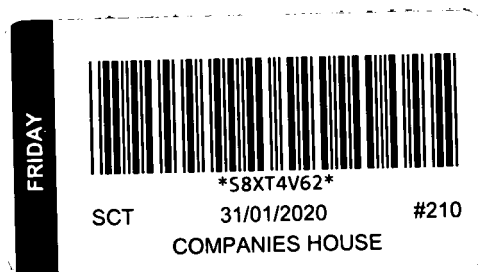


Financial statements

Brady Energy UK Limited

For the year ended 31 December 2018



Company No. SC195633

Company information

Company registration number: SC195633

Registered office: 40 Torphichen Street,
Edinburgh
Scotland
EH3 8JB

Directors: M Thorneycroft
C Carey
F Kangayan

Auditor: Grant Thornton UK LLP
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

Bankers: Royal Bank of Scotland
12 Market Square
Duns
TD11 3DA

Solicitors: K&L Gates
One New Change
London
EC4M 9AF

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Directors' Report

The Directors present their report together with the financial statements for the year ended 31 December 2018.

Principal activities and business review

The principal activities of the Company were the development and sale of software and associated services. The Directors expect these activities to continue for the foreseeable future.

On 18 November 2019, Brady plc, the Company's ultimate parent company, was acquired by Hanover Acquisitions Limited. The ultimate controlling party became the Hanover Active Equity Fund II, S.C.A. SICAV-RAIF.

The Company generated a loss for the year amounting to £383k (2017: £27k profit).

Key performance indicators

Financial

- 1 Turnover is a key measure of the Company's performance. Turnover for the year was £920k (2017: £1,344k). The decrease is due to a reduced amount of recurring maintenance and hosting revenue along with a reduction in revenue from fellow group undertakings.
- 2 Operating (loss)/profit is a key indicator of the Company's performance. The Company generated an operating loss for the year of £312k (2017: £81k profit). The decrease is mainly as a result of the reduction in revenue from fellow group undertakings.
- 3 Cash at the year end was £129k (2017: £122k). The increase is due to timing of receipts of trade receivables offsetting the loss for the year.

Financial risk management objectives and policies

The Company uses various financial instruments; these include cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

The main risk arising from the Company's financial instruments is credit risk. The Board reviews and agrees policies for managing this risk and they are summarised below:

Credit risk

The Company's principal financial assets are cash and trade debtors.

The principal credit risk lies with trade debtors. 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.

Directors

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

M Thorneycroft

C Carey (appointed 13 December 2019)

F Kangayan (appointed 13 December 2019)

E Koehn (appointed 11 January 2018 and resigned 29 April 2019)

Directors' Report (continued)

Dividends

The Directors do not recommend the payment of a dividend for the year (2017: £nil).

Qualifying third party indemnity provisions

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

Going concern

The Company made a loss before tax in the financial year of £383k (2017: £27k profit) and at 31 December 2018 had net current liabilities of £1,307k (2017: £858k). As the cash flows of the Company are integrated with those of the Brady plc Group, the Director has reviewed the cash flow forecast of the Group for the period through to February 2021. The Directors have considered the current market conditions, trading activity post-year end and the liquid resources available to the Company and have obtained a letter of support from the Company's intermediate parent undertaking, Brady plc. The letter of financial support from Brady plc indicates 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.

On the basis of the Directors' assessment of the Company's financial position and of the enquires made of the Directors of Brady plc, the Company's Directors have 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.

Directors' Report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the 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 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 Directors 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 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 UK Accounting Standards 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 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 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 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.

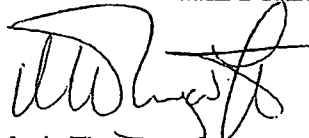
Auditor

A resolution for the re-appointment of Grant Thornton UK LLP as independent auditor of the Company is to be proposed at the forthcoming Annual General Meeting. In accordance with normal practice, the Directors will be authorised to determine the auditor's remuneration.

