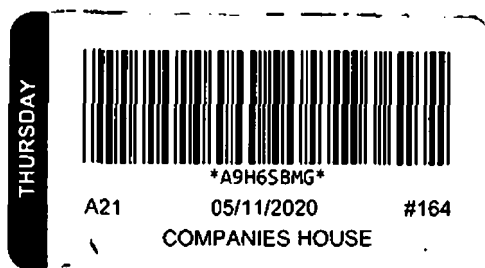


**BRADY.**

# **Brady Energy UK Limited**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2019**



Company No. SC195633

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**BRADY.**

**Contents**

Directors' Report ..... 2

Independent Auditor's Report to the Members of Brady Energy UK Limited..... 6

Statement of Comprehensive Income ..... 10

Balance Sheet..... 11

Statement of Changes in Equity ..... 12

Notes to the Financial Statements..... 13

# BRADY.

## Directors' Report

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

### Principal activities

Brady Energy UK Limited (the "Company" or "Brady") develops and sells trading and risk management software for the energy market, along with associated services.

### Business review and future developments

2019 was a difficult year for the Company, which culminated in an offer being made by Brady Acquisition Limited (formerly Hanover Acquisition Limited) to acquire the parent company of Brady Energy UK Limited, Brady Technologies Limited (formerly Brady plc) on 14 October 2019. The acquisition was completed on 18 November 2019. This acquisition was a positive outcome for all our stakeholders and secures the future of our products and ongoing commitments to our customers.

The Company made a loss for the year of £467,000 (2018: £383,000).

The Company had the following key performance indicators (KPIs) in 2019:

KPI	2019 (£'000)	2018 (£'000)	Explanation
Revenue	903	920	Revenue represents direct sales to customers or on behalf of Group companies and intra-Group recharges. Revenue decreased due to a reduction in recurring maintenance and hosting revenue.
Operating loss	373	312	Operating loss increased by £61,000 due to lower revenues, as well as increased intra-Group costs.
Cash at 31 December	35	129	Cash at year end had decreased by £94,000. The Directors are satisfied that the change in cash balance is due to the nature of the business and timing of cashflows.

In 2020, Brady will focus on key areas of execution, including product strategy, technology innovation and customer experience. It will fully align the business around its product and go to market strategies using cost rationalisation initiatives to deliver optimal financial performance, a superlative quality of service and a positive employee experience.

### Financial risk management objectives and policies

The Company uses various financial instruments, including cash, trade debtors, trade creditors and intercompany loans. The main purpose of these financial instruments is to provide finance 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.	In order to manage credit risk, the Directors set limits for customers based on a combination of payment history and third-party credit

# BRADY.

	The principal credit risk lies with trade debtors and contract assets.	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 are continually monitoring the situation, and customers 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 if required.

## Directors

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

Carmen Carey (appointed 13 December 2019)

Fabienne Kangayan (appointed 13 December 2019)

Rebecca Roberts (appointed 12 June 2020)

Nadya Bentley (appointed 13 February 2020, resigned 12 June 2020)

Martin Thorneycroft (resigned 14 February 2020)

Elizabeth Koehn (resigned 29 April 2019)

## Going concern

The Company made a loss in the financial year of £0.5 million (2018: £0.4 million loss) and at 31 December 2019 had net current liabilities of £1.8 million (2018: £1.3 million). As the cash flows of the Company are integrated with those of the Brady Technologies Limited (formerly Brady plc) Group, the Directors have reviewed the cash flow forecasts of the Group for the period through to September 2021. The Directors have considered the current market conditions, trading activity post-year end and the liquid resources available to the Group, including increased loan facilities secured after the year end, and has obtained a letter of support from its ultimate parent undertaking, Brady Acquisition Limited (formerly Hanover Acquisition Limited). The letter of financial support 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. In assessing the future cash flows, the Directors have applied sensitivities to the assumptions on new business and also the cost base.

