	-	-	245	(1,375)	(1,130)
Release of credit for equity-settled share-based payments	-	-	(137)	-	(137)
Transfer for exercised & forfeited share options	-	-	(55)	55	-
Transactions with owners	-	-	(192)	55	(137)
Balance at 31 December 2018	38,120	(3)	(3,661)	(13,518)	20,938
Balance at 1 January 2019, as previously reported	38,120	(3)	(3,661)	(13,518)	20,938
Change in accounting policy (See note 36)	-	-	-	(211)	(211)
Restated total equity as at 1 January 2019	38,120	(3)	(3,661)	(13,729)	20,727
Loss for the year	-	-	-	(18,505)	(18,505)
Other comprehensive loss	-	-	(1,028)	(949)	(1,977)
Total comprehensive loss for the year	-	-	(1,028)	(19,454)	(20,482)
Cancellation of treasury shares	(3)	3	-	-	-
Release of credit for equity-settled share-based payments	-	-	(8)	-	(8)
Transfer for exercised & forfeited share options	-	-	(53)	53	-
Transactions with owners	(3)	3	(61)	53	(8)
Balance at 31 December 2019	38,117	-	(4,750)	(33,130)	237

A reconciliation of the components of other reserves is given in note 25.

The accompanying notes are an integral part of these financial statements.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Consolidated statement of financial position

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Intangible assets	17	12,548	26,449
Property, plant and equipment	18	319	746
Right of use assets	19	3,987	-
Deferred income tax asset	20	67	90
Total non-current assets		16,921	27,285
Current assets			
Other current assets	22	1,130	1,073
Contract assets	5.4	291	360
Trade and other receivables	12	1,448	4,167
Cash and cash equivalents	13	2,671	4,627
Total current assets		5,540	10,227
Total assets		22,461	37,512
Liabilities			
Current liabilities			
Trade and other payables	14	(4,308)	(5,295)
Contract liabilities	5.4	(5,555)	(6,360)
Lease liabilities	19	(1,026)	-
Borrowings	16	(4,000)	(233)
Provisions	15	(286)	(364)
Total current liabilities		(15,175)	(12,252)
Non-current liabilities			
Lease liabilities	19	(3,338)	-
Borrowings	16	-	(296)
Provisions	15	(205)	-
Deferred income tax liabilities	20	(557)	(1,975)
Pension obligations	21	(2,949)	(2,051)
Total non-current liabilities		(7,049)	(4,322)
Total liabilities		(22,224)	(16,574)
Net assets		237	20,938
Equity attributable to owners of the Parent Company			
Share capital and share premium	23	38,117	38,120
Treasury shares	24	-	(3)
Other reserves	25	(4,750)	(3,661)
Retained earnings		(33,130)	(13,518)
Equity attributable to shareholders of the Parent Company		237	20,938

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Consolidated statement of financial position (continued)

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 28 October 2020 and signed on its behalf by:

DocuSigned by:

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Rebecca Roberts, Chief Financial Officer

Brady Technologies Limited (formerly Brady plc)

Registered Number: 02164768

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Consolidated statement of cash flows

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Loss before tax continuing operations		(19,177)	(1,144)
Loss before tax discontinued operations		-	(271)
Adjustments for:			
Depreciation	18, 19.2	1,138	367
Amortisation of acquired intangible assets	17	1,181	1,283
Accelerated amortisation and impairment of acquired intangible assets	17	5,740	-
Amortisation of other intangible assets	17, 19.2	1,428	1,943
Accelerated amortisation and impairment of other intangible assets	17	4,930	-
Loss from disposal of property, plant and equipment and intangible assets	8.1	6	42
Share-based payment credit	27.2	(8)	(137)
Non-cash movement of defined benefit pension charge	21.2	(31)	82
Net finance expense	9	598	42
Loss on disposal of discontinued operation	37	-	307
Operating cash flows before working capital movement		(4,195)	2,514
Change in receivables		1,670	200
Change in payables		524	(404)
Change in provisions	15	21	14
Change in contract assets	5.4	69	156
Change in contract liabilities	5.4	(805)	(1,478)
Cash generated (used in)/from operations before tax		(2,716)	1,002
Net income taxes paid		(2,421)	(73)
Net cash flows (used in)/from operating activities		(5,137)	929
Cash flows from investing activities			
Net proceeds from sale of subsidiaries	37	941	2,936
Purchases of property, plant and equipment	18	(86)	(317)
Expenditure on intangible assets	17	(199)	(2,986)
Proceeds from disposal of property, plant and equipment		-	14
Net cash from/(used in) investing activities		656	(353)
Cash flows from financing activities			
Loans received	16	8,250	-
Loans repaid	34	(4,250)	-
Interest paid on borrowings		(537)	(71)
Principal elements of lease payments		(785)	(180)
Net cash inflow/(outflow) from financing activities		2,678	(251)
Net (decrease)/increase in cash and cash equivalents		(1,803)	325
Cash and cash equivalents at start of year		4,627	4,354
Exchange differences on cash and cash equivalents		(153)	(52)
Cash and cash equivalents at end of year	13	2,671	4,627

The accompanying notes are an integral part of these financial statements.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Notes to the consolidated financial statements

1 General information

Brady Technologies Limited (formerly Brady plc, "the Company") and its subsidiaries (together, "the Group") provides trading and risk management software to the global commodity and energy markets.

The Company is a public limited company and was listed on AIM, part of the London Stock Exchange (BRY), until the Company delisted on 8 January 2020. The Company is incorporated and domiciled in England and Wales. The address of its registered office, which is also its principal place of business, is 100 Lower Thames Street, London, EC3R 6DL.

As at 31 December 2019, the Group has its main operations in the UK, Switzerland, Norway, and India and sells mainly in Europe, North America and Asia Pacific. The Group legally consists of 19 companies headed by Brady Technologies Limited (formerly Brady plc) as at 31 December 2019.

These financial statements have been authorised for issue by the Board of Directors on 28 October 2020.

2 New accounting standards

New and amended standards adopted by the Group

For the purposes of the preparation of these consolidated financial statements, the Group has applied the following standard and amendment for the first time for their annual reporting period commencing 1 January 2019:

- IFRS 16 - Leases

The Group had to change its accounting policies and make certain adjustments following the adoption of IFRS 16 and these are disclosed in note 36.

Standards and interpretations not yet applied by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Group.

The Directors anticipate that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Brady Technologies Limited (formerly Brady plc) have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The preparation of these financial statements in conformity with IFRS as adopted by the EU requires the Directors to make certain critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Accounting period

The Group's annual financial statements are drawn up to 31 December. These financial statements cover the year ended 31 December 2019 ('2019') with comparative amounts for the year ended 31 December 2018 ('2018').

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Going concern basis

The Group made a loss in the financial year of £18.5 million (2018: £2.1 million loss) and at 31 December 2019 had net current liabilities of £9.6 million (2018: £2.0 million). The Directors have reviewed the cash flow forecasts of the Group for the period through to September 2021. The Directors have considered the current market conditions, trading activity post-year end and the liquid resources available to the Group, including increased loan facilities secured after the year end, and has obtained a letter of support from its ultimate parent undertaking, Brady Acquisitions Limited. The letter of financial support demonstrates that the Group will be provided with the necessary financial support for the foreseeable future, being at least 12 months from the date of approval of the financial statements. In assessing the future cash flows, the Directors have applied sensitivities to the assumptions on new business and also the cost base.

In light of recent developments on Covid-19, the Directors have also assessed its impact on business performance to date, in particular the impact of currency fluctuations, the potential increase in credit risk and also the impact on key suppliers. Throughout this period, the Group continues to have close dialogue with its customers and key suppliers. On the basis of the Directors' assessment of the Group's and Parent Company's financial position and of the enquires made of the Directors of Brady Acquisitions Limited, the Directors have a reasonable expectation that the Group and Parent Company will continue in operational existence and meets its liabilities as they fall due for the foreseeable future. Accordingly, the Group and Parent Company continue to adopt the going concern basis in preparing these financial statements.

Consolidation

The Group financial statements include the results, financial position and cash flows of the Company and all of its subsidiary undertakings. Subsidiary undertakings are those entities which the Company has power over, is exposed to variable returns from and can use its power to affect those returns.

Coterminous financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. Businesses acquired or disposed of during the year are accounted for using acquisition method principles from, or up to, the date control passed. Intra-group transactions and balances are eliminated on consolidation. All subsidiaries use uniform accounting policies for like-for-like transactions and other events and similar circumstances.

Discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement and are shown net of tax.

Deferred consideration relating to the disposal of discontinued operations that is due more than 1 year after the reporting date is discounted to present value using a discount rate associated with the credit risk. The discount is unwound and interest income is recognised in the consolidated income statement.

Foreign currencies

(i) Functional and presentation currency

The functional currency of each Group entity is the currency of the primary economic environment in which each entity operates. The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of each Group entity using the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates ruling at the period end date. Such exchange differences are included in the income statement within "operating expenses". Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Foreign currencies (continued)

(iii) Consolidation

For the purpose of presenting consolidated financial statements, the results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency other than Sterling are translated into Sterling as follows:

- assets and liabilities for each statement of financial position are translated at the exchange rate at the year end date; and
- income and expenses for each income statement are translated at the exchange rate ruling at the time of each period the transaction occurred and all resulting exchange differences are recognised in other comprehensive income.

Alternative performance measures

The Group uses an alternative (non-Generally Accepted Accounting Practice ('non-GAAP')) performance measure of 'Adjusted EBITDA'. This measure is not defined within the International Financial Reporting Standards ('IFRS') and, therefore, this measure as defined by the Group may not be comparable with similarly titled measures used by other companies. The Directors do not regard this measure as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS. The Directors present this measure in the financial statements in order to assist investors in their assessment of the trading performance of the Group. Adjusted EBITDA excludes specific items that are considered to hinder comparison of the trading performance of the Group's businesses year on year and are used for internal performance analysis and in relation to certain employee incentive arrangements.

The Group calculates Adjusted EBITDA by making adjustments to exclude certain items from operating profit or loss namely: impact of IFRS 16 accounting (see note 19.2), amortisation or impairment of acquired and other intangible assets, share based payments, depreciation and exceptional items such as integration or reorganisation costs that meet the criteria to be adjusted.

The criteria for the adjusted items in the calculation of adjusted EBITDA is operating income or expenses that are both material and either arise from an irregular and significant event or the income/cost is recognised in a pattern that is unrelated to the resulting operational performance. The calculation of this measure is shown in the consolidated income statement.

Segment reporting

IFRS 8 requires a "management approach" under which information in the consolidated financial statements is presented on the same basis as that used for internal management reporting purposes. Segment results are reported according to the internal management reporting structure at the reporting date.

The Group is organised for reporting purposes into three business units: Commodities, Energy and Credit Risk. This is a change from the previous reporting period where the Group was organised in a single, global business unit for reporting purposes. The new reporting structure allows each business unit to be managed by expert individuals and decisions tailored towards customers, who have different requirements across the three markets. Provision of data at the business unit level allows for greater transparency and has enabled employee incentivisation alignment. The segmental reporting comparatives have been restated to align to the new organisational structure, however there is no impact on the financial statement line items in the consolidated income statement.

The internal management accounting information has been prepared on an IFRS basis but has a non-GAAP "Adjusted EBITDA" as a profit measure for the overall Group and this is reported on the face of the consolidated income statement.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Revenue recognition

Revenue comprises the value of sales (excluding trade discounts and VAT) of goods and services in the normal course of business. The Group has multiple revenue streams and the policy for each is detailed below. The Group acts as the principal in all sales.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as the performance obligation(s) are satisfied.

Contracts typically contain a number of revenue streams and, depending on the contractual terms, may not be distinct and therefore considered to be one performance obligation. The total contract transaction price is allocated to the various performance obligations based on their relative standalone selling prices.

(i) Software and associated installation services

Revenue from rental (subscription) of software is recognised evenly over the period from the date the customer can benefit from using the software, typically the point when the customer has the ability to 'go-live', until the contract end date. Software rental contracts are under a 'right to access' model and the Group retains control of the intellectual property throughout the contract term.

Revenue from sale of software term licences is recognised at a point in time when the customer has control of the asset, which is typically at the point when the customer has the ability to 'go-live'. Software term licence contracts are under a 'right to use' model and the customer is entitled to the intellectual property as it stands at a point in time.

Due to the nature of the Group's software offerings, there is typically a period of installation before the customer can benefit from the asset. Revenue from installation services is recognised on completion of related performance obligations, which is when the customer has the ability to 'go-live'.

(ii) Consulting and professional service fee revenues

Revenue from consulting and professional service fees is recognised over time as the work is performed as this reflects when control is considered to be transferred. The customer receives and consumes the benefit of the service as it is performed, and the Group has an enforceable right to payment for work completed to date on a time and materials basis.

The Group performs some bespoke development work on its software products at client request. Revenue from bespoke development work is recognised at a point in time when contractual commitments have been delivered, which is when the customer has the ability to 'go-live'.

(iii) Support, maintenance and hosting

Revenue from support, maintenance and hosting is recognised evenly over the period to which it relates in line with contractual terms. As the amount of work required under these contract elements does not vary significantly from month-to-month, the straight-line method provides a faithful depiction of the transfer of goods or services.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Revenue recognition (continued)

(iv) Contract assets and liabilities

The Group recognises the following contract assets in the consolidated statement of financial position:

- Amounts recoverable on contracts, if the Group satisfies a performance obligation before it invoices the customer. The asset is derecognised at the point in time when the Group invoices the customer.
- Contract fulfilment costs, if the costs are not within the scope of another Standard, then the following criteria have to be met:
 - The costs directly relate to a contractual performance obligation;
 - The costs relate to satisfaction of a performance obligation in the future; and
 - The costs are expected to be recovered.

The contract fulfilment asset is amortised over the period in which the revenue from the related performance obligation is recognised.

At each reporting date, contract assets are assessed for impairment by comparing the carrying amount of the asset to the remaining consideration that the Group expects to receive under the contract, less future costs to complete.

No contract assets are recognised for incremental costs of obtaining customer contracts as assessment of whether such costs are recoverable is not probable.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as 'contract liabilities' in the consolidated statement of financial position.

(v) Financing elements

The Group does not expect to have any contracts where there is a material financing element due to the period between revenue recognition and payment by the customer exceeding one year. Consequently, the Group applies the practical expedient in IFRS 15.63 and does not adjust the transaction price for the time value of money.

(vi) Contract modifications

From time to time, there is a change in scope of the original contract between the Group and a customer. All contract modifications are supported by contractual change orders. Change orders are accounted for as a separate contract when:

- The change order includes distinct goods or services; and
- The price changes relative to the standalone prices of the goods or services.

