



BRADY

# Interim Results

*Six months to June 2006*

**INTERIM RESULTS**  
**For the six months to June 2006**

Brady plc, the international supplier of fully integrated software solutions for commodity trading and supply chain management, announces its interim results for the six months to 30 June 2006.

Trading Performance:

- Revenue increased 12.3% at £1,718,798 (2005: £1,530,585)
- Loss before tax £(193,443) (2005: loss £283,610)
- Loss per share of 0.63p per share (2005: loss per share of 0.86p)
- Cash balances £3,920,279 (2005: £4,268,592)

Operations:

- Improved level of contract wins
- Four new Trinity license sales so far this year
- Two new Opval license sales

For further information please contact:

Brady plc

Graham Simister, Chairman

Robert Brady, Chief Executive

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## CHAIRMAN'S STATEMENT

I am pleased to report that the first half of 2006 saw a much improved level of new contract wins with the signing of three new Trinity license sales and two Opval license sales. Additionally in July, following the end of the half year period we announced a further Trinity sale. This represents positive progress for the business following the disappointing level of new contract wins in 2005. This sales success does not have an immediate effect on the financial results of the company, as licence revenue is not recognised until the systems are delivered in a substantially complete form. This is reflected in the loss of £163,443 reported for the first half, a result which includes amortisation of employee stock options for the first time. The benefits of the recent license sales should start to be seen in the financial results for the second half of 2006, when a return to profitability is expected, and in 2007, as the systems are delivered and the revenue is recognised.

So that investors can understand the performance of the business better I would like to provide further detail on the recent new license agreements. The four new Trinity contracts signed so far in 2006 have an aggregate contract value based on current scoping of £1.6 million. In addition a further £0.2 million of Trinity license sales have been made to existing customers and approximately £0.3 million of Opval sale have been made in the same period. No licence revenue has been recognised in the first half of 2006 for any of the new Trinity sales under the company's accounting policies despite over £0.5 million having been invoiced. This revenue will only be recognised once the system has been delivered in a substantially complete form, the timing of which is dependent on client scheduling and integration with existing systems.

The performance of the company will always be dependent to a large degree on the level of new Trinity sales, however we are working to reach a position where the cost base of the business is substantially covered by regular maintenance revenues and the revenues from professional services and development for existing customers which have historically been more predictable than new licence sales. We hope to be much closer to achieving this position in 2007 and the increase in new Trinity users from the recent contract wins will assist in this respect.

The litigation with a former customer, Sempra Metals is ongoing. This was disclosed in the 2005 accounts, and litigation on this matter is ongoing as set out in Note 6 below. The board does not regard this as a threat to the business and hopes the matter will be resolved with a further payment to the company that it believes is due under the contract, but this is clearly not certain. All legal expenses associated with the matter are being expensed as incurred, though the company hopes to be able to recover them.

Our task in the rest of 2006 is to manage the implementation of the sales we have made to the ever-higher standards that our market demands and to continue to secure new contracts. To ensure that we can meet the level of demand anticipated the company has made a number of additional hires both in systems implementation and systems development. The company is confident that it has the resources to meet all contracted sales and intends to continue to hire additional staff as further contracts are signed.

With Trinity version 600 now successfully installed and in use and a good level of new business already signed this year and further promising leads in the pipeline the outlook is much improved from this time last year.

Graham Simister  
Chairman

## Consolidated Profit and Loss Account

For the six months ended 30 June 2006

		<b>Six months 30 June 2006 (unaudited) £</b>	<b>Six months 30 June 2005 (unaudited) (as restated) £</b>	<b>Year ended 31 Dec 2005 (audited) (as restated) £</b>
Turnover	Notes 2	1,718,798	1,530,585	2,431,609
Operating loss		(264,492)	(366,863)	(1,272,822)
Net interest receivable		71,049	83,253	192,176
Loss on ordinary activities before taxation		(193,443)	(283,610)	(1,080,646)
Tax on loss on ordinary activities	4	(30,000)	(61,827)	(332,412)
Loss on ordinary activities after taxation		(163,443)	(221,783)	(748,234)
Loss for the period		(163,443)	(221,783)	(748,234)
Basic loss per share	5	(0.63)	(0.86)	(2.89)
Fully diluted loss per share	5	(0.63)	(0.86)	(2.89)

