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Brady Trading Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Company No. 07834364

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Contents

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Company Information

Registered Office: First floor, Victory House Vision Park
Histon
Cambridge
CB24 9ZR
UK

Board of Directors: Andrew Woolley (appointed 01 February 2021)

Auditor: Ernst and Young LLP,
Cambridge Business Park,
Cowley Road, Cambridge,
CB4 0WZ

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Strategic Report

The Director presents his Strategic Report for the year ended 31 December 2020.

Principal activity

Brady Trading Limited (the "Company" or "Brady") is a provider of trading and risk management software for the Commodity market. Brady provides 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 refined and unrefined metals, soft commodities and agriculturals.

Business review

The Company had the following key performance indicators (KPIs) in 2020:

KPI	2020 £'000	2019 £'000	Explanation
Revenue	12,177	10,592	Revenue represents direct sales to customers or on behalf of Group companies and royalty and management charges from fellow Group companies. Revenue increased by £1,585,000 (15%), largely due to increases in services revenue and in revenue to other Group companies.
Operating loss	460	2,418	Operating loss decreased by £1,958,000 (81%) due to the reduction in accelerated amortisation and impairment charges relating to intangible assets and increased revenue to other Group companies.
Cash at 31 December	327	70	Cash at year end had increased by £257,000 (367%). This is mainly due to the additional borrowing from Brady Acquisitions Ltd. Details of the Company's funding arrangements are in notes 15 and 17.

Outlook

The Company continues to support all its customers through the development and expansion of its products and relationships. It is well placed to deliver the requirements demanded by its customers and the marketplace in which they operate.

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Strategic Report (continued)

Financial risk management objectives and policies

The Company uses various financial instruments, including cash, loans, trade debtors and trade creditors. The main purpose of these financial instruments is to provide finance for the Company, and in respect of loans, for the Company's operations.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk.

Risk	Explanation	Mitigation
Credit risk	The Company's principal financial assets are cash and trade debtors. The principal credit risk lies with trade debtors and contract assets.	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 aging and collection history. As a result of the impact of Covid-19, the management team are continually monitoring the situation, and customer's ability to pay. No issues have been encountered between the year end and date of signing these financial statements.
Liquidity risk	Liquidity risk is the risk arising from the Company not being able to meet its obligations as they fall due.	The Company 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. Intra-group funding is utilised to maintain liquidity and the Company receives loans and provides loans to / from other Group companies.

By order of the Board

DocuSigned by:

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Andrew Woolley, Director

15-Sep-2021

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Director's Report

The Director presents his Director's Report together with the audited financial statements for the year ended 31 December 2020.

Directors

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

Andrew Woolley (appointed 01 February 2021)

Carmen Carey (appointed 12 December 2020, resigned 31 March 2021)

Rebecca Roberts (appointed 15 June 2020, resigned 01 February 2021)

Nadya Bentley (appointed 13 February 2020, resigned 15 June 2020)

Anthony Nicholas Greatorex (resigned 12 February 2020)

Fabienne Kangayan (resigned 13 February 2020)

Results and dividends

The company made a loss after tax of £1,466,000 for the year ended 31 December 2020 (2019: £2,448,000). The Directors do not recommend the payment of a dividend for the year (2019: £ nil).

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:

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

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Director's Report (continued)

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

Qualifying third party indemnity provisions

The Company has entered into qualifying third party indemnity arrangements for the benefit of the Company and its Director in a form and scope that comply with the requirements of the Companies Act 2006. The arrangements in place were in force throughout the year and remain in force.

Going concern

The Company made a loss before tax in the year ended 31 December 2020 of £0.9 million and at 31 December 2020 had net liabilities of £11.7 million. The Director has reviewed the cash flow forecasts of the Company for the period through to 30 September 2022. The Director has also considered the current market conditions, trading activity post-year end and the liquid resources available to the Company, and has obtained a letter of support from its ultimate controlling party, Hanover Active Equity Fund II, S.C.A. SICAV-RAIF. The letter of financial support demonstrates that the Company 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 Director has applied sensitivities to the assumptions on new business, new product launch and also to the cost base.