If both criteria are not met, the change order is not accounted for as a separate contract and the Group accounts for the change order as if it were part of the performance obligations in the existing contract. The effect of the change order on contract value and progress to date is assessed at the contract modification date and a cumulative catch-up adjustment to revenue is recognised at this point.

Brady Technologies Limited (formerly Brady plc)

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3 Summary of significant accounting policies (continued)

Employee benefits

(i) Short-term employee benefits

Short term employee benefits, including salaries, bonuses, social security contributions, paid annual leave and paid sick leave, are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee renders the related service. Liabilities are presented within trade and other payables in the consolidated statement of financial position.

(ii) Retirement benefits

The Group operates various defined contribution and defined benefit pension arrangements for its employees.

For defined contribution pension arrangements, the amount charged to the income statement represents the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the consolidated statement of financial position.

For defined benefit pension arrangements, the cost of providing the benefit is calculated annually by independent actuaries. The estimate of its post retirement benefit obligation is based on standard rates of inflation and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plans have been set aside. Plan assets may include assets specifically designated to a long-term benefit fund as well as qualifying insurance policies. The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Any movement in actuarial gains and losses arising from experience adjustments and changes in assumptions is included within other comprehensive income.

(iii) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant using the Black-Scholes option pricing model. The fair value is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based on the Group's estimate of the number of shares that will eventually vest.

(iv) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

Leased assets

As described in note 36, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019

Identification of a lease

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains, a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identifiable asset, which is either explicitly identified in the contract or implicitly specified as being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights defined within the scope of the contract; and

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Financial statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Leased assets (continued)

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Initial measurement

At the lease commencement date, the Group recognises a right-of-use (RoU) asset and a lease liability in the consolidated statement of financial position.

The RoU asset is measured at cost, which is made up of:

- the initial measurement of the lease liability;
- any initial direct costs incurred by the Group;
- an estimate of cost to dismantle, restoration costs or cost to remove the asset at the end of the lease; and
- any lease payments made in advance of the lease commencement date, net of any incentives received.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the rate implicit in the lease, or if not available, the Group's incremental borrowing rate. To determine the incremental borrowing rate, the Group uses recent third party financing arrangements as a starting point, adjusted to reflect changes in the Group's position since the financing was received and for any lease-specific factors such as term, country, currency or security.

Lease payments included in the measurement of the lease liability are made up of:

- fixed payments (including in-substance fixed);
- variable payments based on an index or rate;
- amounts expected to be paid under a residual guarantee; and
- payments arising from options reasonably certain to be exercised.

Subsequent measurement

The Group depreciates the RoU asset on a straight line basis from the lease commencement date to the earlier of the end of the useful life of the RoU asset or the end of the lease term. The Group also assesses the RoU asset for impairment when indicators exist.

Lease payments are allocated between principle and finance cost. The finance cost is charged to profit and loss so as to produce a constant periodic rate of interest of the remaining balance of the liability for each period. The lease liability will be reduced for payments made and be increased for finance costs. It is remeasured to reflect any reassessment or modification, or if there are changes to the in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the RoU asset, or profit and loss if the RoU asset is already reduced to zero.

Practical expedients

The Group has elected to account for short-term leases (leases with a term of under 12 months) except for property and leases of low-value assets using the practical expedients in IFRS 16. Instead of recognising a RoU asset and a lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

Leases in existence at transition date

The accounting treatment of leases in existence at the transition date of 1 January 2019 is disclosed in note 36.

Accounting policy applicable before 1 January 2019

Leases of software and property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 16). Finance leases are capitalised, at the lease's inception, at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The software and property, plant and equipment acquired under finance leases are depreciated

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Leased assets (continued)

over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease rentals are charged as operating expenses to the consolidated income statement in equal annual amounts over the lease term. Assets leased under operating leases are not recorded in the consolidated statement of financial position because the lessor retains a significant portion of the risks and rewards of ownership.

The benefit of lease incentives such as rent-free periods or up-front cash payments are spread equally on a straight-line basis over the lease term.

Exceptional items

Material, non-recurring and incremental costs and income are identified and reported as exceptional items separately from the underlying operating expenses and income. They comprise material amounts outside of the course of normal trading activities which are one off/non-recurring.

Interest income and expense

Interest income and expense is included in the income statement on a time basis, using the effective interest method by reference to the principal outstanding.

Tax

The tax charge or credit comprises current tax payable and deferred tax:

(i) Current tax

The current tax charge represents an estimate of the amounts payable to tax authorities in respect of the Group's taxable profits. It is based on an interpretation of existing tax laws and calculated based on the rate enacted at the balance sheet date. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes certain items of income and expense that are taxable or deductible in other years or are never taxable or deductible.

(ii) Deferred tax

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. 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. 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 liabilities are always provided in full. 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. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date. Deferred tax is recognised as a component of tax expense in the income statement, except where it relates to items charged or credited directly to other comprehensive income or equity when it is recognised in other comprehensive income or equity.

Trade receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method less loss allowance. Any change in their value through impairment or reversal of impairment is recognised in profit or loss.

For further information about the Group's accounting for trade receivables, see note 12 and details about the Group's impairment policies and the calculation of the loss allowance are provided in note 28.5.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expired.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Goodwill

Goodwill arising on an acquisition of a business is the difference between the fair value of the consideration paid and the net fair value of the assets and liabilities acquired. Goodwill is carried at cost less accumulated impairment losses. Goodwill is derecognised at the point of disposal of a subsidiary or disposal group.

Other intangible assets

Intangible assets acquired through a business combination and purchased intangible assets such as software are initially measured at fair value and amortised on a straight-line basis over their useful economic lives. Amortisation is shown within operating expenses in the consolidated income statement. The useful economic lives are:

- Acquired intangible assets: ten years
- Software: three years, or period of the licence if shorter.

Research and development

Expenditure on research activities is recognised as an expense in the consolidated income statement in the period in which it is incurred.

Development activities involve a plan or design for the production on new or substantially improved products and processes. Development expenditure is only capitalised if all of the following conditions are met:

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Research and development (continued)

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- 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.

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 operating expenses in the income statement. The amortisation period for development costs incurred in the Group is up to five years on a straight-line basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged to the income statement so as to write off the cost or valuation less estimated residual values over their expected useful lives on a straight-line basis over the following periods:

- Leasehold improvements: four years, or period of the lease if shorter
- Computer equipment: three years
- Fixtures, fittings & equipment: three to five years

Residual values and useful economic lives are assessed annually. The gain or loss on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in operating expenses in the consolidated income statement.

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Share capital and share premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The nominal value of shares issued is classified as share capital and the amounts paid over the nominal value in respect of share issues, net of related costs, is classified as share premium.

Treasury shares

Equity shares in Brady Technologies Limited (formerly Brady plc) held by the Company are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from Group equity until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders. Distributions received on treasury shares are eliminated on consolidation.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

3 Summary of significant accounting policies (continued)

Provisions

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

4 Critical accounting judgements and key sources of estimation and uncertainty

The following are judgements management makes when applying its significant accounting policies and that have the most significant effect on amounts that are recognised in the consolidated financial statements.

Judgements

Capitalisation of development costs

The Group invests in the development of future products in accordance with its accounting policy above. The assessment as to whether this expenditure will achieve a complete product for which the technical feasibility is assured is a matter of judgment, as is the forecasting of how the product will generate future economic benefit. Finally, the period of time over which the economic benefit associated with the expenditure occurred will arise is also a matter of judgment. These judgments are made by evaluating the development plan prepared by the research and development department and approved by management, regularly monitoring progress by using an established set of criteria for assessing technical feasibility and benchmarking to other products. The carrying amount of capitalised development costs at 31 December 2019 is £881,000 (2018: £6,823,000). Further consideration of the carrying amount of development costs is included in note 17.

Revenue recognition

Significant management judgement is applied in determining the allocation and timing of the recognition of revenue on contracts. Contracts can include both the sale of licences and provision of services including integration and development. The Directors consider recognition of their separable components of revenue is appropriate based on the analysis of individual contracts, as this indicates the substance of the transaction as viewed by the customer. The point at which performance obligations are completed is dependent on the contractual terms and an analysis is made of each separable component of revenue. In respect of a licence, this would usually be at the point control is passed on to the customer, typically on functional acceptance tests. Client development and other customisation work may be subject to user acceptance tests. Revenue for these services is recognised when the work has been delivered to the customer and they have the ability to 'go-live', but where issues of customer acceptance are identified, then revenue is deferred until issues are resolved. The carrying amounts at 31 December 2019 for contract assets is £291,000 (2018: £360,000) and contract liabilities is £5,555,000 (2018: £6,360,000) as disclosed in note 5.4.

Provisions

Significant management judgement is applied to the recognition and measurement of provisions as they are subject to the future outcome of litigation in progress. The Group recognises a provision at management's best estimate when it is probable that economic outflow will occur and reconsiders the estimate based on the latest information at each reporting date. To the extent that the outcome is different from the amounts recorded, the difference will impact the consolidated income statement in the year in which the matter is concluded. See note 15 for further details.

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4 Critical accounting judgements and key sources of estimation and uncertainty (continued)

Exceptional items

Material, non-recurring and incremental costs are identified and reported as exceptional items separately from the underlying operating income and expenses. Classification of expenditure as such requires management judgement and is performed to improve the understanding of the underlying financial performance of the Group. Details are shown in note 8.2.

Accounting estimates

The Group makes estimates and assumptions concerning the future. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of goodwill and intangible assets

The Group tests goodwill for impairment annually and other intangible assets when an indicator of impairment exists. This requires an estimation of the value in use and the fair value less costs of disposal of the cash-generating units to which the goodwill and intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. During the year, the Group recognised accelerated amortisation and impairment charges of £5.5 million in relation to goodwill, £0.2 million in relation to acquired intangible assets and £4.9 million in relation to capitalised product development costs. The carrying amount of goodwill at 31 December 2019 is £9.8 million, the carrying amount of acquired intangible assets is £1.9 million and the carrying amount of capitalised product development costs is £0.9 million. Further consideration of the impairment of goodwill and intangible assets is included in note 17.

Tax

The Group is subject to corporate taxation in various countries and judgement is required in determining the provision for income and deferred taxation. The Group recognises taxation assets and liabilities based upon estimates and assessments of many factors including past experience, advice received on the relevant taxation legislation and judgements about the outcome of future events. The Group carries appropriate provision, based on best estimates, until tax computations are agreed with the taxation authorities. To the extent that the final outcome of these matters is different from the amounts recorded, such differences will impact on the taxation charge made in the consolidated income statement in the period in which such determination is made.

Uncertain tax position

The Group has an ongoing tax enquiry into prior years' transfer pricing methodology of an overseas subsidiary. Following further clarification on this matter in December 2018, payments have been made amounting to £2.3 million to the Norwegian tax authorities during 2019, with a further £0.5 million paid in January 2020. The conclusion of the matter is uncertain as the Group has lodged an appeal in March 2019 with an independent review body in Norway. Whilst the Board believes it has a robust argument in this matter, it has settled all sums outstanding to the Norwegian tax authorities in a timely manner. After assessing the probability of various outcomes of the appeal hearing in accordance with IFRIC 23 (*Uncertainty over Income Tax Treatments*), the Board has recognised a net liability of £0.6 million. Whilst the Board is confident in its position to recover a substantial portion of the potential overpayments of tax, the uncertainty of such an outcome is reflected in its assessment of the probabilities. The Board continues to be prepared to enter into a dialogue with the tax authorities in Norway to reach an amicable settlement. In relation to this matter, during 2019 a tax charge of £0.6 million has been included in the consolidated income statement and shown as an exceptional tax charge (see note 8.2). The net liability in the statement of financial position at 31 December 2019 is £0.6 million (2018: £2.1 million). See note 10.3.

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5 Revenue from contracts with customers**5.1 Disaggregation of revenue from contracts with customers**

The Executive Board consider that the business has three revenue streams with different characteristics, which are generated from the same assets and cost base. The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

Year ended 31 December 2019	Recurring support, maintenance and rentals £'000	Services including development £'000	Software licences £'000	Total £'000
UK	2,497	107	38	2,642
Switzerland	1,560	661	115	2,336
Norway	3,690	296	44	4,030
Other EMEA	5,241	481	195	5,917
EMEA	12,988	1,545	392	14,925
USA	1,349	127	64	1,540
Other Americas	520	55	336	911
Americas	1,869	182	400	2,451
Asia Pacific	577	228	-	805
Total revenues	15,434	1,955	792	18,181
Timing of revenue recognition				
At a point in time	-	880	792	1,672
Over time	15,434	1,075	-	16,509
Year ended 31 December 2018				
UK	2,673	658	433	3,764
Switzerland	1,585	65	1,404	3,054
Norway	3,766	622	113	4,501
Other EMEA	4,926	1,966	981	7,873
EMEA	12,950	3,311	2,931	19,192
USA	1,766	15	176	1,957
Other Americas	638	130	-	768
Americas	2,404	145	176	2,725
Asia Pacific	677	312	251	1,240
Total revenues	16,031	3,768	3,358	23,157
Timing of revenue recognition				
At a point in time	-	1,063	3,358	4,421
Over time	16,031	2,705	-	18,736

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5 Revenue from contracts with customers (continued)**5.2 Geographical areas**

The Group's revenue from external customers and information about its non-current assets (excluding deferred tax), disaggregated by primary geography is detailed below:

	Revenue		Non-current assets	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
UK	2,642	3,764	4,431	8,186
Switzerland	2,336	3,054	1,194	4,352
Norway	4,030	4,501	10,970	14,628
Other EMEA	5,917	7,873	-	-
EMEA	14,925	19,192	16,595	27,166
USA	1,540	1,957	-	7
Other Americas	911	768	-	-
Americas	2,451	2,725	-	7
Asia Pacific	805	1,240	259	22
	18,181	23,157	16,854	27,195

Revenues from external customers in the Group's domicile, the UK, as well as its major markets, EMEA, Americas and Asia Pacific, have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

5.3 Information about major customers

There were no customers in 2019 or 2018 who contributed 10% or more of the Group's revenue.

5.4 Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019 £'000	2018 £'000
Current contract assets relating to:		
Recurring maintenance, hosting and rentals	1	11
Services including development	170	316
Licences	123	34
Loss allowance	(3)	(1)
Total contract assets	291	360
Current contract liabilities relating to:		
Recurring maintenance, hosting and rentals	4,822	5,268
Services including development	522	890
Licences	211	202
Total contract liabilities	5,555	6,360

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5 Revenue from contracts with customers (continued)**5.4 Assets and liabilities related to contracts with customers (continued)****a) Significant changes in contract assets and liabilities**

Contract assets have decreased by 19% (2018: 30% decrease) due to the reduction in assets recognised relating to work completed but not invoiced at the year-end date.

