Global Graphics SE

Annual report and financial statements for the year ended 31 December 2016

Company registration number: SE000077

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About Global Graphics

Global Graphics SE is a European public limited-liability company registered in England and Wales with its shares traded on Euronext Brussels under stock code GLOG.

As a leading developer of software platforms for use in digital printing and digital document systems, our technology is used by some of the world's leading brands in their markets and solutions, including Hewlett Packard, Agfa, Canon, FujiXerox, Quark, Roland and Kodak. Our strategic focus is on high-speed digital printing which includes a growing number of applications from labels and packaging, interior décor and even automotive applications. Our combination of software and first-rate engineering skills means we can help press manufacturers to respond to technical challenges with innovation, adding value to their products, and getting them to market quickly

With the acquisition of TTP Meteor Limited, subsequently renamed to Meteor Inkjet Ltd ("Meteor"), in December 2016, Global Graphics will be able to offer a broader solution to digital inkjet press manufacturers by combining our software solutions with Meteor's industrial printhead driver solutions

Through the acquisition of URW++ Design & Development GmbH ("URW") in 2015, the Group has established itself in the graphic design industry with innovative font and digital typeface software products. Based on their technical font production skills, URW are particularly successful in the area of corporate type development and production as well as a supplier of so-called world or global fonts for OEM customers, with brands such as General Motors, Mercedes Benz and Siemens among their customer base.

The roots of the Company go back to 1986 and to Cambridge, UK, and today the majority of the R&D team is still based near this iconic university town. We also have offices in Hamburg, Germany, near Boston, Massachusetts, USA and in Tokyo, Japan.

Our markets

Production printing
Our software raster image processors ("RIPs") that convert text and images into printable form offer market leading performance, outstanding quality and reliability for light production, high-volume, ultra high-volume and wide format digital printing applications. We also offer complementary colour management to ensure colour fidelity, screening and trapping technologies to enhance print quality, imposition for laying out final printed output and variable data to enable each printed page to include varying data.

Meteor's printhead driver solutions expand the range of digital printing applications that are supported by the Group's technology.

Digital documents
Our gDoc platform allows our partners to build integrated desktop and mobile digital document solutions to add value to their products and reduce time to market. We specialize in file format conversion, notably PDF creation, as well as cross-platform and mobile viewing technologies. Our pixel perfect viewing enables fluid viewing on the latest generation of devices and platforms, including Windows, iOS, Android and Cloud based solutions.

Office printing
Through our agreements with leading chip manufacturers, such as Marvell and Conexant, we can offer printer manufacturers their choice of hardware platform on which to embed our RIP.

Fonts
With the addition of URW to the Group, we can now supply digital font technology not only to the printing industry, but to global organisations that need a consistent brand image across their products. The application of this technology ranges from a standard corporate typeface for branding to fonts emebedded in products ranging from computer games to household appliances to motor vehicles.

Our licensing model

Our solutions are typically licensed under technology agreements and reseller agreements. We are noted for our flexible approach to licensing our technology and pride ourselves for being a trusted commercial and development partner.

Patented technology

Our existing patent portfolio covers many areas of printing and document technology while a number of patent applications will protect our future inventions.

Industry standards and compatibility

We have always taken an active role in industry standards setting bodies and associations. Today our Chief Technology Officer is the UK primary expert on the International Standards Organization (ISO) for PDF, for PDF/A (the standard for archiving electronic documents) and for PDF/VT (the standard for use of PDF in variable data print workflows). We were one of the founder members of CIP4, the international body that promotes the integration of processes in pre-press, press and post-press and chaired CGATS, the Committee for Graphic Arts Technical Standards, for many years. In 2007 we were elected to chair ECMA TC46 the technical committee of ECMA International that worked on producing an industry standard for the XPS print and document format.

CORPORATE GOVERNANCE REPORT

The content of this report is unaudited.

INTRODUCTION

The Financial Conduct Authority's Listing Rules ("the Listing Rules") require that listed companies (but not companies traded on an overseas EU market) incorporated in the UK should state in their report and accounts whether they comply with the revised 2014 UK Corporate Governance Code ("the Code") and identify and give reasons for any area of non-compliance. The Company is listed on Euronext Brussels and therefore is not required to comply with the Listing Rules or the Code, however a number of voluntary disclosures have been given.

The board supports the principles and aims of the Code and intends to ensure that the Group observes the provisions of the Code as it grows, as far as is practical. However, the board considers that at this stage in the Group's development the expense of full compliance with the Code is not appropriate.

DIRECTORS AND BOARD

The board comprises two executive and two non-executive directors. The board considers that the two non-executive directors are independent.

The roles of chairman and chief executive officer are separate appointments and it is board policy that this will continue. The non-executive directors bring their independent judgement to bear on issues of strategy, performance, appointments, resources and standards of conduct.

BOARD COMMITTEES

The board considers that due to the current size of the Group, audit and remuneration committees are not required to ensure the governance of the Group at this time.

RELATIONS WITH SHAREHOLDERS

The Company's executive directors communicate regularly with analysts and private investors are encouraged to participate in the Annual General Meeting.

INTERNAL FINANCIAL CONTROL

The Group has established policies covering the key areas of internal financial control and the appropriate procedures, controls, authority levels and reporting requirements which must be applied throughout the Group.

The key procedures that have been established in respect of internal financial control are:

- internal control: the directors review the effectiveness of the Group's system of internal controls on a regular basis;
- financial reporting: there is in place a comprehensive system of financial reporting based on the annual budget approved by the board. The results for the Group are reported monthly along with an analysis of key variances to budget, and year-end forecasts are updated on a regular basis; and
- investment appraisal: applications for significant expenditure of either a revenue or capital nature are made in a format which places emphasis on the commercial and strategic justification as well as the financial returns.

All significant projects require specific board approval.

No system can provide absolute assurance against material misstatement or loss but the Group's systems are designed to provide reasonable assurance as to the reliability of financial information and ensuring proper control over income and expenditure, assets and liabilities.

GOING CONCERN

On the date these consolidated financial statements were approved, based on their review of cash flow projections prepared by management for the years ending 31 December 2017 and 2018, the members of the Company's board of directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern, notably because of a cash position of €4.639 million as at 31 December 2016 (2015: €4.235 million) and the absence of any outstanding bank debt.

GROUP STRATEGIC REPORT

STRATEGY AND BUSINESS MODEL

Global Graphics is a leading developer of software used in printing, publishing, and electronic document systems. An expert in interpreting Page Description Languages ("PDLs"), notably PostScript®, PCL, the Portable Document Format ("PDF") and Microsoft's XPS (XML Paper Specification), Global Graphics has a broad technology portfolio that includes Raster Image Processors ("RIPs") that convert text and images into printable form, fonts, software for document conversion and manipulation and components for digital workflow and colour management. In December 2016, the acquisition of TTP Meteor Limited, added printhead driver systems to this portfolio.

Revenue is principally derived by directly licensing technology to original equipment manufacturers ("OEMs") of pre-press equipment, digital printers and copiers, industrial printing devices, developers of applications that create, manipulate and manage electronic documents and system integrators.

Consequently, Global Graphics' technology lies at the heart of industry leading brands of digital pre-press systems, professional colour proofing devices, wide-format colour printers, digital production presses, digital multi-function copiers and printers for the office as well as a wide variety of software applications. Font technology from URW++ Design & Development GmbH ("URW") is found in leading brands ranging from household appliances to motor vehicles.

To date the Group has focussed our printing software mostly on publishing, commercial printing and wide-format printing. These are mature segments. However our strategy is to expand the use of Global Graphics technology into the fast-growing digital printing segment, and specifically high-speed inkjet technology, where we have already established our credentials. OEMs licence our technology because it is reliable, helps them respond to emerging technical challenges and adds value to their product offerings.

In 2016, to that end, the Group sharpened its focus on developing software to drive high-speed digital printing presses with the launch of the Fundamentals range of workflow components which complement the Harlequin RIP and the BreakThrough engineering service. In this segment of the printing industry our Harlequin RIP® technology is the fastest available, powering presses capable of printing the equivalent of 10,000 pages per minute. Today printed pages are only part of the equation. High-speed digital printing, and inkjet printing in particular, is being applied to a wide range of solutions, including those for labels and packaging, ceramics and other décor, and textiles. In December 2016 Global Graphics acquired TTP Meteor, developers of production-ready drive electronics for industrial inkjet print heads, in order to expand our reach into this exciting and innovative technology area.

URW, is a world-class digital font foundry and provides a combined proposition of our Harlequin RIP® technology with the opportunity to expand the URW business geographically with the support of the Global Graphics world-wide infrastructure.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Operational highlights

Acquisitions

On 5 December 2016, the Group acquired the entire issued share capital of TTP Meteor Limited ("Meteor"), specialists in printhead driver systems, from the TTP Group plc ("TTP") based near Cambridge, UK. Meteor's name was subsequently changed to Meteor Inkjet Limited.

Meteor enables industrial inkjet, graphic arts and commercial printing applications through the provision of world-leading drive electronics and software. Through strong relationships with industrial inkjet printhead manufacturers including Fujifilm Dimatix, Konica Minolta, Kyocera, Ricoh, SII Printek, Toshiba TEC and Xaar, Meteor supplies production-ready electronics and software to print equipment manufacturers world-wide.

This acquisition is strategically important for Global Graphics because it means the Group can offer a broader solution to inkjet press manufacturers by combining the Group's software solutions with Meteor's industrial printhead driver solutions. Healthy growth is predicted for the inkjet segment of digital printing where there continues to be a vast amount of innovation as jetting technology is applied to an increasingly diverse range of applications such as ceramics, textiles or décor. The Group is already emerging as an important partner to the industry's leading manufacturers and Meteor adds to this capability, making a very compelling proposition in the market. The Group and Meteor already share joint customers and the goal is to substantially grow this base.

