BRADY CORP
Form 10-K
September 28, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended July 31, 2007

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-14959

BRADY CORPORATION
(Exact name of registrant as specified in charter)

Wisconsin	**39-0178960**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification No.)*

6555 West Good Hope Road,
Milwaukee, WI 53223
(Address of principal executive offices) (Zip Code)

(414) 358-6600
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Nonvoting Common Stock, Par Value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ   No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o   No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ   No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ   Accelerated filer o   Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o   No þ

The aggregate market value of the non-voting common stock held by non-affiliates of the registrant as of January 31, 2007, was approximately $1,762,270,644 (based on closing sale price of $37.45 per share on that date as reported for the New York Stock Exchange). As of September 24, 2007, there were outstanding 50,830,420 shares of Class A Nonvoting Common Stock (the Class A Common Stock), and 3,538,628 shares of Class B Common Stock. The Class B Common Stock, all of which is held by affiliates of the registrant, is the only voting stock.

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PART I

Brady Corporation and Subsidiaries are referred to herein as the Company, Brady, or we .

Item 1. *Business*

(a) *General Development of Business*

The Company, a Wisconsin corporation founded in 1914, currently operates 61 manufacturing or distribution facilities in Australia, Belgium, Brazil, Canada, China, Denmark, France, Germany, India, Italy, Japan, South Korea, Malaysia, Mexico, the Netherlands, Norway, Singapore, Slovakia, Sweden, Thailand, the United Kingdom and the United States. The Company also sells through subsidiaries or sales offices in these countries, with additional sales through a dedicated team of international sales representatives in Hong Kong, the Philippines, Spain, Taiwan, Turkey and the United Arab Emirates. The Company further markets its products to parts of Eastern Europe, the Middle East, Africa and Russia. The Company s corporate headquarters are located at 6555 West Good Hope Road, Milwaukee, Wisconsin 53223, and the telephone number is (414) 358-6600. The Company s Internet address is http://www.bradycorp.com.

(b) *Financial Information About Industry Segments*

The information required by this Item is provided in Note 7 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data.

(c) *Narrative Description of Business*

Overview

Brady Corporation is an international manufacturer and marketer of identification solutions and specialty products which identify and protect premises, products and people. Brady s core capabilities in manufacturing, channel management, printing systems, precision engineering and materials expertise make it a leading supplier to the Maintenance, Repair and Operations (MRO) market and to the Original Equipment Manufacturing (OEM) market. The Company s ability to provide customers with a broad range of differentiated solutions both through the organic development of its existing business and the acquisition of complementary and adjacent businesses, its commitment to quality and service, its global footprint and its diversified sales channels have made it a world leader in its markets.

Brady manufactures and markets a wide range of products for use in diverse applications. Major product lines provided to the MRO market include facility identification, safety and complementary products, wire and cable identification products, sorbent materials, people identification products and regulatory publishing. Major product lines provided to the OEM market include high-performance identification products for product identification, wire identification, work in process identification, bar code labels and precision die-cut components for mobile telecommunications devices, hard disk drives, medical devices and supplies, automotive electronics and other electronics. Products are marketed through multiple channels, including through distributors, business-to-business direct marketing and a direct sales force.

The need for the Company s products is driven, in part, by customer specifications, by regulatory compliance requirements imposed by agencies such as the Occupational Safety & Health Administration (OSHA) and the Environmental Protection Agency (EPA) in the United States and other regulatory agencies around the world, and by the need to identify and track assets or to identify, direct, warn, inform, train and protect people or products. Brady serves customers in general manufacturing, maintenance and safety, process industries, construction, electrical, telecommunications, electronics, laboratory/healthcare, airline/transportation, security/brand education, governmental, public utility, and a variety of other industries. The Company has a broad customer base, with the largest customer representing approximately 5% of net sales.

Competitive Strengths

Brady s vision is to be either first or second in terms of market share in every market served. The Company s primary growth objectives are to build upon its leading market positions, to improve performance and profitability and to expand existing activities through a multi-prong approach that incorporates organic growth, new product development and acquisitions.

The Company believes the following competitive strengths will allow it to achieve its strategy:

Leader in Niche Markets. Brady competes in niche markets where it believes it is often the leading supplier with the manufacturing expertise, infrastructure, channels and sales resources necessary to provide the required product or comprehensive solution. For example, the Company believes it is the leading supplier of wire identification products to the North American MRO market and of precision die-cut components to the mobile telecommunications market. The Company believes its leadership positions make it a preferred supplier to many of its customers and enables it to be successful in its markets, which are generally fragmented and populated with smaller or regional competitors.

Differentiated Solutions and Commitment to Innovation. The Company believes its sophisticated engineering and manufacturing capabilities, as well as its expertise in materials, give it a competitive advantage in supplying customized or high specification product solutions to meet individualized customer needs. The Company has been successful in identifying and incorporating innovative technologies to create integrated and precise solutions. Additionally, it is able to use its materials expertise and its investment in research and development to provide unique products to meet the demands of end-customers in new, faster growing markets adjacent to its traditional markets, such as laboratory identification. Brady s commitment to product innovation is reflected in its research and development efforts that include approximately 250 employees primarily dedicated to research and development activities mainly in the United States, but also in Belgium, Germany, Singapore, Sweden and South Korea.

Operational Excellence. Brady has achieved continuous improvement in operational productivity. It employs well-developed problem solving techniques and invests in state-of-the-art equipment to capture efficiencies. The Company is largely vertically integrated and designs, manufactures and markets a majority of the products it sells. The Company has invested heavily over the last several years to centralize its North American distribution network and to standardize its Systems, Applications, and Products for data processing (SAP) software applications. It has consistently generated positive cash flow from operations by continually reducing costs and optimizing inventory management and the efficiency of its manufacturing operations.

Broad Customer Base and Geographic Diversity. Brady believes its global infrastructure and diverse market presence mitigates the impact of an economic downturn on its business in any particular country or region, enables it to act as a primary supplier to many of its global customers and provides a solid platform for further expansion. Sales from international operations increased from 44.4% of net sales in fiscal 2000 to 60.9% of net sales in fiscal 2007. The Company s global presence benefits many of its customers who seek a single or primary supplier to meet their global design and manufacturing requirements. Brady has over 500,000 end-customers that operate in multiple industries.

Disciplined Acquisition and Integration Strategy. The Company has a dedicated team of experienced professionals that employ a disciplined acquisition strategy and process to acquire companies. It applies strict financial standards to evaluate all acquisitions using an expected return model based on a modified return on invested capital calculation. It also conducts disciplined integration reviews of acquired firms to track progress toward results expected at the time of acquisition. Since 1996, the Company has acquired and integrated 51 companies to primarily increase market share in existing and new geographies. It has acquired companies that expand the product range it offers both existing and new customers, as well as adding new technological capabilities.

Channel Diversity and Strength. Brady utilizes a wide range of channels to reach customers across a broad array of industries. It employs direct marketing expertise to meet its customers need for convenience. The Company also has long-standing relationships with, and is a preferred supplier to, many of its largest distributors. In addition, the Company employs a global sales team to support both distributors and end users and to serve their productivity, tracking and safety requirements. The Company believes its strong brands and reputation for quality,

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innovation and on-time delivery contribute to the popularity of its products with distributors, OEMs, resellers and other customers.

Deep and Talented Team. The Company believes that its team of employees has substantial depth in critical operational areas and has demonstrated success in reducing costs, integrating acquisitions and improving processes through economic cycles. The international experience of its management team and its commitment to developing strong management teams in each of the local operations is a competitive advantage. In addition, the Company believes it employs a world-class team of people and dedicates significant resources to recruiting people committed to excellence and investing in their potential. The depth and breadth of knowledge within the entire Brady organization strengthens relationships with its customers and suppliers and enables the Company to provide its customers with a high level of product and industry expertise.

Key Strategies

The Company s primary growth objectives are to build upon its leading market positions, to improve its performance and profitability and to expand its existing activities through a multi-prong strategic approach that incorporates both organic growth and acquisitions. The Company s key strategies include:

Capitalize on Growing Niche Markets. The Company seeks to leverage its premier reputation, global footprint and strength in manufacturing and materials expertise to capitalize on growth in existing niche markets. Growth prospects in the MRO market are driven primarily by the general health of regional economies, changes in legal and regulatory compliance requirements and the increased need of customers to identify their assets and protect their employees. Demand for OEM products is primarily driven by the strength of various electronics markets, such as mobile telecommunications, portable electronic devices, disk drives and computers, as well as technological advances in these markets and other industrial OEM s.

Increase Market Share. Many Brady markets are fragmented and populated with smaller or regional competitors. The Company seeks to leverage its investment in new product development and its global sales, operations and distribution capabilities to increase market share, as well as expand its distribution channels to capture new customers. The Company employs a dedicated and experienced sales team that works closely with existing customers to identify and capture new opportunities. In addition, Brady plans to leverage the strength of its brands, the quality of its products and its long-standing relationships with key customers to build upon current market positions.

Enter New Markets. The Company looks to leverage its quality products, global infrastructure, channel relationships and selling capabilities to effectively enter new markets, many of which are fragmented and populated with smaller competitors. For example, Brady is expanding its precision die-cut capabilities into the medical market and is leveraging its common distribution networks into the sorbent materials market. Through product innovation and development activities, Brady seeks to introduce new technologies and differentiated products as well as seek additional applications for products in existing and new markets. The Company reviews its product and market portfolio on a regular basis through its standardized review process in order to identify new product opportunities.

Expand Geographically. Brady s long-term strategy involves the pursuit of growth opportunities in a number of markets outside of the United States. The Company is committed to being in close proximity to its customers and to low-cost manufacturing. Brady currently operates in 28 countries and employs approximately 3,900 people, approximately 45% of its total workforce, in developing regions. Brady has made strategic acquisitions and has invested heavily in its global infrastructure and flexible manufacturing capacity in order to follow its customers into new geographies. Brady s regional management structure is a key component in effectively entering and competing in new geographies.

Pursue Strategic Acquisitions. The Company intends to continue to make complementary strategic acquisitions to further its goal of strengthening its market positions and entering new markets and geographies. Brady works to drive substantial value creation through capitalizing on its acquisition and integration acumen.

Improve Profitability. The Company plans to continue its focus on improving operating efficiency, reducing costs, and improving productivity and return on assets. In addition, each acquisition the Company makes provides additional opportunities to improve its performance as well as the performance of the acquired company. The Company often continues to realize synergies with acquired companies several years after the acquisition date.

Products

The Company is largely vertically integrated by designing, developing, coating and producing most of its identification signs, labels and printing systems. Brady materials are developed internally and manufactured out of a variety of films, predominantly coated by Brady, for applications in the following markets: electronic, industrial, electrical, utility, laboratory, safety and security. Brady also manufactures specialty tapes and related products that are characterized by high-performance printable top coats and adhesives, most of which are formulated by the Company, to meet high-tolerance requirements of the industries in which they are used.

The Company s stock and custom products consist of over 500,000 stock-keeping units, including complete identification systems and other products used to create a safer work environment, improve operating efficiencies, and increase the utilization of assets through tracking and inventory process controls. Major product categories include: facility and safety signs and identification tags and markers, pipe and valve markers, asset identification tags, lockout/tagout products, security and traffic control products, and printing systems and software for creating safety and regulatory labels and signs, spill control and clean up products, wire and cable markers, high-performance labels, laboratory identification labels and printing systems, stand-alone printing systems, bar-code and other software, automatic identification and data collection systems, personal identification products, and precision die-cut solutions.

Some of the Company s stock products were originally designed, developed and manufactured as custom products for a specific customer. However, such products have frequently created wide industry acceptance and have become stock items offered by the Company through mail order and distributor sales. The Company s most significant types of products are described below.

MRO Market Products

Facility Identification

Informational signs and printers for use in a broad range of industrial, commercial, governmental and institutional applications. These signs are either self-adhesive or mechanically mounted, designed for both indoor and outdoor use and are manufactured to meet standards issued by the National Safety Council, OSHA and a variety of industry associations in the United States and abroad. The Company s sign products include admittance, directional and exit signs; electrical hazard warnings; energy conservation messages; fire protection and fire equipment signs; hazardous waste labels; hazardous and toxic material warning signs; transformers and power pole markers; personal hazard warnings; housekeeping and operational warnings; pictograms; radiation and laser signs; safety practices signs and regulatory markings; employment law posters; and photo luminescent (glow-in-the-dark) tapes.