Contract liabilities have decreased by 13% (2018: 19% decrease) as the Group completed its contractual performance obligations under certain customer projects and has lower recurring revenues invoiced in advance of the year end.

b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2019 £'000	2018 £'000
Revenue recognised that was included in the contract liability at the beginning of the year:		
Advanced billing for recurring revenue	5,365	4,804
Completion of contractual obligations in relation to professional services, development and licences	550	2,318

c) Assets recognised from costs to fulfil a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to fulfil a long-term contract. This is presented within other current assets in the consolidated statement of financial position.

	2019 £'000	2018 £'000
Asset recognised from costs incurred to fulfil a contract at 31 December	154	42

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6 Segment information

IFRS 8 requires a "management approach" under which information in the financial statements is presented on the same basis as that used for internal management reporting purposes.

The Group is organised for reporting purposes into three business units: Commodities, Energy and Credit Risk. This is a change from the previous reporting period where the Group was organised in a single, global business unit for reporting purposes. The comparatives are restated to align to the new organisational structure.

Reporting financial performance by three business units reflects the Group's products and internal organisational and management structure. The Chief Operating Decision Maker (CODM), which is the Executive Board comprising Executive Directors and certain senior management, receives financial information reported by the three business units and therefore the Group has determined that it now has three reportable segments as defined by IFRS 8.

The internal management accounting information is prepared on an IFRS basis but has a non-GAAP "Adjusted EBITDA" as a profit measure for the overall Group and this is reported on the face of the consolidated income statement.

6.1 Results by operating segments

Year ended 31 December 2019	Commodities £'000	Energy £'000	Credit Risk £'000	Central £'000	Total £'000
Revenue	7,538	9,342	1,301	-	18,181
Cost of sales	(4,278)	(4,722)	(373)	(450)	(9,823)
Gross profit	3,260	4,620	928	(450)	8,358
Other direct expenses	(1,597)	(1,271)	(220)	(143)	(3,231)
Contribution	1,663	3,349	708	(593)	5,127
Other operating expenses					(10,176)
Adjusted EBITDA					(5,049)

Year ended 31 December 2018 – restated	Commodities £'000	Energy £'000	Credit Risk £'000	Central £'000	Total £'000
Revenue	11,536	10,414	1,207	-	23,157
Cost of sales	(3,783)	(4,588)	(518)	(361)	(9,250)
Gross profit	7,753	5,826	689	(361)	13,907
Other direct expenses	(1,052)	(1,139)	(147)	-	(2,338)
Contribution	6,701	4,687	542	(361)	11,569
Other operating expenses					(9,215)
Adjusted EBITDA					2,354

Other direct expenses include product management, sales and marketing costs.

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6 Segment information (continued)**6.2 Disaggregation of revenue by type**

Year ended 31 December 2019	Commodities £'000	Energy £'000	Credit Risk £'000	Central £'000	Total £'000
Recurring support, maintenance and rentals	5,986	8,345	1,103	-	15,434
Services including development	1,077	825	53	-	1,955
Software licences	475	172	145	-	792
Total revenue	7,538	9,342	1,301	-	18,181

Timing of revenue recognition

At a point in time	1,145	380	147	-	1,672
Over time	6,393	8,962	1,154	-	16,509

Year ended 31 December 2018 - restated	Commodities £'000	Energy £'000	Credit Risk £'000	Central £'000	Total £'000
Recurring support, maintenance and rentals	6,732	8,144	1,155	-	16,031
Services including development	1,667	2,049	52	-	3,768
Software licences	3,137	221	-	-	3,358
Total revenue	11,536	10,414	1,207	-	23,157

Timing of revenue recognition

At a point in time	3,560	832	29	-	4,421
Over time	7,976	9,582	1,178	-	18,736

7 Employee information**7.1 Employee numbers**

The average monthly number of people, including Executive Directors, employed by the Group during the year was:

	2019 Number	2018 Number
Sales, services and client support	47	57
Development	94	87
Administration	30	29
Management	8	7
Total average number of people	179	180

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7 Employee information (continued)**7.2 Employee benefits**

	Notes	2019 £'000	2018 £'000
Wages and salaries		12,985	12,835
Social security costs		1,539	1,480
Post-employment benefits: defined contribution pension arrangements	21.1	722	670
Post-employment benefits: defined benefit pension arrangements	21.2.1	153	282
Share-based payment credit	27.2	(8)	(137)
Total aggregate employee benefits		15,391	15,130

Included in the above are employee benefits of £nil (2018: £170,000) which relate to the discontinued operation.

7.3 Key management compensation

Key management includes Directors (Executive and Non-Executive) and members of the Executive Management Team. At the end of the year, there were 10 key management personnel (2018: 8) and the average number of key management personnel during the year was 11 (2018: 8). The compensation paid or payable to key management for employee services is shown below:

	2019 £'000	2018 £'000
Short-term employee benefits	1,503	971
Post-employment benefits	95	34
Share-based payment credit	(5)	(21)
Total key management compensation	1,593	984

7.4 Directors' remuneration

	2019 £'000	2018 £'000
Emoluments	876	514

Included in the above amount is compensation for loss of office totalling £31,000 (2018: £nil). In addition, the total share-based payment credit relating to Directors was £5,000 (2018: £21,000 credit).

The highest paid Director received a total salary of £224,000 (2018: £240,000), performance-related payments of £19,000 (2018: £nil), pension contributions of £8,000 (2018: £nil) and benefits of £1,000 (2018: £nil). In addition, the share-based payment expense relating to the highest paid Director was £nil (2018: £3,000). The comparatives relate to a different Director.

No Director exercised share options in either the year ended 31 December 2019 nor 2018.

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8 Analysis of expenses by nature**8.1 Expenses by nature**

The following items have been charged/(credited) to the consolidated income statement in arriving at loss before tax from continuing operations:

	Notes	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	18	257	367
Depreciation of right of use assets	19.2	881	-
Amortisation of acquired intangible assets	17	1,181	1,283
Amortisation of other intangible assets	17	1,314	1,943
Amortisation of right of use assets	19.2	114	-
Loss on disposal of property, plant and equipment and intangible assets		6	42
Research and development costs expensed		6,996	4,064
Share-based payment credit	27.2	(8)	(137)
Operating lease rental charges – land and buildings		-	1,222
Operating lease rental charges – others		-	3
Finance cost relating to lease liabilities	9	246	64
Net foreign currency (gains)/losses		(322)	25
Exceptional items	8.2	13,133	274

8.2 Exceptional items

	Notes	2019 £'000	2018 £'000
Functional transformation costs		70	100
Contract disputes		182	-
Professional fees relating to overseas tax enquiry		192	174
Accelerated amortisation and impairment of goodwill and intangible assets	17	10,670	-
Costs associated with sale of Company		1,065	-
Exceptional items charged to operating loss		12,179	274
Exceptional finance costs	9	315	-
Exceptional items charged to loss before tax		12,494	274
Exceptional tax charge	10	639	-
Exceptional items charged to loss after tax	8.1	13,133	274

Functional transformation costs

During 2019, the Group incurred functional transformation costs totalling £70,000 (2018: £100,000) relating to restructuring activities in 2018.

Contract dispute

During 2019, the Group increased its legal provision by £182,000 (2018: £nil) relating to certain client contract disputes. This relates to disputes arising in previous years.

Professional fees relating to overseas tax enquiry

During 2019, the Group incurred £192,000 (2018: £174,000) for professional advice relating to the Norwegian tax enquiry.

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8 Analysis of expenses by nature (continued)**8.2 Exceptional items (continued)****Accelerated amortisation and impairment of goodwill and intangible assets**

As a result of changes in focus markets for future sales and updates to product strategy in areas that previously saw significant investment, £10,670,000 (2018: £nil) of accelerated amortisation and impairment of goodwill and intangible assets have been recognised. See note 17.

Costs associated with sale of Company

Brady Acquisition Limited acquired control of the Company in November 2019 and the Group incurred £1,065,000 (2018: £nil) costs in relation to this transaction.

Exceptional finance costs

During 2019, the Group incurred one-off finance costs of £315,000. (2018: £nil) was in relation to loan arrangements. The loans were all taken out and repaid in the year and were from related parties (see note 34). £56,000 (2018: £nil) was in relation to interest charges on the exceptional tax charge (see below).

Exceptional tax charge

The Group has an ongoing tax enquiry into prior years' transfer pricing methodology of an overseas subsidiary. During 2019, a tax charge of £639,000 has been recognised which relates to this investigation. (see note 10).

8.3 Auditor's remuneration

The auditor of Brady Technologies Limited (formerly Brady plc) is Grant Thornton UK LLP.

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:

	2019 £'000	2018 £'000
<i>Fees payable to the Group's auditor for the audit of:</i>		
2019 Parent Company and consolidated financial statements	40	40
2019 Financial statements of subsidiaries, pursuant to legislation	106	95
Prior year financial statements	73	-
Total audit fees	219	135
<i>Fees payable to the Group's auditor and associates for other services:</i>		
Audit related assurance services	10	-
Tax compliance services	24	23
Tax advisory services	5	11
Total non-audit fees	39	34
Total auditor's remuneration	258	169

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9 Net finance expense

	Notes	2019 £'000	2018 £'000
Net interest expense from cash and cash equivalents		(23)	(7)
Net interest expense from loans		(22)	-
Net interest expense from defined benefit pension obligations	21.2.1	(19)	(17)
Net interest expense from corporation tax payable		(3)	-
Lease liability interest cost		(246)	(64)
Interest from deferred consideration		30	46
		(283)	(42)
Exceptional finance costs	8.2	(315)	-
Net finance expense		(598)	(42)

Interest from deferred consideration

Interest income on deferred consideration (financial assets at amortised cost) was capitalised and calculated using the effective interest method and recognised in the consolidated income statement as part of net finance expense. The applicable interest rate used in determining the income was 4.88%.

10 Income tax**10.1 Income tax recognised in the consolidated income statement**

	Notes	2019 £'000	2018 £'000
Current tax			
UK Corporation tax at 19.00% (2018: 19.00%) on loss for the year		-	-
Adjustments in respect of prior years		-	-
Research and development tax credits – prior years		-	(351)
UK Corporation tax credit		-	(351)
Overseas tax charge on loss for the year		210	824
Adjustments in respect of prior years		513	-
Overseas tax charge		723	824
Total current tax expense		723	473
Deferred tax			
Decrease/(increase) in deferred tax assets – current year	20	23	(38)
Decrease in deferred tax liabilities – current year	20	(1,418)	(142)
Decrease in deferred tax assets – prior year	20	-	371
Total deferred tax (credit)/expense		(1,395)	191
Total income tax (credit)/expense		(672)	664

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10 Income tax (continued)**10.1 Income tax recognised in the consolidated income statement (continued)**

The tax expense differs from the standard rate of corporation tax in the UK for the year of 19.00% (2018: 19.00%) for the following reasons:

	2019 £'000	2018 £'000
Loss before tax – continuing operations	(19,177)	(1,144)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(3,644)	(217)
Tax effects of:		
Expenses not deductible for tax purposes	1,920	317
Non-chargeable interest	(37)	(40)
Tax losses for which no deferred tax asset was recognised	461	1,292
Differential on overseas tax rates	44	226
Research and development tax credits	-	(543)
Adjustments in respect of prior years	584	(371)
Total income tax (credit)/expense	(672)	664

10.2 Factors that may affect future tax charges

The Group has tax losses of £25.5 million (2018: £23.8 million) that are available for offset against future taxable profits of those subsidiary companies in which the tax losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, and they have arisen in subsidiaries whose future taxable profits are uncertain. The potential deferred tax asset not recognised is £4.3 million. No deferred tax has been recognised on the unremitted earnings of overseas subsidiaries, because the earnings are continually reinvested by the Group and no tax is expected to be payable on them in the foreseeable future.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2018 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. The UK government announced in the 2020 budget (11 March 2020) that corporation tax rate would remain at 19% from 1 April 2020, however as this was not substantively enacted at the balance sheet date a rate of 17% has been used to measure deferred taxes at the year-end.

10.3 Uncertain tax position

The Group has an ongoing tax enquiry into prior years' transfer pricing methodology of an overseas subsidiary. Following further clarification on this matter in December 2018, payments have been made amounting to £2.3 million to the Norwegian tax authorities during 2019, with a further £0.5 million paid in January 2020. The conclusion of the matter is uncertain as the Group has lodged an appeal in March 2019 with an independent review body in Norway. Whilst the Board believes it has a robust argument in this matter, it has settled all sums outstanding to the Norwegian tax authorities in a timely manner. After assessing the probability of various outcomes of the appeal hearing in accordance with IFRIC 23 (Uncertainty over Income Tax Treatments), the Board has recognised a net liability of £0.6 million. Whilst the Board is confident in its position to recover a substantial portion of the potential overpayments of tax, the uncertainty of such an outcome is reflected in its assessment of the probabilities. The Board continues to be prepared to enter into a dialogue with the tax authorities in Norway to reach an amicable settlement. In relation to this matter, during 2019 a tax charge of £0.6 million has been included in the consolidated income statement and shown as an exceptional tax charge (see note 8.2). The net liability in the statement of financial position at 31 December 2019 is £0.6 million (2018: £2.1 million).

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11 Earnings per share (EPS)**11.1 Basic and diluted EPS**

	2019	2018
Earnings		
Earnings of the purposes of basic and diluted EPS being net loss attributable to equity holders of the Parent Company (£'000)	(18,505)	(2,079)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS ('000)	83,368	83,368
<i>Effect of dilutive potential share options:</i>		
Share options ('000)	-	-
Weighted average number of ordinary shares for the purposes of diluted EPS ('000)	83,368	83,368
Basic EPS (pence)	(22.20)	(2.49)
Diluted EPS (pence)	(22.20)	(2.49)

Basic earnings per share is calculated by dividing loss for the year attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. For diluted earnings per share, the weighted average number of shares is adjusted to allow for the effects of all dilutive share options outstanding at the end of the year. Options have no dilutive effect in loss-making years and hence the diluted loss per share for the year is the same as the basic loss per share.

11.2 Adjusted diluted EPS

The Group presents an adjusted diluted earnings per share figure, which excludes amortisation and impairment on acquired intangible assets, impairment of goodwill, share-based payment charge/credits, exceptional items and IFRS 16 adjustments (see note 19.2) and includes a normalised tax charge to the extent that taxable profits have been made. The adjusted EPS information is considered to provide a fairer representation of the Group's trading performance.