Print

Casio Computer Co., Ltd ("Casio") chose the Harlequin Embedded RIP to enhance their Japanese office colour printer SPEEDIA GE6000 by adding native PostScript and PDF support into its new optional unit. Using the Harlequin Embedded RIP, Casio has added native processing of PostScript data with full PostScript compatibility and a PC-less direct print feature for PDF files.

A strategic business relationship with Roland DG Corporation ("Roland"), a global, leading manufacturer of wide-format inkjet printers and printer/cutters, was signed. Roland chose the Harlequin RIP to provide their customers with the ability to efficiently handle ever larger and complicated colour files and to be able to collaborate with the experienced and talented team of Global Graphics engineers who specialise in colour management and screening technology to provide solid support for their customers. It will also allow Roland to reduce lead times for bringing products to market.

GROUP STRATEGIC REPORT (CONTINUED)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

Operational highlights (continued)

A major new release of the Harlequin RIP, the software engine that drives the printing industry's highest performing digital presses, was launched. Reputed for the quality of its output as well as its speed, the Harlequin RIP transforms design and pre-press data into a format that can be printed and feeds those pages to the press. It's compatible with a wide range of PDF design tools and compliant with industry standards. The new version, Harlequin 11, raises the bar in output quality by introducing features to improve inkjet output quality, offers more controls for variable data printing, and contains new features for labels and packaging applications.

A new generation of aqueous inkjet printers from Think Laboratory that will print onto plastic film for applications such as short-run food packaging, will be powered by the Harlequin RIP. Think Laboratory, a global supplier of advanced gravure engraving equipment based in Japan, has licenced Harlequin because it is faster than other vendors' technology and can produce optimal output quality thanks to Global Graphics' new multi-level screening technology.

The Company continued working jointly with Hybrid Software to provide digital press manufacturers with an unbeatable package of RIPs and workflow.

At the drupa trade show, which is held every 4 years in Dusseldorf, Germany, the Company unveiled a number of new tools and products, primarily targeted at inkjet press manufacturers to help them get to market sooner by overcoming the technical hurdles involved in developing a new press. Called Fundamentals, the service provides press manufacturers with a single source for the key software components and engineering knowhow that are essential to building a digital front end. It is aimed at label, packaging and commercial inkjet press manufacturers initially.

The software package includes the Harlequin RIP and Harlequin ColorPro, Cloudflow and other workflow components from Hybrid Software, Mellow Colour digital print quality management software and the Group's newly created ScreenPro multi-level screening engine.

Alongside the software package, the "BreakThrough" service provides engineering expertise by working side by side with the manufacturer to create a solution that is truly customised to their press and its operating environment. In doing so we give the manufacturer access to our tools and a unique pool of print scientists and engineers with decades of specialist knowledge exactly when they need it.

The proposition resonated well, in particular our new multi-level screening technology. The objectives of acquiring new leads and creating awareness of Fundamentals was achieved.

Also at the drupa trade show, RTI was based on the OKI stand and demonstrated Harlequin Direct Print driving the leading-edge OKI C941 and C942 digital production colour printers. A time-limited copy of Harlequin Direct Print is being shipped by OKI Europe with each C941 and C942 that is sold.

The embedded Harlequin RIP was chosen by Korean manufacturer Sindoh for a new range of multi-function office printers (MFPs) that will be sold in Korea, China, South Africa and the Middle East, with expansion into the European market.

Fonts
A new bilingual Arabic-Latin language typeface developed in response to the fast growing Arabic market was unveiled by Global Graphics' font foundry URW. Boutros-URW Franklin Gothic Arabic is the result of a unique collaboration between London-based Boutros which has specialised in Arabic fonts since 1966, and URW.

Sales appointment
Jeremy Spencer was appointed as VP of print sales, bringing over 20 years' experience in commercial printing, digital imaging and industrial inkjet from positions held at Caldera, XaarJET and X-Rite.

Sales

Sales for the year were €16.03 million compared with €15.27 million in 2015. This was an increase of €0.76 million (5.0%). On a like for like basis, i.e. at 2015 exchange rates, 2016 sales would have been approximately €0.14 million lower and totalled approximately €15.89 million.

The net increase of €0.76 million in revenue during the year was due to:

- revenue from new customers of €0.57 million;
- additional revenue from acquisitions during the year of €0.66 million;
- the effect of a full year of revenue from prior year acquisitions of €1.47 million;
- an increase of €0.14 million due to the movement in exchange rates;
- a decrease of €3.28 million because there was no significant revenue recognised during this period from the contract that was announced on 4 March 2014; and
- an increase of €1.20 million due to net higher volumes from existing customers.

GROUP STRATEGIC REPORT (CONTINUED)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

Sales (continued)

License fees accounted for 77.2% (2015: 84.2%) of revenue, maintenance and support accounted for 8.0% (2015: 8.9%), engineering services accounted for 6.7% (2015: 3.7%), hardware and consumables accounted for 4.4% (2015: 2.8%), driver electronics accounted for 3.6% (2015: nil) and other items accounted for 0.1% (2015: 0.4%).

In 2016, the ten largest customers represented 61.7% (2015: 71.5%) of the Group's revenue, the five largest customers represented 45.6% (2015: 57.7%) of the Group's revenue and the single largest customer represented 18.1% (2015: 23.8%) of the Group's revenue. That single largest customer is the only customer that represented more than 10% of the Group's revenue (2015: three). That customer is included in the Print segment (2015: two in Print, one in eDoc) with sales totalling €2.90 million.

The Group's sales are made in a number of different currencies, and during the reporting year 54.2% (2015: 77.4%) were denominated in US dollars, 27.4% (2015: 14.8%) were in japanese yen, 13.5% (2015: 5.8%) were in euros and 4.9% (2015: 2.0%) were in pounds sterling. This means that the Group's revenues can be affected significantly by currency fluctuations against the reporting currency of euro.

Management has identified four strategic markets in which the Group's Print and eDoc segments operate in. They are:

- High-speed: for the increasing trend in the industry to move to high-speed inkjet printing, where the Group already provides its software technology to some of the market leaders;
- In-house: for the emerging trend of in-house production printing devices that allow staff to print low volume jobs on varying media in-house rather than sending out to a print service provider;
- Office: where existing office printer manufacturers are looking to reduce the costs of their hardware devices while at the same time creating new digital document software applications to build new revenue streams and differentiate their solutions from their competitors; and
- Traditional: for the Group's traditional graphics art printing business.

The following table shows the revenue attributable to each of the four markets for the year ended 31 December 2016 and 31 December 2015.

In thousands of euros	**2016**	**2015**
High-speed	2,839	2,593
In-house	115	138
Office	2,454	6,699
Traditional	8,204	4,881
Total Print and eDoc segment revenue	**13,612**	**14,311**
Fonts	2,421	954
Total revenue	**16,033**	**15,265**

Pre-tax result

The consolidated pre-tax result was a profit of €0.13 million in 2016 compared with a pre-tax profit of €1.22 million in 2015. The reduction in profitability of €1.09 million is due to:

- the increase in revenue of €0.76 million as explained above;
- an increase in cost of sales of €0.42 million
- an increase in selling, general and administrative expenses of €2.10 million;
- an increase in research and development expenses of €0.21 million;
- an increase in other income less other operating expenses of €0.17 million; and
- an increase in foreign exchange gains of €0.71 million.

Included in research and development expenses is the capitalisation and amortisation of internally generated intangible assets. During the period there was a net expense of €1.52 million (2015: €1.32 million) related to these assets. The net expense was made up of €2.79 million (2015: €3.06 million) in amortisation charge offset by €1.27 million (2015: €1.74 million) in capitalisation of development expenses.

Included in selling, general and administrative expenses is amortisation of €1.07 million (2015: €0.29 million) related to the acquired intangible assets of URW and Meteor and share-based payment expenses of €0.95 million (2015: €0.11 million).

The exchange rate losses and gains are primarily due to the revaluation of currency balances held at the balance sheet date and the significant change in exchange rates during the year.

GROUP STRATEGIC REPORT (CONTINUED)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

Operational highlights (continued)

Cashflow

The Group generated a small increase in cash during the year, ending the year with cash balances valued at €4.64 million (2015: €4.24 million), after investing €1.44 million of its cash to acquire 100% of the equity of TTP Meteor Limited. The Group acquired €0.12 million in cash as part of the acquisition.

The Group continues to generate sufficient cash to fund its day to day operational expenditures and capital expenditure on property, plant and equipment. Capital expenditure in the period was €0.25 million (2015: €0.29 million).

Adjusted operating result and net profit

Management believes that evaluating the Group's ongoing results may not be as useful if it is limited to reviewing only IFRS financial measures, particularly because management uses adjusted financial information to evaluate its ongoing operations and for internal planning and forecasting purposes.

Management does not suggest that investors should consider these adjusted financial results in isolation from, or as a substitute for, financial information prepared in accordance with IFRSs. The Group presents adjusted financial results when reporting its financial results to provide investors with an additional tool to evaluate the Group's results in a manner that focuses on what the Group believes to be its underlying business operations. The Group's management believes that the inclusion of adjusted financial results provides consistency and comparability with past reports and comparability to similar companies in the Group's industry, many of which present the same or similar adjusted financial information to investors. As a result, investors are encouraged to review the related IFRS financial measures and the reconciliation of these adjusted results.

Adjusted financial information has not been audited by the Group's auditors.