Warehouse identification products including self-adhesive and self-aligning die-cut numbers and letters, labels, and tags used to locate and identify inventory in storage facilities such as warehouses, factories, stockrooms and other industrial facilities.

Pipe markers and valve tags including plastic or metal, self-adhesive or mechanically applied, stock or custom-designed pieces for the identification of pipes and control valves in the mechanical contractor and process industry markets. These products are designed to help identify and provide information as to the contents, direction of flow and special hazardous properties of materials contained in piping systems, and to facilitate repair or maintenance of the systems.

Asset-identification products that are an important part of an effective asset-management program in a wide variety of markets. These include self-adhesive or mechanically mounted labels or tags made of aluminum, brass, stainless steel, polycarbonate, vinyl, polyester, mylar and paper. These products are also offered in tamper-evident varieties, and can be custom designed to ensure brand protection from counterfeiting.

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Safety and Complementary Products

Lockout/tagout products under OSHA regulations, all energy sources must be locked out while machines are being serviced or maintained to prevent accidental engagement and injury. The Company s products allow its customers to comply with these regulations and to ensure worker safety for a wide variety of energy- and fluid-transmission systems and operating machinery.

Security and traffic control products including a variety of security seals, parking permits and wristbands designed for visitor control in financial, governmental, educational and commercial facilities including meeting and convention sites. The Company also offers a wide variety of traffic control devices including traffic signs, directional and warning signs, parking tags and permits, barriers, cones and other products including barricading, visual warning systems, floor-marking products, safety badges, and first aid cabinets/kits, among others.

Spill control and clean-up products including synthetic sorbent materials in a variety of shapes, sizes and configurations; spill kits, containment booms, industrial rugs, absorbing pillows and pads, barrier spill matting and granular absorbents; and other products for absorbing and controlling chemical, oil-based and water-based spills.

Wire and Cable Identification

Brady manufactures a broad range of wire and cable-marking products, including labels, sleeves, software that allows customers to create their own labels, and printers to print and apply them. These products mark and identify wires, cables and their termination points to facilitate manufacturing, construction, repair or maintenance of equipment, and data communication and electrical wiring systems used in virtually every industrial, power and communication market.

People Identification

Identification systems and products including photo ID card systems that combine biometrics, digital imaging and other technologies to positively identify people; self-expiring name tags that make use of migratory ink technology which, upon activation, starts a timed process resulting in an altered message, color or design to indicate expiration; and ID accessories including lanyards, badge holders, badge reels and attachments, as well as photo identification kits.

OEM Market Products

High Performance Identification

Brady produces a complete line of label materials and printing systems to meet customers needs for identification requirements for product identification, work in process labeling and bar coding that perform under harsh or demanding conditions, such as extreme temperatures, or environmental or chemical exposure. Brady prints stock and custom labels and also sells unprinted materials to enable customers to print their own labels.

Precision Die-Cut Parts

The Company develops customized precision die-cut products that are used to seal, insulate, protect, shield or provide other mechanical performance properties in the assembly of electronic, telecommunications and other equipment, including mobile phones, personal data assistants, computer hard disk drives, computers and other devices. Solutions not only include the materials and converting, but also automatic placement and other value-added services. The Company also provides converting services to the medical market for materials used in in-vitro diagnostic kits and patient monitoring.

Wire Identification

The Company produces a variety of high performance products used to mark wires, wire bundles and cables in the manufacturing of a variety of industrial, electrical and electronic equipment.

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Other Products

The Company also designs and produces software for barcoding and inspection automation, industrial thermal-transfer printers and other electromechanical devices to serve the growing and specialized needs of customers in a wide variety of markets. Industrial labeling systems, software, tapes, ribbons and label stocks provide customers with the resources and flexibility to produce signs and labels on demand at their site. The Company also offers poster printers, cutting systems, laminators and supplies to education and training markets.

Marketing and Sales

Brady seeks to offer high quality products with rapid response and superior service so that it can provide solutions to customers that are better, faster and more economical than those available from the Company s competitors. The Company markets and sells its products domestically and internationally through multiple channels including distributors, direct sales, mail-order-catalog marketing, retail, and electronic access through the Internet. The Company has long-standing relationships with a broad range of electrical, safety, industrial and other domestic and international distributors. The Company s sales force seeks to establish and foster ongoing relationships with the end-users and distributors by providing technical application and product expertise.

The Company also direct markets certain products and those of other manufacturers by catalog sales and outbound telemarketing in both domestic and international markets. Such products include industrial and facility identification products, safety and regulatory-compliance products and original equipment manufacturer component products, among others. Catalogs are distributed in the United States, Australia, Brazil, Canada, China, France, Germany, Italy, Spain, Sweden, Switzerland and the United Kingdom, and include foreign-language catalogs.

The Company s products are sold in a wide variety of markets within the larger MRO and OEM markets, including electrical, electronic, telecommunications, governmental, public utility, commercial building, computers and computer components, construction, general manufacturing, laboratory, transportation equipment and education.

Brands

The Company s products go to market under a variety of brand names. The Brady brand includes high-performance labels, printers, software, safety and facility identification products, lock-out/tag-out products, and precision die-cut parts and specialty materials. Other die-cut materials are marketed as Balkhausen or Tradex Converting products. Safety and facility identification products are also marketed under the Safety Signs Service brand and the Asterisco brand, with some lockout/tagout products offered under the Prinzing and LOTO brands. In addition, identification for the utility industry is marketed under the Electromark brand and spill-control products are marketed under the SPC brand; poster printers and cutting systems for education and government markets are offered under the Varitronics name brand; wire identification products are marketed under the Modernotecnica brand and the Carroll brand; direct marketing safety and facility identification products are offered under the Seton, Emedco, Signals, Safetyshop, Clement and Personnel Concepts names; security and identification badges and systems are included in the Temtec, B.I.G., Identicard/Identicam, STOPware, J.A.M. Plastics, PromoVision, and Quo-Luck brands; hand-held regulatory documentation systems are available under the Tiscor name; and automatic identification and bar code software is offered under the Teklynx brand.

Manufacturing Process and Raw Materials

The Company manufactures the majority of the products it sells, while purchasing certain items from other manufacturers. Products manufactured by the Company generally require a high degree of precision and the application of adhesives with chemical and physical properties suited for specific uses. The Company s manufacturing processes include compounding, coating, converting, melt-blown operations, software development and printer design and assembly. The compounding process involves the mixing of chemical batches for primers, top coatings and adhesives. The coatings and adhesives are applied to a wide variety of materials including polyester, polyimide, cloth, paper, metal and metal foil. The converting process may include embossing, perforating, laminating, die cutting, slitting, and printing or marking the materials as required.

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The Company produces the majority of the pressure sensitive materials through an integrated manufacturing process. These integrated manufacturing processes permit greater flexibility to meet customer needs in product design and manufacture, and an improved ability to provide specialized products designed to meet the needs of specific applications. Brady s cellular manufacturing processes and just-in-time inventory control are designed to attain profitability in small orders by emphasizing flexibility and the maximization of assets through quick turnaround and delivery, balanced with optimization of lot sizes. Most of the Company s manufacturing facilities have received ISO 9001 or 9002 certification.

The materials used in the products manufactured by the Company consist primarily of plastic sheets and films, paper, metal and metal foil, cloth, fiberglass, polypropylene, inks, dyes, adhesives, pigments, natural and synthetic rubber, organic chemicals, polymers, solvents and electronic components and subassemblies. In addition, the Company purchases finished products for resale. The Company purchases raw materials, components and finished products from many suppliers. Overall, the Company is not dependent upon any single supplier for its most critical base materials or components; however the Company has chosen in certain situations to sole source materials, components or finished items for design or cost reasons. As a result, disruptions in supply could have an impact on results for a period of time, but generally these disruptions would simply require qualification of new suppliers and the disruption would be modest. In certain instances, the qualification process could be more costly or take a longer period of time and in rare circumstances, such as a global shortage of a critical material or component, the financial impact could be significant.

Technology and Product Development

The Company focuses its research and development efforts on material development, printing systems design and software development. Material development involves the application of surface chemistry concepts for top coatings and adhesives applied to a variety of base materials. Systems design integrates materials, embedded software and a variety of printing technologies to form a complete solution for customer applications or the Company s own production requirements. The Company s research and development team also supports production and marketing efforts by providing application and technical expertise.

The Company possesses patents covering various aspects of adhesive chemistry, electronic circuitry, printing systems for wire markers, systems for aligning letters and patterns, and visually changing paper. Although the Company believes that its patents are a significant factor in maintaining market position for certain products, technology in the areas covered by many of the patents is evolving rapidly and may limit the value of such patents. The Company s business is not dependent on any single patent or group of patents.

The Company conducts much of its research and development activities at the Frederic S. Tobey Research and Innovation Center (approximately 39,600 sq. ft.) in Milwaukee, Wisconsin. The Company spent approximately $36.0 million, $30.4 million, and $25.1 million during the fiscal years ended July 31, 2007, 2006, and 2005, respectively, on its research and development activities. In fiscal 2007, approximately 250 employees were engaged in research and development activities for the Company. Additional research projects were conducted in Company facilities in other locations in the United States, Europe and Asia and under contract with universities, other institutions and consultants.

The Company s name and its registered trademarks are important to each of its business segments. In addition, the Company owns other important trademarks applicable to only certain of its products.

International Operations

In fiscal 2007, 2006, and 2005, sales from international operations accounted for 60.9%, 57.6%, and 55.3%, respectively, of the Company s sales. Its global infrastructure includes subsidiaries in Australia, Belgium, Brazil, Canada, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, Philippines, Poland, Singapore, Slovakia, South Korea, Spain, Sweden, Thailand, Turkey and the United Kingdom. Most of these locations manufacture or have the capability to manufacture certain of the products they sell. In addition, Brady has sales offices in Spain, Taiwan, Turkey and the United Arab Emirates. Brady further markets its products to parts of Eastern Europe, the Middle East, Africa and Russia.

Competition

The markets for all of the Company s products are competitive. Brady believes that it is one of the leading domestic producers of wire markers, safety signs, pipe markers, label printing systems, precision die-cut materials and bar-code-label-generating software. Brady competes for business principally on the basis of production capabilities, engineering, and research and development capabilities, materials expertise, its global footprint, global account management where needed, customer service and price. Product quality is determined by factors such as suitability of component materials for various applications, adhesive properties, graphics quality, durability, product consistency and workmanship. Competition in many of its product markets is highly fragmented, ranging from smaller companies offering only one or a few types of products, to some of the world s major adhesive and electrical product companies offering some competing products as part of their overall product lines. A number of Brady s competitors are larger than the Company and have greater resources. Notwithstanding the resources of these competitors, management believes that Brady provides a broader range of identification solutions than any of them, and that its global infrastructure is a significant competitive advantage in serving large multi-national customers.

Backlog

As of July 31, 2007, the amount of the Company s backlog orders believed to be firm was $25.3 million. This compares with $42.3 million and $24.9 million of backlog orders as of July 31, 2006 and 2005, respectively. Average delivery time for the Company s orders varies from one day to one month, depending on the type of product, and whether the product is stock or custom-designed and manufactured. Average delivery time for the direct marketing business can be as low as the same day or the next day. The Company s backlog does not provide much visibility for future business.

Environment

At present, the manufacturing processes for our adhesive-based products utilize certain evaporative solvents, which, unless controlled, would be vented into the atmosphere. Emissions of these substances are regulated at the federal, state and local levels. We have implemented a number of systems and procedures to reduce atmospheric emissions and/or to recover solvents. Management believes we are substantially in compliance with all environmental regulations.

Employees

As of July 31, 2007, the Company employed approximately 8,600 individuals. We have never experienced a material work stoppage due to a labor dispute and consider our relations with employees to be strong. The mix of employees is changing as we employ more people in developing countries where wage rates are lower and employee turnover tends to be higher than in developed countries.

Acquisitions

Information about the Company s acquisitions is provided in Note 2 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data.

(d) ***Financial Information About Foreign and Domestic Operations and Export Sales***

The information required by this Item is provided in Note 7 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data.