In light of recent developments on Covid-19, the Directors have also assessed its impact on business performance to date, in particular the impact of currency fluctuations, the potential increase in credit risk and also the impact on key suppliers. Throughout this period, the Company continues to have close dialogue with its customers and key suppliers. On the basis of the Directors' assessment of the Company's and immediate Parent Company's financial position and of the enquires made of the Directors of Brady Acquisition Limited, the Directors have a reasonable expectation that the Company will continue in operational existence and

# **BRADY.**

meets its liabilities as they fall due for the foreseeable future. Accordingly, the Company continue to adopt the going concern basis in preparing these financial statements.

## **Qualifying third party indemnity provisions**

The Company has entered into qualifying third party indemnity arrangements for the benefit of the Company and its Directors 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.

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

## **Auditor**


The Directors are in the process of inviting tenders for future audits of the Company. The existing auditor, Grant Thornton UK LLP, have declined to seek reappointment as auditor. In accordance with normal practice, the Directors will be authorised to determine the auditor's remuneration.

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## 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

DocuSigned by:  
  
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Rebecca Roberts, Director

28 October 2020

# **BRADY.**

## **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 2019, which comprise of 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 2019 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.

### **The impact of macro-economic uncertainties on our audit**

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

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

# **BRADY.**

## **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.

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

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

## **Other information**

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

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

We have nothing to report in this regard.

## **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 have been prepared in accordance with applicable legal requirements.



# **BRADY.**

## **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 a Strategic Report.

## **Responsibilities of Directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, set out on page 4, 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**

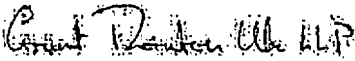
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# BRADY.

## Use of our report

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

DocuSigned by:  
  
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Christopher Frostwick

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Cambridge  
28-Oct-2020

# BRADY.

## Statement of Comprehensive Income

	Notes	2019 £'000	2018 £'000
Revenue	5	903	920
Cost of sales		(826)	(832)
<b>Gross profit</b>		<b>76</b>	<b>88</b>
Administrative expenses		(446)	(400)
Net impairment losses on financial and contract assets	12	(4)	-
<b>Operating loss</b>	<b>6</b>	<b>(373)</b>	<b>(312)</b>
Net finance cost	8	(94)	(71)
<b>Loss before tax</b>		<b>(467)</b>	<b>(383)</b>
Tax on loss on ordinary activities	9	-	-
<b>Total comprehensive loss for the year</b>		<b>(467)</b>	<b>(383)</b>

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

# BRADY.

## Balance Sheet

	Notes	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Tangible assets	10	56	79
Right of use assets	11	552	-
		<b>608</b>	<b>79</b>
<b>Current assets</b>			
Debtors	12	42	138
Cash at bank and in hand	13	35	129
		<b>77</b>	<b>267</b>
<b>Creditors falling due within one year</b>			
Trade and other creditors	14	(1,778)	(1,574)
Lease liabilities	11	(56)	-
<b>Net current liabilities</b>		<b>(1,757)</b>	<b>(1,307)</b>
<b>Total assets less current liabilities</b>		<b>(1,149)</b>	<b>(1,228)</b>
<b>Creditors falling due after one year</b>			
Lease liabilities	11	(553)	-
<b>Net liabilities</b>		<b>(1,702)</b>	<b>(1,228)</b>
Called up share capital	15	-	-
Equity reserve	16	4	4
Retained earnings	16	(1,706)	(1,232)
<b>Deficit in shareholder's funds</b>		<b>(1,702)</b>	<b>(1,228)</b>

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 28 October 2020 and signed on their behalf by:

DocuSigned by:

*Rebecca Roberts*

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Rebecca Roberts, Director

Company number: SC195633

# BRADY.

## Statement of Changes in Equity

	Note	Called up share capital £'000	Equity reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2018		-	4	(849)	(845)
Total comprehensive loss for the year		-	-	(383)	(383)
At 31 December 2018		-	4	(1,232)	(1,228)
Balance at 1 January 2019 (previously reported)		-	4	(1,232)	(1,228)
Change in accounting policy (IFRS 16)	23	-	-	(7)	(7)
Restated balance at 1 January 2019		-	4	(1,239)	(1,235)
Total comprehensive loss for the year		-	-	(467)	(467)
At 31 December 2019		-	4	(1,706)	(1,702)