Small company provision

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

BY ORDER OF THE BOARD



Martin Thorneycroft
Director

29 January 2020



Grant Thornton

Independent Auditor's Report to the Members of Brady Energy UK Limited

Opinion

We have audited the financial statements of Brady Energy UK Limited (the 'Company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 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

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 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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors' 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.



Grant Thornton

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

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

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

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 Directors' Report.

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, 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; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemptions in preparing the Directors' Report and from the requirement to prepare the Strategic Report.

Responsibilities of Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities, set out on page 5, 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 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 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.



Grant Thornton

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

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.

Grant Thornton UK LLP

David Newstead
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
Date: 29 January 2020

Principal Accounting Policies

Basis of preparation

The Company is incorporated and domiciled in the Scotland. The address of its registered office, which is also its principal place of business, is 40 Torphichen Street, Edinburgh, Scotland, EH3 8JB.

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.

These financial statements have been authorised for issue and approved by the Board of Directors on 29 January 2020.

Going concern

The Company's business activities together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to credit risk are set out in the Directors' Report.

The Company made a loss before tax in the financial year of £383k (2017: £27k profit) and at 31 December 2018 had net current liabilities of £1,307k (2017: £858k). As the cash flows of the Company are integrated with those of the Brady plc Group, the Director has reviewed the cash flow forecast of the Group for the period through to February 2021. The Directors have considered the current market conditions, trading activity post-year end and the liquid resources available to the Company and have obtained a letter of support from the Company's intermediate parent undertaking, Brady plc. The letter of financial support from Brady plc indicates 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.

On the basis of the Directors' assessment of the Company's financial position and of the enquires made of the Directors of Brady plc, the Company's Directors have 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 principle in all sales.

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 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

Principal Accounting Policies (continued)

Revenue recognition (continued)

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'.

(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 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'.

(iii) Support, maintenance and hosting

Revenue from support, maintenance and hosting is recognised evenly over 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.

(iv) Contract assets and liabilities

The Company recognises the following contract assets in the consolidated 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 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 consolidated statement of financial position.

Principal Accounting Policies (continued)

Revenue recognition (continued)

(v) 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.

(vi) 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 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 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.

Management recharges

Income in respect of management recharges to other group companies is recognised when services are provided.

Trade and other receivables

Trade and other 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 (or in the normal operating cycle of the business, if longer), 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 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.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. See note 7 for further details.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Computer equipment	33% straight line
Fixtures and fittings	33% straight line
Leasehold improvements	Over the life of the lease

Depreciation on Computer equipment and Furniture and fittings commences from the month they are brought into use. Depreciation on Leasehold improvement commences from the month when the improvements are completed.

Principal Accounting Policies (continued)

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 to sell 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.

Foreign currency

The functional and presentational currency of the Company is Sterling. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Comprehensive Income.

Tax

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. 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.

Equity

Share capital represents the nominal value of equity shares. Equity reserve represents the reserve in relation to the share options issued in Brady Plc but not yet exercised.

Financial instruments

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities.

Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Principal Accounting Policies (continued)

Financial instruments (continued)

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Financial assets

The Company's financial assets comprise of only Financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Impairment of financial assets

The Company assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to the trade and other receivables policy above.

Share-based payments

Brady plc ("the Group") issues equity-settled share-based payments to certain employees and Directors of the Company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and is only adjusted for the failure to meet non-market conditions.

Fair value is measured by use of a Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Leased assets

All leases are regarded as operating leases as the risks and rewards of ownership are not transferred. Payments under leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

Principal Accounting Policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The preparation of these financial statements in conformity with FRS 101 requires the Directors to make certain crucial accounting estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. However, the nature of estimation means that the actual outcomes could differ from these estimates. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date are discussed below:

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 generally recognised on the basis of work done but where issues of client acceptance are identified, then revenue is deferred until issues are resolved. The carrying amounts at 31 December 2018 for contract assets is £nil as disclosed in note 7 and contract liabilities is £151,000 as disclosed in note 8.