Based on the Director's assessment of the Company's financial position and of the enquires made of the ultimate controlling party, the Director has a reasonable expectation that the Company will continue in operational existence and meets its liabilities as they fall due for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing these financial statements.

Events after the reporting period

Information can be found in note 25 on page 34.

Future developments

Information can be found in the Strategic Report on page 3.

Statement of Director's responsibilities

The Director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year.

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Director's Report (continued)

Statement of Director's responsibilities (continued)

Under that law the Director has elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). Under company law the Director must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company for that year. In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards has 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 Company will continue in business.

The Director is 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 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.

The Director confirms that:

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

Auditor

Pursuant to Section 485 of the Companies Act 2006, a resolution to appoint Ernst and Young LLP as the auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board

DocuSigned by:

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Andrew Woolley, Director
15-Sep-2021

Independent Auditor's Report to the Members of Brady Trading Limited

Opinion

We have audited the financial statements of Brady Trading Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 September 2022.

Our responsibilities and the responsibilities of the director with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information contained within the annual report.

Independent Auditor's Report to the Members of Brady Trading Limited (continued)

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or director's report.

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

Responsibilities of director

As explained more fully in the Statement of director's responsibilities set out on page 6, the director is 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 director determines 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 director is responsible for assessing the 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report to the Members of Brady Trading Limited (continued)

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK GAAP), the Companies Act 2006 and the relevant tax compliance regulations in the UK.
- We understood how Brady Trading Limited is complying with those frameworks by making enquiries of management and those responsible for legal and compliance. We corroborated these enquiries through our review of board meeting minutes. We understood management's entity level controls to understand the company culture of honest and ethical behaviour, including the emphasis on fraud prevention.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur through our discussions with management to understand where there is susceptibility for fraud. We also considered management performance targets and how these could influence any attempts to manage earnings. We also gained an understanding of internal controls designed by the group to prevent, deter and detect fraud.

  Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journal entries, with an emphasis placed on manual journal entries recorded to revenue and any other large or unusual transactions to gain reasonable assurance that the financial statements were free from fraud and error. Furthermore, we performed procedures to conclude on the compliance of disclosures made in the annual report and accounts with all applicable requirements.

Independent Auditor's Report to the Members of Brady Trading Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://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.

Ernst & Young LLP

Ruth Logan (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge

16 September 2021

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Statement of Comprehensive Income

	Notes	2020 £'000	2019 £'000
Revenue	5	**12,177**	10,592
Cost of sales		**(690)**	(1,413)
Gross profit		**11,487**	9,179
Administrative expenses		**(11,947)**	(11,597)
Operating loss	6	**(460)**	(2,418)
Net finance cost	9	**(403)**	(266)
Loss before tax		**(863)**	(2,684)
Tax on loss on ordinary activities	10	**(603)**	236
Loss after tax and total comprehensive loss for the year		**(1,466)**	(2,448)

All of the activities of the Company in the current and prior years are classed as continuing.

The Company has no recognised gains or losses other than the loss for the current and preceding years as set out above.

The accompanying accounting policies and notes form part of these financial statements.

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Statement of Financial Position

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Intangible assets	11		**1,318**		472
Tangible assets	12		**50**		85
Right of use assets	13		**820**		808
			2,188		1,365
Current assets					
Debtors	14	**5,988**		2,930	
Cash at bank and in hand	15	**327**		70	
		6,315		3,000	
Creditors falling due within one year					
Trade and other creditors	16	**(9,121)**		(9,444)	
Lease liabilities	13	**(272)**		(201)	
Loans	17	**(9,750)**		(4,000)	
Net current liabilities			**(12,828)**		**(10,645)**
Total assets less current liabilities			**(10,640)**		(9,280)
Creditors falling due after one year					
Lease liabilities	13		**(693)**		(738)
Provision for liabilities	18		**(329)**		(178)
Net liabilities			**(11,662)**		(10,196)
Equity reserve	20		**-**		186
Retained earnings			**(11,662)**		(10,382)
Deficit in shareholder funds			**(11,662)**		(10,196)

The accompanying accounting policies and notes form part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue by the Board of Directors on 15 September 2021 and signed on their behalf by:

DocuSigned by:

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Andrew Wooley, Director

Company number: 07834364

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Statement of Changes in Equity

	Note	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2019		**-**	**189**	**(7,934)**	**(7,745)**
Total comprehensive loss for the year		-	-	(2,448)	(2,448)
Credit to equity for share-based payments		-	(3)	-	(3)
At 31 December 2019	20	**-**	**186**	**(10,382)**	**(10,196)**
Total comprehensive loss for the year		-	-	(1,466)	(1,466)
Credit to equity for share-based payments		-	(186)	186	-
At 31 December 2020	20	**-**	**-**	**(11,662)**	**(11,662)**

The accompanying accounting policies and notes form part of these financial statements.