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11 Earnings per share (EPS) (continued)**11.2 Adjusted diluted EPS (continued)**

	Notes	2019	2018
Earnings of the purposes of basic and diluted EPS being net loss attributable to equity holders of the parent Company (£'000)		(18,505)	(2,079)
Adjustments			
Reversal of amortisation on acquired intangible assets (£'000)	17	1,181	1,283
Reversal of share-based payment credit (£'000)	27	(8)	(137)
Reversal of exceptional items (£'000)	8.2	13,133	274
Reversal of IFRS 16 adjustment	19.2	(879)	-
Reversal of actual tax (credit)/charge (£'000)	10.1	(673)	664
Normalised tax (£'000)		-	-
Net adjustments (£'000)		12,754	2,084
Adjusted earnings (£'000)		(5,751)	5
Adjusted diluted EPS (pence)		(6.90)	0.01

12 Trade and other receivables

	Notes	2019	2018
		£'000	£'000
Trade receivables, gross	28.5	1,870	4,339
Loss allowance	28.5	(422)	(1,093)
Trade receivables, net		1,448	3,246
Deferred consideration		-	921
Total trade and other receivables		1,448	4,167

All amounts disclosed are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value.

Due to having a blue-chip customer base and effective credit control procedures, the Group is not significantly exposed to the risk of bad debt. Of the allowance for doubtful debts provision, £nil (2018: £537,000) relates to a contract dispute originally provided in 2017 as the debt was written off during 2019.

The individually impaired receivables mainly relate to customers who are in unexpectedly difficult economic situations. Any impairment is assessed on a customer-by-customer basis following a detailed review of the particular circumstances and these balances are considered to be in default. The trade receivable balances that are not in default share similar credit risk characteristics and are considered to be of sound credit rating. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 28.5.

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13 Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and cash equivalents at bank and in hand	2,671	4,627

The carrying amount of cash and cash equivalents approximates to fair value because of the short-term maturity of these instruments.

As at 31 December 2018, the Group had a £1.0 million overdraft facility with Barclays Bank Plc to cover short-term working capital requirements. The facility reduced to £0.5 million on 1 August 2019 and then increased back to £1.0 million on 16 October 2019. The facility was closed on 11 November 2019. Interest was payable at 2.50% per annum above Bank of England base rate and was subject to cross-guarantees by Group companies.

As at 31 December 2018 and 2019, the Group has a CHF 325,000 overdraft facility with Credit Suisse. Interest is payable at 6.25% per annum. The overdraft balance at 31 December 2019 was £nil (2018: £nil).

14 Trade and other payables

	2019 £'000	2018 £'000
Trade payables	1,286	726
Trade accruals	1,550	1,497
Corporation tax liability	719	2,346
Other taxation and social security	664	565
Other payables	89	161
Total trade and other payables	4,308	5,295

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying value of trade payables is considered a reasonable approximation of fair value due to their short-term nature.

15 Provisions

	Dilapidations £'000	Legal and other disputes £'000	Total £'000
At 1 January 2019, as previously reported	-	364	364
Change in accounting policy (see note 36.4)	107	-	107
At 1 January 2019, restated	107	364	471
Charge to the income statement	-	251	251
Effects of movement in exchange rates	-	(1)	(1)
Amounts used during the year	-	(230)	(230)
At 31 December 2019	107	384	491

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15 Provisions (continued)

	Dilapidations £'000	Legal and other disputes £'000	Total £'000
At 1 January 2018	-	350	350
Charge to the income statement	-	50	50
Effects of movement in exchange rates	-	5	5
Amounts used during the year	-	(41)	(41)
At 31 December 2018	-	364	364

The Group is involved in certain legal and other disputes. After taking appropriate legal advice, the Group has established provisions after taking into account the facts of each case at the balance sheet date. The expected timing of cash outflows associated with these claims is as follows.

2019	Dilapidations £'000	Legal and other disputes £'000	Total £'000
Within 1 year	-	286	286
More than 1 year	107	98	205
Total	107	384	491

2018	Dilapidations £'000	Legal and other disputes £'000	Total £'000
Within 1 year	-	364	364
More than 1 year	-	-	-
Total	-	364	364

16 Borrowings

	2019 £'000	2018 £'000
Current	4,000	233
Non-current	-	296
Total borrowings	4,000	529

A loan facility of £5,000,000 was agreed between Brady Trading Limited and Brady Acquisition Limited on 21 November 2019. The facility was increased to £6,750,000 on 18 March 2020 and further increased to £9,750,000 on 26 May 2020. At 31 December 2019, £4,000,000 was drawn. Further drawdowns of £4,750,000 were made subsequent to the year end.

The loan facility is subject to cross guarantees by Brady Technologies Limited (formerly Brady plc) and Brady Credit Trading Limited. Interest is payable monthly at 2.5% above Bank of England base rate per annum and the loan is repayable on demand. Brady Acquisition Limited is a related party, see note 34.

As at 31 December 2018, the Group leased various computer hardware and software with a carrying amount of £546,000 under finance leases expiring within 2 to 3 years. Under the terms of the leases, the Group has the option to acquire the leased assets for a nominal sum of £100 on expiry of the leases. The finance leases are secured on the assets to which they relate. The finance leases were included in borrowings until 31 December 2018 but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. See note 36 for further information about the change in accounting policy for leases.

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16 Borrowings (continued)

Commitments in relation to finance leases are payable as follows:

	2019 £'000	2018 £'000
Within one year	-	277
Later than one year but not later than five years	-	310
Minimum lease payments	-	587
Future finance charges	-	(58)
Total lease liability	-	529

The present value of finance lease liabilities is as follows:

	2019 £'000	2018 £'000
Within one year	-	233
Later than one year but not later than five years	-	296
Minimum lease payments	-	529

17 Intangible assets

	Goodwill on consolidation £'000	Acquired customer relationships £'000	Acquired software products £'000	Capitalised product development costs £'000	Software £'000	Total £'000
Net book amount						
At 1 January 2018	15,705	1,336	3,229	5,452	369	26,091
Effects of movement in exchange rates	121	10	30	49	-	210
Additions	-	-	-	2,949	428	3,377
Amortisation charge for the year	-	(367)	(916)	(1,627)	(316)	(3,226)
Disposals	-	-	-	-	(3)	(3)
At 31 December 2018	15,826	979	2,343	6,823	478	26,449
Transfer to right of use assets on adoption of IFRS 16 (see note 36)	-	-	-	-	(256)	(256)
At 1 January 2019	15,826	979	2,343	6,823	222	26,193
Effects of movement in exchange rates	(543)	(30)	(59)	(47)	-	(679)
Additions	-	-	-	186	13	199
Amortisation charge for the year	-	(340)	(841)	(1,151)	(163)	(2,495)
Accelerated amortisation and impairment charge for the year	(5,528)	(44)	(168)	(4,930)	-	(10,670)
At 31 December 2019	9,755	565	1,275	881	72	12,548

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17 Intangible assets (continued)

The net book amount of intangible assets is allocated to the following cash-generating units ('CGU'):

Cash-generating unit	Goodwill on consolidation £'000	Acquired customer relationships £'000	Acquired software products £'000	Capitalised product development costs £'000	Software £'000	Total £'000
Trinity	-	-	-	128	-	128
Opval	243	-	-	-	-	243
Aquarius/Fintrade	513	-	-	-	-	513
ETRM	4,867	42	259	46	-	5,215
EDM	3,525	523	793	305	-	5,429
EBIS-EDIS	-	-	-	-	-	-
EDIL	-	-	-	323	-	323
ES Library	-	-	-	-	-	-
Credit Risk	607	-	223	79	-	909
Central	-	-	-	-	72	72
At 31 December 2019	9,755	565	1,275	881	72	12,548

The cash generating units have been identified on the basis that they represent the smallest identifiable group of assets that generate cashflows that are largely independent from the cashflows of other assets or groups of assets.

17.1 Impairment review

The recoverable amounts for the CGUs were determined based on value-in-use calculations, at a level where there are largely independent cash inflows. It is not possible to determine the fair value less costs of disposal of individual CGUs as there is no basis for making a reliable estimate of price at which a sale of a CGU would take place between market participants under market conditions and therefore value-in-use is used. In order to calculate value-in-use, management prepares five-year cash flow forecasts, based initially on the detailed 2020 operating budget which is extended for a further four years and no terminal value, then applies a pre-tax discount rate to calculate the present value of such cash flows which represents the recoverable amount. No terminal value is included as the amount cannot be reliably estimated due to future technological changes. 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 Board has considered reasonably possible sensitivities in key assumptions, particularly revenue growth rate, cost growth rate and discount factor, on which the value-in-use (VIU) calculations are based.

There has been sizeable impairment of goodwill and intangible assets in the current year as a result of changes in focus markets for future sales and updates to the Group's product strategy. The new ownership by Hanover gave rise to the opportunity for a reassessment of the strategic direction of our products and although it resulted in an impairment, it allows the Group to better focus on new markets and products that meet our current and future customers' needs.

Principal assumptions

The Group monitors its post-tax weighted average cost of capital (WACC) and those of its competitors using market data. In considering the discount rates applying to CGUs, the Directors have considered the relative sizes, risks and the inter-dependencies of its CGUs. The pre-tax discount rate used in the calculations was 11.8% (2018: 14.60%) for all CGUs. The reduction in discount rate is attributable to the change in funding mix with a higher proportion of debt compared to equity. At 31 December 2019, the Group has higher levels of debt compared to the prior year, but has an improved credit risk resulting in a lower discount rate.

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17 Intangible assets (continued)**17.1 Impairment review (continued)**

The annual growth rates applied to each cash-generating unit are set out below.

Cash-generating unit	FY21 assumed annual revenue growth rate	FY22 assumed annual revenue growth rate	FY23 onwards assumed annual revenue growth rate	FY21 assumed annual cost growth rate	FY22 assumed annual cost growth rate	FY23 onwards assumed annual cost growth rate
Trinity	2.0%	3.0%	3.0%	0.0%	0.3%	0.5%
Opval	2.0%	3.0%	3.0%	0.0%	0.3%	0.5%
Aquarius/Fintrade	(1.0)%	(10.2)%	3.0%	(0.4)%	(13.7)%	0.5%
ETRM	2.0%	5.0%	7.5%	0.0%	0.5%	1.1%
EDM	2.0%	5.0%	7.5%	0.0%	0.5%	1.1%
EBIS-EDIS	2.0%	2.0%	2.0%	0.0%	0.2%	0.3%
EDIL	2.0%	2.0%	2.0%	0.0%	0.2%	0.3%
ES Library	2.0%	2.0%	2.0%	0.0%	0.2%	0.3%
Credit Risk	2.0%	5.0%	7.5%	0.0%	0.5%	1.1%

The growth rates have been set on the following basis:

Cash-generating	Revenue growth rates	Cost growth rates
Trinity	Contractual indexation increases plus growth in later years following product investment.	Cost efficiencies following change of owners plus inflationary change in later years set at a percentage of revenue growth rate
Opval	Contractual indexation increases plus growth in later years following product investment.	Cost efficiencies following change of owners plus inflationary change in later years set at a percentage of revenue growth rate
Aquarius/Fintrade	Decreases in FY21 and FY22 due to exiting certain markets. Increases in due to contractual indexation plus market growth in later years following product investment.	Cost efficiencies following change of owners plus inflationary change in later years set at a percentage of revenue growth rate
ETRM	Contractual indexation increases plus growth in later years following product investment.	Cost efficiencies following change of owners plus inflationary change in later years set at a percentage of revenue growth rate
EDM	Contractual indexation increases plus effect of planned launch of new functionality.	Cost efficiencies following change of owners plus inflationary change in later years set at a percentage of revenue growth rate
EBIS-EDIS	Contractual indexation increases	Cost efficiencies following change of owners plus inflationary change in later years set at a percentage of revenue growth rate
EDIL	Contractual indexation increases	Cost efficiencies following change of owners plus inflationary change in later years set at a percentage of revenue growth rate
ES Library	Contractual indexation increases	Cost efficiencies following change of owners plus inflationary change in later years set at a percentage of revenue growth rate
Credit Risk	Contractual indexation increases plus effect of planned launch of new functionality.	Cost efficiencies following change of owners plus inflationary change in later years set at a percentage of revenue growth rate

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17 Intangible assets (continued)

17.1 Impairment review (continued)

Impairment review results

There has been an impairment and accelerated amortisation of goodwill and intangible assets in the current year as a result of changes in focus markets for future sales and updates to the Group's product strategy. The new ownership by Hanover gave rise to the opportunity for the Group to make a reassessment of the strategic direction of its products and although it resulted in both an accelerated amortisation and impairment charges, it allows the Group to better focus on new markets and products that meet its current and future customers' needs. The accelerated amortisation for these capitalised development costs was a charge of £4,290,000.

Comparing the goodwill and intangible asset carrying values after accelerated amortisation charges to the recoverable amount based on VIU calculations, there are impairments to goodwill and intangible assets of £6,380,000.

Cash-generating unit	Carrying amount of goodwill and intangibles before impairments £'000	Accelerated amortisation following product strategy review £'000	Impairments following VIU calculations £'000	Carrying amount of goodwill and intangibles after impairments £'000	Value-in-use £'000	Excess value-in-use £'000	Headroom %
Trinity	466	(338)	-	128	8,474	8,346	6520%
Opval	243	-	-	243	552	309	127%
Aquarius/Fintrade	6,351	(2,886)	(2,952)	513	513	-	0%
ETRM	5,913	(699)	-	5,214	6,008	794	15%
EDM	7,434	(146)	(2,142)	5,146	5,146	-	0%
EBIS-EDIS	1,298	(174)	(1,124)	-	-	-	-
EDIL	322	-	-	322	1,312	990	307%
ES Library	162	-	(162)	-	-	-	-
Credit Risk	957	(47)	-	910	2,332	1,422	156%
	23,146	(4,290)	(6,380)	12,476	24,337	11,861	95%

The total accelerated amortisation and impairment of £10,670,000 is included within operating expenses in the consolidated income statement.

Impact of possible changes in key assumptions

The key assumptions in the value-in-use calculations are revenue growth rate, cost growth rate and the discount rate. For the CGU's with less than 100% headroom (Aquarius/Fintrade, ETRM and EDM), the value-in-use calculation has been reperformed for reasonably possible changes in each assumption. There would be no further impairment of ETRM, EDM would have a further impairment of £366,000 and Aquarius/Fintrade would have a further impairment of £2,000.

17.2 Leased assets

In 2018, software included the following amounts where the Group is a lessee under a finance lease. These assets were transferred to right of use assets on 1 January 2019 on adoption of IFRS 16 (see note 36).