(e) ***Information Available on the Internet***

The Company s Corporate Internet address is http://www.bradycorp.com. The Company makes available, free of charge, on or through its Internet website copies of its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Section 16 reports filed by the Company s insiders, and amendments to all such reports as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. We are not including the information contained on or available through our website as part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Item 1A. *Risk Factors*

Before making an investment decision with respect to our stock, you should carefully consider the risks set forth below and all other information contained in this report. If any of the events contemplated by the following risks actually occur, then our business, financial condition or results of operations could be materially adversely affected.

Market demand for our products may be susceptible to fluctuations in the economy that may cause volatility in our results of operations.

Sales of our products may be susceptible to changes in general economic conditions, namely general downturns in the regional economies in which we compete. Our business in the MRO market tends to vary with the nominal GDP of the local economies in which we manufacture and sell. As a result, in periods of economic contraction, our business may not grow or may decline. In the OEM market, we may be adversely affected by reduced demand for our products due to downturns in the global economy as this is a more volatile business than the MRO business. This can result in higher degrees of volatility in our net sales and results of operations. These more volatile markets include, but are not limited to, mobile telecommunication devices, hard disk drives and electronics in personal computers and other electronic devices.

Our current and future success could be impacted by our ability to effectively integrate acquired companies and manage our growth.

Our growth has and will continue to place significant demands on our management and operational and financial resources. Since the beginning of fiscal year 2004, we have acquired 26 companies. These recent and future acquisitions will require integration of sales and marketing, information technology, finance and administrative operations and information of the newly acquired business. The successful integration of acquisitions will require substantial attention from our management and the management of the acquired businesses, which could decrease the time they have to serve and attract customers. We cannot assure that we will be able to successfully integrate these recent or any future acquisitions, that these acquisitions will operate profitably or that we will be able to achieve the financial or operational success expected from the acquisitions. Our financial condition, cash flows and operational results could be adversely affected if we do not successfully integrate the newly acquired businesses or if our other businesses suffer on account of our increased focus on the newly acquired businesses.

If we fail to develop new products or our customers do not accept the new products we develop, our business could be affected adversely.

Development of proprietary products is key to the success of our core growth and our high gross margins now and in the future. Therefore, we must continue to develop new and innovative products and acquire and retain the necessary intellectual property rights in these products on an ongoing basis. If we fail to make innovations, or the market does not accept our new products, then our financial condition and results of operations could be adversely affected. We continue to invest in the development and marketing of new products. These expenditures do not always result in products that will be accepted by the market. Failure to develop successful new products may also cause our customers to buy from a competitor or may cause us to lower our prices in order to compete. This could have an adverse impact on our profitability.

We may be adversely impacted by an inability to identify and complete acquisitions.

A large part of our growth since fiscal 2003 has come through acquisitions and a key component of our growth strategy is based upon acquisitions. We may not be able to identify acquisition targets or successfully complete acquisitions in the future due to the absence of quality companies, economic conditions, or price expectations from sellers. If we are unable to complete additional acquisitions, our growth may be limited.

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We operate in competitive markets and may be forced to cut our prices or incur additional costs to remain competitive, which may have a negative impact on our profitability.

We face substantial competition, particularly in the OEM markets we serve. Competition may force us to cut our prices or incur additional costs to remain competitive. We compete on the basis of production capabilities, engineering and R&D capabilities, materials expertise, our global footprint, customer service and price. Present or future competitors may have greater financial, technical or other resources, lower production costs or other pricing advantages, any of which could put us at a disadvantage in the affected business by threatening our market share in some markets or reducing our profit margins.

Our goodwill or other intangible assets may become impaired, which may negatively impact our results of operations.

We have a substantial amount of goodwill and other intangible assets on our balance sheet as a result of our acquisitions. As of July 31, 2007, we had $737.5 million of goodwill on our balance sheet, representing the excess of the total purchase price for our acquisitions over the fair value of the net assets we acquired, and $149.8 million of other intangible assets, primarily representing the fair value of the customer relationships, patents and trademarks we acquired in our acquisitions. At July 31, 2007, goodwill and other intangible assets represented approximately 52% of our total assets. We evaluate this goodwill annually for impairment based on the fair value of each operating segment. We assess the impairment of other intangible assets quarterly based upon the expected future cash flows of the respective assets. These valuations could change if there were to be future changes in our capital structure, cost of debt, interest rates, capital expenditures, or our ability to perform in accordance with our forecasts. If this estimated fair value changes in future periods, we may be required to record an impairment charge related to goodwill or other intangible assets, which would have the effect of decreasing our earnings or increasing our losses in such period.

We have a concentration of business with several large key customers and distributors and loss of one or more of these customers could significantly affect our results of operations.

Several of our large key customers in the OEM market, specifically the precision die-cut business, together comprise a significant portion of our revenues. Our largest customer represents approximately 5% of our net sales. Additionally in the MRO markets, we do business with several large distribution companies. Our dependence on these large customers makes our relationships with these customers important to our business. We cannot assure you that we will be able to maintain these relationships and retain this business in the future. Because these large customers account for such a significant portion of our revenues, they possess relatively greater capacity to negotiate a reduction in the prices we charge for our products. If we are unable to provide products to our customers at prices acceptable to them, some of our customers may in the future elect to shift some or all of this business to competitors or to substitute other manufacturer s products. If one of our key customers consolidates, is acquired by another company or loses market share, the result of that event may have an adverse impact on our business. The loss of or reduction of business from one or more of these large key customers could have a material adverse impact on our financial condition and results of operations.

We increasingly conduct a sizable amount of our manufacturing outside of the United States, which may present additional risks to our business.

As a result of our strong growth in developing economies, particularly in Asia, a significant portion of our sales is attributable to products manufactured outside of the United States. More than half of our approximately 8,600 employees and more than half of our manufacturing locations are outside of the United States. Our international operations are generally subject to various risks including political, economic and societal instability, the imposition of trade restrictions, local labor market conditions, the effects of income taxes, and differences in business practices.

We may incur increased costs and experience delays or disruptions in product deliveries and payments in connection with international manufacturing and sales that could cause loss of revenue. Unfavorable changes in the political, regulatory and business climate in countries where we have operations could have a material adverse effect on our financial condition, results of operations and cash flows.

Our ability to continue to source low cost MRO products from regions such as China may decline. Conversely, low cost sourcing may also present risks to our revenue if our MRO customers choose to source cheaper products from low cost regions.

An increasing portion of our MRO products is expected to be sourced from low cost regions in the future. Changes in export laws, suppliers and disruption in transportation routes could lessen our ability to source these products and adversely impact our results. Additionally, our MRO distributors/customers may seek low cost sourcing opportunities directly, which could cause a loss of business that may adversely impact our revenues.

Foreign currency fluctuations could adversely affect our sales and profits.

More than half of our revenues are derived outside of the United States. As such, fluctuations in foreign currency can have an adverse impact on our sales and profits as amounts that are measured in foreign currency are translated back to U.S. dollars. Any increase in the value of the U.S. dollar in relation to the value of the local currency will adversely affect our revenues from our foreign operations when translated into U.S. dollars. Similarly, any decrease in the value of the U.S. dollar in relation to the value of the local currency will increase our development costs in our foreign operations, to the extent such costs are payable in foreign currency, when translated into U.S. dollars. During fiscal year 2007, the weakening U.S. dollar versus the majority of other currencies increased sales by approximately $41.7 million.

We depend on our key personnel and the loss of these personnel could have an adverse effect on our operations.

Our success depends to a large extent upon the continued services of our key executives, managers and other skilled personnel. We cannot ensure that we will be able to retain our key officers and employees. The departure of our key personnel without adequate replacement could severely disrupt our business operations. Additionally, we need qualified managers and skilled employees with technical and manufacturing industry experience to operate our business successfully. If we are unable to attract and retain qualified individuals or our costs to do so increase significantly, our operations would be materially adversely affected.

We may be unable to successfully implement anticipated changes to our information technology system.

We are now in the process of upgrading certain portions of our information technology. Part of this upgrade includes continued implementations of SAP in our facilities in China, Europe, Malaysia, Singapore, Mexico, India and the United States. In fiscal 2007, we completed the implementation at 16 of our facilities in these regions, and expect to continue this pace in future years. We expect that this implementation of the SAP platform will enable us to more effectively and efficiently manage our supply chain and business processes. Our failure to successfully manage the SAP implementation process or implement these upgrades as scheduled could cause us to incur unexpected costs or to lose customers or sales, which could have a material adverse effect on our financial results.

The increase in our level of indebtedness could adversely affect our financial health and make us vulnerable to adverse economic conditions.

We have incurred indebtedness to finance acquisitions and for other general corporate purposes. Any increase in our level of indebtedness could have important consequences, such as:

- it may be difficult for us to fulfill our obligations under our credit or other debt agreements;
- it may be more challenging or costly to obtain additional financing to fund our future growth;

we may be more vulnerable to future interest rate fluctuations;

we may be required to dedicate a substantial portion of our cash flows to service our debt, thereby reducing the amount of cash available to fund new product development, capital expenditures, working capital and other general corporate activities;

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it may place us at a competitive disadvantage relative to our competitors that have less debt; and

it may limit our flexibility in planning for and reacting to changes in our business.

Environmental, health and safety laws and regulations could adversely affect our business.

Our facilities and operations are subject to numerous laws and regulations relating to air emissions, wastewater discharges, the handling of hazardous materials and wastes, manufacturing and disposal of certain materials, and regulations otherwise relating to health, safety and the protection of the environment. Our products may also be governed by regulations in the countries where they are sold. As a result, we may need to devote management time or expend significant resources on compliance, and we have incurred and will continue to incur capital and other expenditures to comply with these regulations. Any significant costs may have a material adverse impact on our financial condition, results of operations or cash flows. Further, these laws and regulations are constantly evolving and it is impossible to predict accurately the effect they may have upon our financial condition, results of operations or cash flows.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

The Company currently operates 61 manufacturing or distribution facilities in the following regions:

Americas: Seventeen are located in the United States; three each in Brazil and Mexico; and one in Canada.

Europe: Four are located in the United Kingdom; three are each located in France and Germany; two each in Belgium and Sweden; and one each in Denmark, Italy, Norway and Slovakia.

Asia-Pacific: Seven are located in China; four in Australia; three in Thailand; two in South Korea; and one each in Singapore, India, and Malaysia.

The Company s present operating facilities contain a total of approximately 3.9 million square feet of space, of which approximately 2.8 million square feet is leased. The Company believes that its equipment and facilities are modern, well maintained and adequate for present needs.

Item 3. ***Legal Proceedings***

The Company is, and may in the future be, party to litigation arising in the normal course of business. The Company is not currently a party to any material pending legal proceedings in which management believes the ultimate resolution would have a material adverse effect on the Company s consolidated financial statements.

Item 4. ***Submission of Matters to a Vote of Security Holders***

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended July 31, 2007.

PART II

Item 5. *Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

(a) *Market Information*

Brady Corporation Class A Nonvoting Common Stock trades on the New York Stock Exchange under the symbol BRC. The quarterly stock price history on the New York Stock Exchange is as follows for each of the quarters in the fiscal years ended July 31:

	2007		2006		2005(1)	
	High	Low	High	Low	High	Low
4th Quarter	$ 37.73	$ 32.73	$ 42.79	$ 32.94	$ 34.96	$ 28.80
3rd Quarter	$ 38.37	$ 30.91	$ 40.49	$ 34.67	$ 35.70	$ 26.30
2nd Quarter	$ 40.52	$ 35.70	$ 39.98	$ 28.20	$ 32.22	$ 26.75
1st Quarter	$ 38.68	$ 33.16	$ 34.22	$ 26.98	$ 27.49	$ 21.01

(1) Adjusted for a two-for-one stock split in the form of a 100% stock dividend, effective December 31, 2004.

There is no trading market for the Company s Class B Voting Common Stock.

(b) *Holders*

As of September 24, 2007, there were 711 Class A Common Stock shareholders of record and approximately 4,100 beneficial shareholders. There are three Class B Common Stock shareholders.

(c) *Issuer Purchases of Equity Securities*

The Company did not repurchase any of its equity securities in the fourth quarter of fiscal 2007.