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

# **BRADY.**

## **Notes to the Financial Statements**

### **1. General information**

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

### **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.

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

#### **Going concern**

The Company made a loss in the financial year of £0.5 million (2018: £0.4 million loss) and at 31 December 2019 had net current liabilities of £1.8 million (2018: £1.3 million). As the cash flows of the Company are integrated with those of the Brady Technologies Limited (formerly Brady plc) Group, the Directors have reviewed the cash flow forecasts of the Group for the period through to September 2021. The Directors have considered the current market conditions, trading activity post-year end and the liquid resources available to the Group, including increased loan facilities secured after the year end, and has obtained a letter of support from its ultimate parent undertaking, Brady Acquisition Limited (formerly Hanover Acquisition Limited). The letter of financial support 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. In assessing the future cash flows, the Directors have applied sensitivities to the assumptions on new business and also the cost base.

In light of recent developments on Covid-19, the Directors have also assessed its impact on business performance to date, in particular the impact of currency fluctuations, the potential increase in credit risk and also the impact on key suppliers. Throughout this period, the Company continues to have close dialogue with its customers and key suppliers. On the basis of the Directors' assessment of the Company's and immediate Parent Company's financial position and of the enquires made of the Directors of Brady Acquisition Limited, the 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 principal in all sales.

Page 13 of 30

# BRADY.

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.

## Software and associated installation services

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

## Contract asset and liabilities

The Company recognises the following contract assets in the Balance Sheet:

## **BRADY.**

- 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 Balance Sheet.

### **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.

### **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 Balance Sheet.



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## Share-based payments

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

## 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.

## 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

## BRADY.

write off the cost or valuation less estimated residual values over their expected useful lives on a straight-line basis over the following periods:

- Leasehold improvements: over the period of the lease
- Computer equipment: three years
- Fixtures, fittings & equipment: three 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

As described in note 23, the Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019

#### *Identification of a lease*

For any new contracts entered into on or after 1 January 2019, the 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 Balance Sheet.

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.

# BRADY.

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.

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.

## *Leases in existence at transition date*

The accounting treatment of leases in existence at the transition date of 1 January 2019 is disclosed in note 23.

## *Accounting policy applicable before 1 January 2019*

Leases of software and property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. The Company had no finance leases in the period.

Operating lease rentals are charged as operating expenses to the Statement of Comprehensive Income in equal annual amounts over the lease term. Assets leased under operating leases are not recorded in the Balance Sheet because the lessor retains a significant portion of the risks and rewards of ownership.

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

# **BRADY.**

## **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 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 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.

# BRADY.

## 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.

### 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.

## 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 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;

# BRADY.

- 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; and
- 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.

## 5. Revenue

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

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

	Recurring support, maintenance and rentals £'000	Services including development £'000	Software licences £'000	Other £'000	Total £'000
<b>Year ended 31 December 2019</b>					
UK	151	8	-	468	627
Rest of Europe	276	-	-	-	276
<b>Total revenue</b>	<b>427</b>	<b>8</b>	<b>-</b>	<b>468</b>	<b>903</b>

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

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

### Assets and liabilities related to contracts with customers

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

	2019 £'000	2018 £'000
<b>Current contract liabilities relating to:</b>		
Recurring maintenance, hosting and rentals	68	151

The Company had no contract assets related to contracts with customers at 31 December 2019 or 2018.

# BRADY.

## 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:

	2019 £'000	2018 £'000
Revenue recognised that was included in the contract liability at the beginning of the year:		
Advanced billing for recurring revenue	151	129

## Assets recognised from costs to fulfil a contract

The Company has recognised an asset at 31 December 2019 of £22,000 (2018: £nil) in relation to costs to fulfil a long-term contract. This is presented within other debtors in the Balance Sheet.