	2019 £'000	2018 £'000
Cost	-	342
Accumulated amortisation	-	(86)
Net book amount	-	256

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18 Property, plant and equipment

	Computer equipment £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost				
At 1 January 2018	1,965	439	420	2,824
Effect of movements in exchange rates	42	12	13	67
Additions	532	68	84	684
Disposals	(180)	-	(11)	(191)
At 31 December 2018	2,359	519	506	3,384
Transfer to right of use assets on adoption of IFRS 16 (see note 36)	(367)	-	-	(367)
At 1 January 2019	1,992	519	506	3,017
Effect of movements in exchange rates	(39)	(8)	(10)	(57)
Additions	84	(12)	14	86
Disposals	(57)	-	(1)	(58)
At 31 December 2019	1,980	499	509	2,988
Accumulated depreciation				
At 1 January 2018	1,664	363	310	2,337
Effect of movements in exchange rates	42	12	15	69
Charge for the year	289	35	43	367
Disposals	(125)	-	(10)	(135)
At 31 December 2018	1,870	410	358	2,638
Transfer to right of use assets on adoption of IFRS 16 (see note 36)	(123)	-	-	(123)
At 1 January 2019	1,747	410	358	2,515
Effect of movements in exchange rates	(36)	(7)	(7)	(50)
Charge for the year	164	42	51	257
Disposals	(52)	-	(1)	(53)
At 31 December 2019	1,823	445	401	2,669
Net book amount				
At 31 December 2019	157	54	108	319
At 1 January 2019	244	109	148	501
At 31 December 2018	489	109	148	746

18.1 Leased assets

In 2018, computer equipment included the following amounts where the Group is a lessee under a finance lease. These assets were transferred to right of use assets on 1 January 2019 on adoption of IFRS 16 (see note 36).

	2019 £'000	2018 £'000
Cost	-	367
Accumulated depreciation	-	(123)
Net book amount	-	244

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19 Right of use assets**19.1 Amounts recognised in the balance sheet**

The balance sheet includes the following amounts relating to leases:

	2019 £'000	1 Jan 2019* £'000
Right of use assets		
Property	3,723	4,402
Computer equipment	122	244
Software	142	256
	3,987	4,902
Lease liabilities		
Current	1,026	888
Non-current	3,338	4,215
	4,364	5,103

* In the previous year, the Group only recognised lease assets and liabilities in relation to leases that were classified as finance leases under IAS 17 Leases. The assets were presented in property, plant and equipment and intangible assets and the liabilities were presented as part of the Group's borrowings. See note 36 for the adjustments recognised on adoption of IFRS 16 on 1 January 2019.

Additions to right of use assets during 2019 were £130,000.

19.2 Amounts recognised in the consolidated income statement

The consolidated income statement includes the following amounts relating to leases:

	2019 £'000	2018 £'000
Depreciation charge relating to right of use assets		
Property	759	-
Computer equipment	122	-
	881	-
Amortisation charge relating to right of use assets		
Software	114	-
	995	-
Included in other operating costs		
Expense relating to short-term leases	33	-
Expense relating to low-value assets	5	-
Expense relating to variable lease payments not included in lease liabilities	21	-
	59	-
Included in net finance expense (see note 9)		
Interest expense	246	64

The Group presents an 'Adjusted EBITDA' measure of which 'IFRS 16 adjustment' is a part of in 2019. This IFRS 16 adjustment represents an amount equivalent to the expense that would have been recognised in operating expenses relating to property leases had IAS 17 continued to be applied throughout 2019. In 2019, the IFRS 16 adjustment was £879,000. As IFRS 16 was adopted on a modified retrospective basis, this adjustment allows comparability between the measure in 2018 and 2019.

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20 Deferred tax assets and liabilities

The movement in deferred tax in the consolidated statement of financial position during the year is as follows:

	Deferred income tax assets		Deferred income tax liabilities	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 January	90	423	(1,975)	(2,099)
Effect of movements in exchange rates	-	-	14	(18)
Deferred tax (expensed)/credited to the consolidated income statement – current year	(23)	38	1,404	142
Deferred tax (expensed)/credited to the consolidated income statement – prior year	-	(371)	-	-
At 31 December	67	90	(557)	(1,975)

The components of deferred tax included in the consolidated statement of financial position are as follows:

	Deferred income tax assets		Deferred income tax liabilities	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Tax losses	38	38	-	-
Development costs capitalised	-	-	(159)	(731)
Intangible assets recognised on acquisition of subsidiaries	-	-	(398)	(1,244)
Other short-term timing differences	29	52	-	-
At 31 December	67	90	(557)	(1,975)

21 Post-employment benefit obligations

The Group operates a number of post-employment benefit arrangements throughout the world, the forms and benefits of which vary with conditions and practices in the countries concerned. These arrangements are defined contribution retirement arrangements in nature, except for two arrangements for certain employees of the Group's Swiss subsidiaries, Brady Switzerland SA and Brady Energy AG, which are classified as defined benefit retirement arrangements under IFRS.

21.1 Defined contribution pension arrangements

The total expense recognised in profit of loss for the Group relating to employer contributions to defined contribution pension arrangements was £722,000 (2018: £670,000). At 31 December 2019, there were outstanding unpaid contributions of £50,000 (2018: £34,000) included in other payables. These amounts were paid after the end of the year.

21.2 Defined benefit pension arrangements

The arrangements must be fully funded under LPP/BVG law (Swiss law) on a static basis at all times. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, or reduction of benefits or a combination of both, however two of the three schemes are fully insured. As at 31 December 2019, the funding level for Swiss Life, Helvetia and Zurich funds were 100% (fully insured), 100% (fully insured) and 104% respectively. The liabilities arising below are a result of different funding assumptions under Swiss law compared to IFRS, and whilst there is an overall net liabilities position shown on the balance sheet at 31 December 2019, it does not represent a shortfall in the funding of the schemes and Brady as an employer is not required to make up any funding shortfalls.

The Boards of the foundations are composed of an equal number of representatives from both the employer and employees. The Boards of the foundations are required by law to act in the interest of the fund and of all relevant stakeholders in the arrangement, i.e. active employees, inactive employees, retirees, employers. The Boards of the foundations are responsible for the investment policy with regard to the assets of the funds.

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21 Post-employment benefit obligations (continued)**21.2.1 Analysis of amounts recognised in the financial statements**

The service cost, administrative expenses and the net interest expense for the year are included in the employee benefits expense in the profit or loss within operating expenses. The remeasurement of the net defined liability is included in other comprehensive income. The Group's obligation in respect of defined benefit arrangements is recognised in the consolidated statement of financial position.

a) Analysis of amounts recognised in the consolidated income statement

Year ended 31 December 2019	Brady Switzerland SA £'000	Brady Energy AG £'000	Total £'000
Current service cost	167	67	234
Past service cost	(33)	(48)	(81)
Administrative expenses	14	6	20
Net interest expense	12	7	19
Components of defined benefit costs recognised in profit or loss	160	32	192

Year ended 31 December 2018	Brady Switzerland SA £'000	Brady Energy AG £'000	Total £'000
Current service cost	245	37	282
Administrative expenses	10	6	16
Net interest expense	11	6	17
Components of defined benefit costs recognised in profit or loss	266	49	315

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21 Post-employment benefit obligations (continued)**21.2 Defined benefit pension arrangements (continued)****21.2.1 Analysis of amounts recognised in the financial statements (continued)****b) Analysis of amounts recognised in the other comprehensive income**

Year ended 31 December 2019	Brady Switzerland SA £'000	Brady Energy AG £'000	Total £'000
Remeasurement of net defined benefit obligation:			
Return on plan assets (excluding amounts included in net interest)	(37)	(2)	(39)
Actuarial losses from changes in financial assumptions	526	304	830
Actuarial losses arising from experience adjustments	116	42	158
	605	344	949
Effect of movements in exchange rates	(26)	(16)	(44)
Total recognised in other comprehensive income	579	328	907
Year ended 31 December 2018	Brady Switzerland SA £'000	Brady Energy AG £'000	Total £'000
Remeasurement of net defined benefit obligation:			
Return on plan assets (excluding amounts included in net interest)	(30)	(3)	(33)
Actuarial gains from changes in financial assumptions	(192)	(111)	(303)
Actuarial gains arising from experience adjustments	(336)	(32)	(368)
	(558)	(146)	(704)
Effect of movements in exchange rates	68	39	107
Total recognised in other comprehensive income	(490)	(107)	(597)

c) Analysis of amounts recognised in the Group statement of financial position

Year ended 31 December 2019	Brady Switzerland SA £'000	Brady Energy AG £'000	Total £'000
Present value of defined benefit obligation	(4,313)	(3,159)	(7,472)
Fair value of plan assets	2,426	2,097	4,523
Total net retirement benefit obligation in the consolidated statement of financial position	(1,887)	(1,062)	(2,949)
Year ended 31 December 2018	Brady Switzerland SA £'000	Brady Energy AG £'000	Total £'000
Present value of defined benefit obligation	(3,972)	(2,777)	(6,749)
Fair value of plan assets	2,701	1,997	4,698
Total net retirement benefit obligation in the consolidated statement of financial position	(1,271)	(780)	(2,051)

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21 Post-employment benefit obligations (continued)**21.2 Defined benefit pension arrangements (continued)****21.2.2 Movements in the present value of the defined benefit obligation**

Year ended 31 December 2019	Brady Switzerland SA £'000	Brady Energy AG £'000	Total £'000
Benefit obligation at 1 January 2019	(3,972)	(2,777)	(6,749)
Current service cost	(167)	(67)	(234)
Past service cost	33	48	81
Interest cost	(39)	(26)	(65)
Contributions from plan participants	(123)	(61)	(184)
Actuarial losses from changes in financial assumptions	(526)	(304)	(830)
Actuarial losses arising from experience adjustments	(116)	(42)	(158)
Benefits paid	508	-	508
Premiums paid	20	20	40
Effect of movements in exchange rates	69	50	119
Benefit obligation at 31 December 2019	(4,313)	(3,159)	(7,472)

21.2.3 Movements in the fair value of plan assets

Year ended 31 December 2019	Brady Switzerland SA £'000	Brady Energy AG £'000	Total £'000
Fair value of plan assets at 1 January 2019	2,701	1,997	4,698
Interest income	27	19	46
Return on plan assets (excluding amounts included in net interest)	32	2	34
Contributions from the employer	123	78	201
Contributions from plan participants	123	61	184
Benefits paid	(508)	-	(508)
Premiums paid	(20)	(20)	(40)
Administrative expenses	(10)	(6)	(16)
Effect of movements in exchange rates	(42)	(34)	(76)
Fair value of plan assets at 31 December 2019	2,426	2,097	4,523

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21 Post-employment benefit obligations (continued)**21.2 Defined benefit pension arrangements (continued)****21.2.4 Composition of plan assets**

Year ended 31 December 2019	Brady Switzerland SA £'000	Brady Energy AG £'000	Total £'000
Equity securities	679	121	800
Debt securities	728	1,320	2,048
Property	315	348	663
Other	704	308	1,012
Fair value of plan assets at 31 December 2019	2,426	2,097	4,523
Year ended 31 December 2018	Brady Switzerland SA £'000	Brady Energy AG £'000	Total £'000
Equity securities	731	100	831
Debt securities	916	1,267	2,183
Property	313	320	633
Other	741	310	1,051
Fair value of plan assets at 31 December 2018	2,701	1,997	4,698

The fair values of the above equity and debt instruments are determined based on quoted market prices in active markets whereas the fair values of properties are not based on quoted market price in active markets. Other assets include cash and cash equivalents.

21.2.5 Actuarial valuation: principal assumptions

The most recent actuarial valuation of the plan assets and present value of the defined benefit obligation of both foundations were carried out at 31 December 2019 by Mercer Switzerland SA. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the projected unit credit method.

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21 Post-employment benefit obligations (continued)**21.2 Defined benefit pension arrangements (continued)****21.2.5 Actuarial valuation: principal assumptions (continued)**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Brady Switzerland SA		Brady Energy AG	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Weighted average principal assumptions to determine pension obligations				
Discount rate	0.30%	1.00%	0.30%	1.00%
Rate of salary increase	2.00%	2.00%	2.00%	2.00%
Rate of pension increase	0.00%	0.00%	0.00%	0.00%
Rate of price inflation	0.70%	0.70%	0.70%	0.70%
Average longevity at retirement age for current pensioners (years)*				
Males	22.6	22.5	22.6	22.5
Females	24.7	24.5	24.7	24.5
Average longevity at retirement age for current employees (future pensioners) (years)**				
Males	22.6	24.3	22.6	24.3
Females	24.7	26.4	24.7	26.4
Weighted average principal assumptions to determine net pension cost				
Discount rate	1.00%	0.70%	1.00%	0.70%
Rate of salary increase	2.00%	2.00%	2.00%	2.00%
Rate of pension increase	0.00%	0.00%	0.00%	0.00%
Rate of price inflation	0.70%	0.60%	0.70%	0.70%
Expected return by asset allocation				
Equity securities	4.96%	5.36%	4.90%	5.30%
Debt securities	0.88%	1.43%	0.45%	1.05%
Property	3.65%	3.56%	3.85%	3.60%
Other	0.12%	1.61%	0.77%	1.77%
Total expected return by asset allocation	2.16%	2.79%	1.32%	1.78%

*Retired today aged 65

**Retiring in 20 years, member age 45 today

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21 Post-employment benefit obligations (continued)

21.2 Defined benefit pension arrangements (continued)

21.2.6 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

£'000 effect on the defined benefit liability of a:	Increase	Decrease
0.25% change in discount rate	(404)	438
1.0% change in salary growth rate	218	(233)
1-year change in average life expectancy of males	103	(104)
1-year change in average life expectancy of females	76	(74)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the year, which is the same as that applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

22 Other current assets

	2019 £'000	2018 £'000
Other receivables	144	180
Prepayments	657	775
Corporation tax recoverable	117	48
VAT and taxation receivable	212	70
Total other current assets	1,130	1,073

23 Share capital and premium

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000	Total £'000
Balance at 1 January 2018	83,367,887	834	37,286	38,120
Balance at 31 December 2018	83,367,887	834	37,286	38,120
Cancellation of treasury shares (see note 24)	(4,306)	-	(3)	(3)
Balance at 31 December 2019	83,363,581	834	37,283	38,117

The Company has one class of ordinary shares which carry no right to fixed income. The share capital of Brady Technologies Limited (formerly Brady plc) consists only of fully paid ordinary shares with a nominal value of £0.01 per share. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings of Brady Technologies Limited (formerly Brady plc).

The treasury shares were bought back at a premium and the cancellation is removing both share capital and share premium.

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24 Treasury shares

Treasury shares comprise own shares in Brady Technologies Limited (formerly Brady plc) purchased and retained by the Company:

	Number of ordinary shares of £0.01 each	Treasury shares £'000
Balance at 1 January 2018	4,306	3
Balance at 31 December 2018	4,306	3
Cancellation of treasury shares	(4,306)	(3)
Balance at 31 December 2019	-	-

Brady Acquisition Limited acquired all of the share capital of Brady Technologies Limited (formerly Brady plc) on 18 November 2019 and the treasury shares were cancelled. There were no treasury shares held at 31 December 2019.