(d) *Dividends*

The Company has followed a practice of paying quarterly dividends on outstanding common stock. Before any dividend may be paid on the Class B Common Stock, holders of the Class A Common Stock are entitled to receive an annual, noncumulative cash dividend of $0.01665 per share (subject to adjustment in the event of future stock splits, stock dividends or similar events involving shares of Class A Common Stock). Thereafter, any further dividend in that fiscal year must be paid on all shares of Class A Common Stock and Class B Common Stock on an equal basis. The Company s revolving credit agreement restricts the amount of certain types of payments, including dividends, that can be made annually to $50 million plus 75% of the consolidated net income for the prior fiscal year. The Company believes that based on its historic dividend practice, this restriction will not impede it in following a similar dividend practice in the future.

During the two most recent fiscal years and for the first quarter of fiscal 2008, the Company declared the following dividends per share on its Class A and Class B Common Stock for the years ended July 31:

	Year Ending 2008	2007				2006			
	1st Qtr	**1st Qtr**	**2nd Qtr**	**3rd Qtr**	**4th Qtr**	**1st Qtr**	**2nd Qtr**	**3rd Qtr**	**4th Qtr**
Class A	$ 0.15	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.13	$ 0.13	$ 0.13	$ 0.13
Class B	0.13335	0.123	0.14	0.14	0.14	0.113	0.13	0.13	0.13

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(e) ***Common Stock Price Performance Graph***

The graph below shows a comparison of the cumulative return over the last five fiscal years had $100 been invested at the close of business on July 31, 2002, in each of Brady Corporation Class A Common Stock, The Standard & Poor s (S&P) 500 index, the Standard and Poor s Small Cap 600 index, and the Russell 2000 index.

Comparison of 5 Year Cumulative Total Return*
Among Brady Corporation, The S&P 500 Index,
The S&P Smallcap 600 Index and The Russell 2000 Index

* $100 invested on 7/31/02 in stock or index including reinvestment of dividends. Fiscal year ended July 31.

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Item 6. ***Selected Financial Data***

CONSOLIDATED STATEMENTS OF INCOME AND SELECTED FINANCIAL DATA
Years Ended July 31, 2003 through 2007

	2007	2006	2005	2004	2003
	(In thousands, except per share amounts)				
Operating Data					
Net Sales(1)	$ 1,362,631	$ 1,018,436	$ 816,447	$ 671,219	$ 554,866
Gross Margin	657,044	525,755	433,276	345,361	279,149
Operating Expenses:					
Research and development	35,954	30,443	25,078	23,028	18,873
Selling, general and administrative	449,103	338,796	285,746	248,171	219,861
Restructuring charge net				3,181	9,589
Total operating expenses	485,057	369,239	310,824	274,380	248,323
Operating Income	171,987	156,516	122,452	70,981	30,826
Other (Expense) Income:					
Investment and other income net	2,875	2,403	1,369	577	1,750
Interest expense	(22,934)	(14,231)	(8,403)	(1,231)	(121)
Net other (expense) income	(20,059)	(11,828)	(7,034)	(654)	1,629
Income before income taxes	151,928	144,688	115,418	70,327	32,455
Income Taxes	42,540	40,513	33,471	19,456	11,035
Net Income	$ 109,388	$ 104,175	$ 81,947	$ 50,871	$ 21,420
Net Income Per Common Share (Diluted):					
Class A nonvoting	$ 2.00	$ 2.07	$ 1.64	$ 1.07	$ 0.46
Class B voting	$ 1.98	$ 2.05	$ 1.63	$ 1.05	$ 0.44
Cash Dividends on:					
Class A common stock	$ 0.56	$ 0.52	$ 0.44	$ 0.42	$ 0.40
Class B common stock	$ 0.54	$ 0.50	$ 0.42	$ 0.40	$ 0.39
Balance Sheet at July 31:					
Working capital	$ 303,359	$ 240,537	$ 141,560	$ 131,706	$ 123,878
Total assets	1,698,857	1,365,186	850,147	697,900	449,519
Long-term obligations, less current maturities	478,575	350,018	150,026	150,019	568
Stockholders investment	891,012	746,046	497,274	403,315	338,961
Cash Flow Data:					
Net cash provided by operating activities	136,018	114,896	119,103	87,646	57,316
Depreciation and amortization	53,856	35,144	26,822	20,190	17,771

Capital expenditures	(51,940)	(39,410)	(21,920)	(14,892)	(14,438)

(1) Net sales has been impacted by the acquisitive nature of the Company as seven, eleven and four acquisitions were completed in fiscal years ended July 31, 2007, 2006 and 2005, respectively. See Note 2 in Item 8 for further information on the acquisitions that were completed in each of the years.

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Item 7. *Management s Discussion and Analysis of Financial Condition and Results of Operations*

Overview

In fiscal 2007, the Company posted record sales of $1,362.6 million and record net income of $109.4 million, an increase of 33.8% and 5.0%, respectively, over fiscal 2006. During fiscal 2007, the Company completed seven acquisitions and further expansions into Mexico, Thailand, Malaysia, India, China and the Philippines, among other geographic areas.

Of the 33.8% increase in sales, organic growth accounted for 4.2%, acquisitions added 25.5%, and foreign currency translation increased sales by 4.1%. Americas sales increased 22.2%, European sales rose 30.4%, and sales from the Asia-Pacific region increased 68.1%.

Net income for fiscal 2007 rose 5.0% to $109.4 million or $2.00 per diluted share of Class A Common Stock, compared to $104.2 million, or $2.07 per diluted share of Class A Common Stock in fiscal 2006.

In fiscal 2007, the Company continued to focus on leveraging its strengths and continued its drive to become the number one or two leader in the markets that it serves. Acquisitions were concentrated in businesses that management understands well in order to deepen market penetration or expand the Company s global footprint. The Company also invested in expanding many of its global operations with new equipment, information systems and capacity, and adjusted operating capacities to achieve efficiencies and cost savings.

Brady acquired seven companies in fiscal 2007 including businesses that span the globe from the Americas to Europe to Asia-Pacific. We have added strategically driven acquisitions in people identification, medical precision die-cut, direct marketing and safety and facility products in the United States, safety and facility products and wire identification in Europe, high performance labeling in South America, and people identification and safety and facility products in the Asia-Pacific region.

Brady completed the transition to a new 50,000 square foot facility in Penang, Malaysia in fiscal 2007 after having outgrown its previous space. Other geographic expansions during the year included the start of new operations in Dongguan (China), Xiamen (China), Bangalore (India), Reynosa (Mexico), Queretaro (Mexico) and Cainta Rizal (Philippines), as well as the development of a state-of-the-art facility in Pathumthani (Thailand). Brady strives to employ the same high safety and environmental standards across the globe regardless of lesser government requirements in some areas.

Brady remains a financially strong company, with a solid balance sheet and strong cash flows. In September 2007, the Company announced that it will be increasing its cash dividend payment for the 22nd straight year.

Results of Operations

Year Ended July 31, 2007, Compared to Year Ended July 31, 2006

The comparability of the operating results for the fiscal years ended July 31, 2007 to July 31, 2006, has been impacted by the following acquisitions completed in fiscal 2007, as well as the annualized impact of the acquisitions completed in fiscal 2006.

Acquisitions:	**Segment**	**Date Completed**
Comprehensive Identification Products, Inc. (CIPI)	Americas, Europe Asia-Pacific	August 2006
Precision Converters, L.P. (Precision Converters)	Americas	October 2006
Scafftag, Ltd., Safetrak, Ltd. and Scafftag Pty., Ltd. (collectively Scafftag)	Americas, Europe and Asia-Pacific	December 2006
Asterisco Artes Graficas Ltda. (Asterisco)	Americas	December 2006
Modernotecnica SpA (Moderno)	Europe	December 2006
Clement Communications, Inc. (Clement)	Americas	February 2007
Sorbent Products Co., Inc. (SPC)	Americas, Europe and Asia-Pacific	April 2007

Sales for fiscal 2007 increased by $344.2 million, or 33.8% from fiscal 2006. Organic sales, defined as sales in the Company s existing core businesses and regions (exclusive of acquisitions and foreign currency effects), increased $42.3 million or 4.2% for the same period. The acquisitions listed above and the annualized impact of the fiscal 2006 acquisitions increased sales by $260.2 million or 25.5% in fiscal 2007 compared to fiscal 2006. Fluctuations in the exchange rates used to translate financial results into the United States Dollar resulted in a sales increase of $41.7 million or 4.1% for the year.

The gross margin as a percentage of sales decreased from 51.6% in fiscal 2006 to 48.2% in fiscal 2007. This decline was driven by the results in our OEM electronics business, primarily in the mobile handset business in Asia-Pacific. The decline was also driven by the acquisitions that Brady completed in the last 12 months, which were more heavily weighted towards OEM electronics, which is generally characterized by lower gross margins and lower selling, general and administrative (SG&A) expenses.

Research and development expenses grew to $36.0 million in fiscal 2007 from $30.4 million in fiscal 2006, but decreased as a percentage of sales from 3.0% in fiscal 2006 to 2.6% in fiscal 2007. Brady continues to expand its investment in new product development.

SG&A expenses of $449.1 million in fiscal 2007, as compared to $338.8 million in fiscal 2006, decreased as a percentage of sales from 33.3% in fiscal 2006 to 33.0% in fiscal 2007. The decrease was due to changes in the Company s sales mix towards the OEM electronics business, which typically has lower SG&A expense.

The Company recorded expenses of $11.4 million in fiscal year 2007 for cost reduction actions, which are primarily recorded in SG&A expenses in the consolidated statements of income. These actions consisted of $9.2 million for severance and other employee termination costs, $1.8 million for asset write-offs and $0.4 million for facility closure costs. Pre-tax savings from these actions, and the exit activity charges for planned integration activities of acquisitions completed in the last 12 months that increased goodwill by $8.8 million, are expected to be approximately $14 million in fiscal 2008.

Investment and other income increased $0.5 million in fiscal 2007 from the prior year. The income recorded in fiscal 2007 was primarily due to interest income earned on cash and marketable securities investments, while the income recorded in fiscal 2006 was primarily due to a gain of approximately $1.5 million on a currency option that the Company purchased to hedge against increases in the purchase price in U.S. dollar terms of Tradex Converting AB as the transaction was denominated in Swedish Krona.

Interest expense increased $8.7 million in fiscal 2007 due to interest on the $150 million private placement of senior notes that the Company completed in the third quarter of fiscal 2007 and the $200 million private placement

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of senior notes that the Company completed in second quarter of fiscal 2006, as well as interest on the borrowings under our revolving credit facility in fiscal 2007.

The Company s effective tax rate was 28.0% in both fiscal 2007 and 2006.

Net income for the fiscal year ended July 31, 2007, increased 5.0% to $109.4 million, compared to $104.2 million for fiscal year ended July 31, 2006, as a result of the factors noted above. Diluted net income per share comparisons between fiscal 2007 of $2.00 per share and 2006 of $2.07 per share were also affected by the greater number of shares outstanding in fiscal 2007 as a result of the Company s July 2006 sale of an additional 4.6 million shares of Class A Nonvoting Common Stock in a public offering.

Year Ended July 31, 2006, Compared to Year Ended July 31, 2005

The comparability of the operating results for the fiscal years ended July 31, 2006 to July 31, 2005 was impacted by the following acquisitions completed in fiscal 2006, as well as the annualized impact of the acquisitions completed in fiscal 2005.