Disclosure exemptions

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

- a) the requirement of paragraphs 45(b) and 46-45 of IFRS 2 *Share based payments*;
- b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;
- c) the requirements of paragraphs 33(c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- d) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- e) the requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*;
- f) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - i. paragraph 79(a)(iv) of IAS 1;
 - ii. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*; and
 - iii. paragraph 118(e) of IAS 38 *Intangible Assets*.
- g) the requirement of paragraphs 10(d), 10(f) 39(c) and 134 to 136 of IAS 1 *Presentation of Financial Statements*;
- h) the requirements of IAS 7 *Statement of Cash Flows*;
- i) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- j) 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 a party to the transaction is wholly owned by such a member;
- k) 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*; and
- l) 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*.

Statement of Comprehensive Income

	Notes	2018 £'000	2017 £'000
Turnover	1	920	1,344
Cost of sales		<u>(832)</u>	<u>(762)</u>
Gross profit		88	582
Administrative expenses		(400)	(501)
Net impairment losses on financial assets		<u>-</u>	<u>-</u>
Operating (loss)/profit	2	(312)	81
Interest payable and similar charges	3	<u>(71)</u>	<u>(54)</u>
(Loss)/profit on ordinary activities before taxation		(383)	27
Tax on (loss)/profit on ordinary activities	5	<u>-</u>	<u>-</u>
(Loss)/profit for the year being total comprehensive (loss)/income		<u>(383)</u>	<u>27</u>

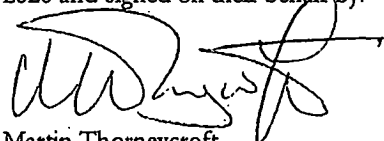
All of the activities of the Company in the current and prior years are classed as continuing.

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

Balance Sheet

	Notes	2018		2017	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	6		79		13
Current assets					
Debtors	7	138		346	
Cash at bank and in hand		<u>129</u>		<u>122</u>	
		267		469	
Creditors: amounts falling due within one year	8	<u>(1,574)</u>		<u>(1,327)</u>	
Net current liabilities			<u>(1,307)</u>		<u>(858)</u>
Total assets less current liabilities			<u>(1,228)</u>		<u>(845)</u>
Capital and reserves					
Called up share capital	9		-		-
Equity reserve			4		4
Profit and loss account			<u>(1,232)</u>		<u>(849)</u>
Shareholders' deficit			<u>(1,228)</u>		<u>(845)</u>

These financial statements were approved by the Board of Directors and authorised for issue on 29 January 2020 and signed on their behalf by:



Martin Thorneycroft
Director

Company number SC195633

Statement of Changes in Equity

	Called up share capital	Equity reserve	Profit and loss account	Total
	£ '000	£ '000	£ '000	£ '000
At 1 January 2017	-	4	(876)	(872)
Total comprehensive income for the year	-	-	27	27
At 31 December 2017	-	4	(849)	(845)
Total comprehensive loss for the year	-	-	(383)	(383)
At 31 December 2018	-	4	(1,232)	(1,228)

Notes to the Financial Statements

1 Turnover

The turnover is attributable to the principal activities of the Company.

An analysis of sales revenue by geographic segment and activity is given below:-

Year ended 31 December 2018	Recurring support, maintenance and rentals £'000	Services including development £'000	Software licences £'000	Other £'000	Total £'000
UK	170	10	3	424	607
Rest of Europe	288	24	-	1	313
Total revenues	458	34	3	425	920

Year ended 31 December 2017	Recurring support, maintenance and rentals £'000	Services including development £'000	Software licences £'000	Other £'000	Total £'000
UK	220	25	-	749	994
Rest of Europe	350	-	-	-	350
Total revenues	570	25	-	749	1,344

Other revenue comprises management re-charges to other group companies.

a) Assets and liabilities related to contracts with customers

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

	2018 £'000	2017 £'000
Current contract liabilities relating to:		
Recurring maintenance, hosting and rentals	151	129

There were no contract assets recognised at 31 December 2018 and 2017.

Notes to the Financial Statements

1 Turnover (continued)

b) Significant changes in contract assets and liabilities

Contract liabilities have increased by 17% (2017: 8%) as the Company completed its contractual performance obligations under certain customer projects.