Reported operating profit or loss is adjusted as follows:

In thousands of euros	**2016**	2015
Reported operating (loss)/profit	(674)	1,126
Add share based remuneration expense (see note 30)	950	108
Deduct capitalised development expense (see note 17)	(1,269)	(1,736)
Add amortisation and impairment of capitalised development	2,789	3,058
Add amortisation of acquired intangibles	1,098	370
Add other operating expenses (see note 10)	121	305
Deduct other income	(2)	(16)
Total adjustments to reported operating profit	3,687	2,089
Adjusted operating profit	**3,013**	**3,215**

Reported net profit or loss is adjusted as follows:

In thousands of euros	**2016**	2015
Reported net profit	596	1,901
Adjustments to operating result above	3,687	2,089
Tax effect of above-mentioned adjustments	(613)	(393)
Total adjustments to reported net profit	3,074	1,696
Adjusted net profit	**3,670**	**3,597**
Adjusted net basic earnings per share (see note 29)	**0.33**	0.34
Adjusted net diluted earnings per share (see note 29)	**0.32**	0.34

GROUP STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

Dependence on the graphic arts and digital printing industries and on strategic alliances

The Group derives a significant amount of its revenues from products and services provided to the graphic arts and digital printing industries. Accordingly, the Group's future success significantly depends upon the continued demand for its products within such industries. The board believes that an important factor to consider is the substantial change in the graphic arts and digital printing industries, as evidenced by sustained growth in digital printing and low growth in conventional printing. The shift in inkjet printing technology opens up opportunities to the Group when manufacturers develop new products. If this environment of change were to slow, the Group could experience reduced demand for its products. The Group continues to monitor the trends in the market to ensure that its product development plans continue to address those trends.

Failure to manage a successful transition to new products and markets

Any delays or failures in developing new products, including upgrades of current products, and anticipating changing customer requirements or market conditions, may have a harmful impact on the Group's sales and operating results. The Group's inability to extend its core technologies into new applications and new platforms and to anticipate or respond to technological changes and customer or market requirements could affect market acceptance of its products and could cause a decline in the Group's sales and results. The Group manages this risk by using a methodical approach to product management and product development based on market analysis and customer feedback.

Inadequate protection of its proprietary technology and intellectual property rights

The Group's success is heavily dependent upon its proprietary technology. To protect its proprietary rights, the Group relies on a combination of patent, copyright, trade secret and trademark laws, as well as the early implementation and enforcement of non-disclosure and other contractual restrictions. As part of its confidentiality procedures, the Group enters into written non-disclosure agreements with its employees, prospective customers, OEMs and strategic partners and takes affirmative steps to limit access to, and distribution of, its software, intellectual property and other proprietary information.

Despite these efforts, in the event that such agreements are not made on a timely basis, complied with or enforced, the Group may be unable to effectively protect its proprietary rights and the enforcement of its proprietary rights may be cost-prohibitive. Unauthorized parties may attempt to copy or otherwise obtain, distribute, or use the Group's products or technology. Monitoring unauthorized use of the Group's software products is difficult. Management cannot be certain that steps taken to prevent unauthorized use of the Group's proprietary technology, particularly in countries where the laws may not protect proprietary rights as fully as in the EU or the United States, will be effective.

The Group's source code is also protected as a trade secret. However, from time to time, the Group licenses its source code to partners, which subjects it to the risk of unauthorized use or misappropriation despite the contractual terms restricting disclosure, distribution, copying and use. In addition, it may be possible for unauthorized parties to obtain, distribute, copy or use the Group's proprietary information or to reverse engineer its trade secrets.

The Group holds patents, and has patent applications pending, in the United States and in the EU. There may be no assurance that patents held by the Group will not be challenged, that patents will be issued from the pending applications or that any claims allowed from existing or pending patents will be of sufficient scope or strength to provide efficient protection for the Group's intellectual property rights.

Costs of enforcing, acquiring and defending intellectual property rights

In connection with the enforcement of its own intellectual property rights, the acquisition of third party intellectual property rights or disputes relating to the validity or alleged infringement of third-party rights, including patent rights, the Group has been and may be in the future subject to claims, negotiations or protracted litigations. Intellectual property disputes and litigation are typically very costly and can be disruptive to the Group's business operations by diverting the attention and energies of management and key technical personnel. Although the Group has successfully defended or resolved past litigation and disputes, it may not prevail in any future litigation and disputes.

Third-party intellectual property rights could subject the Group to significant expenditures, require the Group to enter into royalty and licensing agreements on unfavourable terms, prevent the Group from licensing certain of its products, cause disruption to the markets where the Group operates or require the Group to satisfy indemnification commitments with its customers including contractual provisions under various license arrangements, any one of which could harm the Group's business.

The Group has built a portfolio of patents that can be used as defence or for negotiation in these situations and actively encourages staff to submit patent ideas to continue to expand this portfolio.

Electronic component supplies

Following the acquisition of Meteor, the Group now supplies electronic controls to device manufacturers. These products include some key electronic components which have limited suppliers in the world. There is a risk that the Group's products could not be manufactured if there is a disruption to that supply. To mitigate potential problems, the Group orders these components in advance of other components to ensure a continuity of supply.

GROUP STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Recruitment and retention of key personnel

An important part of the Group's future success depends on the continued service and availability of the Group's senior management, including its Chief Executive Officer and other members of the executive team. These individuals have acquired specialized knowledge and skills with respect to the Group. The loss of any of these individuals could harm the Group's business.

The Group's business is also dependent on its ability to attract, retain, and motivate talented, highly skilled personnel, notably in the software development and technical support areas. Such personnel are in high demand and competition for their talents is intense. Should the Group be unable to continue to successfully attract and retain key personnel, its business may be harmed.

The Group offers a competitive package of salary and benefits to directors and employees and regularly benchmarks them against similar businesses to ensure that they remain attractive to current and prospective employees.

UK's vote to leave the EU ("Brexit")

On 23 June 2016, the population of the UK voted on a referendum to leave the EU ("Brexit") and respecting that vote the UK Government is proceeding with transacting upon that decision. While there will be no immediate change to the Group's corporate structure and financial reporting requirements, the board will monitor events to determine how the Group will be affected over the long term. Other than the general macro-economic environment over which there is no control, it is the board's view that it will be business as usual for the coming months. The potential volatility of exchange rates, particularly the weakness of sterling against the euro, may have a positive effect on the Group's reported profitability, but a negative effect on the Group's asset value when translated to euros.

The Group does derive revenue from EU member states. During the year ended 31 December 2016 11.5% (2015: 4.0%) of the Group's revenue was from EU member states, excluding the UK, 6.7% of which was generated by the Company's subsidiary in Germany.

A longer term risk is that the UK will no longer recognise a Societas Europaea ("SE") as a legal entity. To mitigate this risk the board will propose to convert the Company from a UK registered SE to a UK registered public limited company ("PLC") and for shareholders to vote on that change at the Annual General Meeting in 2017.

The board is committed to the Company's listing on Euronext Brussels and has no plans to change the listing or the reporting currency.

Significant financial risk factors

The Group's activities expose it to a variety of financial risks, notably foreign exchange risk, credit risk, liquidity risk and cash flow interest-rate risk.

Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to a surplus of US dollars and a shortfall of Pounds sterling. Foreign exchange risk arises from future commercial transactions, recognised assets (notably trade receivables) and liabilities, as well as net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions, recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency, the Group's companies from time to time use forward currency contracts transacted with high-credit-quality financial institutions after review and approval by the Group's Chief Financial Officer. At 31 December 2016, the Group had not entered into any forward contracts (2015: none).

Credit risk
Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables. As it markets and sells its products and services to a broad base of customers including OEM partners, distributors, and system integrators, the Group has no significant concentration of credit risk, though relatively few customers accounted for a substantial portion of the Group's sales within the last few years due to the dominance of a limited number of companies in the Group's markets.

Liquidity risk
Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility by keeping committed credit lines available.

However, considering the Group's expected cash flow and net cash position of €4.64 million at 31 December 2016, the Group has not applied for any such lines of credit.

Cash flow interest-rate risk
As the Group had no significant interest-bearing assets or liabilities at 31 December 2016 (2015: none), the Group's income and operating cash flows for the year ended 31 December 2016 were substantially independent of changes in market interest rates.

GROUP STRATEGIC REPORT (CONTINUED)

KEY PERFORMANCE INDICATORS (KPIS)

The board monitors progress on the overall Group strategy and the individual strategic elements by reference to financial KPIs, specifically revenue, gross margin, operating expenses and adjusted operating profit. These KPIs have been addressed in more detail in the Business review and future developments section above.

ENVIRONMENTAL MATTERS

The Group's business is to develop and market software solutions and device electronics. As a result, management believes the Group has no activities, which are likely to have significant, detrimental effects on the environment. In fact, an application of some of the Group's products is to limit ink use when printing. Policies aimed at minimising the Group's environmental footprint to the lowest level possible, including recycling waste from paper, ink, toner cartridges, other computer consumables and computer hardware have been implemented within the Group for several years.

SOCIAL, COMMUNITY AND HUMAN RIGHTS

Social and community

Staff are encouraged to participate in charitable and community activities. The Group contributes to employee-led fund raising activities for local and national charities and staff are allowed paid time off to participate in charitable activities. Donations to charities amounted to €797 (2015: €2,323) during the year.

Human rights

The Group respects all human rights and in conducting its business the Group regards those rights relating to non-discrimination, fair treatment and respect for privacy to be the most relevant and to have the greatest potential impact on its key stakeholder groups of customers, employees and suppliers.

EMPLOYEE MATTERS

Employment policies

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal quarterly company meetings presented by the CEO to all employees.

The Group gives full and fair consideration to applications for employment from all persons where the candidate's particular aptitudes and abilities meet the requirements of the job. In the event of any staff becoming disabled while employed by the Group, every effort will be made to ensure that their employment by the Group continues and that appropriate adjustments are made to their work environment. The Group provides long-term health insurance for all staff in the event that they are unable to work due to illness or disability whilst in employment.