Acquisitions:	**Segment**	**Date Completed**
STOPware, Inc. (Stopware)	Americas	August 2005
Texit Danmark AS and Texit Norge AS (collectively Texit)	Europe	September 2005
TruMed Technologies, Inc. (TruMed)	Americas	October 2005
QDP Thailand Co., Ltd (QDPT)	Asia-Pacific	October 2005
J.A.M. Plastics Inc. (J.A.M.)	Americas	December 2005
Personnel Concepts	Americas	January 2006
IDenticard Systems, Inc. and Identicam Systems (collectively Identicard)	Americas	February 2006
Accidental Health & Safety Pty. Ltd and Trafalgar First Aid Pty. Ltd. (collectively Accidental Health)	Asia-Pacific	March 2006
Tradex Converting AB (Tradex)	Americas, Europe and Asia-Pacific	May 2006
Carroll Australasia Pty. Ltd. (Carroll)	Asia-Pacific	June 2006
Daewon Industry Corporation (Daewon)	Asia-Pacific	July 2006

Sales for fiscal 2006 increased by $202.0 million, or 24.7% from fiscal 2005. Organic sales, defined as sales in the Company s existing core businesses and regions (exclusive of acquisitions and foreign currency effects), increased $75.4 million or 9.2% for the same period. The acquisitions listed above and the annualized impact of the fiscal 2005 acquisitions increased sales by $130.3 million or 16.0% in fiscal 2006 compared to fiscal 2005. Fluctuations in the exchange rates used to translate financial results into the United States Dollar decreased sales by $3.7 million or 0.5% for the year.

The gross margin as a percentage of sales decreased from 53.1% in fiscal 2005 to 51.6% in fiscal 2006. The decrease was primarily due to a decline in Asia-Pacific attributable to acquisition mix, a shift in the product mix towards OEM electronics and cost pressures not offset by sales price increases, and a decline in Europe due to acquisition mix, partially offset by an increase in the Americas due to sales price increases, cost reductions and acquisition mix.

Research and development expenses grew to $30.4 million in fiscal 2006 from $25.1 million in fiscal 2005, but fell slightly as a percentage of sales from 3.1% in fiscal 2005 to 3.0% in fiscal 2006. Research and development spending increases of 21.4% were slightly less than the 24.7% increase in sales in fiscal 2006.

SG&A expenses of $338.8 million decreased as a percentage of sales from 35.0% in fiscal 2005 to 33.3% in fiscal 2006. The decrease was due primarily to cost efficiencies gained in the existing businesses in all regions

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driven by organic sales growth and cost control and a change in our business mix, partially offset by higher SG&A expenses from the acquisitions completed in fiscal 2006.

Investment and other income increased $1.0 million in fiscal 2006 from the prior year, primarily due to a gain of approximately $1.5 million on a currency option that the Company purchased to hedge against increases in the purchase price in U.S. dollar terms of Tradex as the transaction was denominated in Swedish Krona.

Interest expense increased $5.8 million in fiscal 2006 due to the interest on the $200 million private placement that was completed in the third quarter of fiscal 2006.

The Company s effective tax rate decreased from 29.0% for fiscal 2005 to 28.0% for fiscal 2006. The decrease in the effective tax rate was due to a continuing shift to a higher percentage of the Company s pre-tax income coming from lower tax rate countries.

Business Segment Operating Results

Management of the Company evaluates results based on the following geographic regions: Americas, Europe, and Asia-Pacific.

(Dollars in thousands)	**Americas**	**Europe**	**Asia-Pacific**	**Subtotals**	**Corporate and Eliminations**	**Total**
SALES TO EXTERNAL CUSTOMERS						
Years ended:						
July 31, 2007	$ 609,855	$ 416,514	$ 336,262	$ 1,362,631		$ 1,362,631
July 31, 2006	498,916	319,432	200,088	1,018,436		1,018,436
July 31, 2005	417,780	274,691	123,976	816,447		816,447
SALES GROWTH INFORMATION						
Year ended July 31, 2007:						
Organic	3.3%	8.3%	(0.4)%	4.2%		4.2%
Currency	0.5%	9.0%	5.2%	4.1%		4.1%
Acquisitions	18.4%	13.1%	63.3%	25.5%		25.5%
Total	22.2%	30.4%	68.1%	33.8%		33.8%
Year ended July 31, 2006:						
Organic	5.0%	4.2%	34.7%	9.2%		9.2%
Currency	1.5%	(4.3)%	1.6%	(0.5)%		(0.5)%
Acquisitions	12.9%	16.4%	25.1%	16.0%		16.0%
Total	19.4%	16.3%	61.4%	24.7%		24.7%
SEGMENT PROFIT (LOSS)						

Years ended:						
July 31, 2007	$ 142,306	$ 107,552	$ 57,236	$ 307,094	$ (8,208)	$ 298,886
July 31, 2006	122,525	83,970	49,316	255,811	(10,633)	245,178
July 31, 2005	98,193	79,792	34,228	212,213	(4,845)	207,368

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NET INCOME RECONCILIATION

	Years ended: July 31, 2007	July 31, 2006	July 31, 2005
Total profit for reportable segments	$ 307,094	$ 255,811	$ 212,213
Corporate and eliminations	(8,208)	(10,633)	(4,845)
Unallocated amounts:			
Administrative costs	(126,899)	(88,662)	(84,916)
Investment and other income net	2,875	2,403	1,369
Interest expense	(22,934)	(14,231)	(8,403)
Income before income taxes	151,928	144,688	115,418
Income taxes	(42,540)	(40,513)	(33,471)
Net income	$ 109,388	$ 104,175	$ 81,947

The Company evaluates regional performance using sales and segment profit. Segment profit or loss does not include certain administrative costs, such as the cost of finance, stock options, information technology and human resources, which are managed as global functions. Interest, investment and other income and income taxes are also excluded when evaluating regional performance. The increased administrative costs in fiscal 2007 include $11.4 million of expenses associated with cost reduction charges.

Americas

Sales in the Americas region increased 22.2% from fiscal 2006 to fiscal 2007, and 19.4% from fiscal 2005 to fiscal 2006. Organic growth accounted for 3.3% in 2007 and 5.0% in 2006. The organic growth in fiscal 2007 was due to strong growth in the United States in both the Brady and direct marketing brands, with strong results from the electrical and wire identification products. The growth was partially offset by the planned transfer of die cut business to Asia-Pacific in the early part of the year. Canada and Brazil also experienced year-over-year growth. The organic growth in fiscal 2006 was due to strong growth in the United States in our safety, electrical, and industrial markets. Our operations in Canada, Mexico and Brazil also provided year-over-year organic sales growth in 2006 in the Brady brand business. Within the direct marketing business, base sales increased in 2006 over the prior year as well. The acquisitions of TruMed, J.A.M., Personnel Concepts and Identicard in fiscal 2006 and CIPI, Precision Converters, Scafftag, Asterisco, Clement and SPC in fiscal 2007 added 18.4% to fiscal 2007 sales. The acquisitions of Electromark in fiscal 2005 and Stopware, TruMed, J.A.M., Personnel Concepts and Identicard in fiscal 2006 added 12.9% to fiscal 2006 sales. The positive effect of fluctuations in the exchange rates used to translate financial results into U.S. currency increased sales in the region by 0.5% and 1.5% in fiscal 2007 and 2006, respectively.

In the Americas region, segment profit as a percentage of sales decreased from 24.6% in 2006 to 23.3% in 2007. This decrease was due to the effect of the recent acquisitions. As expected, the segment s recent acquisitions have produced an initial rate of profit that is below the average rate of profit of the segment. As the businesses are integrated and synergies are achieved, the profit percentages are expected to increase. Comparing fiscal 2006 to 2005, segment profit as a percentage of sales increased from 23.5% to 24.6%, due to the increase in sales volume and sales prices, partially offset by increases in many of the segment s material and utility costs. Also, as expected, the acquisitions completed in 2006 reported an initial rate of profit that was below the average of the region.

Europe

Sales in the European region increased 30.4% in fiscal 2007 from fiscal 2006 and 16.3% in fiscal 2006 from fiscal 2005. Organic growth accounted for 8.3% in fiscal 2007 and 4.2% in fiscal 2006. The organic growth reported in fiscal 2007 was due to growth in the majority of the businesses and countries as the European economy continued to strengthen. Business in the region has benefited from recent No Smoking legislation enacted in France and in the United Kingdom, which stimulated demand for certain of our product lines. The increase in the organic growth in fiscal 2006 was due to modest growth in the direct marketing business as a result of continuing to add new customers and expand product offerings and growth from expansion into newer geographies for the Brady brand business, primarily from the expansion into Slovakia, Turkey and the Nordic region. Foreign currency translation increased the region s sales by 9.0% from fiscal 2006 to 2007 compared to a decrease in the region s sales of 4.3% from fiscal 2005 to 2006. The acquisitions of Texit and Tradex in fiscal 2006 and CIPI, Scafftag, Moderno and SPC in fiscal 2007 added 13.1% to the region s sales in fiscal 2007 and the acquisitions of Texit and Tradex in fiscal 2006 and Signs and Labels in fiscal 2005 added 16.4% to the region s sales in fiscal 2006.

Segment profit as a percentage of sales decreased to 25.8% in fiscal 2007 from 26.3% in fiscal 2006 and decreased from 29.0% in fiscal 2005 to 26.3% in fiscal 2006. The decrease experienced in fiscal 2007 from 2006 was due to the global headquarter costs of Tradex, partially offset by the strong performance of the direct marketing businesses in the region. The decrease experienced in fiscal 2006 from 2005 was due to the impact of a stronger U.S. dollar, the profit dilution caused by the start-up of business in Slovakia and the integration and acquisition-related costs from the June 2005 acquisition of Signs and Labels and the May 2006 acquisition of Tradex. As Tradex s headquarters are in Sweden, all of the headquarter costs are reflected in the Europe segment in 2006.

Asia-Pacific

Asia-Pacific sales increased 68.1% in fiscal 2007 from fiscal 2006 and 61.4% in fiscal 2006 from fiscal 2005. Organic sales declined 0.4% in fiscal 2007 and increased 34.7% in fiscal 2006. The decline in organic sales in fiscal 2007 was due to a slowdown in our OEM electronics business, led by the loss of certain programs in the hard disk drive business related to industry consolidation and a slowdown in high performance labeling. The increase in organic sales for fiscal 2006 was due to the high demand for consumer electronics and strong growth in the Australian direct marketing and safety businesses. Of the 34.7% increase in organic growth in fiscal 2006, a significant portion was driven by growth in China as the Asian economy strengthened. Foreign currency translation increased the region s sales by 5.2% from fiscal 2006 to 2007 compared to an increase of 1.6% from fiscal 2005 to 2006. The acquisitions of QDPT, Accidental Health, Tradex, Carroll and Daewon in fiscal 2006 and CIPI, Scafftag and SPC in fiscal 2007 added 63.3% to the region s sales in fiscal 2007, whereas the acquisitions of Technology Print Supply and Technology Supply Media in fiscal 2005 and QDPT, Accidental Health, Tradex, Carroll and Daewon in fiscal 2006 added 25.1% to the region s sales in fiscal 2006.

Segment profit as a percentage of sales decreased to 17.0% in fiscal 2007 from 24.7% in fiscal 2006 and to 24.7% in fiscal 2006 from 27.6% in fiscal 2005. The decrease in fiscal 2007 was due to the slowdown in our OEM electronics business, excess capacity at our facilities and lower margins from acquisitions. By the end of fiscal 2007, we had nearly completed the capacity and footprint changes that were necessary to reduce our cost structure and be closer to our customers facilities. These changes are expected to result in a reduced cost base for the upcoming year, but we should still be able to support sudden spikes in customer demand. The decrease experienced in fiscal 2006 was due to the continued shift of business mix towards the die cut business, which experiences lower margins, combined with pricing pressures from our OEM customers, and the lower initial rate of profit produced by the companies acquired in the region.

Liquidity and Capital Resources

Cash and cash equivalents were $142.8 million at July 31, 2007, compared to $113.0 million at July 31, 2006. Additionally, short-term investments, consisting of investments in auction rate securities, were $19.2 million at July 31, 2007, compared to $11.5 million at July 31, 2006. Working capital increased $62.9 million during fiscal 2007 to $303.4 million and increased $98.9 million during fiscal 2006 to $240.5 million. Accounts receivable balances increased $51.7 million from July 31, 2006 to July 31, 2007. The increase in accounts receivable was due primarily to increased sales volume, foreign currency translation and accounts receivable balances added from acquisitions completed during fiscal 2007. Inventories increased $29.9 million from July 31, 2006 to July 31, 2007 due to foreign currency translation, inventory of acquired companies, and increased inventory levels to support the launch of new products and to maintain adequate service levels for our customers. Current liabilities increased $61.4 million due to the inclusion of principal debt payments that are due for payment in the fourth quarter of fiscal 2008 which were included in long-term obligations in the prior year, an increase in accounts payable from the fiscal 2007 acquisitions, and an increase in other current liabilities as a result of our cost reduction activities.