25 Other reserves

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Merger reserve £'000	Merger relief reserve £'000	Share- based payment reserve £'000	Capital reserve £'000	Foreign exchange reserve £'000	Other reserves £'000
Balance at 1 January 2018	680	530	325	4	(5,253)	(3,714)
Exchange differences on retranslation of foreign operations	-	-	-	-	272	272
Exchange differences relating to discontinued operations	-	-	-	-	(27)	(27)
Total comprehensive income for the year	-	-	-	-	245	245
Release of credit for equity-settled share-based payments	-	-	(137)	-	-	(137)
Transfer for exercised & forfeited share options	-	-	(55)	-	-	(55)
Transactions with owners	-	-	(192)	-	-	(192)
Balance at 31 December 2018	680	530	133	4	(5,008)	(3,661)
Exchange differences on retranslation of foreign operations	-	-	-	-	(1,028)	(1,028)
Total comprehensive loss for the year	-	-	-	-	(1,028)	(1,028)
Release of credit for equity-settled share-based payments	-	-	(8)	-	-	(8)
Transfer for exercised & forfeited share options	-	-	(53)	-	-	(53)
Transactions with owners	-	-	(61)	-	-	(61)
Balance at 31 December 2019	680	530	72	4	(6,036)	(4,750)

Nature and purpose of other reserves

Merger reserve

The merger reserve represents the merger reserve set up in relation to the accounting for the acquisition of Colplan Systems Limited in 2004 that was presented under UK GAAP and exempt from reclassification on transition to IFRS.

Merger relief reserve

The merger relief reserve represents the premium on shares issued as part of the acquisition consideration of other companies.

Share-based payment reserve

The share-based payment reserve relates to the cumulative charge made in respect of share options granted by the Company to the Group's employees under its employee share option plans.

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25 Other reserves (continued)

Capital reserve

The capital reserve represents the capital reserve set up to account for shares redeemed or purchased wholly out of distributable profits that was presented under UK GAAP and exempt from reclassification on transition to IFRS.

Foreign exchange reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency of Pound Sterling are recognised directly in other comprehensive income and accumulated in the foreign exchange reserve. On disposal of a foreign operation, the cumulative amount is recycled to the consolidated income statement from other comprehensive income.

26 Dividends

No dividends were paid or proposed in respect of the years ended 31 December 2019 or 2018.

27 Share-based payments

27.1 Equity-settled share-based payment arrangements

The Group operates a number of plans to award options over shares in the Company to the best-performing employees of the Group around the world. Under each plan, each award allows the holder to purchase one ordinary share at the exercise price determined at the grant date.

Brady Technologies Limited's (formerly Brady plc) Articles of Association provide that Directors may not grant share options over more than 15% of the nominal value of the Company's issued share capital without an ordinary resolution.

Details of awards granted in the year ended 31 December 2019 are shown in note 27.3.

a) 2008 Share Option Scheme

Under the 2008 Share Option Scheme, options were granted at an exercise price equal to the market price of the shares under option at the date of the grant. The options vest evenly over four years on the anniversary from the date of the grant, depending on continuing service during the vesting period. The contractual life of the options is seven years from the date of grant, after which they expire if unexercised.

From 2012, options subject to performance criteria were granted to Executive Directors and certain senior managers. The options vest evenly over three years on the anniversary from the date of the grant, depending on meeting performance criteria and continuing service during the vesting period. For Executive Directors, the performance criteria are linked to external analysts' targets for annual adjusted earnings per share. For senior managers, the performance criteria is linked to operating profit. The contractual life of the options is seven years from the date of grant, after which they expire if unexercised.

Following the change of ownership of the Company in November 2019, all of the options became exercisable.

b) LTIP

From 2015, an LTIP was introduced for Executive Directors and certain senior managers in the form of nil cost options or conditional shares subject to the achievement of certain earnings per share targets ("EPS") over a three-year period and on continuing service during the vesting period. The contractual life of the LTIP awards is ten years from the date of grant, after which they expire if unexercised.

On change of ownership of the Company, the extent to which the applicable performance conditions have been met is reassessed and options may become immediately exercisable, depending on the outcome of the assessment. Following the change of ownership of the Company in November 2019, the performance conditions were assessed and no options became exercisable.

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27 Share-based payments (continued)**27.2 Analysis of amounts recognised in the financial statements****a) Analysis of amounts recognised in the consolidated income statement**

	2019 £'000	2018 £'000
Share options	-	1
LTIP	(8)	(138)
Total share-based payment (credit) recognised in consolidated income statement	(8)	(137)

b) Analysis of amounts recognised in the consolidated statement of changes in equity

	2019 £'000	2018 £'000
At 1 January	133	325
Release of credit for equity-settled share-based payments	(8)	(137)
Transfer to retained earnings for exercised and forfeited share options	(53)	(55)
At 31 December	72	133

27.3 Reconciliation of movements in equity-settled share-based payment arrangements in the year

Arrangement	Award date (year)	Vest (years)	Expire (year)	Exercise price (£)	Performance criteria?	Awards outstanding at 1 January 2019 (number)	Granted during the year (number)	Exercised during the year (number)	Forfeited during the year (number)	Awards	Remaining
										outstanding at 31 December 2019 (number)	Awards contractual life of options outstanding at end of period (months)
Options	2012	2018-18	2019	0.9000	N	280,250	-	-	(280,250)	-	0.00
	2013	2013-16	2020	0.8850	N	37,500	-	-	-	37,500	2.42
	2014	2014-17	2021	0.7300	N	238,588	-	-	(13,300)	225,288	14.61
	2014	2014-18	2021	0.7300	Y	284,000	-	-	-	284,000	14.61
Options Total						820,336	-	-	(273,550)	646,786	
LTIP	2018	2018-20	2028	0.0100	Y	1,427,073	-	-	(847,657)	579,416	107.68
	2019	2019-22	2029	0.0100	Y	-	431,034	-	-	431,034	112
Total						1,427,073	431,034	-	(847,657)	1,010,450	
Weighted average exercise price (£)						0.295	0.010	-	0.225	0.267	0.741
Weighted average remaining contractual life of options outstanding at end of the period (months)											75.80

27.4 Principal assumptions

The fair value of share-based payments grants were valued using the Black-Scholes option-pricing model to estimate the value of options granted at the date of grant. Significant inputs into the model include the weighted average share price at the grant date, the exercise prices shown above, weighted average volatility, estimated by management to be 16.63% based on volatility seen in the share price over the past 36 months preceding the grant, dividend yield of 0%, an expected option life of 3 years, based on the terms of grant, and an annual risk-free interest rate of 1.3%. The LTIPs granted in 2019 to a Director are valued at fair value at the date of grant. This is calculated at the market value of the award less anticipated dividend yield. This value is then spread over the vesting period of the award.

27.4 Future lapses

As a result of the change in ownership of the Company during the year, all share options will lapse in 2020 unless exercised. All exercisable share options have an exercise price in excess of the market value of shares and therefore all options are expected to lapse.

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28 Financial risk management

28.1 Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised below. The main types of risks are market risk, credit risk and liquidity risk. The Group is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from its operating activities.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows. The Group does not actively engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

28.2 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. The Group's policy is to maintain natural hedges where possible, by matching foreign currency revenue and expenditure. The Group has not entered into forward exchange contracts to mitigate the exposure to foreign currency risk during 2019 or 2018 as the Group's currency transactions were not considered significant enough to warrant this.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date, not denominated in the local functional currency of the company holding the monetary asset or liability, are as follows:

	2019		2018	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
US dollars	139	(20)	2,166	(69)
Euros	498	(17)	1,394	(17)
Swiss francs	37	-	405	(155)
Norwegian kroner	-	-	2,729	(77)
Canadian dollars	141	(9)	177	(3)
Australian dollars	130	-	76	-

28.3 Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars, Euros, Swiss francs, Norwegian kroner, Canadian dollars and Australian dollars. The Group seeks to manage cash inflows and outflows in each currency to mitigate currency exposure and exchange risk. The following table details the Group's sensitivity to a 10% increase and decrease in the Sterling exchange rate against the relevant foreign currencies. The sensitivity analysis uses the net asset (or liability) from the above table and includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or equity.

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28 Financial risk management (continued)**28.3 Foreign currency sensitivity analysis (continued)**

	2019 Income statement £'000	2019 Equity £'000	2018 Income statement £'000	2018 Equity £'000
<i>Effect of a 10% weakening in relevant exchange rate</i>				
US dollars	13	13	206	206
Euros	54	54	166	166
Swiss francs	4	4	28	28
Norwegian kroner	-	-	295	295
Canadian dollars	15	15	19	19
Australian dollars	15	15	8	8
<i>Effect of a 10% strengthening in relevant exchange rate</i>				
US dollar	(11)	(11)	(213)	(213)
Euros	(44)	(44)	(115)	(115)
Swiss francs	(3)	(3)	(23)	(23)
Norwegian kroner	-	-	(241)	(241)
Canadian dollars	(12)	(12)	(16)	(16)
Australian dollars	(12)	(12)	(7)	(7)

Exposures to foreign exchange vary during the year depending on the volume and size of overseas transactions. Nonetheless, the analysis above is considered representative of the Group's exposure to currency risk.

28.4 Interest rate sensitivity

The Group's exposure to market risk for the changes in interest rates relates primarily to the Group's bank deposits, bank overdraft and other borrowings. The Group's policy is to maintain capital preservation and flexibility rather than to optimise interest rates on bank deposits held, however the exposure to interest rate fluctuations on its deposits may be reduced by placing these at fixed rates of interest with varying maturity dates.

The aggregate amount of the Group's cash deposits on fixed interest terms as at 31 December 2019 was £nil (2018: £nil). The aggregate amount of cash deposits on variable interest terms as at 31 December 2019 for the continuing business was £2,671,000 (2018: £4,627,000). For cash deposits held with the Group's clearing bankers, the variable rate is indexed to Barclays Bank plc's base rate. The Group has a CHF 325,000 overdraft facility with interest payable at 6.25% per annum. At 31 December 2019, the balance was £nil.

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28 Financial risk management (continued)**28.4 Interest rate sensitivity (continued)**

The following table illustrates the sensitivity of interest rates to the Group's cash position and borrowings, showing a change in interest rates of +0.5 percentage points and -0.5 percentage points (2018: +0.5pp and -0.5pp), applied to the average cash, overdraft and borrowings balance for the year.

	2019 £'000	2018 £'000
<i>Effect of a 0.5 percentage points decrease in interest rate on:</i>		
Cash	(13)	(22)
Borrowings	2	3
<i>Effect of a 0.5 percentage points increase in interest rate on:</i>		
Cash	13	20
Borrowings	(2)	(3)

In 2019, borrowings includes current loans. In 2018, borrowings included finance lease liabilities, which were reclassified to lease liabilities at 1 January 2019 on adoption of IFRS 16. See notes 16 and 36.

28.5 Credit risk analysis**(i) Risk management**

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised in note 28.7, which are principally cash and cash equivalents and trade receivables.

Cash and cash equivalents are held at banks with good independent credit ratings in accordance with the Group treasury policy. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that its financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality. All receivables are subject to regular review to ensure that they are recoverable and any issues identified as early as possible. In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Some of the Group's financial assets are pledged as security for the overdraft and borrowings in place. See notes 13 and 16.

(ii) Impairment of financial assets

The Group's financial assets that are subject to the expected credit loss model are trade receivables from contracts with customers and contract assets.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there was no identified impairment loss.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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28 Financial risk management (continued)**28.5 Credit risk analysis (continued)**

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified that the GDP and the unemployment rate of the countries in which it sells its goods and services are the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows for both trade receivables and contract assets:

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	1.0%	0.0%	0.0%	96.4%	19.6%
Gross carrying amount – trade receivables	1,425	15	8	422	1,870
Gross carrying amount – contract assets	291	-	-	-	291
Loss allowance	17	-	-	407	424

31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.4%	0.6%	4.8%	85.2%	23.3%
Gross carrying amount – trade receivables	2,143	870	63	1,263	4,339
Gross carrying amount – contract assets	339	22	-	-	361
Loss allowance	10	5	3	1,076	1,094

The closing loss allowances for trade receivables and contract assets as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Contract assets		Trade receivables	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 January	1	2	1,093	797
Exchange movement	-	-	(19)	40
Increase in loss allowance recognised in profit or loss during the year	2	1	242	256
Receivables written off and previously provided for	-	-	(894)	-
Unused amount reversed	(1)	(2)	-	-
At 31 December	2	1	422	1,093

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

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28 Financial risk management (continued)**28.6 Liquidity risk analysis**

Liquidity risk is the risk arising from the Group not being able to meet its obligations as they fall due. The Group seeks to manage this risk by ensuring sufficient liquidity is available to meet the foreseeable needs and to invest cash assets safely and profitably. The Group manages its liquidity needs by carefully monitoring forecast cash inflows and outflows due in day-to-day business. Net cash requirements are compared to balances in order to determine headroom or any shortfalls.

The undiscounted contract cashflows relating to the Group's financial liabilities are summarised below:

	Current		Non-current	
	Within	Between 6 and	Between 1	Later than 5
	6 months	12 months	and 5 years	Years
	£'000	£'000	£'000	£'000
As at 31 December 2019				
Trade and other payables	2,678	247	-	-
Borrowings	4,000	-	-	-
As at 31 December 2018				
Trade and other payables	2,337	47	-	-
Borrowings	120	113	296	-

Financial assets used for managing liquidity risk

Cash flows from trade and other receivables are contractually due within six months. Cash is generally held in accounts with immediate notice. Where surplus cash deposits are identified, these are placed in accounts with access terms of no more than three months.

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28 Financial risk management (continued)**28.7 Categories of financial instruments**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument, are disclosed in the accounting policies in note 3. The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial instrument:

	Notes	2019 £'000	2018 £'000
Financial assets			
<i>Financial assets at amortised cost</i>			
- Trade receivables	12	1,448	3,246
- Deferred consideration	12	-	921
- Contract assets	5.4	291	360
- Cash and cash equivalents	13	2,671	4,627
Total financial assets		4,410	9,154
Financial liabilities			
<i>Liabilities at amortised cost:</i>			
- Trade payables	14	1,286	726
- Trade accruals	14	1,550	1,497
- Contract liabilities	5.4	5,555	6,360
- Other payables	14	89	161
- Borrowings	16	4,000	529
Total financial liabilities		12,480	9,273

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29 Interests in subsidiaries**29.1 Composition of the Group**

The Group consists of the Parent Company, Brady Technologies Limited (formerly Brady plc), incorporated in the England and Wales, and a number of subsidiary companies which operate and are incorporated around the world. The country of incorporation or registration is also their principal place of business.