As a responsible employer, the Group provides modern and professional working environments in all locations. Compliant with all relevant human resources and health and safety regulations, the Group strives to offer competitive employment packages with opportunities for personal and professional development. Staff surveys are carried out with follow-up action plans alongside an internal communications programme to provide regular updates on performance.

Diversity

The Group does not discriminate on the grounds of age, race, sex, sexual orientation or disability. It has a clear and transparent recruitment process with annual appraisals to provide feedback on staff performance and to create individual objectives.

The table below shows the number of persons of each sex who were directors, key management and employees of the Group as at 31 December 2016.

Company level	Number of females	Number of males	Total
Board	-	4	4
Key management	2	11	13
Employees	22	75	97
Total Group	**24**	**90**	**114**

By order of the board,

Gary Fry
CEO

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

The business review, principal risks and uncertainties, information about environmental matters, the Group's employees, social and community issues and key performance indicators can be found in the Group strategic report, starting on page 3.

CORPORATE GOVERNANCE

Details of the Group's corporate governance can be found in the Corporate governance report on page 2.

POLITICAL CONTRIBUTIONS

The Group made no political contributions during the year (2015: €nil).

DIVIDENDS

The directors do not recommend the payment of a dividend (2015: €nil).

GREENHOUSE GAS EMISSIONS

Information about greenhouse gas emissions is not available to the Group. Given the size and limited resources of the Group it is deemed not viable to be able to obtain that information, so it is not included in this report.

POST BALANCE SHEET EVENTS

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2016.

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management are disclosed in the Group strategic report and in note 32 to the financial statements.

RESEARCH AND DEVELOPMENT

The Group spent €7.16 million (2015: €6.96 million) on research and development during the year. Under IAS 38 "Intangible Assets" €1.27 million (2015: €1.74 million) of research and development was capitalised and €2.79 million (2015: €3.06 million) of capitalised research and development was amortised. There was no impairment of capitalised research and development during the year (2015: €nil). The net effect of capitalisation, amortisation and impairment on profit in the year was an expense of €1.52 million (2015: €1.32 million).

DIRECTORS

The board are responsible for the appointment of directors and the amendment of articles of association and meet regularly throughout the year.

Subject to the provisions of the Company's statutes, any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director by ordinary resolution, or by a decision of the directors, either to fill a vacancy or as an addition to the existing board provided that the appointment does not result in the total numbers of directors exceeding any maximum number fixed in accordance with the Company's statutes.

At every annual general meeting all the directors shall retire from office. If the Company, at the meeting at which a director retires under, does not fill the vacancy, the retiring director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy, or unless a resolution for the reappointment of the director is put to the meeting and lost.

The directors who held office during the year under review were:

Guido Van der Schueren	Chairman (non-executive)	
Gary Fry	Chief Executive Officer	
Johan Volckaerts	Non-executive Director	
Alain Pronost	Non-executive Director	Resigned 19 April 2016
Graeme Huttley	Chief Financial Officer	Appointed 19 April 2016

The Company maintains director and officers' liability insurance.

DIRECTORS' REPORT (CONTINUED)

SHAREHOLDINGS

Ordinary shares are entitled to one vote each in any circumstance. Each share is entitled pari passu to dividend payments or any distribution. The shares are not redeemable and there are no transfer restrictions on the shares.

Subject to the Company's statutes, but without prejudice to the rights attached to any existing ordinary share, the Company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

The breakdown of the Company's issued share capital as at 31 December 2016 was:

	Number of ordinary shares	% of issued share capital
Stichting Andlinger & Co. Euro-Foundation *	2,032,011	17.88%
Parana Management Corp BVBA **	840,000	7.39%
Company owned shares (see note 26)	106,826	0.94%
Free float	8,386,870	73.79%
Total	**11,365,707**	**100.00%**

* Stichting Andlinger & Co. Euro-Foundation of which Johan Volckaerts is a director.
** Parana Management Corp BVBA is controlled by Guido Van der Schueren, the Company's Chairman.

INVESTMENT IN OWN SHARES

The Company holds some of its own shares in treasury in order to meet its obligations arising from the Group's share option programmes, the grant of free shares to directors and employees and the grant of matching shares in the SIP (see note 26 and 30).

The total number of shares held in treasury at 31 December 2016 was 106,826 (2015: 70,519). Further information can be found in note 26 to the financial statements.

During the year, the Company did not dispose of any treasury shares (2015: none), however, it did transfer 56,265 shares to employees to satisfy the Company's obligations under the share schemes.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the group and parent financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare group and parent financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting standards and applicable laws (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (CONTINUED)

RESPONSIBILITY STATEMENTS UNDER THE DISCLOSURE AND TRANSPARENCY RULES

Each of the directors listed on page 10 confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report and directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board,

2030 Cambourne Business Park
Cambourne
Cambridge
CB23 6DW

Gary Fry
Director

15 March 2017

DIRECTORS' REMUNERATION REPORT

INTRODUCTION

This report is on the activities of the board in respect of the remuneration of directors for the year ending 31 December 2016. It sets out the remuneration policy and remuneration details for the executive and non-executive directors of the Group. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. The report is split into three main areas: the statement by the chairman of the board, the annual report on remuneration and the policy report. The policy report will be subject to a binding shareholder vote at the 2017 Annual General Meeting and the policy will take effect for the financial year beginning on 1 January 2018. The annual report on remuneration provides details on remuneration in the period and some other information required by the Regulations. It will be subject to an advisory shareholder vote at the 2017 Annual General Meeting.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' remuneration report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations.

THE CHAIRMAN'S ANNUAL STATEMENT

The information provided in this part of the Directors' remuneration report is not subject to audit.

The board reviewed the current level of board fees payable. Considering the size and nature of the business it was decided that the current level of €5,000 per annum for each director was commensurate with the business and its activities. That being the case, no change to the existing remuneration for board fees was proposed.

ANNUAL REPORT ON REMUNERATION

The information provided in this part of the Directors' remuneration report is subject to audit.

The remuneration of the executive and non-executive directors of the Group in respect of services to the Group were as follows:

For the year ended 31 December 2016:

In euros	Salary and fees	Taxable benefits	Bonus	LTIP	Pension	Total
Executive directors						
Gary Fry, CEO	222,021	15,392	122,420	655,200	27,682	1,042,715
Graeme Huttley, CFO	110,133	10,250	24,484	93,600	25,615	264,082
Total executive directors	**332,154**	**25,642**	**146,904**	**748,800**	**53,297**	**1,306,797**
Non-executive directors						
Guido Van der Schueren, Chairman	5,000	-	-	-	-	5,000
Johan Volckaerts	5,000	-	-	-	-	5,000
Alain Pronost	1,493	-	-	-	-	1,493
Total non-executive directors	**11,493**	**-**	**-**	**-**	**-**	**11,493**
Total directors	**343,647**	**25,642**	**146,904**	**748,800**	**53,297**	**1,318,290**

For the year ended 31 December 2015:

In euros	Salary and fees	Taxable benefits	Bonus	LTIP	Pension	Total
Executive directors						
Gary Fry, CEO	246,904	17,251	135,910	51,480	21,771	473,316
Total executive directors	**246,904**	**17,251**	**135,910**	**51,480**	**21,771**	**473,316**
Non-executive directors						
Guido Van der Schueren, Chairman	5,000	-	-	-	-	5,000
Johan Volckaerts	5,000	-	-	-	-	5,000
Alain Pronost	5,000	-	-	-	-	5,000
Total non-executive directors	**15,000**	**-**	**-**	**-**	**-**	**15,000**
Total directors	**261,904**	**17,251**	**135,910**	**51,480**	**21,771**	**488,316**

Salary and fees are the contracted annual salaries and board fees that are payable. Each director received board fees of €5,000 for the year (2015: €5,000), prorated where appointed or resigned during the year.

Taxable benefits are car allowance payments and private medical insurance payments.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

The Executive directors' total available bonus for the year was payable as follows:

- 25% against achieving the board approved revenue target;
- 25% against achieving the board approved operating expense target; and
- 50% for project based objectives that were set during the year.

All targets for the year were achieved and 100% of the bonus amounts were earned. Payments are made after approval by the board.

All of the amounts in the LTIP (long term incentives plans) column relate to the Company's share option plan. During the year, share options vested for Gary Fry and Graeme Huttley in accordance with the plan rules (see below and note 30 to the financial statements).

Contributions totalling €53,297 were made to the personal pension schemes of two of the directors in accordance with their employment contracts. The Group operates a defined contribution scheme where contributions are calculated as a percentage of gross salary. There are no defined benefit schemes.

Scheme interests awarded during the financial year

Name	Type of interest awarded	Performance conditions	Face Value	Performance period end
Gary Fry	Share Options	The options will vest if the award holder is an employee of the Group and the share price is greater than or equal to €3.00 per share for 20 trading days within a six month period.	€466,200	29 February 2024
Graeme Huttley	Share Options	The options will vest if the award holder is an employee of the Group and the share price is greater than or equal to €3.00 per share for 20 trading days within a six month period.	€66,600	29 February 2024

The Face Value is calculated as the maximum number of shares multiplied by €2.22 (the share price at date of grant). The exercise price of the share options is €nil.

The vesting conditions for these share options were met on 16 December 2016. Further information is available in note 30 to the financial statements.

Directors and their interests in shares of the Company

Each serving director must hold a minimum of 100 shares of the Company and all directors have met that minimum requirement.