Notes to the Financial Statements

1. General information

The Company is a private company limited by shares, incorporated and domiciled in England and Wales. The address of its registered office, which is also its principal place of business, is First Floor, Victory House, Vision Park, Histon, Cambridge, CB24 9ZR.

2. Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and in accordance with the Financial Reporting Standard 101 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated. All amounts in the financial statements and notes have been rounded off to the nearest thousand Pound Sterling, unless otherwise stated. The classification of cost of sales and administrative expenses was changed in 2020. The prior year comparative figures have been restated so that they are consistent with the year ending 31 December 2020.

These financial statements have been authorised for issue and approved by the Director on 15 September 2021.

Going concern

The Company made a loss before tax in the year ended 31 December 2020 of £0.9 million and at 31 December 2020 had net liabilities of £11.7 million. The Director has reviewed the cash flow forecasts of the Company for the period through to 30 September 2022. The Director has also considered the current market conditions, trading activity post-year end and the liquid resources available to the Company, and has obtained a letter of support from its ultimate controlling party, Hanover Active Equity Fund II, S.C.A. SICAV-RAIF. The letter of financial support demonstrates that the Company 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 Director has applied sensitivities to the assumptions on new business, new product launch and also to the cost base.

Based on the Director's assessment of the Company's financial position and of the enquires made of the ultimate controlling party, the Director has a reasonable expectation that the Company will continue in operational existence and meets its liabilities as they fall due for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing these financial statements.

Revenue recognition

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

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2. Principal accounting policies (continued)

To determine whether to recognise revenue, the Company 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 stand-alone selling prices.

Subscription of software, term licences 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 Company 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 Company'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, typically when the customer has the ability to 'go-live'.

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 Company has an enforceable right to payment for work completed to date on a time and materials basis.

The Company 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 typically when the customer has the ability to 'go-live'.

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.

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2. Principal accounting policies (continued)

Contract asset and liabilities

The Company recognises the following contract assets in the Statement of Financial Position:

- Amounts recoverable on contracts, if the Company satisfies a performance obligation before it invoices the customer. The asset is derecognised at the point in time when the Company invoices the customer.
- Contract fulfilment costs if the following criteria are 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 Company 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 Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as 'contract liabilities' in the Statement of Financial Position.

Financing elements

The Company does not expect to have any contracts where the period between revenue recognition and payment by the customer exceeds one year. Consequently, the Company applies the practical expedient in IFRS 15.63 and does not adjust the transaction price for the time value of money.

Contract modifications

From time to time, there is a change in scope of the original contract between the Company 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 stand-alone 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 Company 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.

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2. Principal accounting policies (continued)

Employee benefits

Retirement benefits

The Company operates a defined contribution pension arrangement. The amount charged to the Statement of Comprehensive Income 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 The Statement of Financial Position .

Interest income and expense

Interest income and expense is included in the Statement of Comprehensive Income 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:

Current tax

The current tax charge represents an estimate of the amounts payable to tax authorities in respect of the Company's taxable profits and is based on an interpretation of existing tax laws. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes certain items of income and expense that are taxable or deductible in other years or are never taxable or deductible.

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 financial statements with the tax base. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

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 Statement of Comprehensive Income, 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.

Foreign currencies

The functional and presentational currency of the Company is Sterling.

Foreign currency transactions are translated into the functional currency of the Company 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 Statement of Comprehensive Income 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.

2. Principal accounting policies (continued)

Non-recurring items

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

Intangible assets and amortisation

Research and development costs

Expenditure on research activities is recognised as an expense in the Statement of Comprehensive Income 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:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Company intends to complete the intangible asset and use or sell it;
- the Company 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 Statement of Comprehensive Income. The amortisation period for development costs incurred in the Company is up to five years on a straight-line basis.