The Company has maintained significant cash balances due in large part to its strong operating cash flow, which totaled $136.0 million for fiscal 2007, $114.9 million for fiscal 2006 and $119.1 million for fiscal 2005. The increase from fiscal 2006 to fiscal 2007 was the result of a $5.2 million increase in net income and an $18.7 million increase in depreciation and amortization primarily due to the tangible and intangible assets acquired in fiscal 2006 and 2007, partially offset by cash requirements for changes in operating assets and liabilities. In accordance with the adoption of SFAS No. 123(R), Share Based Payment on August 1, 2005, the Company has classified the income tax benefit from the exercise of stock options subsequent to adoption as a financing cash inflow. Prior to adoption, this tax benefit was recorded in cash flows from operations and totaled $5.4 million for the fiscal year ended July 31, 2005.

The acquisitions of businesses used $159.5 million in fiscal 2007, $351.3 million in fiscal 2006, and $79.9 million in fiscal 2005. Contingent consideration payments of $10.9 million were paid during fiscal 2007 to satisfy the $6.5 million holdback requirement of the ID Technologies acquisition completed in fiscal 2005, the $1.0 million earnout liability of the Stopware acquisition completed in fiscal 2006, the $1.8 million purchase price adjustment of the Daewon acquisition completed in fiscal 2006 and the $1.6 million earnout liability of the QDPT acquisition completed in fiscal 2006.

Capital expenditures were $51.9 million in fiscal 2007, $39.4 million in fiscal 2006 and $21.9 million in fiscal 2005. $9.8 million was spent during fiscal 2007 on implementing SAP in 16 of Brady s global operations and ultimately bringing the number of users up from approximately 2,300 to approximately 6,700 in the next three years. The remainder of the increase in capital expenditures in fiscal 2007 was due to expansions in China, Canada, India, Mexico, the Philippines, Slovakia and other locations. Capital expenditures in 2006 were driven by the completion of the central distribution warehouse in Milwaukee, Wisconsin, continued expansion in Asia, new facilities in Slovakia and in Canada and by upgrading existing plant and machinery. Capital expenditures in 2005 included plant expansions in China and the start of the addition of the central distribution warehouse in Milwaukee.

Financing activities provided $129.4 million of cash in fiscal 2007, provided $319.0 million in fiscal 2006 and used $9.7 million in fiscal 2005. In fiscal 2006, the Company completed a secondary public offering of 4.6 million shares of its Class A nonvoting common stock and received proceeds of $157.7 million. Cash used for dividends to shareholders was $30.1 million in fiscal 2007, $26.1 million in fiscal 2006 and $21.3 million in fiscal 2005. Cash received from the exercise of stock options was $6.8 million in fiscal 2007, $8.9 million in fiscal 2006 and $15.7 million in fiscal 2005. The Company did not purchase treasury stock in fiscal 2007, but purchased treasury stock of $24.7 million in fiscal 2006 and $1.6 million in fiscal 2005. In fiscal 2006, a stock repurchase plan was implemented by purchasing shares on the open market or in privately negotiated transactions, with repurchased shares available for use in connection with the Company s stock option plan and for other corporate purposes. The Company completed the repurchase of 800,000 shares of its Class A Common Stock for $26.5 million in fiscal 2006.

On October 5, 2006, the Company entered into a $200 million multi-currency revolving loan agreement with a group of five banks that replaced the Company s previous credit facility that had been entered into on March 31, 2004 and amended on January 19, 2006. At the Company s option, and subject to certain standard conditions, the available amount under the new credit facility may be increased from $200 million up to $300 million. Under the new 5-year agreement, which has a final maturity date of October 5, 2011, the Company has the option to select either a base interest rate (based upon the higher of the federal funds rate plus one-half of 1% or the prime rate of Bank of America) or a Eurocurrency interest rate (at the LIBOR rate plus a margin based on the Company s consolidated leverage ratio). A commitment fee is payable on the unused amount of the facility. The agreement requires the Company to maintain two financial covenants. As of July 31, 2007, the Company was in compliance with the covenants of the agreement. The agreement restricts the amount of certain types of payments, including dividends, which can be made annually to $50 million plus an amount equal to 75% of consolidated net income for the prior fiscal year of the Company. The Company believes that based on historic dividend practice, this restriction would not impede the Company in following a similar dividend practice in the future. During fiscal 2007 and 2006, the Company borrowed and repaid

$109.3 million and $415.7 million, respectively. As of July 31, 2007, there were no outstanding borrowings under the credit facility.

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On March 23, 2007, the Company completed the private placement of $150 million in ten-year fixed notes at 5.33% interest to institutional investors. The notes will be amortized in equal installments over seven years, beginning in 2011 with interest payable on the notes semiannually on September 23 and March 23, beginning in September 2007. The notes have been fully and unconditionally guaranteed on an unsecured basis by the Company s domestic subsidiaries. The Company used the net proceeds of the offering to reduce outstanding indebtedness under the Company s revolving loan agreement and fund its ongoing strategic growth plan. This private placement was exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to the maturity date. The agreement also requires the Company to maintain a financial covenant. As of July 31, 2007, the Company was in compliance with this covenant.

On February 14, 2006, the Company completed the private placement of $200 million in ten-year fixed notes at 5.3% interest to institutional investors. The notes will be amortized in equal installments over seven years, beginning in 2010 with interest payable on the notes semiannually on August 14 and February 14, beginning in August 2006. The notes have been fully and unconditionally guaranteed on an unsecured basis by the Company s domestic subsidiaries. The Company used the net proceeds of the offering to finance acquisitions completed in fiscal 2006 and 2007 and for general corporate purposes. This private placement was exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to the maturity date. The agreement also requires the Company to maintain a financial covenant. As of July 31, 2007, the Company was in compliance with this covenant.

On June 30, 2004, the Company finalized a debt offering of $150 million of 5.14% unsecured senior notes due in 2014 in an offering exempt from the registration requirements of the Securities Act of 1933. The debt offering was in conjunction with the Company s acquisition of EMED. The notes will be amortized over seven years beginning in 2008, with interest payable on the notes being due semiannually on June 28 and December 28, beginning in December 2004. The Company used the proceeds of the offering to reduce outstanding indebtedness under the Company s revolving credit facilities used to initially fund the EMED acquisition. The debt has certain prepayment penalties for repaying the debt prior to its maturity date. The agreement also requires the Company to maintain a financial covenant. As of July 31, 2007, the Company was in compliance with this covenant.

Long-term obligations as a percentage of long-term obligations plus stockholders investment were 34.9% at July 31, 2007, and 31.9% at July 31, 2006. Long-term obligations increased by $128.6 million from July 31, 2006 to July 31, 2007 due to the private placement that was completed during the year, partially offset by the portion of long-term obligations that is due for payment in fiscal 2008 that is recorded in current liabilities, and stockholders investment increased $145.0 million during this period due to net earnings for fiscal 2007 and changes in accumulated other comprehensive income.

The Company intends to fund its short-term and long-term operating cash requirements, including its fiscal 2008 dividend payments, primarily through net cash provided by operating activities.

The Company believes that its continued strong cash flows from operations, existing borrowing capacity and continued access to capital markets will enable it to execute its long-term strategic plan. This strategic plan includes investments, which expand its current market share, open new markets and geographies, develop new products and distribution channels and continue to improve our processes. This strategic plan also includes executing key acquisitions.

Subsequent Events Affecting Liquidity and Capital Resources

On September 11, 2007, the Board of Directors announced an increase in the quarterly dividend to shareholders of the Company s Class A Common Stock, from $0.14 to $0.15 per share. The dividend will be paid on October 31, 2007, to shareholders of record at the close of business on October 10, 2007. This dividend represents an increase of 7% and is the 22nd consecutive annual increase in dividends since the Company went public in 1984.

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Off-Balance Sheet Arrangements

The Company does not have material off-balance sheet arrangements or related party transactions. The Company is not aware of factors that are reasonably likely to adversely affect liquidity trends, other than the risks discussed in this filing and presented in other Company filings. However, the following additional information is provided to assist financial statement users.

Operating Leases These leases generally are entered into for investments in facilities such as manufacturing facilities, warehouses and office space, computer equipment and Company vehicles, when the economic profile is favorable.

Purchase Commitments The Company has purchase commitments for materials, supplies, services, and property, plant and equipment entered into in the ordinary course of business. Such commitments are not in excess of current market prices.

Due to the proprietary nature of many of the Company s materials and processes, certain supply contracts contain penalty provisions for early termination. The Company does not believe a material amount of penalties will be incurred under these contracts based upon historical experience and current expectations.

Other Contractual Obligations The Company does not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity other than those discussed below under Payments Due Under Contractual Obligations.

Related Party Transactions The Company does not have material related party transactions that affect the results of operations, cash flow or financial condition.

Payments Due Under Contractual Obligations

The Company s future commitments at July 31, 2007, for long-term debt, operating lease obligations, purchase obligations, interest obligations and other obligations are as follows (dollars in thousands):

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**
Long-Term Debt Obligations	$ 500,019	$ 21,444	$ 71,433	$ 142,856	$ 264,286
Operating Lease Obligations	71,842	23,097	32,540	10,625	5,580
Purchase Obligations(1)	30,331	30,194	137	0	0
Interest Obligations	150,405	26,305	49,306	39,215	35,579
Other Obligations(2)	10,517	575	1,403	1,804	6,735
Total	$ 763,114	$ 101,615	$ 154,819	$ 194,500	$ 312,180

(1) Purchase obligations include all open purchase orders as of July 31, 2007.

(2) Other obligations represent expected payments under the Company s postretirement medical, dental, and vision plans as disclosed in Note 3 to the consolidated financial statements, under Item 8 of this report.

Inflation and Changing Prices

Essentially all of the Company s revenue is derived from the sale of its products in competitive markets. Because prices are influenced by market conditions, it is not always possible to fully recover cost increases through pricing. Changes in product mix from year to year, timing differences in instituting price changes and the large amount of part numbers make it virtually impossible to accurately define the impact of inflation on profit margins.

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Critical Accounting Estimates

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. Changes in existing regulatory tax laws and rates may affect the Company s ability to manage successfully regulatory matters around the world, and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. The Company s accounting for deferred tax consequences represents management s best estimate of future events that can appropriately be reflected in the accounting estimates. Although the Company s current estimates may be subject to change in the future, management does not believe such changes would result in a material period-to-period impact on the results of operations or the financial condition of the Company.

Goodwill and Intangible Assets

The allocation of purchase price for business combinations requires management estimates and judgment as to expectations for future cash flows of the acquired business and the allocation of those cash flows to identifiable intangible assets in determining the estimated fair value for purchase price allocation purposes. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in the financial statements could result in a possible impairment of the intangible assets and goodwill or require acceleration of the amortization expense of finite-lived intangible assets. In addition, SFAS No. 142, Goodwill and Other Intangible Assets, requires that goodwill and other indefinite-lived intangible assets be tested annually for impairment. Changes in management s estimates or judgments could result in an impairment charge, and such a charge could have an adverse effect on the Company s financial condition and results of operations. To aid in establishing the value of goodwill and other intangible assets at the time of acquisition, Company policy requires that all acquisitions with a purchase price above $5 million must be evaluated by a professional appraisal company.

Reserves and Allowances

The Company has recorded reserves or allowances for inventory obsolescence, uncollectible accounts receivable, returns, credit memos, incurred but not reported medical claims, and income tax contingencies. These reserves require the use of estimates and judgment. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The Company believes that such estimates are made with consistent and appropriate methods. Actual results may differ from these estimates under different assumptions or conditions.

New Accounting Standards

The information required by this Item is provided in Note 1 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data.