## 6. Operating loss

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

	Notes	2019 £'000	2018 £'000
Depreciation of tangible fixed assets	10	12	8
Depreciation of right of use assets	11	67	-
Loss on disposal of tangible fixed assets		-	3
Net foreign exchange losses		7	6
Operating lease rental charges		-	155

Auditor's remuneration in respect of audit services for the Company for the current year was £7,150 (2018: £7,150). These costs were borne by another Group undertaking with no right of recharge.

## 7. Directors and employees

	2019 £'000	2018 £'000
Wages and salaries	796	806
Social security costs	121	137
Other pension costs	58	44
	975	988

The Company operates a defined contribution pension scheme for its employees. The cost recognised in the year was £58,000 (2018: £44,000).

# BRADY.

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

	2019 No.	2018 No.
Sales, services and client support	4	5
Development	7	7
Administration	1	2
	<b>12</b>	<b>14</b>

The Directors of the Company, being employees of other Group companies, 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 £298,000 (2018: £369,000). Options held by employees of Brady Energy UK Limited are over shares in the immediate parent company, Brady Technologies Limited (formerly Brady plc).

## 8. Net finance cost

	Notes	2019 £'000	2018 £'000
Interest payable to fellow Group undertakings		65	71
Lease liability interest payable	11	29	-
		<b>94</b>	<b>71</b>

The Company applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Accordingly, there is no lease liability interest payable in 2018.

## 9. Tax on loss on ordinary activities

Analysis of credit in year

	2019 £'000	2018 £'000
Current tax		
UK corporation tax based on loss for the year at 19% (2018: 19%)	-	-
<b>Tax on loss on ordinary activities</b>	<b>-</b>	<b>-</b>



# BRADY.

## Factors affecting tax credit

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained as follows:

	2019 £'000	2018 £'000
Loss on ordinary activities before taxation	(467)	(383)
Loss on ordinary activities multiplied by standard rate of tax	(89)	(73)
Expenses not deductible for tax purposes	35	-
Unrecognised tax losses carried forward	53	73
<b>Tax on loss on ordinary activities</b>	-	-

## Factors affecting future tax charge

The Company has tax losses of £2.4 million (2018: £2.1 million) that are available for offset against future taxable profits. A deferred tax asset of £0.4 million (2018: £0.4 million) has not been recognised in respect of these losses as future taxable profits are uncertain.

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

## 10. Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Computer Equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2019	62	17	44	123
Additions	(18)	8	-	(10)
Disposal	-	(1)	(12)	(13)
<b>At 31 December 2019</b>	<b>44</b>	<b>24</b>	<b>32</b>	<b>100</b>
<b>Depreciation</b>				
At 1 January 2019	-	(2)	(42)	(44)
Charge for year	(4)	(7)	(2)	(13)
Elimination on disposal	-	1	12	13
<b>At 31 December 2019</b>	<b>(4)</b>	<b>(8)</b>	<b>(32)</b>	<b>(44)</b>
<b>Net book value</b>				
<b>At 31 December 2019</b>	<b>40</b>	<b>16</b>	<b>-</b>	<b>56</b>
<b>At 31 December 2018</b>	<b>62</b>	<b>15</b>	<b>2</b>	<b>79</b>

# BRADY.

## 11. Right of use assets

The Company has a lease contract for an office. The Balance Sheet includes the following amounts relating to this lease:

	2019 £'000	1 January 2019* £'000
<b>Right of use assets</b>		
Property	552	614
	<b>552</b>	<b>614</b>
<b>Lease liabilities</b>		
Current	56	12
Non-current	553	609
	<b>609</b>	<b>621</b>

\* In the previous year, the Company only recognised lease assets and liabilities in relation to leases that were classified as finance leases under IAS 17 Leases, of which there were none. See note 23 for the adjustments recognised on adoption of IFRS 16 on 1 January 2019.

Additions to right of use assets during 2019 were £nil.