The directors held the following interests in the shares of Global Graphics SE as at 31 December 2016:

	Guido Van der Schueren *	Gary Fry	Johan Volckaerts **	Graeme Huttley	Alain Pronost
Vested but unexercised share options	-	210,000	-	30,000	-
Shares beneficially owned	840,000	63,125	2,162,752	10,250	4,000
Total interest in shares	**840,000**	**273,125**	**2,162,752**	**40,250**	**4,000**
Share options exercised during the year	-	100,000	-	6,250	-

* The interests of Guido Van der Schueren are held in the name of Parana Management Corp BVBA a company controlled by Guido Van der Schueren.

** Of the total interest of Johan Volckaerts, 130,741 shares are held directly by himself and 2,032,011 shares are held by Stichting Andlinger & Co. Euro-Foundation, a Dutch foundation of which Johan Volckaerts is a director.

The aggregate amount of gains made by directors on the exercise of share options during the year was €97,750.

The portion of the share-based compensation expenses which were attributable to the Group's executive directors was:

In thousands of euros	**2016**	**2015**
Grant of share options (see above and note 30)	461	-
Grant of free shares (see above and note 30)	-	2
Total	**461**	**2**

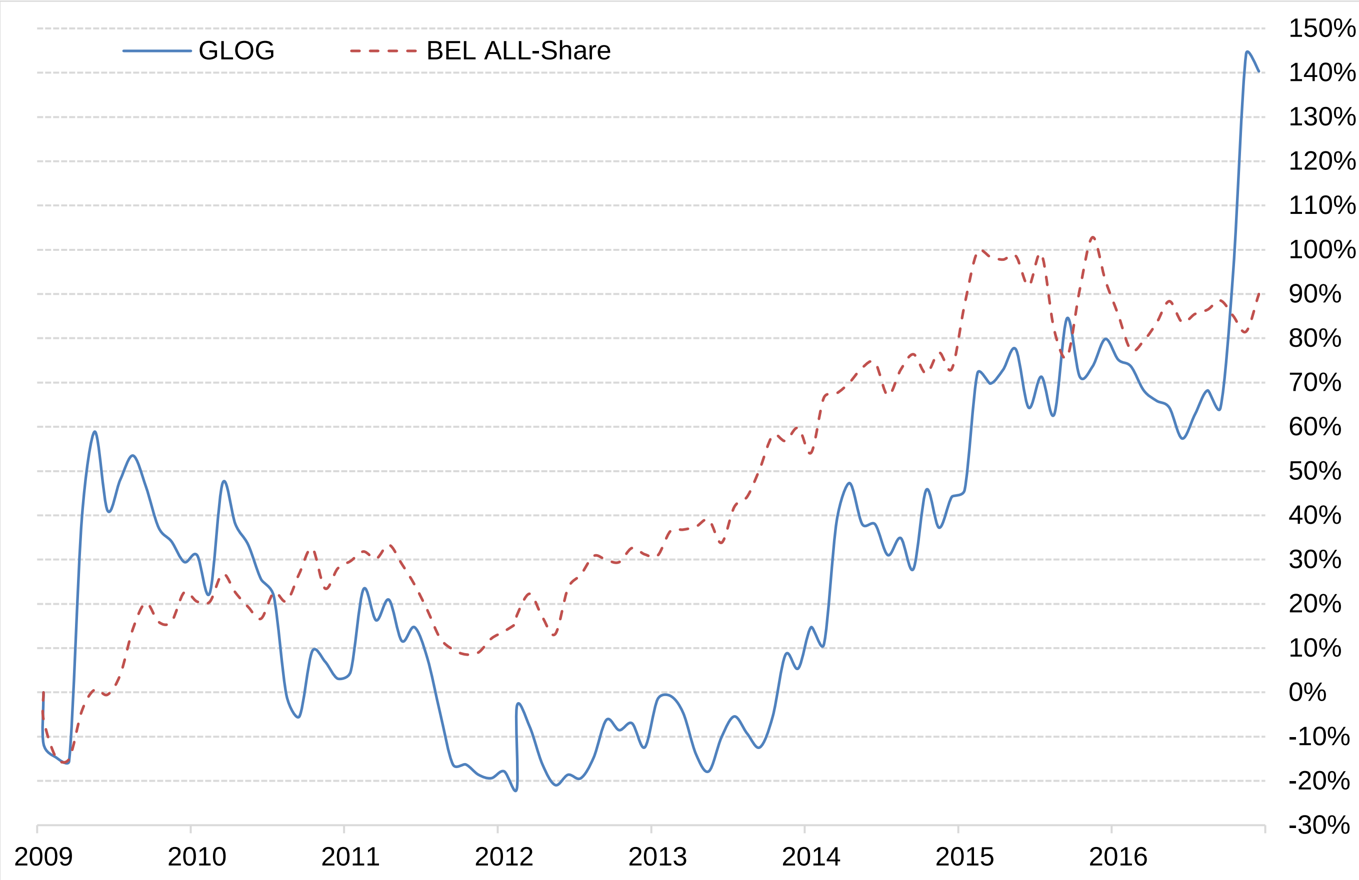
DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Performance graph

The information provided in this part of the Directors' remuneration report is not subject to audit.

The following graph shows the Company's share price performance compared with the performance of the BEL ALL-SHARE index from 2 January 2009 to 31 December 2016. This index has been selected for this comparison because it is the index that the Company's shares are included in. No dividends have been paid by the Company, so total shareholder return is the change in share price.



Over the above 8 year period, the Company's share price has increased by 140.3% and the BEL ALL-SHARE index has increased by 90.0%. During the 12 months ending 31 December 2016, the Company's share price has increased by 33.6% and the BEL ALL-SHARE index has decreased by 1.6%.

CEO remuneration table

The following table shows the CEO's remuneration and percentage achievement of annual bonuses and long term incentives over the past 8 years:

	2009	2010	2011	2012	2013	2014	2015	2016
Total CEO remuneration (in thousands of euros)	243	212	260	271	250	378	473	1,043
Annual bonus pay-out against maximum opportunity	31%	56%	81%	89%	75%	100%	100%	100%
Long term incentive vesting rates against maximum opportunity	0%	0%	0%	0%	0%	0%	25%	100%

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Percentage change in remuneration of director undertaking the role of chief executive officer

The table below shows the percentage change in remuneration between the years ended 31 December 2016 and 31 December 2015 for the CEO and for all employees of the Group:

	Salary and fees	Taxable benefits	Bonus
CEO	1.00%	0%	0%
Average pay based on all employees	1.01%	0%	0%

Relative importance of spend on pay

The main operating expense of the Group is the cost of its employees due to the nature of the work of the Group. In order to attract and retain staff, pay and reward levels need to be competitive and commensurate with the highly technical skills that are required.

The table below shows the amounts paid to employees and the amounts distributed to shareholders.

In thousands of euros	2016	2015	% change
Staff expenses (see note 14)	10,068	8,984	12.1%
Repurchase of own shares (see note 26)	184	-	-

Statement of implementation of remuneration policy in the following financial year

There are no significant changes in the way that the remuneration policy will be implemented in the next financial year compared to how it was implemented during this financial year.

The remuneration policy will be voted upon during the AGM to be held during 2017.

REMUNERATION POLICY

The information provided in this part of the Directors' remuneration report is not subject to audit.

The board determines the Group's policy for employee, executive and non-executive remuneration and the individual remuneration packages for executive directors. In setting the remuneration packages, the board considers the pay and benefits that are offered to existing Group employees and the salaries, bonuses and benefits available to directors of comparable companies and the continued commitment to the Group through appropriate long term incentive schemes, such as the award of shares and share options.

The board did not consult with employees when drawing up the remuneration policy set out in this part of the report and no views about the policy have been expressed by shareholders of the Company to the board.

Remuneration of executive directors

Consistent with this policy, remuneration packages awarded to executive directors include a mix of basic salary and performance related remuneration that is designed to incentivise the director to achieve the Group's strategic objectives. The remuneration packages usually include some or all of the following elements:

- base salary, as agreed by the board;
- bonus scheme, with performance measured against annually set targets and personal objectives all reviewed and approved by the board;
- equity, by way of shares and share options;
- other benefits, such as car allowance, company contribution into a personal pension scheme, private medical insurance, life assurance and long term sickness insurance; and
- recruitment fee, notice period for termination of contract or payments for loss of office.

All of the above elements are negotiable between the board and the prospective director.

There are no fixed term contracts and each director must resign and be reappointed at each AGM.

In the forthcoming year the above policy will be applied. The bonus payment for Gary Fry and Graeme Huttley will be divided into 3 elements; 1/3 for achieving the board approved revenue target, 1/3 for achieving the board approved gross margin percentage and 1/3 for achieving the board approved operating expense target.