Forward-Looking Statements

Brady believes that certain statements in this Form 10-K are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements related to future, not past, events included in this Form 10-K, including, without limitation, statements regarding Brady s future financial position, business strategy, targets, projected sales, costs, earnings, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations are forward-looking statements. When used in this Form 10-K, words such as may, will, expect, intend, estimate, anticipate, believe, should, project or plan or similar terminology are g to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions and other factors, some of which are beyond Brady s control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from future financial performance of major markets Brady serves, which include, without limitation, telecommunications, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, transportation; difficulties in making and integrating acquisitions; risks associated with newly acquired businesses; Brady s ability to retain significant contracts and customers; future competition; Brady s ability to develop and successfully market new products; changes in the supply of, or price for, parts and components; increased price pressure from suppliers and customers; interruptions to sources of supply; environmental, health and safety compliance costs and liabilities; Brady s ability to realize cost savings from operating initiatives; Brady s ability to attract and retain key talent; difficulties associated with exports; risks associated with international operations; fluctuations in currency rates versus the US dollar; technology changes; potential write-offs of Brady s substantial intangible assets; risks associated with obtaining governmental approvals and maintaining regulatory compliance for new and existing products; business interruptions due to implementing business systems; and numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature contained from time to time in Brady s U.S. Securities and Exchange Commission filings, including, but not limited to, those factors listed in the Risk Factors section located in Item 1A of Part I of this Form 10-K. These uncertainties may cause Brady s actual future results to be materially different than those expressed in its forward-looking statements. Brady does not undertake to update its forward-looking statements.

Risk Factors

Please see the information contained in Item 1A Risk Factors.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

The Company s business operations give rise to market risk exposure due to changes in foreign exchange rates. To manage that risk effectively, the Company enters into hedging transactions, according to established guidelines and policies, that enable it to mitigate the adverse effects of this financial market risk.

The global nature of the Company s business requires active participation in the foreign exchange markets. As a result of investments, production facilities and other operations on a global scale, the Company has assets, liabilities and cash flows in currencies other than the U.S. Dollar. The primary objective of the Company s foreign-currency exchange risk management is to minimize the impact of currency movements on intercompany transactions and foreign raw-material imports. To achieve this objective, we hedge a portion of known exposures using forward contracts. Main exposures are related to transactions denominated in the British Pound, the Euro, Canadian Dollar, Australian Dollar, Swedish Krona and Chinese Yuan currency. In the third quarter of fiscal 2006, we purchased a currency option to hedge against increases in the purchase price in U.S. dollar terms of Tradex, as the transaction was denominated in the Swedish Krona. A gain of approximately $1.5 million was recorded in fiscal 2006 due to this option.

The Company could be exposed to interest rate risk through its corporate borrowing activities. The objective of the Company s interest rate risk management activities is to manage the levels of the Company s fixed and floating interest rate exposure to be consistent with the Company s preferred mix. The interest rate risk management program allows the Company to enter into approved interest rate derivatives if there is a desire to modify the Company s exposure to interest rates. As of July 31, 2007, the Company had no interest rate derivatives.

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Item 8. ***Financial Statements and Supplementary Data***

BRADY CORPORATION & SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Brady Corporation
Milwaukee, WI

We have audited the accompanying consolidated balance sheets of Brady Corporation and subsidiaries (the Company) as of July 31, 2007 and 2006, and the related consolidated statements of income, stockholders investment, and cash flows for each of the three years in the period ended July 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Brady Corporation and subsidiaries at July 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2007, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of July 31, 2007, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 27, 2007, expressed an unqualified opinion on management s assessment of the effectiveness of the Company s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP
Milwaukee, WI
September 27, 2007

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BRADY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
July 31, 2007 and 2006

	2007	2006
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 142,846	$ 113,008
Short term investments	19,200	11,500
Accounts receivable, less allowance for losses ($9,109 and $6,390, respectively)	239,569	187,907
Inventories:		
Finished products	80,486	59,365
Work-in-process	21,309	12,850
Raw materials and supplies	37,983	37,702
Total inventories	139,778	109,917
Prepaid expenses and other current assets	42,020	36,825
Total current assets	583,413	459,157
Other assets:		
Goodwill	737,450	587,642
Other intangibles assets	149,761	134,111
Deferred income taxes	32,508	34,135
Other	21,111	10,235
Property, plant and equipment:		
Cost:		
Land	6,332	6,548
Buildings and improvements	90,688	78,418
Machinery and equipment	248,356	198,426
Construction in progress	18,107	12,098
	363,483	295,490
Less accumulated depreciation	188,869	155,584
Property, plant and equipment net	174,614	139,906
Total	$ 1,698,857	$ 1,365,186
LIABILITIES AND STOCKHOLDERS INVESTMENT		
Current liabilities:		
Accounts payable	$ 91,596	$ 78,585
Wages and amounts withheld from employees	73,622	61,778

Taxes, other than income taxes	8,461	6,231
Accrued income taxes	24,677	25,243
Other current liabilities	60,254	46,763
Short-term borrowings and current maturities on long-term obligations	21,444	20
Total current liabilities	280,054	218,620
Long-term obligations, less current maturities	478,575	350,018
Other liabilities	49,216	50,502
Total liabilities	807,845	619,140
Stockholders investment:		
Common stock:		
Class A Nonvoting Issued 50,586,524 and 50,481,743 shares, respectively (aggregate liquidation preference of $42,240 and $42,152 at July 31, 2007 and 2006, respectively)	506	505
Class B Voting Issued and outstanding 3,538,628 shares	35	35
Additional paid-in capital	266,203	258,922
Earnings retained in the business	540,238	460,991
Treasury stock 0 and 292,901 shares, respectively of Class A nonvoting common stock, at cost		(10,865)
Accumulated other comprehensive income	83,376	35,696
Other	654	762
Total stockholders investment	891,012	746,046
Total	$ 1,698,857	$ 1,365,186

See notes to consolidated financial statements.

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BRADY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
Years Ended July 31, 2007, 2006 and 2005

	2007	2006	2005
	(In thousands, except per share amounts)		
Net sales	$ 1,362,631	$ 1,018,436	$ 816,447
Cost of products sold	705,587	492,681	383,171
Gross margin	657,044	525,755	433,276
Operating expenses:			
Research and development	35,954	30,443	25,078
Selling, general and administrative	449,103	338,796	285,746
Total operating expenses	485,057	369,239	310,824
Operating income	171,987	156,516	122,452
Other income (expense):			
Investment and other income net	2,875	2,403	1,369
Interest expense	(22,934)	(14,231)	(8,403)
Net other expense	(20,059)	(11,828)	(7,034)
Income before income taxes	151,928	144,688	115,418
Income taxes	42,540	40,513	33,471
Net income	$ 109,388	$ 104,175	$ 81,947
Net income per common share(1):			
Class A Nonvoting:			
Basic	$ 2.03	$ 2.10	$ 1.67
Diluted	$ 2.00	$ 2.07	$ 1.64
Dividends	$ 0.56	$ 0.52	$ 0.44
Class B Voting:			
Basic	$ 2.01	$ 2.09	$ 1.66
Diluted	$ 1.98	$ 2.05	$ 1.63
Dividends	$ 0.54	$ 0.50	$ 0.42
Weighted average Class A and Class B common shares outstanding(1)			

Basic	53,907	49,494	48,967
Diluted	54,741	50,385	49,859

(1) Adjusted for two-for-one stock split in the form of a 100% stock dividend, effective December 31, 2004

See notes to consolidated financial statements.

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BRADY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS INVESTMENT
Years Ended JULY 31, 2007, 2006 AND 2005

	Common Stock	Additional Paid-In Capital	Earnings Retained in the Business	Treasury Stock	Accumulated Other Comprehensive Income	Other	Total Comprehensive Income
			(In thousands, except per share amounts)				
Balances at July 31, 2004	$ 482	$ 72,625	$ 322,224	$ (1,074)	$ 9,340	$ (282)	
Net income			81,947				$ 81,947
Net currency translation adjustment and other					8,157		8,157
Total comprehensive income							$ 90,104
Issuance of 1,117,431 shares of Class A Common Stock under stock option plan	11	15,722					
Other (Note 6)						(768)	
Tax benefit from exercise of stock options		5,385					
Purchase of 16,030 shares of Class A Common Stock				(501)			
Stock-based compensation expense		5,297					
Cash dividends on Common Stock:							
Class A $.44 per share			(19,793)				
Class B $.42 per share			(1,498)				
Balances at July 31, 2005	$ 493	$ 99,029	$ 382,880	$ (1,575)	$ 17,497	$ (1,050)	
Net income			104,175				$ 104,175
Net currency translation adjustment and other					18,199		18,199
							$ 122,374

Total comprehensive income							
Issuance of 4,600,000 shares of Class A Common Stock from equity offering	46	157,699					
Issuance of 4,200 shares of Class A Common Stock under stock option plan	1	(8,286)		17,205			
Other (Note 6)						1,812	
Tax benefit from exercise of stock options		4,912					
Purchase of 800,000 shares of Class A Common Stock				(26,495)			
Stock-based compensation expense		5,568					
Cash dividends on Common Stock:							
Class A $.52 per share			(24,283)				
Class B $.50 per share			(1,781)				
Balances at July 31, 2006	$ 540	$ 258,922	$ 460,991	$ (10,865)	$ 35,696	$ 762	
Net income			109,388				$ 109,388
Net currency translation adjustment and other					44,256		44,256
Total comprehensive income							$ 153,644
Issuance of 104,781 shares of Class A Common Stock under stock option plan	1	(4,037)		10,865			
Other (Note 6)		108				(108)	
Tax benefit from exercise of stock options and deferred compensation distributions		4,303					
Stock-based compensation expense		6,907					
Adjustment to adopt SFAS No. 158, net of tax of $1,551					3,424		

Cash dividends on Common Stock:						
Class A $.56 per share			(28,218)			
Class B $.54 per share			(1,923)			
Balances at July 31, 2007	$ 541	$ 266,203	$ 540,238	$	$ 83,376	$ 654

See notes to consolidated financial statements.

Adjusted for two-for-one stock split in the form of a 100% stock dividend, effective December 31, 2004.

BRADY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended July 31, 2007, 2006 and 2005

	2007	2006	2005
	(Dollars in thousands)		
Operating activities:			
Net income	$ 109,388	$ 104,175	$ 81,947
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	53,856	35,144	26,822
Gain on foreign currency contract		(1,516)	
Income tax benefit from the exercise of stock options			5,385
Deferred income taxes	70	(1,843)	(2,653)
Loss on sale of property, plant and equipment	13	124	743
Provision for losses on accounts receivable	3,287	1,152	1,216
Non-cash portion of stock-based compensation expense	6,907	5,568	5,579
Changes in operating assets and liabilities (net of effects of business acquisitions):			
Accounts receivable	(20,308)	(13,620)	(7,132)
Inventories	(12,323)	(16,961)	(11,847)
Prepaid expenses and other assets	(13,307)	(2,163)	(3,572)
Accounts payable and accrued liabilities	8,058	10,421	8,827
Income taxes	(6,821)	58	9,662
Other liabilities	7,198	(5,643)	4,126
Net cash provided by operating activities	136,018	114,896	119,103
Investing activities:			
Acquisitions of businesses, net of cash acquired	(159,475)	(351,331)	(79,926)
Payments of contingent consideration	(10,906)		
Purchases of short-term investments	(68,100)	(150,900)	(50,025)
Sales of short-term investments	60,400	146,500	48,075
Purchases of property, plant and equipment	(51,940)	(39,410)	(21,920)
Net settlement of foreign currency contract		1,516	
Proceeds from sale of property, plant and equipment	2,166	546	390
Other	(9,184)	(2,203)	(1,686)
Net cash used in investing activities	(237,039)	(395,282)	(105,092)
Financing activities:			
Payment of dividends	(30,141)	(26,064)	(21,291)
Proceeds from issuance of common stock	6,829	166,664	15,734
Principal payments on debt	(110,870)	(417,601)	(85,604)
Proceeds from issuance of debt	259,300	615,730	83,000

Purchase of treasury stock		(24,683)	(1,551)
Income tax benefit from the exercise of stock options and deferred compensation distributions	4,303	4,912	
Net cash provided by (used in) financing activities	129,421	318,958	(9,712)
Effect of exchange rate changes on cash	1,438	1,466	(117)
Net increase in cash and cash equivalents	29,838	40,038	4,182
Cash and cash equivalents, beginning of year	113,008	72,970	68,788
Cash and cash equivalents, end of year	$ 142,846	$ 113,008	$ 72,970
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest, net of capitalized interest	$ 19,842	$ 8,991	$ 7,836
Income taxes, net of refunds	49,233	37,661	19,358
Acquisitions:			
Fair value of assets acquired, net of cash	$ 87,398	$ 167,900	$ 60,193
Liabilities assumed	(33,248)	(63,667)	(35,113)
Goodwill	105,325	247,098	54,846
Net cash paid for acquisitions	$ 159,475	$ 351,331	$ 79,926

See notes to consolidated financial statements.