There were no significant changes in Contract assets during the year.

c) 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:

	2018 £'000	2017 £'000
Revenue recognised that was included in the contract liability at the beginning of the year:		
Advanced billing for recurring revenue	129	119

d) Assets recognised from costs to fulfil a contract

The Company has not recognised any assets in relation to costs to fulfil a long-term contract at either 31 December 2017 or 2018.

2 Operating (loss)/profit

Operating (loss)/profit on ordinary activities before taxation is stated after charging:

	2018 £'000	2017 £'000
Depreciation of owned tangible fixed assets	8	17
Loss on disposal of tangible fixed assets	3	1
Operating lease rental charges	155	108
Net foreign exchange loss	6	8

Auditor's remuneration in respect of audit services for the Company for the current year was £7,150 (2017: £7,150). These costs were borne by another Group undertaking with no right of recharge.

Notes to the Financial Statements (continued)

3 Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable to fellow Group undertakings	71	54

4 Directors and employees

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

	2018 £'000	2017 £'000
Sales, service and client support	5	4
Development	7	8
Administration	2	2
	14	14

The Directors of the Company, being employees of Brady plc, have not received any emoluments in respect of their qualifying services from the Company in either the current or preceding financial years. Total emoluments received by these Directors from the Group for the year amounted to £368,810 (2017: £179,866). Options held by employees of Brady Energy UK Limited are over shares in Brady plc.

5 Tax on (loss)/profit on ordinary activities

a) Analysis of charge in year

	2018 £'000	2017 £'000
Current tax		
UK Corporation Tax based on profit for the year at 19.00% (2017: 19.25%)	-	-
Tax on (loss)/profit on ordinary activities	-	-

Notes to the Financial Statements (continued)

5 Tax on profit on ordinary activities (continued)

b) Factors affecting tax charge

The tax assessed for the year is higher (2017: lower) than the standard rate of Corporation Tax in the UK of 19.00% (2017: 19.25%). The differences are explained as follows:-

	2018 £'000	2017 £'000
(Loss)/profit on ordinary activities before taxation	(383)	27
(Loss)/profit on ordinary activities multiplied by standard rate of tax	(73)	5
Unrecognised tax losses carried forward	73	(5)
Tax on (loss)/profit on ordinary activities	-	-

The Company has tax losses of £2.1 million (2017: £1.7 million) that are available for offset against future taxable profits. A deferred tax asset of £0.4 million (2017: £0.3 million) has not been recognised in respect of these losses as future taxable profits are uncertain.

6 Tangible fixed assets

	Leasehold Improvements £'000	Fixtures & Fittings £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 January 2018	-	10	112	122
Additions	62	15	-	77
Disposals	-	(8)	(68)	(76)
At 31 December 2018	62	17	44	123
Depreciation				
At 1 January 2018	-	(5)	(104)	(109)
Charge for the year	-	(2)	(6)	(8)
Elimination on disposal	-	5	68	73
At 31 December 2018	-	(2)	(42)	(44)
Net Book Value				
At 31 December 2018	62	15	2	79
At 31 December 2017	-	5	8	13

Notes to the Financial Statements (continued)

7

Debtors

	2018 £'000	2017 £'000
Trade debtors, net	99	75
Amounts owed by fellow Group undertakings	-	218
Other debtors	24	23
Contract assets	-	2
Prepayments and accrued income	15	28
	<u>138</u>	<u>346</u>

The loss allowance as at 31 December 2018 and 31 December 2017 (on adoption of IFRS 9) was determined as follows:

31 December 2018	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected loss rate	0.1%	0.6%	4.4%	85.2%	0.1%
Gross carrying amount – trade debtors £'000	99	-	-	-	99
Loss allowance £'000	-	-	-	-	-

31 December 2017	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected loss rate	0.1%	0.6%	4.4%	85.2%	0.1%
Gross carrying amount – trade debtors £'000	75	-	-	-	75
Loss allowance £'000	-	-	-	-	-