Remuneration of non-executive directors

The fees paid to non-executive directors are determined by the board. The non-executive directors do not receive any other forms of remuneration or benefits such as medical insurance or pension.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

FUTURE POLICY TABLE

The following table provides a summary of the key components of the remuneration package for executive directors:

Component	Purpose	Operation	Opportunity	Applicable performance measures	Recovery
Salary and fees	Rewards skills and experience and provides the basis for a competitive remuneration package.	Salaries and fees, including recruitment and loss of office payments, are agreed with the director with reference to the role, the individual's experience, and market practice and market data.	100% of contractual salary and fees are paid for services rendered to the Group.	Reviewed annually and executive directors' salaries are generally increased in line with company-wide pay increases.	No provision for recovery or withholding of payments unless breach of contract.
Taxable benefits	Protects against risks and provides other benefits.	The provision of benefits to executive directors includes private medical cover, life insurance and ill-health income protection.	100% of the premiums due are paid on behalf of the executive director.	There are no performance measures associated with the benefits other than being a current executive director.	No provision for recovery or withholding of payments unless breach of contract.
Bonuses	Rewards delivery of the near-term business targets set each year, the individual performance of the executive directors in achieving those targets, and contribution to delivering the Group's strategic objectives.	Bonuses are agreed in the employment contract with the executive director. The level of bonus payable is determined based on the role, the individual's experience, and market practice and market data.	100% of the annual bonus is achievable on meeting the revenue, gross margin and expense targets as set by the board.	The performance objectives include only financial. The financial measures are generally related to revenue and controlling expenses.	Payment of annual bonuses is withheld until the Group's auditors have cleared the audit and the board have approved payment of the bonuses.
Share plans	Rewards execution of the Group's strategy and incentivises growth in shareholder value over a multi-year period.	Initial options are agreed in the employment contract with the executive director. The level of options awarded is determined based on the role, the individual's experience, and market practice and market data.	Subject to achieving the vesting conditions, 100% of the options granted are achievable.	Vesting conditions will be determined at the time the options are granted by the board to meet the current strategic objectives of the Group.	Options are withheld until vesting and any other conditions are met.
Pension	Enables executive directors to build long term retirement savings.	The Group pays defined contributions, based on 9% of gross salary into a group personal pension plan on behalf of the executive director. Bonus payments can be sacrificed in return for a pension contribution.	100% of the contributions due are paid directly to the pension company on behalf of the executive director.	There are no performance measures associated with the benefits other than being a current executive director.	No provision for recovery or withholding of payments unless breach of contract.

Directors' remuneration report (continued)

FUTURE POLICY TABLE (CONTINUED)

The following table provides a summary of the key components of the remuneration package for non-executive directors:

Component	Purpose	Operation	Opportunity	Applicable performance measures	Recovery
Fees	Attract and retain individuals with the required skills, experience and knowledge so that the board is able to effectively carry out its duties.	Fees are paid annually in cash.	100% of contractual salary and fees are paid for services rendered to the Group.	Reviewed annually and increased only in exceptional circumstances.	No provision for recovery or withholding of payments if performance obligations have been fulfilled.

Recruitment remuneration

For the appointment of a new director, the previously mentioned components would be included in their remuneration package and negotiated with consideration of the role, their experience and market data. The fees that may be agreed may include sign-on payments to incentivise the director to take the appointment. These sign-on fees will be negotiated taking into consideration the role, their experience and market data.

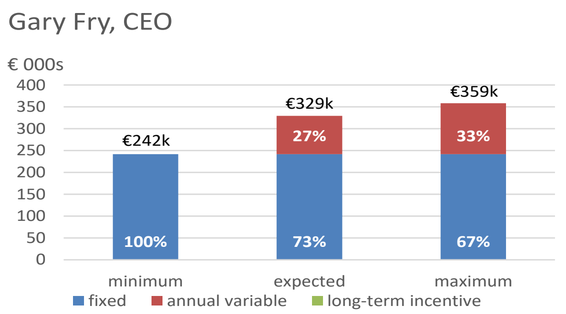
Payment for loss of office

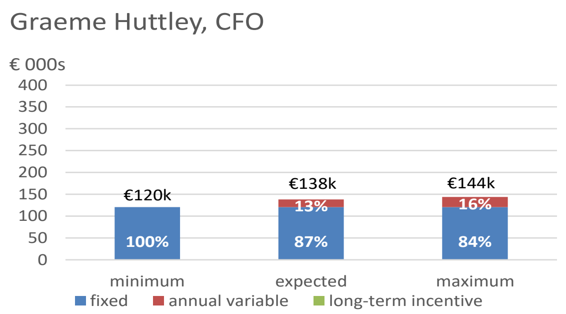
None of the directors are entitled to any specific indemnity which would be due or liable to be due on termination of their appointment. However, Gary Fry and Graeme Huttley are entitled to the payment of salary for a notice period should the Group terminate their employment. The notice period is 6 months.

Executive directors' contracts are available for inspection at 2030 Cambourne Business Park, Cambourne, CB23 6DW, UK.

Application of the policy

The charts below shows the level of remuneration that would be received by the executive directors in accordance with the directors' remuneration policy in the first year to which the policy applies.





The scenarios have been illustrated for each executive director based on the following:

Minimum performance	• Base salary, fees, taxable benefits and pension • No bonus pay-out • No LTIP
Expected performance:	• Base salary, fees, taxable benefits and pension • 75% bonus pay-out • No LTIP
Maximum performance:	• Base salary, fees, taxable benefits and pension • 100% bonus pay-out • No LTIP

The report was approved by the board of directors on 15 March 2017 and signed on its behalf by:

Gary Fry
CEO

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL GRAPHICS SE

We have audited the financial statements of Global Graphics SE for the year ended 31 December 2016 set out on pages 21 to 58. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as required by Article 61 of the EU Council Regulation (2157/2001/EC) on the Statute for a European Company. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 11 and 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on page 2 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in the Strategic Report, the Directors' Report, or the specified Corporate Governance information;
- in our opinion, the Strategic Report and the Directors' Report have been prepared in accordance with the Companies Act 2006; and
- the Corporate Governance Statement has been prepared in accordance with rules 7.2.2, 7.2.3, 7.2.5, 7.2.6 and 7.2.7 of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL GRAPHICS SE (CONTINUED)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Mark Prince
Senior Statutory Auditor
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House, 100 Hills Road, Cambridge, CB2 1AR
15 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
In thousands of euros	**Note**	**2016**	**2015**
Revenue	9	**16,033**	15,265
Cost of sales		**(1,583)**	(1,162)
Gross profit		**14,450**	14,103
Other income		**2**	16
Selling, general and administrative expenses		**(7,841)**	(5,737)
Research and development expenses		**(7,164)**	(6,951)
Other operating expenses	10	**(121)**	(305)
Operating (loss)/profit		**(674)**	1,126
Finance income	15	**9**	5
Finance expenses		**(1)**	(1)
Net finance income		**8**	4
Foreign currency exchange gains	15	**796**	86
Profit before tax		**130**	1,216
Tax	20	**466**	685
Profit for the year attributable to equity holders		**596**	1,901
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**(2,148)**	1,256
Other comprehensive (loss)/income for the year, net of tax		**(2,148)**	1,256
Total comprehensive (loss)/income for the year attributable to equity holders		**(1,552)**	3,157
Earnings per ordinary share			
Basic earnings per share	29	**0.05**	0.18
Diluted earnings per share	29	**0.05**	0.18

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

The notes on pages 25 to 51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		For the year ended 31 December	
In thousands of euros	**Note**	**2016**	**2015**
ASSETS			
Non-current assets			
Property, plant and equipment	16	**369**	374
Other intangible assets	17	**6,401**	5,726
Goodwill	18	**10,684**	9,370
Financial assets	19	**28**	132
Deferred tax assets	20	**837**	618
Trade receivables due after more than one year	21	**1,974**	-
Total non-current assets		**20,293**	16,220
Current assets			
Inventories	22	**441**	10
Current tax assets		**156**	110
Trade and other receivables	23	**3,128**	3,755
Other current assets	24	**87**	67
Prepayments		**397**	468
Cash and cash equivalents	25	**4,639**	4,235
Total current assets		**8,848**	8,645
TOTAL ASSETS		**29,141**	24,865
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital	26	**4,546**	4,486
Share premium	26	**1,979**	1,879
Share-based payments reserve		**4,438**	3,488
Treasury shares	26	**(314)**	(353)
Retained earnings		**21,055**	20,751
Foreign currency translation reserve		**(11,280)**	(9,132)
Total equity		**20,424**	21,119
Liabilities			
Deferred tax liabilities	20	**1,191**	822
Other liabilities	27	**3,924**	-
Total non-current liabilities		**5,115**	822
Current liabilities			
Current tax liabilities		**105**	211
Trade and other payables		**911**	430
Other current liabilities		**1,501**	1,371
Contract liabilities	9,28	**1,085**	912
Total current liabilities		**3,602**	2,924
Total liabilities		**8,717**	3,746
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**29,141**	24,865

The notes on pages 25 to 51 are an integral part of these consolidated financial statements.

These financial statements on pages 21 to 24 were approved and authorised for issue by the board of directors on 15 March 2017 and were signed on its behalf by:

Gary Fry
Director
Company registered number: SE000077

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December	
In thousands of euros	**Note**	**2016**	**2015**
Cash flows from operating activities			
Net profit for the year		**596**	1,901
Adjustments to reconcile net profit to net cash:			
- Depreciation of property, plant and equipment	16	**211**	290
- Amortisation and impairment of other intangible assets	17	**3,956**	3,494
- Share-based remuneration expenses	30	**950**	108
- Net interest income	15	**(8)**	(4)
- Net foreign currency exchange gains	15	**(796)**	(86)
- Tax benefit	20	**(466)**	(685)
- Other items		**(213)**	(150)
Total adjustments to net profit		**3,634**	2,967
Change in operating assets and liabilities :			
- Financial assets	19	**104**	(10)
- Inventories	22	**(431)**	5
- Trade receivables	23	**(1,347)**	(2,120)
- Other current assets	24	**(20)**	(9)
- Prepayments		**71**	(55)
- Trade and other payables		**481**	70
- Other current liabilities		**130**	395
- Contract liabilities	28	**173**	(320)
Total change in operating assets and liabilities		**(839)**	(2,044)
Cash generated from operating activities		**3,391**	2,824
Cash received for interest income during the year		**8**	4
Cash received during the year for current tax		**114**	195
Net cash flow from operating activities		**3,513**	3,023
Cash flows from investing activities			
Capital expenditures on property, plant & equipment	16	**(253)**	(287)
Capital expenditures on other intangible assets		**(17)**	(134)
Capitalisation of development expenses		**(1,269)**	(1,736)
Acquisition of subsidiary, net of cash acquired	8	**(1,312)**	(1,156)
Net cash flow used in investing activities		**(2,851)**	(3,313)
Cash flows from financing activities			
New shares issued	26	**160**	-
Own share repurchases	26	**(183)**	-
Net cash flow used in financing activities		**(23)**	-
Net increase/(decrease) in cash		**639**	(290)
Cash and cash equivalents at 1 January		**4,235**	4,161
Effect of exchange rate fluctuations on cash at 1 January		**(235)**	364
Cash and cash equivalents at 31 December		**4,639**	4,235