Software

Software intangibles are stated at cost, net of amortisation and any provision for impairment. Amortisation is calculated to write off the cost of all intangible assets over the expected useful economic lives of typically three years on a straight-line basis. Following any impairment, the amortisation is based on the revised carry amount and, where applicable, the revised useful life.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged to the Statement of Comprehensive Income 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:

2. Principal accounting policies (continued)

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

Leased assets

Identification of a lease

For any new contracts entered into on or after 1 January 2019, the Company 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 Company 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 Company;
- the Company 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
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company 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 Company recognises a right-of-use (RoU) asset and a lease liability on the 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 Company;
- 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 Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate. To determine the incremental borrowing rate, the Company uses recent third-party financing arrangements as a starting point, adjusted to reflect changes in the Company's position since the financing was received and for any lease-specific factors such as term, country, currency or security.

BRADY.

2. Principal accounting policies (continued)

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 Company 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 Company also assesses the RoU asset for impairment when indicators exist.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the 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 Company 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 (leases with initial lease liability of under £5,000) 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 the profit or loss on a straight-line basis over the lease term.

Impairment of non-financial assets

Assets that have an indefinite useful life – for example 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 that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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 Company holds the trade receivables with the objective of collecting the contractual

BRADY.

2. Principal accounting policies (continued)

cash flows, and so it measures them subsequently at amortised cost using the effective interest method less loss allowance.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which use a lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets are 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 Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Cash and cash equivalents

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.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as creditors: amounts falling due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year.

BRADY.

2. Principal accounting policies (continued)

Provisions

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Company 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 Company 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.

Share capital

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.

3. Critical accounting judgements and key sources of estimation 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 financial statements.

Capitalisation of development costs

The Company 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 Engineering department and approved by management, regularly monitoring progress by using an established set of criteria for assessing technical feasibility and benchmarking to other products.

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 Director considers 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 generally recognised on the basis of work done

BRADY.

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

but where issues of client acceptance are identified, then revenue is deferred until issues are resolved.

Impairment of intangible assets

The Company reviews intangible assets annually for indicators of impairment and tests for impairment when indicators exist. This requires an estimation of the value in use of the cash-generating units to which the intangible asset relates. Estimating the value in use requires the Company 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 Company recognized accelerated amortisation and impairment charges of £nil (2019: £0.8 million) in relation to capitalised product development costs.

4. Disclosure exemptions

In preparing these financial statements the Company, as a wholly owned subsidiary of Brady Technologies Limited (formerly Brady plc), has taken advantage of the disclosure exemptions conferred by FRS 101 as follows:

- the requirement of paragraphs 45(b) and 46-45 of IFRS 2 Share based payments;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of the second sentence of paragraph 110, paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52, paragraph 58, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 9
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
    - paragraph 118(e) of IAS 38 Intangible Assets.
- the requirement of paragraphs 10(d), 10(f), 16, 38(a)-(d), 40(a)-(d), 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18(a) of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transactions is wholly owned by such a member; and

Disclosure exemptions (continued)

- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets;

5. Revenue

The revenue is attributable to the principal activities of the Company

An analysis of sales revenues split between external customers and other Group companies is given below

	2020	2019
	£'000	£'000
Revenue to external customers	**3,320**	2,220
Revenue to other group companies	**8,857**	8,372
Total revenues	**12,177**	10,592

Revenues from two customers of Brady Trading Ltd contributed more than 10% individually to the company's external revenue and amounted to £1,579,000 (2019: three customers; £1,155,000).An analysis of external sales revenue by activity and time of revenue recognition is given below

Revenue to other Group companies comprises management re-charges.

Year ended 31 December 2020	Recurring support, maintenance and rentals £'000	Services including development £'000	Software licences £'000	Total £'000
Total revenues to external customers	1,922	1,398	-	**3,320**
Timing of revenue recognition				
At a point in time	-	478	-	**478**
Over time	1,922	920	-	**2,842**

Year ended 31 December 2019	Recurring support, maintenance and rentals £'000	Services including development £'000	Software licences £'000	Total £'000
Total revenues to external customers	1,772	109	339	**2,220**
Timing of revenue recognition				
At a point in time	-	109	339	**448**
Over time	1,772	-	-	**1,772**

BRADY.