8

Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	23	40
Amounts owed to fellow Group undertakings	1,186	1,040
Other creditors	76	15
Taxation and social security	27	28
Contract liabilities	151	129
Accruals	111	75
	<u>1,574</u>	<u>1,327</u>

Notes to the Financial Statements (continued)

9 Share capital

Allotted, called up and fully paid:

	2018		2017	
	No	£	No	£
Ordinary shares of £1 each	76	76	76	76

10 Leases

The Company's minimum operating lease payments are as follows:

	2018 £'000	2017 £'000
No later than 1 year	69	75
Later than 1 year and no later than 5 years	277	-
More than 5 years	336	-
	<u>682</u>	<u>75</u>

11 Capital commitments

The Company had no capital commitments at 31 December 2018 and 31 December 2017.

12 Contingent liabilities

The Company had no contingent liabilities at 31 December 2018 and 31 December 2017.

13 Related party transactions

As a wholly owned subsidiary of Brady plc, the Company is exempt from the requirements of FRS 101 to disclose transactions with other members of the group headed by Brady plc on the grounds that the Group accounts are publicly available at www.bradyplc.com.

Notes to the Financial Statements (continued)

14 Share based payments

Equity-settled share-based payment arrangements

The Group operates a number of plans to award options over shares in Brady Plc 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 plc's 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.

There were no awards granted in the year ended 31 December 2018.

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.

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.

15 Controlling party

As at 31 December 2018 the immediate parent undertaking is Brady Energy Norway AS, a company incorporated in Norway. The ultimate parent undertaking and controlling party was Brady plc, a company incorporated in England and Wales.

Following the acquisition of Brady plc on 18 November 2019, Hanover 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.

The smallest and largest group in which the results of the Company are consolidated for the year ended 31 December 2018 is that headed by Brady plc. Copies of these consolidated financial statements may be obtained from www.bradypkc.com.

Notes to the Financial Statements (continued)

16 Changes in accounting policies

This note explains the impact of the adoption of IFRS 15 and IFRS 9 on the Company's financial statements.

Adoption of IFRS 15

The Company adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") on 1 January 2018 using the fully retrospective method, in accordance with the transition provisions in IFRS 15 which resulted in changes in accounting policies. This note details the Company's new accounting policy for revenue and shows the impact of the adoption of IFRS 15 on the Company's primary financial statements.

There were no adjustments made to the financial statements following the adoption.

Accounting for Licence and associated revenues from system implementations

Under IAS 18, the up-front licence model which was recognising revenues on written or contracted acceptance of the software, when the client has confirmed all obligations in relation to the core software have been substantially completed, and at the date when the client has accepted the product, the risks and rewards of ownership have been transferred and it is probable that the economic benefits of the transaction will flow to the Company. To the extent that payments have been received in advance for licences, where written or contracted acceptance has not yet been reached, these amounts are recognised as deferred income.

Under IFRS 15, 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 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'.

Using this new method, the performance obligations for the goods and services sold are, on average recognised later than under the previous accounting policy.

Notes to the Financial Statements (continued)

16 Changes in accounting policies (continued)

Adoption of IFRS 15 (continued)

Accounting for bespoke development revenues

The Company undertakes some bespoke development work on its software products at client request. Previously, when the outcome of these contracts can be reliably measured, revenue and associated costs are recognised according to the percentage-of-complete method. The stage of completion is assessed by comparing costs incurred to date with total estimated costs. Where the outcome of a contract cannot be reliably estimated, revenue is only recognised to the extent of contract costs that have been incurred and are recoverable. Contract costs are recognised in the period in which they are incurred. Full provision is made for losses on contracts in the period in which the loss is first foreseen.

Under IFRS 15, 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 completed functional acceptance. Using this new method, the performance obligations for the goods and services sold are, on average recognised later than under the old method.

Adoption of IFRS 9

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in the principal accounting policies above.

Impairment of financial assets

The Company has only one type of financial assets, Trade receivables.

The Company was required to revise its impairment methodology under IFRS 9 for this asset class. There was no impact of the change in impairment methodology on the Company's retained earnings and equity.

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

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

Note 7 provides details about the calculation of the loss allowance.