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BRADY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended July 31, 2007, 2006 and 2005
(In thousands except share and per share amounts)

1. Summary of Significant Accounting Policies

Nature of Operations Brady Corporation (Brady or the Company) is an international manufacturer and marketer of identification solutions and specialty products which identify and protect premises, products and people. Brady s core capabilities in manufacturing, printing systems, precision engineering and materials expertise make it a leading supplier to the Maintenance, Repair and Operations (MRO) market and to the Original Equipment Manufacturing (OEM) market.

Principles of Consolidation The accompanying consolidated financial statements include the accounts of Brady Corporation and its subsidiaries (the Company), all of which are wholly-owned, with the exception of one subsidiary where a third party retains an insignificant investment. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock Dividend All previously presented earnings per share, share amounts, and stock price data have been adjusted for a two-for-one stock split in the form of a 100% stock dividend, effective December 31, 2004.

Fair Value of Financial Instruments The Company believes the carrying amount of its financial instruments (cash and cash equivalents, accounts receivable and accounts payable) is a reasonable estimate of the fair value of these instruments due to their short-term nature.

Cash Equivalents The Company considers all highly liquid investments with maturities of three months or less when acquired to be cash equivalents, which are recorded at cost.

Available-for-Sale Securities The Company has invested in certain marketable securities that are categorized as available-for-sale. These investments consist of auction-rate securities and have been classified as short-term investments available-for-sale for all periods presented. The amount of available-for-sale securities included in the consolidated balance sheets as of July 31, 2007 and July 31, 2006 was $19,200 and $11,500, respectively, and consists solely of auction rate securities.

The auction rate securities held by the Company are municipal bonds with either perpetual or intermediate to long-term maturities. The holding period of each bond is either 7, 28, 35, or 49 days and is determined when the security is issued. A Dutch auction takes place at the end of each holding period at which time the security can be sold or held. The lowest rate that sells all of the securities is the set rate for the subsequent holding period. If there are not sufficient orders to place all of the available securities, the auction is said to have failed and liquidity will be denied for the subsequent holding period.

The carrying value of the available-for-sale securities approximates the aggregate fair value of the securities and there are no unrealized gains or losses on the available-for-sale securities. There were no realized gains or losses on available-for-sales securities during the periods presented.

Inventories Inventories are stated at the lower of cost or market. Cost has been determined using the last-in, first-out (LIFO) method for certain domestic inventories (approximately 27% of total inventories at July 31, 2007 and approximately 30% of total inventories at July 31, 2006) and the first-in, first-out (FIFO) or average cost methods for other inventories. Had all domestic inventories been accounted for on a FIFO basis instead of on a LIFO basis, the carrying value would have increased by $8,228 and $8,863 at July 31, 2007 and 2006, respectively.

BRADY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Depreciation The cost of buildings and improvements and machinery and equipment is being depreciated over their estimated useful lives using primarily the straight-line method for financial reporting purposes. The estimated useful lives range from 3 to 33 years as shown below.

Asset Category	**Range of Useful Lives**
Buildings and improvements	10 to 33 Years
Machinery and equipment	3 to 10 Years

Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the asset.

Goodwill and other Intangible Assets The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed on a straight-line basis, over the estimated periods benefited. Intangible assets with indefinite useful lives and goodwill are not subjected to amortization. These assets are assessed for impairment annually and when deemed necessary.

Changes in the carrying amount of goodwill for the years ended July 31, 2007 and 2006, are as follows:

	Americas	**Europe**	**Asia-Pacific**	**Total**
Balance as of July 31, 2005	$ 226,843	$ 73,544	$ 31,982	$ 332,369
Goodwill acquired during the period	95,185	33,892	118,021	247,098
Adjustments for prior year acquisitions	0	(341)	(154)	(495)
Translation adjustments	731	4,697	3,242	8,670
Balance as of July 31, 2006	$ 322,759	$ 111,792	$ 153,091	$ 587,642
Goodwill acquired during the period	76,944	26,696	1,685	105,325
Adjustments for prior year acquisitions	2,161	15,005	4,239	21,405
Translation adjustments	2,210	10,206	10,662	23,078
Balance as of July 31, 2007	$ 404,074	$ 163,699	$ 169,677	$ 737,450

The following acquisitions completed in fiscal 2007 increased goodwill during the year ended July 31, 2007 by the following amounts:

	Segment	**Goodwill**
Comprehensive Identification Products, Inc. (CIPI)	Americas, Europe and Asia-Pacific	$ 20,451

Precision Converters, L.P. (Precision Converters)	Americas	9,665
Scafftag, Ltd., Safetrak, Ltd. and Scafftag Pty., Ltd. (collectively Scafftag)	Americas, Europe and Asia-Pacific	7,030
Asterisco Artes Graficas Ltda. (Asterisco)	Americas	8,508
Modernotecnica SpA (Moderno)	Europe	11,285
Clement Communications, Inc. (Clement)	Americas	12,960
Sorbent Products Co., Inc. (SPC)	Americas, Europe and Asia-Pacific	35,426
Total		$ 105,325

Goodwill also increased $21,405 during the year ended July 31, 2007, as a result of adjustments to the allocation of the purchase price for acquisitions completed in fiscal 2006 and the recording of $1,577 for the contingent payment due to the previous owners of QDP Thailand Co., Ltd. (QDPT) and $1,000 for the contingent payment due to the previous owners of STOPware, Inc. (Stopware), which were both acquired in fiscal 2006 (see Note 2 for more information). The largest components of the increase were as a result of adjustments to the

BRADY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

allocation of purchase price related to Tradex Converting AB (Tradex) and Daewon Industry Corporation (Daewon), which added $14,843 and $2,940, respectively.

Of the $14,843 increase in goodwill related to the allocation of the purchase price for Tradex, $6,788 of the increase was due to the accrual for planned cost reduction activities contemplated at the date of the acquisition. The accrual consists of $2,639 for severance and other employee termination costs, $2,885 for contract termination and facility exit costs, and $1,264 for changes in the valuation of fixed assets. As of July 31, 2007, the remaining liability from such charges was approximately $2,702.

Of the $2,940 increase in goodwill related to the allocation of the purchase price for Daewon, $1,829 of the increase was due to the finalization and payment of the purchase price adjustment owed to the former owners of Daewon and $1,013 of the increase was due to the accrual for planned cost reduction activities contemplated at the date of the acquisition. The accrual consists of $289 for severance and other employee termination costs, $277 for contract termination and facility exit costs, and $447 for changes in the valuation of assets. As of July 31, 2007, the remaining liability from such charges was approximately $309.

The remaining $23,078 increase to goodwill during fiscal 2007 was attributable to the effects of foreign currency translation.

The following acquisitions completed in fiscal 2006 increased goodwill during the year ended July 31, 2006 by the following amounts:

	Segment	Goodwill
Stopware	Americas	$ 2,506
TruMed Technologies, Inc. (TruMed)	Americas	4,134
J.A.M. Plastics Inc. (J.A.M.)	Americas	9,116
Personnel Concepts	Americas	48,154
IDenticard Systems, Inc. (IDenticard)	Americas	25,192
Identicam Systems (Identicam)	Americas	6,001
Texit Danmark AS and Texit Norge AS (collectively Texit)	Europe	6,043
QDPT	Asia-Pacific	2,298
Daewon	Asia-Pacific	18,005
Accidental Health & Safety Pty. Ltd. and Trafalgar First Aid Pty. Ltd. (collectively Accidental Health)	Asia-Pacific	6,895
Carroll Australasia Pty. Ltd. (Carroll)	Asia-Pacific	12,343
Tradex	Americas, Europe and Asia-Pacific	106,411
Total		$ 247,098

Goodwill also decreased $495 during the year ended July 31, 2006, as a result of adjustments to the allocation of the purchase price of Signs and Labels Ltd. (Signs & Labels), in Europe which was acquired on June 24, 2005 and to

Technology Print Supplies, Ltd. and its associate, Technology Supply Media Co., Ltd. (TPS) in Thailand, which were acquired on July 29, 2005. The remaining $8,670 increase to goodwill during fiscal 2006 was attributable to the effects of foreign currency translation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other intangible assets include patents, trademarks, customer relationships, purchased software, non-compete agreements and other intangible assets with finite lives being amortized in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. The net book value of these assets was as follows:

	July 31, 2007				July 31, 2006			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Amortized other intangible assets:								
Patents	15	$ 8,392	$ (5,913)	$ 2,479	15	$ 7,885	$ (5,134)	$ 2,751
Trademarks and other	5	4,510	(3,250)	1,260	6	3,328	(2,106)	1,222
Customer relationships	7	134,125	(36,674)	97,451	7	109,955	(17,693)	92,262
Non-compete agreements	4	11,364	(6,294)	5,070	4	9,757	(4,448)	5,309
Other	5	3,297	(2,554)	743	5	3,288	(1,887)	1,401
Unamortized other intangible assets:								
Trademarks	N/A	42,758		42,758	N/A	31,166		31,166
Total		$ 204,446	$ (54,685)	$ 149,761		$ 165,379	$ (31,268)	$ 134,111

The acquisitions completed in fiscal 2007 (see Note 2 for more information) attributed to the increases in each of the categories of other intangible assets listed above. The largest components of the increase in customer relationships relates to the acquisitions of CIPI, Precision Converters, Scafftag, Asterisco, Moderno, Clement, and SPC which added $5,609, $1,415, $2,767, $5,133, $5,913, $2,200 and $860, respectively. These assets will be amortized over a weighted average amortization period of 6.6 years. The increase in unamortized trademarks primarily relates to the acquisitions of Scafftag, Clement and SPC, which added $988, $1,000 and $8,998, respectively.

The value of goodwill and other intangible assets in the consolidated balance sheet at July 31, 2007 differs from the value assigned to them in the allocation of purchase price due to the effect of fluctuations in the exchange rates used to translate financial statements into the United States Dollar between the date of acquisition and July 31, 2007.

Amortization expense of intangible assets during fiscal 2007, 2006, and 2005 was $21,882, $13,633, and $7,935, respectively. The amortization over each of the next five fiscal years is projected to be $23,286, $22,423, $21,267, $17,906 and $8,996 for the years ending July 31, 2008, 2009, 2010, 2011 and 2012, respectively.

Impairment of Long-Lived and Other Intangible Assets The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived and other finite-lived intangible assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on fair value of the assets generally estimated by the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. If an impairment is determined to exist, any related impairment loss is calculated based on the fair value of the asset. Based on the assessments completed in fiscal 2007, there have been no indications of impairment in the Company s long-lived and other intangible assets.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impairment of Goodwill The Company evaluates goodwill under SFAS No. 142, which addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill not be amortized, but instead be tested for impairment on at least an annual basis.

The Company performed its annual assessments in the fourth quarter of the fiscal year. The assessments included comparing the carrying amount of net assets, including goodwill, of each reporting unit to its respective fair value as of the date of the assessment. Fair value was estimated based upon discounted cash flow analyses. Because the estimated fair value of each of the Company s reporting units exceeded its carrying amount, management believes that no impairment existed as of the date of the latest assessment. No indications of impairment have been identified between the date of the latest assessment and July 31, 2007.

Catalog Costs Direct response catalog and mailer costs are primarily capitalized and amortized over the estimated useful lives of the publications (generally less than one year). Non-direct response catalog costs are recorded as prepaid supplies and recorded as advertising expense as they are consumed (less than one year). At July 31, 2007 and 2006, $15,292 and $14,331, respectively, of prepaid catalog costs were included in prepaid expenses and other current assets.

Revenue Recognition Revenue is recognized when it is both earned and realized or realizable. The Company s policy is to recognize revenue when title to the product, ownership and risk of loss have transferred to the customer, persuasive evidence of an arrangement exits and collection of the sales proceeds is reasonably assured, all of which generally occur upon shipment of goods to customers. The majority of the Company s revenue relates to the sale of inv