Revenue (continued)

Assets and liabilities related to contracts with customers

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

	2020 £'000	2019 £'000
Current contract assets relating to:		
Services including development	**68**	16
Loss allowance	**-**	-
Total current contract assets	**68**	16
Current contract liabilities relating to:		
Recurring maintenance, hosting and rentals	**885**	635
Services including development	**18**	18
Total current contract liabilties	**903**	653

Revenue recognised in relation to contract liabilities

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

	2020 £'000	2019 £'000
Revenue recognised that was included in the contract liability at the beginning of the year:		
Advanced billing for recurring revenue	**633**	603
Completion of contractual obligations in relation to professional services, development and licences	**18**	-

Assets recognised from costs to fulfil a contract

In addition to the contract assets disclosed above, the Company has also recognised an asset at 31 December 2020 of £2,000 (2019: £17,000) in relation to costs to fulfil a long-term contract. This is presented within other debtors in the Statement of Financial Position .

6. Operating loss

The following items have been charged/(credited) to the Statement of Comprehensive Income in arriving at operating loss for the year.

	Notes	2020 £'000	2019 £'000
Research and development		**2,578**	1,860
Depreciation of owned tangible fixed assets	12	**57**	113
Depreciation of right of use assets	13	**171**	685
Amortisation of intangible fixed assets	11	**211**	728
Net foreign exchange losses/(gains)		**155**	(309)
Non-recurring items	7	**230**	911

Auditor's remuneration in respect of audit services for the Company for the current year was £40,000 (2019: £35,700). These costs were borne by another Group undertaking with no right of recharge.

BRADY.

7. Non-recurring items

	Notes	2020 £'000	2019 £'000
Functional transformation costs		**230**	70
Accelerated amortisation and impairment of goodwill and intangible assets		**-**	841
Non-recurring items charged to operating loss	6	**230**	911

Functional transformation costs
During 2020, the Company incurred functional transformation costs totalling £230,000 (2019: £70,000) relating to restructuring activities.

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, in the year ended 31 December 2019, £841,000 of accelerated amortisation and impairment charges of goodwill and intangible assets were recognised. In the year ended 31 December 2020 no accelerated amortisation or impairment was charged.

8. Directors and employees

	2020 £'000	2019 £'000
Wages and salaries	**5,272**	5,003
Social security costs	**525**	564
Share-based payments	**-**	(3)
Other pension costs	**359**	348
	6,156	5,912

The average number of staff employed by the Company (including Executive Directors) during the financial year amounted to:

	2020 No.	2019 No.
Sales, services and client support	**15**	28
Development	**30**	34
Administration	**22**	25
Management	**3**	2
	70	89

During the year, the Directors of the Company received emoluments of £204,000 (2019: £72,000) directly from the Company. Other Directors, being employees of Brady Technologies Limited, received emoluments of £42,000 (2019: £434,000).

The highest paid Director received a total salary of £71,000 (2019: £224,000), performance-related payments of £35,000 (2019: £19,000), pension contributions of £5,000 (2019: £8,000) and other benefits of £1,000 (2019: £1,000).

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9. Net finance cost

	Notes	2020 £'000	2019 £'000
Interest receivable from fellow Group undertakings		**35**	21
Interest payable to fellow Group undertakings		**(198)**	(207)
Lease liability interest payable	13	**(43)**	(46)
Bank interest payable		**(193)**	(34)
Other finance costs		**(4)**	-
		(403)	(266)

10. Tax on loss on ordinary activities

Analysis of credit in year

	2020 £'000	2019 £'000
Current tax		
Adjustment in respect of prior years	**441**	-
Total current tax charge	**441**	-
Deferred tax		
Origination and reversal of timing differences	**162**	(236)
Tax charge/(credit) on loss on ordinary activities	**603**	(236)

Factors affecting tax credit

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained as follows:

	2020 £'000	2019 £'000
Loss on ordinary activities before taxation	**(863)**	(2,684)
Loss on ordinary activities multiplied by standard rate of tax	**(164)**	(510)
Expenses not deductible for tax purposes	**(111)**	560
Tax losses not recognised	**437**	(287)
Adjustment in respect of prior years	**441**	-
Difference between standard and future tax rates		1
Tax charge/(credit) on loss on ordinary activities	**603**	(236)

Factors affecting future tax charge

The Company has tax losses of £10.7 million (2019: £8.5 million) that are available for offset against future taxable profits. A deferred tax asset of £2.0 million (2019: £1.2 million) has not been recognised in respect of these losses as future taxable profits are uncertain.