## Consolidated Balance Sheet

For the six months ended 30 June 2006

	Six months 30 June 2006 (unaudited)	Six months 30 June 2005 (unaudited) (as restated)	Year ended 31 Dec 2005 (audited) (as restated)
	£	£	£
Fixed Assets			
Intangible assets	875,426	922,267	939,248
Tangible assets	112,050	142,546	109,237
Investments	15,027	15,027	15,027
	<u>1,002,503</u>	<u>1,079,840</u>	<u>1,063,512</u>
Current Assets			
Debtors	1,718,445	1,433,955	1,289,842
Cash at bank and in hand	3,920,279	4,268,592	3,604,744
	<u>5,638,724</u>	<u>5,702,547</u>	<u>4,894,586</u>
Creditors: amount falling due within one year	(1,544,061)	(1,064,644)	(746,767)
Net current assets	4,094,663	4,637,903	4,147,819
Total assets less current liabilities	5,097,166	5,717,743	5,211,331
Provision for liabilities	(3,262)	(25,000)	(3,262)
<b>Net assets</b>	<u>5,093,904</u>	<u>5,692,743</u>	<u>5,208,069</u>
<b>Capital and Reserves</b>			
Called up share capital	260,692	259,242	259,692
Share premium account	3,085,898	3,051,098	3,061,898
Equity Reserve	93,880	39,074	69,602
Merger reserve	680,000	680,000	680,000
Capital reserve	1,000	1,000	1,000
Profit and loss account	972,434	1,662,329	1,135,877
<b>Equity shareholders' funds</b>	<u>5,093,904</u>	<u>5,692,743</u>	<u>5,208,069</u>

## Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Six months 30 June 2006 (unaudited) £	Six months 30 June 2005 (unaudited) (as restated) £	Year ended 31 Dec 2005 (audited) (as restated) £
<b>Cash outflow from operating activities</b>	(54,798)	(341,051)	(678,930)
Interest received	71,049	83,253	192,176
Taxation	317,400	-	(391,221)
Capital expenditure	(43,116)	(54,672)	(62,081)
Acquisition	-	-	(47,512)
<b>Cash inflow/(outflow) before financing</b>	<u>290,535</u>	<u>(312,470)</u>	<u>(987,568)</u>
<b>Financing</b>			
Issue of share capital	25,000	30,500	41,750
<b>Funds from capital raising</b>	<u>25,000</u>	<u>30,500</u>	<u>41,750</u>
<b>Increase/(decrease) in cash for the period</b>	<u>315,535</u>	<u>(281,970)</u>	<u>(945,818)</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash for the period	315,535	(281,970)	(945,818)
Net funds at the beginning of the period	3,604,744	4,550,562	4,550,562
Net funds at the end of the period	<u>3,920,279</u>	<u>4,268,592</u>	<u>3,604,744</u>
<b>Reconciliation of operating loss to cash flow</b>			
	Six months 30 June 2006 (unaudited) £	Six months 30 June 2005 (unaudited) (as restated) £	Year ended 31 Dec 2005 (audited) (as restated) £
Operating (loss)	(264,492)	(366,863)	(1,272,822)
Depreciation	40,303	41,211	81,929
Amortisation of goodwill	63,822	51,237	116,118
Charge for fair value of share options granted	24,277	15,073	45,600
(Increase)/decrease in debtors	(716,003)	90,419	458,059
Increase/(decrease) in creditors	797,295	(172,128)	(107,814)
Net cash outflow from operating activities	<u>(54,798)</u>	<u>(341,051)</u>	<u>(678,930)</u>

## NOTES

### 1. Basis of preparation

The interim financial information has been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The principal accounting policies are set out in the company's 2005 statutory financial statements. The policies remain as stated in the annual report for the year ended 31 December 2005, except for the adoption of FRS 20 (see note 3 below).