The Statement of Comprehensive Income includes the following amounts relating to right of use assets:

	Notes	2019 £'000	2018 £'000
<b>Depreciation charge relating to right of use assets</b>			
Property	6	67	-
		<b>67</b>	<b>-</b>
<b>Included in net finance expense</b>			
Interest expense	8	29	-

## 12. Debtors

	2019 £'000	2018 £'000
Trade debtors	15	99
Other debtors	22	24
Prepayments and accrued income	5	15
	<b>42</b>	<b>138</b>

# BRADY.

Trade debtors are stated after provisions for impairment of £nil (2018: £nil). The loss allowance as at 31 December 2019 and 31 December 2018 was determined as follows:

31 December 2019	Current	More than 30 days	More than 60 days	More than 90 days	Total
Expected loss rate	1.0%	1.0%	1.0%	96.9%	20.8%
Gross carrying amount - trade debtors £'000	15	-	0	4	19
Gross carrying amount - contract assets £'000	-	-	-	-	-
Loss allowance £'000	0	-	-	4	4

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
Gross carrying amount - contract assets £'000	-	-	-	-	-
Loss allowance £'000	-	-	-	-	-

## 13. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and cash equivalents at bank and in hand	35	129
	<b>35</b>	<b>129</b>

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

## 14. Trade and other creditors

	Notes	2019 £'000	2018 £'000
Trade creditors		4	23
Amounts owed to Group undertakings		1,611	1,186
Taxation and social security		22	27
Other creditors		11	76
Contract liabilities	5	68	151
Accruals		62	111
		<b>1,778</b>	<b>1,574</b>

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

## 15. Share capital

Allotted, called up and fully paid:

	2019 No	£	2018 No	£
Ordinary shares of £1 each	76	76	76	76

# BRADY.

## 16. Reserves

	2019 £'000	2018 £'000
Equity reserve	4	4
Retained earnings	(1,239)	(1,232)
	<b>(1,235)</b>	<b>(1,228)</b>

### Equity Reserve

The equity reserve represents the reserve in relation to the share options issued in Brady Technologies Limited (formerly Brady Plc) but not yet exercised.

### Retained Earnings

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

## 17. Operating leases

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

	2019 £'000	2018 £'000
No later than 1 year	-	69
Later than 1 year and no later than 5 years	-	277
More than 5 years	-	336
	<b>-</b>	<b>682</b>

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

## 18. Capital commitments

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

## 19. Contingent liabilities

The Company had no material contingent liabilities at 31 December 2019 or 31 December 2018.

## 20. Related party transactions

The Directors remuneration is disclosed in note 7.

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

# BRADY.

## 21. Controlling party

As at 31 December 2019 the immediate parent undertaking is Brady Energy Norway AS, a company incorporated in Norway.

Up until 18 November 2019, the ultimate parent undertaking and controlling party was Brady Technologies Limited (formerly Brady plc), a company incorporated in England and Wales.

Following the acquisition of Brady Technologies Limited (formerly Brady plc) on 18 November 2019, Brady Acquisition Limited (formerly 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 2019 is that headed by Brady Technologies Limited (formerly Brady plc). Copies of these financial statements may be obtained from Companies House.

## 22. Share based payments

### Equity-settled share-based payment arrangements

The Group operates a number of plans to award options over shares in Brady Technologies Limited (formerly 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 Technologies Limited (formerly 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 2019 or 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 are 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

# BRADY.

period. The contractual life of the LTIP awards is ten years from the date of grant after which they expire if unexercised.

## c) Future Lapses

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

## 23. Changes in accounting policies

The Company has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.

### Practical expedients applied

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

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

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

### Measurement of lease liabilities

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

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

# BRADY.

	Notes	£'000
Operating lease commitments disclosed at 31 December 2018	16	712
Discounted using the lessee's incremental borrowing rate at the date of initial application		533
Adjustments as a result of a different treatment of extension and termination options		88
<b>Lease liability recognised at 1 January 2019</b>		<b>621</b>
Of which are:		
Current lease liabilities		12
Non-current lease liabilities		609
		<b>621</b>

## Measurement of right of use assets

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

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

	1 January 2019 £'000
Property	614
	<b>614</b>

## Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the Balance Sheet on 1 January 2019:

- Right of use assets – increase of £614,000
- Lease liabilities – increase of £621,000

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