The UK government announced in the 2021 budget (3 March 2021) that corporation tax rate would remain at 19% from 1 April 2021, rising to 25% after 1 April 2023. The increase is corporation tax rate was not substantively enacted at the Statement of Financial Position date. 19% is the rate used to measure deferred taxes at the period-end.

11. Intangible fixed assets

	Software £'000	Development £'000	Total £'000
Cost			
At 1 January 2020	1,062	13,259	**14,321**
Additions	108	949	**1,057**
Disposals	-	(8,383)	**(8,383)**
At 31 December 2020	**1,170**	**5,825**	**6,995**
Depreciation			
At 1 January 2020	(991)	(12,858)	**(13,849)**
Charge for year	(67)	(144)	**(211)**
Disposals	-	8,383	**8,383**
At 31 December 2020	**(1,058)**	**(4,619)**	**(5,677)**
Net book value			
At 31 December 2020	**112**	**1,206**	**1,318**
At 31 December 2019	71	401	472

The software intangible asset includes the Company's accounting system, which was customised by an external development firm to the Company's specific requirements.

The development intangible assets relate to internally generated software products which generate revenue for the Company. During the year no accelerated amortisation or impairment charges were recognised (2019: £841,000). This reflects the change in product strategy following the change of ultimate ownership of the Company.

12. Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2020	93	50	534	**677**
Additions	-	1	21	**22**
At 31 December 2020	**93**	**51**	**555**	**699**
Depreciation				
At 1 January 2020	(93)	(46)	(453)	**(592)**
Charge for year	-	(2)	(55)	**(57)**
At 31 December 2020	**(93)**	**(48)**	**(508)**	**(649)**
Net book value				
At 31 December 2020	**-**	**3**	**47**	**50**
At 31 December 2019	-	4	81	85

BRADY.

13. Right of use assets

The Company has following lease contracts for an office and lease contracts for software.

	Property £'000	Software £'000	Total £'000
Cost			
At 1 January 2020	1,493	-	1,493
Additions	143	40	183
Disposals	-	-	-
At 31 December 2020	**1,636**	**40**	**1,676**
Depreciation, amortisation and impairment			
At 1 January 2020	(685)	-	(685)
Charge for year	(166)	(5)	(171)
At 31 December 2020	**(851)**	**(5)**	**(856)**
Net book value			
At 31 December 2020	**785**	**35**	**820**
At 31 December 2019	808	-	808

The Statement of Financial Position includes the following amounts relating to these leases:

	2020 £'000	2019 £'000
Right of use assets		
Property	**785**	808
Software	**35**	-
	820	808
Lease liabilities		
Current	**272**	201
Non-current	**693**	738
	965	939

The Comprehensive Income includes the following amounts relating to these leases.

	Notes	2020 £'000	2019 £'000
Depreciation charge relating to right of use assets			
Property		**166**	685
Software		**5**	-
	6	**171**	685
Included in net finance expense			
Interest expense	9	**(43)**	(46)

BRADY.

14. Debtors

	Note	2020 £'000	2019 £'000
Trade debtors		**387**	128
Amounts owed by Group undertakings		**5,039**	2,216
VAT recoverable		**-**	69
Other debtors		**5**	19
Prepayments and accrued income		**489**	482
Contract assets	5	**68**	16
		5,988	2,930

Amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

Trade debtors are stated after provisions for impairment of £nil (2019: £nil). The loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows:

31 December 2020	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected loss rate	0.0%	0.0%	0.0%	0.0%	**0.0%**
Gross carrying amount - trade debtors £'000	320	-	32	35	**387**
Gross carrying amount - contract assets £'00	68	-	-	-	**68**
Loss allowance £'000	-	-	-	-	**-**

31 December 2019	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected loss rate	0.0%	0.0%	0.0%	0.0%	**0.0%**
Gross carrying amount - trade debtors £'000	12	116	-	-	**128**
Gross carrying amount - contract assets £'00	16	-	-	-	**16**
Loss allowance £'000	-	-	-	-	**-**

15. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash and cash equivalents at bank and in hand	**327**	70
	327	70

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

BRADY.