The notes on pages 25 to 51 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Note	Share capital	Share premium	Share-based payments reserve	Treasury shares	Retained earnings	Foreign currency translation adjustment	Total equity
Balance at 31 December 2014		**4,116**	**249**	**3,380**	**(883)**	**19,280**	**(10,388)**	**15,754**
Total comprehensive income								
Net profit for the year		-	-	-	-	1,901	-	1,901
Foreign currency translation differences		-	-	-	-	-	1,256	1,256
Total comprehensive income		**-**	**-**	**-**	**-**	**1,901**	**1,256**	**3,157**
Transactions with owners								
Business combination	26	370	1,630	-	100	-	-	2,100
Share-based payment transactions	30	-	-	108	-	-	-	108
Own share grants	26	-	-	-	430	(430)	-	-
Total transactions with owners		**370**	**1,630**	**108**	**530**	**(430)**	**-**	**2,208**
Balance at 31 December 2015		**4,486**	**1,879**	**3,488**	**(353)**	**20,751**	**(9,132)**	**21,119**
Balance at 1 January 2016, as previously reported		4,486	1,879	3,488	(353)	20,751	(9,132)	21,119
Impact of change in accounting policy	4	-	-	-	-	(69)	-	(69)
Adjusted balance at 1 January 2016		**4,486**	**1,879**	**3,488**	**(353)**	**20,682**	**(9,132)**	**21,050**
Total comprehensive income								
Net profit for the year		-	-	-	-	596	-	596
Foreign currency translation differences		-	-	-	-	-	(2,148)	(2,148)
Total comprehensive income		**-**	**-**	**-**	**-**	**596**	**(2,148)**	**(1,552)**
Transactions with owners								
Share-based payment transactions	30	-	-	950	-	-	-	950
Own share grants	26	60	100	-	223	(223)	-	160
Own share purchases	26	-	-	-	(184)	-	-	(184)
Total transactions with owners		**60**	**100**	**950**	**39**	**(223)**	**-**	**926**
Balance at 31 December 2016		**4,546**	**1,979**	**4,438**	**(314)**	**21,055**	**(11,280)**	**20,424**

The notes on pages 25 to 51 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Global Graphics SE (the 'Company') and its subsidiaries (together the 'Group') is a leading developer of software platforms on which our partners create solutions for digital printing, digital document and PDF based applications. It is also a leading supplier of drive electronics for industrial inkjet printing, digital typefaces and font technology.

The Company is a European Company, or 'Societas Europaea' (SE), registered in England and Wales, domiciled in the United Kingdom and is quoted on Euronext Brussels. The Company's registered office address is 2030, Cambourne Business Park, Cambourne, Cambridge, CB23 6DW.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and related interpretations issued by the International Accounting Standards Board ('IASB'), as adopted by the European Union ('EU'), IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

These consolidated financial statements were authorised for issue by the Company's board of directors on 15 March 2017.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the revaluation of derivative instruments at fair value through profit or loss.

Non-current assets are stated at the lower of amortised cost and fair value less disposal costs when applicable. The methods used to measure fair value are discussed in note 5 below.

Functional and presentation currency

These consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

All information which is presented in the following notes has been rounded to the nearest thousand, unless otherwise specified.

Use of accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in note 6.

Going concern

On the date these consolidated financial statements were approved, based on their review of cash flow projections prepared by management for the years ending 31 December 2017 and 2018, the members of the Company's board of directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern, notably because of a cash position of €4.639 million as at 31 December 2016 (2015: €4.235 million) and the absence of any outstanding bank debt.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

Subsidiaries
Subsidiaries are all entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation
Inter-company balances and transactions, and any unrealised income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognised in profit or loss.

Translation of financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated on a monthly basis to euro at average exchange rates for each month.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

Financial instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise trade receivables, current tax and other current assets, cash, trade payables, current tax liabilities and other liabilities, as well as customer advances and deferred revenue. Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Derivative financial instruments
The Group only uses derivative financial instruments (notably foreign currency forward and option contracts) to manage its exposure to foreign exchange risk. In accordance with guidelines established by the board, the Group does not permit the use of derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately. The Group's derivative contracts do not qualify for hedge accounting. At 31 December 2016 the Group had no derivative financial instrument contracts in place.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment in value. Ongoing repairs and maintenance are expensed as incurred. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected economic useful life. Depreciation is recognised within operating expenses within the consolidated income statement.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

• leasehold improvements	3 to 10 years, or the remaining lease term
• computer and office equipment	3 to 5 years
• office furniture and other items	3 to 5 years

Goodwill and intangible assets

Goodwill
The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange of control. For acquisitions before IFRS3 (revised) became effective, costs directly attributable to the acquisition are also included. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing. Goodwill is not amortised but is tested annually for impairment or more frequently if facts and circumstances warrant a review. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill and intangible assets (continued)

Other intangible assets
Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Trademarks, know-how, patents and patent applications
Trademarks, know-how, as well as patent and patent applications are carried at historical cost (which was estimated to be their fair value on the purchase date by the Group) less accumulated amortisation. Amortisation is calculated over their useful estimated lives from respective acquisition dates, as follows:

- trademarks 10 years
- patents and patent applications 3 to 10 years
- know-how 1 year

Customer contracts
Customer contracts are carried at historical cost less accumulated amortisation. Amortisation is calculated over the useful estimated lives of the respective contracts, over periods ranging from one to three years from respective acquisition dates.

Computer software technology
Computer software technology is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives from respective acquisition dates over periods ranging from three to five years. Costs associated with maintaining existing computer software technology and programmes are recognised as an expense when incurred.

Font library
Font library technology is capitalised on the basis of the costs incurred to acquire and bring to use the specific technology. These costs are amortised over their estimated useful lives from respective acquisition dates, currently a period of five years. Costs associated with maintaining the existing font library are recognised as an expense when incurred.

Driver electronics
Driver electronics technology is capitalised on the basis of the costs incurred to acquire and bring to use the specific technology. These costs are amortised over their estimated useful lives from respective acquisition dates, currently a period of five years. Costs associated with maintaining the existing driver electronics are recognised as an expense when incurred.

Capitalised development costs
Direct costs incurred on development projects relating to the design and testing of new or improved products and technology are recognised as intangible assets when all of the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset, and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development may be reliably measured.

Capitalised development costs recognised as intangible assets are amortised from the point the asset is ready for use on a straight-line basis over its estimated useful life. Currently, the maximum estimated useful life is set at 10 years. The amortisation charge is included in research and development expenses in the income statement.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred.

Impairment of non-current assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment. If any such indication exists, the recoverable amount of the asset (being the higher of fair value less costs to sell and value in use) is estimated in order to determine the extent of any impairment. Any impairment loss is recognised as an expense in the income statement in the period in which it was identified. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised through the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("cash-generating unit"). An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss had decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs expected to be incurred to complete the sale.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently held at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are first assessed individually for impairment, or collectively where the receivables are not individually significant. Where there is no objective evidence of impairment for an individual receivable, it is included in a group of receivables with similar credit risk characteristics and these are collectively assessed for impairment. Movements in the provision for doubtful debts are recorded in the income statement within selling, general and administrative expenses.

Cash

Cash comprises cash in hand and deposits held at call with banks at each reporting date.

Share capital

Ordinary shares
Ordinary shares, which are the only class of shares issued by the Company, are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares (whether they are resulting from the exercise of share options or not) are recognised as a deduction from equity, net of any tax effects. Incremental costs directly attributable to the issue of new shares in the case of the acquisition of a business are included in the cost of acquisition as part of the purchase consideration.

Own share repurchases
When share capital recognised in equity is repurchased, the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity. Any resulting surplus over the purchase price is transferred to share premium and any deficit is transferred to retained earnings.

Current liabilities

Trade payables and other current liabilities are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method. Trade payables and other current liabilities with a short duration are not discounted, as the carrying amount is a reasonable approximation of fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Pension obligations
Contributions to the Group's defined contribution pension schemes and employees' personal pension plans are charged to the income statement as employee benefit expenses when they are due. The Group has no further payment obligation once the contributions have been paid.

Termination benefits
Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal, detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be measured reliably.

Other short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount to be paid under short-term cash bonus or commission plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

Share-based payments
The Group operates equity-settled, share-based compensation plans, consisting of a share option plan and share grant plans, which allow employees to acquire shares of the Company. The fair value of the options and shares granted is recognised as an employee expense, with a corresponding increase in equity, and is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options or shares. The fair value of the options granted is measured using an appropriate valuation model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognised as an expense is adjusted to reflect the actual number of share options or shares for which the related service and non-market conditions are met. The proceeds received, net of any directly attributable transaction costs, are credited to share capital for the par value of the shares issued and to share premium for the balance, when the share options are exercised.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Revenue recognition

The Group typically sells its software through multi-year license and distribution agreements, some of which provide for the periodic payment of license royalties, the unit value of which has been contractually agreed at the outset of the agreement, and which is typically based upon either the volume sold by the customer or the sale value of those products into which the Group's software has been integrated. These agreements also include specific provisions with respect to the delivery of maintenance and after-sale support services over the duration of the agreement. Such services are rendered against the payment of a fixed fee, which has been contractually agreed at the outset of the agreement, and is typically charged on the anniversary date of the agreement. These agreements may also provide for the delivery of engineering services to ensure a seamless integration of the Group's software into the customer's products.