The Group's subsidiaries at 31 December 2019 and 2018 are set out below:

Subsidiary	Address of the registered office	Place of business/ country of incorporation	Principal activity	Ownership interest held by the group %
Held directly by Brady Technologies Limited (formerly Brady plc)				
Brady Trading Limited	First Floor, Victory House, Vision Park, Histon, Cambridge CB24 9ZR	England & Wales	Software & services	100
Brady Energy Norway AS	Dronning Eufemias gt 16 0191 – Oslo Norway	Norway	Software & services	100
Brady Energy AG	Gubelstrasse 11 CH-6300 – Zug Switzerland	Switzerland	Software & services	100
Brady Switzerland SA	18, rue Francois-Perréard CH 1225-Geneva Switzerland	Switzerland	Software & services	100
Brady USA, Inc.	700 Louisiana St, Suite 3950, Houston, TX 77002, USA	USA	Software & services	100
Brady Asia Service Company PTE Limited	Level 30, Six Battery Road, Singapore 049909	Singapore	Software & services	100
Commodities Software (UK) Limited	First Floor, Victory House Vision Park, Histon, Cambridge, England, CB24 9ZR	England & Wales	Dormant	100
Brady Credit Limited	Centennium House, 100 Lower Thames Street, London, England, EC3R 6DL	England & Wales	Holding company	100
Held Indirectly by Brady Technologies Limited (formerly Brady Plc)				
Brady Energy UK Limited	40 Torphichen Street Edinburgh, EH3 8JB, Scotland	England & Wales	Software & services	100
Brady Energy Canada, Inc.	251 Consumers Road, 12th Floor Toronto, ON M2J 4R3 Canada	Canada	Software & services	100
Brady Credit Trading Limited	Centennium House, 100 Lower Thames Street, London, England, EC3R 6DL	England & Wales	Software & services	100
Brady Credit, Inc.	700 Louisiana St, Suite 3950, Houston, TX 77002, USA	USA	Software & services	100
Energy Credit Software Services Private Limited	WeWork Galaxy, 43 Residency Road, Bengaluru 560 025,India Karnataka		Software & services	100

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Subsidiary	Address of the registered office	Place of business/ country of incorporation	Principal activity	Ownership interest held by the group %
Brady Credit Holding Limited	Centennium House, 100 Lower Thames Street, London, England EC3R 6DL	England & Wales	Holding company	100
Coastdata Limited	First Floor, Victory House Vision Park, Histon, Cambridge, CB24 9ZR	England & Wales	Dormant	100
Colplan Systems Limited	First Floor, Victory House Vision Park, Histon, Cambridge, CB24 9ZR	England & Wales	Holding company	100

29.2 Nature of ownership interests

Unless otherwise stated, all subsidiaries have equity capital consisting solely of ordinary shares that are wholly owned either directly or indirectly by the Company, and the proportion of ownership interests held equals the voting rights held by the Group.

29.3 Reporting dates

All subsidiaries are included in the Group financial statements and prepare local statutory accounts up to 31 December each year except for Energy Credit Software Services Private Limited which prepares accounts up to 31 March as required by company law in India. For subsidiaries, which have a different financial year end to the Group, additional co-terminus accounts are prepared reflecting the same financial reporting as the Group for the purposes of consolidation.

30 Non-cancellable operating lease commitments

Leases as lessee

At 31 December 2018, the Group had lease agreements in respect of property which payments extend over a number of years which were accounted for under IAS 17. In the process of adopting IFRS 16 on 1 January 2019, these lease arrangements were reclassified as lease liabilities and a right of use asset recognised. See note 36.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Others	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
No later than one year		803	-	5
Later than one year and no later than five years		2,737	-	6
More than five years		432	-	-
Total		3,972	-	11

31 Contingent liabilities

The Group had no material contingent liabilities at 31 December 2019 or 31 December 2018. The Group has an uncertain tax position, see notes 4 and 10.3.

32 Capital commitments

The Group had no capital expenditure contracted for but not provided in the financial statements at 31 December 2019 or 31 December 2018.

33 Events occurring after the reporting period

No adjusting events have occurred between 31 December 2019 reporting date and the date of authorisation.

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Brady plc changed its legal company name to Brady Technologies Limited on 15 July 2020.

Brady Technologies Limited (formerly Brady plc) was listed on AIM, a part of the London Stock Exchange, throughout 2019. The Company delisted on 8 January 2020.

A loan facility of £5,000,000 was agreed between Brady Trading Limited and Brady Acquisition Limited on 21 November 2019. The facility was increased to £6,750,000 on 18 March 2020 and further increased to £9,750,000 on 26 May 2020. At 31 December 2019, £4,000,000 was drawn. Further drawdowns were made on 11 February 2020, 19 March 2020, 5 May 2020, 26 June 2020 and 17 August 2020 of £1,000,000, £750,000, £1,000,000, £1,000,000 and £1,000,000 respectively.

34 Related party transactions

Compensation of key management personnel and Directors is disclosed in note 7.3 and note 7.4 respectively.

In addition, the following related party transactions occurred during the year.

- The Group obtained a short-term loan facility of £1,250,000 from Brady Acquisition Limited, who acquired 100% of the share capital of Brady Technologies Limited (formerly Brady plc) in November 2019. The loan attracted an interest rate of 2.5% above Bank of England base rate per annum and a total of £334 (2018: £nil) was paid. In addition, loan arrangement fees of £167,000 (2018: £nil) were paid. At the year end, all interest and fees were paid and the capital was repaid.
- The Group obtained a loan facility from Brady Acquisition Limited, who acquired 100% of the share capital of Brady Technologies Limited (formerly Brady plc) in November 2019. A loan facility of £5,000,000 was agreed on 21 November 2019 and it was increased to £6,750,000 on 18 March 2020 and further increased to £9,750,000 on 26 May 2020. At the year end, £4,000,000 (2018: £nil) was drawn and a further £4,750,000 has been drawn in 2020. At the year end, interest of £12,000 (2018: £nil) was accrued and is included within trade and other payables in the consolidated statement of financial position.
- During the year, the Group obtained strategy analysis and definition advice from Hanover Operating Management Limited, a company affiliated with Hanover Investment Management LLP, who is the adviser to the investment manager of the funds which ultimately own 100% of the share capital of Brady Technologies Limited (formerly Brady plc). An expense of £55,000 (2018: £nil) is included within operating costs and £55,000 (2018: £nil) is included in accruals at 31 December 2019.
- The Group paid Kestrel Partners LLP, a significant shareholder prior to change in ownership, £32,000 (2018: £nil) to act as an agent to arrange short-term loan facilities. No amount was outstanding at the year end (2018: £nil).
- The Group obtained a short-term loan of £1,500,000 from Coltrane Master Fund LP, a significant shareholder prior to change in ownership. The loan attracted an interest rate of 0.5% per month and a total of £2,500 (2018: £nil) of interest was paid. In addition, a loan arrangement fee of £30,000 (2018: £nil) was paid. At the year end, all interest and fees were paid and the loan capital was repaid (2018: no outstanding amounts).
- The Group obtained a short-term loan of £1,500,000 from Rose Nominees Limited A/c 201195 acting in its capacity as a nominee for Butterfield Bank (Guernsey) Limited, acting in its capacity as custodian to Guernsey Portfolio PCC Limited, solely on behalf of Kestrel Opportunities (a cell of Guernsey Portfolios PCC Limited). Kestrel Opportunities is controlled by Kestrel Partners LLP, a significant shareholder prior to change in ownership. The loan attracted an interest rate of 0.5% per month and a total of £2,500 (2018: £nil) of interest was paid. In addition, a loan arrangement fee of £30,000 (2018: £nil) was paid. At the year end, all interest and fees were paid and the loan capital was repaid (2018: no outstanding amounts).

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

35 Controlling party

Following the acquisition of Brady Technologies Limited (formerly Brady plc) in November 2019, Brady Acquisition Limited, a company incorporated in England and Wales, and a wholly owned subsidiary of Hanover Active Equity Fund II, S.C.A. SICAV-RAIF, became the ultimate parent undertaking. The ultimate controlling party became Hanover Active Equity Fund II, S.C.A. SICAV-RAIF, a fund registered in Luxembourg.

36 Changes in accounting policies – adoption of IFRS 16

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 3.

36.1 Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a lease.

36.2 Measurement of lease liabilities

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. There were no measurement adjustments required to the lease liabilities immediately after the date of initial application.

	Notes	£'000
Operating lease commitments disclosed at 31 December 2018	30	3,983
Discounted using the lessee's incremental borrowing rate at the date of initial application		3,370
Finance leases recognised at 31 December 2018	16	529
Low value leases recognised on a straight-line basis as an expense	30	(11)
Adjustments as a result of a different treatment of extension and termination options		1,215
Lease liability recognised at 1 January 2019		5,103
Of which are:		
Current lease liabilities		888
Non-current lease liabilities		4,215
		5,103

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

36 Changes in accounting policies – adoption of IFRS 16 (continued)**36.3 Measurement of right of use assets**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The following right of use assets were recognised at the date of initial application:

	£'000
Property	4,402
Computer equipment	244
Software	256
Total right of use assets	4,902

36.4 Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Intangible assets – decrease of £256,000
- Property, plant and equipment – decrease of £244,000
- Right of use assets – increase of £4,902,000
- Prepayments – decrease of £31,000
- Accruals – decrease of £100,000
- Provisions – increase of £107,000
- Borrowings – decrease of £529,000
- Lease liabilities – increase of £5,103,000

The net impact on retained earnings on 1 January 2019 was a decrease of £211,000.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

37 Discontinued operation

In autumn 2017, the Board decided to exit the Recycling market in the USA and initiated an active program to sell its subsidiaries Brady US Holdings, Inc. and Systems Alternatives International LLC. The associated assets and liabilities were consequently presented as held for sale in the 2017 financial statements. The subsidiaries were sold on 25 January 2018 and the results for 2018 and 2017 are reported in the financial statements as a discontinued operation in accordance with IFRS 5.

The trading performance of the disposal group up to the date of sale was as follows:

	2019 £'000	2018 £'000
Revenue	-	273
Cost of revenue	-	(105)
Gross profit	-	168
Operating expenses	-	(132)
Operating profit before adjustments to write down carrying value of net assets	-	36
Adjustments to write down net assets to carrying value at disposal	-	-
Loss from discontinued operation	-	(307)
Loss before tax from discontinued operation	-	(271)
Tax expense	-	-
Loss for the year from discontinued operation	-	(271)

The loss on disposal is as follows:

	2019 £'000	2018 £'000
Consideration receivable	-	-
Cash	-	3,701
Fair value of deferred consideration	-	999
Working capital adjustment	-	(183)
Total consideration receivable	-	4,517
Carrying amount of net assets sold	-	(4,436)
Costs to sell	-	(145)
Loss on sale before income tax and reclassification of the foreign currency translation reserve	-	(64)
Reclassification of foreign currency translation reserve	-	(243)
Loss on sale	-	(307)

In 2019, the net proceeds from the disposal of the Recycling business was £941,000, which was the deferred consideration received. In 2018, the net proceeds from the disposal of the Recycling business was £2,936,000, comprising of £3,701,000 cash consideration less £145,000 costs to sell and £620,000 cash from the disposal group at the date of the transaction.

The total amount recognised in the consolidated statement of comprehensive income relating to the discontinued operation is:

	2019 £'000	2018 £'000
Profit for the period	-	36
Loss on sale	-	(307)
Loss from discontinued operation	-	(271)

Brady Technologies Limited (formerly Brady plc)

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38 Changes in liabilities arising from financing activities

The following note reconciles the opening and closing liabilities arising from financing activities, including changes arising from cash and non-cash changes.

	Notes	Lease liabilities £'000	Borrowings £'000	Loans £'000	Total £'000
Balance at 1 January 2019, as previously reported		-	529	-	529
Change in accounting policy	36.4	5,103	(529)	-	4,574
Balance at 1 January 2019, restated		5,103	-	-	5,103
Changes from financing cashflows		(1,031)	-	4,000	2,969
<i>Non-cash movements</i>					
Interest expense	9	246	-	-	246
Additions to right of use assets	19.1	130	-	-	130
Effect of movement in exchange rates		(84)	-	-	(84)
Balance at 31 December 2019		4,364	-	4,000	8,364

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Company statement of financial position

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Intangible assets	3	337	593
Investments	4	13,173	32,192
Property, plant and equipment	5	26	285
Right of use assets	6	1,032	-
Total non-current assets		14,568	33,070
Current assets			
Contract assets	9	-	13
Trade and other receivables	7	2,350	2,533
Other current assets	8	217	265
Cash and cash equivalents	10	51	169
Total current assets		2,618	2,980
Total assets		17,186	36,050
Liabilities			
Current liabilities			
Trade and other payables	11	(2,487)	(863)
Contract liabilities	9	(746)	(567)
Borrowings	12	-	(233)
Lease liabilities	6	(471)	-
Total current liabilities		(3,704)	(1,663)
Non-current liabilities			
Borrowings	12	-	(296)
Provisions	13	(68)	-
Lease liabilities	6	(625)	-
Total non-current liabilities		(693)	(296)
Total liabilities		(4,397)	(1,959)
Net assets		12,789	34,091
Equity attributable to owners of the Parent Company			
Share capital and share premium	14	38,117	38,120
Other equity	14	-	(3)
Other reserves	15	1,286	1,347
Retained earnings		(26,614)	(5,373)
Equity attributable to shareholders of the Parent Company		12,789	34,091

Brady Technologies Limited (formerly Brady plc)

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Company statement of financial position (continued)

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a comprehensive income statement for the Company alone. The Company's loss for the year was £21.3 million (2018: profit of £0.9 million).

The accompanying notes are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 28 October 2020 and signed on its behalf by:

DocuSigned by:

13523B189CF740F...

Rebecca Roberts, Chief Financial Officer

Brady Technologies Limited (formerly Brady plc)

Registered Number: 02164768

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Company statement of changes in equity

For the year ended 31 December 2019

	Share capital & premium £'000	Other equity £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	38,120	(3)	1,539	(6,325)	33,331
Profit for the year	-	-	-	897	897
Total comprehensive income for the year	-	-	-	897	897
Release of credit for equity-settled share-based payments	-	-	(137)	-	(137)
Transfer for exercised & forfeited share options	-	-	(55)	55	-
Transactions with owners	-	-	(192)	55	(137)
Balance at 31 December 2018	38,120	(3)	1,347	(5,373)	34,091
Balance at 1 January 2019, as previously reported	38,120	(3)	1,347	(5,373)	34,091
Change in accounting policy (see note 18)	-	-	-	(7)	(7)
Restated total equity at 1 January 2019	38,120	(3)	1,347	(5,380)	34,084
Loss for the year	-	-	-	(21,287)	(21,287)
Total comprehensive loss for the year	-	-	-	(21,287)	(21,287)
Cancellation of treasury shares	(3)	3	-	-	-
Release of credit for equity-settled share-based payments	-	-	(8)	-	(8)
Transfer for exercised & forfeited share options	-	-	(53)	53	-
Transactions with owners	(3)	3	(61)	53	(8)
Balance at 31 December 2019	38,117	-	1,286	(26,614)	12,789

A reconciliation of the components of other reserves is given in note 15.