16. Trade and other creditors

	Notes	2020 £'000	2019 £'000
Trade creditors		**351**	432
Amounts owed to Group undertakings		**5,737**	7,868
Taxation and social security		**721**	131
Other creditors		**30**	-
Contract liabilities	5	**903**	653
Accruals		**1,379**	360
		9,121	9,444

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

17. Borrowings

	2020 £'000	2019 £'000
Current	**9,750**	4,000
	9,750	4,000

The loan facility between Brady Trading Limited and Brady Acquisition Limited was £9,750,000 at 31 December 2020 and then was increased to £13,750,000 subsequent to the year end. Drawdowns were made on 23 February 2021 (£1,000,000), 19 March 2021 (£1,000,000), 4 May 2021 (£1,000,000) and 8 July 2021 (£1,000,000).

The loan facility is subject to cross guarantees by fellow Group companies, Brady Technologies Limited 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.

18. Provision for liabilities

	Notes	Dilapidations £'000	Legal provision £'000	Deferred tax liability £'000	Total £'000
At 1 January 2020		39	98	41	**178**
Charge to the Statement of Comprehensive Income		-	-	162	**162**
Amount used during the year		-	(11)	-	**(11)**
At 31 December 2020		**39**	**87**	**203**	**329**

The dilapidations provisions are associated with the office lease liability and corresponding right of use property asset.

The Company is involved in a dispute. After taking appropriate legal advice, the Company has established a legal provision after taking into account the facts of the case. The timing of cash outflows is expected to be more than one year.

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Provision for liabilities (continued)

The deferred tax liability of £203,000 (2019: £41,000) arises on intangible fixed assets whereby the capital allowances are in excess of the amortisation and impairment charges.

19. Share capital

Allotted, called up and fully paid:

	2020		2019	
	No	£	No	£
Ordinary shares of £1 each	**10**	**10**	10	10

20. Reserves

	2020	2019
	£'000	£'000
Other reserve - Share-based payments	-	186
Retained earnings	**(11,662)**	(10,382)
	(11,662)	(10,196)

Other Reserve
The equity reserve was previously the reserve in relation to the share options issued in Brady Technologies Limited but not yet exercised. This scheme did not operate in 2020.

Retained Earnings
Retained earnings are the cumulative profit and loss of the Company, net of any distribution to owners.

21. Capital commitments

The Company had no capital expenditure contracted for but not provided in the financial statements at 31 December 2020 or 31 December 2019.

22. Contingent liabilities

The Company had no material contingent liabilities at 31 December 2020 or 31 December 2019.

23. Related party transactions

The Directors remuneration is disclosed in note 8.

As a wholly owned subsidiary of Brady Acquisition Limited, the Company is exempt from the requirements of FRS 101 to disclose transactions with other members of the group headed by Brady Acquisition Limited on the grounds that the Group accounts are publicly available from Companies House.

24. Controlling party

As at 31 December 2020, the immediate parent undertaking is Brady Technologies Limited, a company incorporated in England and Wales.

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

The smallest and largest group in which the results of the Company are consolidated for the year ended 31 December 2020 is that headed by Brady Acquisition Limited. Copies of these financial statements may be obtained from Companies House.

25. Events after the reporting period

No adjusting events have occurred between the 31 December 2020 reporting date and the date of authorisation of these financial statements.

The loan facility between Brady Trading Limited and Brady Acquisition Limited was £9,750,000 at 31 December 2020 and then was increased to £13,750,000. Drawdowns were made on 23 February 2021 (£1,000,000), 19 March 2021 (£1,000,000), 4 May 2021 (£1,000,000) and 8 July 2021 (£1,000,000).