The financial information set out in this report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 31 December 2005 have been extracted from the statutory financial statements, which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under Section 240 of the Companies Act 1985. The financial statements for the six months ended 30 June 2006 and 30 June 2005 are unaudited. In both cases these comparative figures have been restated to reflect the impact of adoption of FRS 20, as required by that standard.

### 2. Segmental Analysis

	Six months 30 June 2006 (unaudited) £	Six months 30 June 2005 (unaudited) £	Year ended 31 Dec 2005 (audited) £
By Destination			
United Kingdom	1,155,043	1,103,029	1,564,982
Rest of Europe	16,159	84,350	168,374
North America	470,923	239,782	545,993
Rest of World	76,673	103,424	152,260
	<u>1,718,798</u>	<u>1,530,585</u>	<u>2,431,609</u>

### 3. Share Based Payments

The Group is required to adopt FRS 20 for the first time for accounting periods commencing on or after 1 January 2006. FRS 20 'Share Based Payments' requires the Group to recognise an expense in respect of the granting of options over shares to employees and directors. This expense, which is calculated by reference to the fair value of the options granted, is recognised on a straight line basis over the performance period based on the Group's estimate of options that will eventually vest. The adoption of this standard has no overall effect on the Group's retained reserves, or cash flow.

Management have used a Binomial model to estimate the value of options granted in the current and prior periods.

The implementation of FRS 20 has the effect of reducing profits for the six months to 30 June 2006 by £24,277. The equivalent charge for the six months to 30 June 2005 is £15,073, and for the year to 31 December 2005 is £45,600, and the comparative figures for those periods have been restated accordingly. In addition retained earnings has been reduced by £24,001 in respect of periods falling before 1 January 2005.

#### 4. Taxation

The tax credit (2005: credit) for the six months June 2006 is calculated by applying a tax rate of 30% (2005: 30%) to the estimated profits chargeable to corporation tax for the period.

#### 5. Loss per ordinary share

The calculation of the basic loss per share is based on the losses attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

	Losses attributable to ordinary shares	Weighted average number of shares	Basic loss per share amount in pence
Six months ended 30 June 2006	(163,443)	25,973,383	(0.63)
Six months ended 30 June 2005	(221,783)	25,865,216	(0.86)
Year ended 31 December 2005	(748,234)	25,870,841	(2.89)

During the period ended 30 June 2006, options existed which had the anti-dilutive effect of increasing the weighted average number of shares by 1,983,055 to 27,956,438. During the period ended 30 June 2005, options existed which had the anti-dilutive effect of increasing the weighted average number of shares by 1,134,033 to 26,999,249. During the year ended 31 December 2005, options existed which had the anti-dilutive effect of increasing the weighted average number of shares by 1,313,222 to 27,184,063.

#### 6. Contingent liability

On 29 December 2005 Sempra Metals Ltd (“Sempra”) issued a claim form against the Company in the High Court of Justice, London seeking damages of £3,121,659 together with interest and costs. The claim relates to alleged breaches of contract on the part of the Company regarding a software development contract. A substantive defence has been lodged, and the Company has counter claimed for fees payable under the software contract and damages in the order of £2,901,182 (exclusive of VAT).

As to the value of Sempra’s claim, the software contract contains a provision limiting the Company’s liability to the total licence fees paid by Sempra, namely £577,500. Further, the Company maintains indemnity insurance for claims and legal expenses associated with errors and omissions arising under software contracts.

At this stage of the proceedings it is not possible to estimate the value, if any, of any financial obligations that might arise. Accordingly:

- (i) No provision has been made in these financial statements for any liability that might arise as a result of the claim;
- (ii) Equally it has not been considered appropriate to recognise any income relating to other fees and damages potentially payable by Sempra over and above those amounts already invoiced by the Company;
- (iii) Unpaid invoices raised by the Company to the value of £369,862 have not been provided against in these financial statements and are included in trade debtors;
- (iv) All legal fees incurred to date have been charged to profit and loss.

## **7. Distribution**

This statement can be obtained from the company's registered office: 281 Cambridge Science Park, Milton Road, Cambridge, CB4 0WE.



**BRADY**

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