The accompanying notes are an integral part of these financial statements.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Company statement of cash flows

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
(Loss)/profit before tax continuing operations		(21,287)	897
Adjustments for:			
Dividend income		(1,703)	-
Depreciation	5, 6.2	303	137
Amortisation of intangibles	3, 6.2	114	86
Impairment of investments	4	19,016	-
Share-based payments credit		(5)	(127)
Net finance expense		174	18
Net foreign exchange movement		(3)	(50)
Gain on disposal of investment		-	(4,381)
Operating cash flows before working capital movement		(3,391)	(3,420)
Change in receivables		(173)	230
Change in contract assets	9	13	(13)
Change in payables		1,154	197
Change in contract liabilities	9	179	(330)
Net cash flows used in operating activities		(2,218)	(3,336)
Cash flows from investing activities			
Purchase of property, plant & equipment	5	-	(26)
Dividends received		1,703	-
Net proceeds from disposal of investment		941	3,556
Net cash flows from investing activities		2,644	3,530
Cash flows from financing activities			
Interest paid on borrowings		(204)	(64)
Principal elements of finance lease payments		(337)	(180)
Net cash flows used in financing activities		(541)	(244)
Net decrease in cash and cash equivalents		(115)	(50)
Cash and cash equivalents at start of year		169	219
Exchange differences on cash and cash equivalents		(3)	-
Cash and cash equivalents at end of year	10	51	169

The accompanying notes are an integral part of these financial statements.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

Notes to the Company financial statements**1 Basis of preparation**

The financial statements of Brady Technologies Limited (formerly Brady plc) have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The preparation of these financial statements in conformity with IFRS as adopted by the EU requires the Directors to make certain critical accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 Employee information**2.1 Employee numbers**

The average monthly number of people, including Executive Directors, employed by the Company during the year was:

	2019 Number	2018 Number
Directors	6	4

2.2 Employee benefits

	2019 £'000	2018 £'000
Wages and salaries	851	532
Social security costs	69	99
Contributions to defined contribution pension arrangements	21	9
Share-based payment credit	(5)	(127)
Total aggregate employee benefits	936	513

Included in the above is compensation for loss of office of £31,000 (2018: £nil).

3 Intangible assets

	Purchased goodwill £'000	Software £'000	Total £'000
Net book amount			
At 1 January 2018	337	-	337
Additions	-	342	342
Amortisation charge for the year	-	(86)	(86)
At 31 December 2018	337	256	593
Transfer to right of use assets on adoption of IFRS 16	-	(256)	(256)
At 1 January 2019	337	-	337
At 31 December 2019	337	-	337

The goodwill held by the Company relates to the product Opval, which is part of the Trinity+ cash-generating unit. Details of the impairment review are in note 17 of the consolidated financial statements.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

3 Intangible assets (continued)**Leased assets**

In 2018, software included the following amounts where the Company is a lessee under a finance lease. These assets were transferred to right of use assets on 1 January 2019 on adoption of IFRS 16 (see note 19):

	2019 £'000	2018 £'000
Cost	-	342
Accumulated amortisation	-	(86)
Net book amount	-	256

4 Investments in subsidiaries

	Investments in subsidiaries £'000
Cost	
At 1 January 2018	35,490
Reversal of capital contribution relating to share-based payment credit	(10)
At 31 December 2018	35,480
Reversal of capital contribution relating to share-based payment credit	(3)
At 31 December 2019	35,477
Accumulated impairment	
At 1 January 2018 and 31 December 2018	3,288
Impairment charge for the year	19,016
At 31 December 2019	22,304
Net book amount	
At 31 December 2019	13,173
At 31 December 2018	32,192

A full list of the subsidiaries that Brady Technologies Limited (formerly Brady plc) has a direct interest in is given in note 29 of the consolidated financial statements.

Capital contribution

The capital contribution relating to share-based payments is a credit as the share options the Company granted to some employees of its subsidiaries lapsed during the year.

Impairment review

The carrying value of investments in subsidiaries are assessed annually to determine if there are any indicators of impairment. At 31 December 2019, it was identified that there were indicators of impairment as a result of the loss of market value of the Group when it was previously listed on AIM. As a result the Group evaluated the future discounted cash flows for each of the subsidiaries used to derive the related value in use and determined that they were below the carrying value of the related investment, and consequently an impairment charge was recognised in the year.

The assessment of impairment was carried out on the same basis as for goodwill and intangibles assets in the consolidated statement of financial statement, as CGUs relate to specific subsidiaries. Details of the calculation method and principal assumptions can be found in note 17.1 of the consolidated financial statements.

Impairment review results

Prior to impairment, the carrying value of the investments in subsidiaries at 31 December 2019 was £32,189,000. The recoverable amount, based on value in use calculations, was determined to be £13,173,000 therefore an impairment charge of £19,016,000 was recognised in the income statement.

Brady Technologies Limited (formerly Brady plc)

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5 Property, plant and equipment

	Computer equipment £'000	Leasehold improvements £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2018	-	16	25	41
Additions in the year	367	-	26	393
At 31 December 2018	367	16	51	434
Transfer to right of use assets on adoption of IFRS 16 (see note 19)	(367)	-	-	(367)
At 31 December 2019	-	16	51	67
Accumulated depreciation				
At 1 January 2018	-	12	-	12
Charge for the year	122	3	12	137
At 31 December 2018	122	15	12	149
Transfer to right of use assets on adoption of IFRS 16 (see note 19)	(122)	-	-	(122)
Charge for the year	-	1	13	14
At 31 December 2019	-	16	25	41
Net book amount				
At 31 December 2019	-	-	26	26
At 1 January 2019	-	1	39	40
At 31 December 2018	245	1	39	285

Leased assets

In 2018, computer equipment included the following amounts where the company is a lessee under a finance lease. These assets were transferred to right of use assets on 1 January 2019 on adoption of IFRS 16 (see note 19):

	2019 £'000	2018 £'000
Cost	-	367
Accumulated depreciation	-	(122)
Net book amount	-	245

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

6 Right of use assets**6.1 Amounts recognised in the balance sheet**

The balance sheet includes the following amounts relating to leases:

	2019 £'000	1 Jan 2019* £'000
Right of use assets		
Property	768	935
Computer equipment	122	244
Software	142	256
	1,032	1,435
Lease liabilities		
Current	471	385
Non-current	625	1,049
	1,096	1,434

* In the previous year, the Company only recognised lease assets and liabilities in relation to leases that were classified as finance leases under IAS 17 Leases. The assets were presented in property, plant and equipment and intangible assets and the liabilities were presented as part of borrowings. See note 19 for the adjustments recognised on adoption of IFRS 16 on 1 January 2019.

There were no additions to right of use assets during the year.

6.2 Amounts recognised in the income statement

The income statement includes the following amounts relating to leases:

	2019 £'000	2018 £'000
Depreciation/amortisation charge relating to right of use assets		
Property	167	-
Computer equipment	122	-
Software	114	-
	403	-
Included in other operating costs		
Expense relating to short-term leases	1	-
Included in net finance expense		
Interest expense	84	-

Brady Technologies Limited (formerly Brady plc)

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7 Trade and other receivables

	Notes	2019 £'000	2018 £'000
Trade receivables, gross		298	84
Loss allowance	9	-	(3)
Trade receivables, net		298	81
Amounts owed by subsidiary undertakings	18	2,052	1,531
Deferred consideration		-	921
Total trade and other receivables		2,350	2,533

Details about the Company's impairment policies and the calculation methodology of the loss allowance are provided in note 28.5 of the consolidated financial statements.

Movement in provision for loss allowance

	Contract assets		Trade receivables	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 January 2019	-	-	(3)	(44)
Unused amount reversed	-	-	3	41
At 31 December	-	-	-	(3)

The loss allowance as at 31 December was determined as follows for trade receivables:

31 December 2019	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%
Gross carrying amount	94	203	-	-	298
Loss allowance	-	-	-	-	-
31 December 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.4%	0.6%	0.0%	85.2%	3.6%
Gross carrying amount	56	25	-	3	84
Loss allowance	-	-	-	(3)	(3)

8 Other current assets

	2019 £'000	2018 £'000
Other receivables	115	17
Prepayments	102	228
Other taxation receivable	-	20
Total other current assets	217	265

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

9 Revenue from contracts with customers

The Company has recognised the following assets and liabilities related to contracts with customers:

	2019 £'000	2018 £'000
Current contract assets relating to:		
Recurring maintenance, hosting and rentals	-	13
Total contract assets	-	13
Current contract liabilities relating to:		
Recurring maintenance, hosting and rentals	746	562
Licences	-	5
Total contract liabilities	746	567

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2019 £'000	2018 £'000
Revenue recognised that was included in the contract liability at the beginning of the year:		
Advanced billing for recurring revenue	562	998
Completion of contractual obligations in relation to professional services, development and licences	5	-

The loss allowance in 2019 was £nil as the carrying amount of contract assets was £nil.

The loss allowance as at 31 December 2018 was determined as follows for contract assets:

31 December 2018					Total
	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	
Expected loss rate	0.4%	0.6%	4.4%	85.2%	23.3%
Gross carrying amount	7	6	-	-	13
Loss allowance	-	-	-	-	-

10 Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	51	169
Cash and cash equivalents	51	169

The carrying amount approximates to fair value because of the short-term maturity of these instruments. Cash at bank earns no interest.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

11 Trade and other payables

	Note	2019 £'000	2018 £'000
Trade payables		686	145
Amounts owed to subsidiary undertakings	18	1,309	422
Trade accruals		458	283
Other taxation and social security		34	13
Total trade and other payables		2,487	863

All amounts disclosed are short term. The carrying value of trade payables is considered a reasonable approximation of fair value.

12 Borrowings

The Company has finance leases, which were included in borrowings until 31 December 2018 but were reclassified to lease liabilities on 1 January 2019 in the process of adopting the new leasing standard. Brady Technologies Limited (formerly Brady plc) acts as a cross guarantor on loan facilities secured by other Group companies. See note 16 of the consolidated financial statements.

13 Provisions

The provision relates to a dilapidations provision on the right of use property asset, which is expected to be utilised when the lease ends in 2024, and therefore is presented as a non-current liability.

	2019 £'000	2018 £'000
At 1 January, as previously reported	-	-
Change in accounting policy (see note 19)	68	-
At 1 January, restated	68	-
At 31 December	68	-

14 Share capital & premium, treasury shares and dividends

A description of the movements in share capital & premium and treasury shares in the year is given in notes 23 and 24 of the consolidated financial statements. Details of dividends paid and proposed are set out in note 26 of the consolidated financial statements.

Brady Technologies Limited (formerly Brady plc)

Financial statements for the year ended 31 December 2019

15 Other reserves

	Merger reserve	Merger relief reserve	Share-based payments reserve	Capital reserve	Other reserves
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2018	680	530	325	4	1,539
Release of credit for equity-settled share-based payments	-	-	(137)	-	(137)
Transfer for exercised & forfeited share options	-	-	(55)	-	(55)
Transactions with owners	-	-	(192)	-	(192)
Balance at 31 December 2018	680	530	133	4	1,347
Release of credit for equity-settled share-based payments	-	-	(8)	-	(8)
Transfer for exercised & forfeited share options	-	-	(53)	-	(53)
Transactions with owners	-	-	(61)	-	(61)
Balance at 31 December 2019	680	530	72	4	1,286

A description of the nature and purpose of other reserves is in note 25 of the consolidated financial statements.

16 Share-based payments

A full description of the share plans operated for employees is in note 27 of the consolidated financial statements. All share plan awards are over ordinary shares. The fair value of awards is recognised as an expense equally over time from grant until vesting. All shares will lapse in 2020 following the change of ownership of the Company.

17 Non-cancellable operating lease commitments**Leases as lessee**

At 31 December 2018, the Company had lease agreements in respect of property which payments extend over a number of years which were accounted for under IAS 17. In the process of adopting IFRS 16 on 1 January 2019, these lease arrangements were reclassified as lease liabilities and a right of use asset recognised. See note 19.

The Company's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2019 £'000	2018 £'000
No later than one year	-	192
Later than one year and no later than five years	-	880
Total	-	1,072

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18 Related party transactions

Brady Technologies Limited (formerly Brady plc) has a related party relationship with its subsidiaries, its key management personnel and its Directors. The remuneration of Directors is disclosed in note 2.2 of the Company financial statements. The remuneration of key management personnel, who are the same as the Group key management personnel, is disclosed in note 7.3 of the consolidated financial statements.

Balances between Brady Technologies Limited (formerly Brady plc) and its subsidiary companies are as follows:

	Notes	2019 £'000	2018 £'000
Brady Trading Limited		1,932	1,501
Brady Credit, Inc.		4	5
Brady USA, Inc.		38	25
Brady Switzerland SA		78	-
Amounts owed by related parties	7	2,052	1,531
Commodities Software (UK) Limited		(38)	(38)
Colplan Systems Limited		(56)	(56)
Brady Credit Trading Limited		(386)	(328)
Brady Energy AG		(829)	-
Amounts owed to related parties	11	(1,309)	(422)
Total		743	1,109

19 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements.

The Company has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 3 of the consolidated financial statements.

19.1 Practical expedients applied

The Company used the same practical expedients permitted as the Group, which are disclosed in note 36.1 of the consolidated financial statements.

19.2 Measurement of lease liabilities

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. There were no measurement adjustments required to the lease liabilities immediately after the date of initial application.

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19 Changes in accounting policies (continued)**19.2 Measurement of lease liabilities (continued)**

	Notes	£'000
Operating lease commitments disclosed at 31 December 2018	17	1,072
Discounted using the lessee's incremental borrowing rate at the date of initial application		922
Finance leases recognised at 31 December 2018		529
Adjustments as a result of a different treatment of extension and termination options		(17)
Lease liability recognised at 1 January 2019		1,434
Of which are:		
Current lease liabilities		385
Non-current lease liabilities		1,049
		1,434

19.3 Measurement of right of use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The following right of use assets were recognised at the date of initial application:

	£'000
Property	935
Computer equipment	245
Software	256
Total right of use assets	1,436

19.4 Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Intangible assets – decrease of £256,000
- Property, plant and equipment – decrease of £244,000
- Right of use assets – increase of £1,436,000
- Prepayments – decrease of £49,000
- Accruals – decrease of £79,000
- Provisions – increase of £68,000
- Borrowings – decrease of £529,000
- Lease liabilities – increase of £1,434,000

The net impact on retained earnings on 1 January 2019 was a decrease of £7,000.