Fees from arrangements involving licenses, post-contract customer support, and other related services such as training, are allocated to the multiple elements of the arrangements based on vendor-specific objective evidence ("VSOE") of fair value of each of the elements of the arrangements. VSOE of fair value is typically established by the price charged when the same element is sold separately.

Revenues from software licenses or non-refundable minimum royalty agreements are recognised upon satisfaction of all of the following criteria:

- signing of the license agreement
- no additional significant production, modification or customisation of the software is required
- delivery of the software has occurred
- the fee is fixed and determinable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

In a multiple element arrangement whereby VSOE of fair value of all undelivered elements exists but VSOE of fair value does not exist for one or more delivered elements, revenue is recognised using the residual method. Under the residual method, the fair value of undelivered elements is deferred and the remaining portion of the arrangement fee is recognised as revenue, assuming all other criteria for revenue recognition have been met.

Revenues from perpetual licenses relating to software integrated into a customer's product are recognised in the period in which the delivery to the end-customer takes place and based on customer-usage reports, at which point there is no further delivery obligation of the Group. Revenue from time-limited licenses to use the software is recognised rateably over the period of the license, starting at the commencement of the license period, if there is an ongoing obligation on the Group during that license period. If there is no such obligation, the revenue is recognised when the Group's obligation has been fulfilled. All license fees are non-refundable.

Revenues from post-contract customer support (‘PCS’) elements are recognised rateably over the related PCS period.

Revenues from consulting, engineering fees, training, hardware and consumables are recognised when the services are performed or the products have been delivered to the customer. Amounts received in advance of the related services being performed are included in deferred revenue and recognised in revenue only when the services are performed.

Fonts are typically sold through distribution agreements, which provide for the periodic payment of license royalties, the unit value of which has been contractually agreed at the outset of the agreement or licensed directly to the end user. Revenue from distribution agreements is recognised in the period when the reports are received by the Group. Revenue from direct sales is recognised when the fonts or font license is delivered to the customer and the Group has no further obligation under the agreement.

Fees from long-term contracts related to the development of software, font design and supporting solutions at fixed prices are allocated to the product and support elements of those contracts based on the relative fair value of each element. Revenue from product elements is recognised using the percentage of completion method. The percentage of completion is usually determined based on the number of hours incurred to date in relation to the total hours expected to complete the work. The cumulative impact of any revision in estimates of the percentage completed is reflected in the period in which the changes become known. Any excess of progress billings over revenue recognised is deferred and included in deferred revenue.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on the dispatch of the goods.

Cost of goods sold and services rendered

Cost of goods sold and services rendered includes product packaging, royalties paid to third parties, excess and obsolete inventory, purchased intangible assets amortisation for software technology and patents acquired in business combinations, as well as any other costs (including employee benefits) associated with the direct manufacturing and shipping of the Group’s products.

Tax

Tax expense comprises current and deferred tax.

Current tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous tax years.

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, they relate to income taxes levied by the same tax authority on the same taxable entity, and have similar maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker has been identified as the Group's Chief Executive Officer.

Goodwill has been allocated by management to groups of cash-generating units at a segment level. Goodwill existing at 1 January 2009 has been fully allocated to the Print segment as it relates to acquisitions of assets made in the area of printing software in the years ended 31 December 1999 and 2000.

There has been no further impact on the measurement of the Group's assets and liabilities as at 1 January 2009. Assets and liabilities are allocated based on the operations of the reportable segments. General items such as deferred tax assets, current assets (excluding trade receivables) and current liabilities (excluding customer advances and deferred revenue) are not allocated to any of the Group's reportable segments unless there is sufficient information to be able to do so.

Effect of interpretations and amendments to existing and new standards

For the purposes of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2016.

New standards which were not adopted by the Group in 2016
A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements for the year ended 31 December 2016.

- Disclosure Initiative (Amendments to IAS 7). The amendments, effective from 1 January 2017, require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. Where applicable, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12). The amendments, effective from 1 January 2017, clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The Group does not expect any significant impact on its consolidated financial statements.
- IFRS 9 Financial Instruments, which will be mandatory for the Group's accounting periods beginning on or after 1 January 2018, may result in changes in the classification and measurement of financial assets. The Group does not intend to adopt this standard early and has not assessed the effect it may have on the Group's consolidated financial statements.
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2). The new requirements could affect the classification and/or measurement of share-based payments and potentially the timing and amount of expense recognised for new and outstanding awards, the effect of it has not yet been assessed. The effective date of the standard is 1 January 2018 and early adoption is permitted, however, no decision has been made by the Group to adopt the standard before the effective date.
- IFRS 16 Leases. Under the new standard, companies will recognise new assets and liabilities, bringing added transparency to the balance sheet. The effective date of the standard is 1 January 2019 and early adoption is permitted for entities that apply IFRS 15. IFRS 16 has not been endorsed by the EU and is not available for early adoption. No assessment of the potential impact on the Group's consolidated financial statements has been made.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) addresses an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Given the lack of investment by the Group in joint operations, it is expected that the amendments will not have any impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group early adopted IFRS 15 Revenue from Contracts with Customers with a date of initial application of 1 January 2016. As a result, the Group has changed its accounting policy for revenue recognition as detailed below.

The Group applied IFRS 15 using the cumulative effect method by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at 1 January 2016. Therefore, the comparative information have not been restated and continue to be reported under IAS 18 and IAS 11. The details of the significant changes and quantitative impact of the changes are set out below.

Software
The Group's performance obligations under software contracts with customers are to deliver a distribution license, deliver a master copy of the software, at times provide license keys to enable the use of software and to provide ongoing support and maintenance services. The Group also provides engineering and consulting services under some contracts to enhance functionality or assist with integration.

The Group previously applied most of the principles of IFRS 15, such as identifying performance obligations and allocating revenue to each of those obligations, however, adoption of IFRS 15 affects the timing of some of the Group's revenue. License fees for certain bulk orders was previously recognised when the order was received, however, under IFRS 15 this revenue is deferred until the delivery of a password or license key is made to the customer to enable them to use the feature or version of the software that they have purchased.

Software licenses are recognised as revenue upon delivery of the license and the software and support and maintenance revenue is recognised over the duration of the maintenance period. Engineering and consultancy services revenue is recognised upon delivery of an agreed milestone where the customer substantially obtains the benefit of the engineering or consultancy work and usually makes a payment for the services rendered.

Fees are non-refundable and are generally on payment terms of 30 days from date of invoice. For long-term engineering services, payments will be due on the achievement of milestones. Fixed term license agreements may have extended payment terms and support and maintenance is payable in advance of the period of coverage.

Physical goods
The Group's performance obligations with respect to physical goods is to deliver a finished product to a customer. The risks and the rewards of ownership transfer to the customer at the point of despatch and revenue is recognised at that point in time.

Payment for products is generally non-refundable and is received in advance of despatch. If any item is found to be faulty it will either be replaced or returned by the customer for repair.

The following tables summarise the impacts of adopting IFRS 15 on the Group's consolidated financial statements for the year ending 31 December 2016.

Consolidated statement of comprehensive income		**Impact of changes in accounting policies**	
In thousands of euros	**As reported**	**Adjustments**	**Balances without the adoption of IFRS 15**
Revenue	16,033	(3)	16,030
Cost of sales	(1,583)	-	(1,583)
Other income	2	-	2
Selling, general and administrative expenses	(7,841)	-	(7,841)
Research and development expenses	(7,164)	-	(7,164)
Other operating expenses	(121)	-	(121)
Net finance income	8	-	8
Foreign currency exchange gains	796	-	796
Tax	466	-	466
Profit for the year	**596**	**(3)**	**593**
Other comprehensive income			
Foreign currency translation differences	(2,148)	-	(2,148)
Total comprehensive loss	**(1,552)**	**(3)**	**(1,555)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Consolidated statement of financial position

		Impact of changes in accounting policies	
In thousands of euros	**As reported**	**Adjustments**	**Balances without the adoption of IFRS 15**
Property, plant and equipment	369	-	369
Other intangible assets	6,401	-	6,401
Goodwill	10,684	-	10,684
Financial assets	28	-	28
Deferred tax assets	837	-	837
Trade receivables due after more than one year	1,974	-	1,974
Inventories	441	-	441
Current tax assets	156	-	156
Trade and other receivables	3,128	-	3,128
Other current assets	87	-	87
Prepayments	397	-	397
Cash and cash equivalents	4,639	-	4,639
Total assets	**29,141**	**-**	**29,141**
Share capital	4,546	-	4,546
Share premium	1,979	-	1,979
Share-based payments reserve	4,438	-	4,438
Treasury shares	(314)	-	(314)
Retained earnings	21,055	69	21,124
Foreign currency translation reserve	(11,280)	-	(11,280)
Total equity	**20,424**	**69**	**20,493**
Deferred tax liabilities	1,191	-	1,191
Other liabilities	3,924	-	3,924
Current tax liabilities	105	-	105
Trade and other payables	911	-	911
Other current liabilities	1,501	-	1,501
Contract liabilities	1,085	(69)	1,016
Total liabilities	**8,717**	**(69)**	**8,648**
Total liabilities and equity	**29,141**	**-**	**29,141**

Consolidated statement of cash flows

		Impact of changes in accounting policies	
In thousands of euros	**As reported**	**Adjustments**	**Balances without the adoption of IFRS 15**
Net profit for the year	596	(3)	593
Cash flow from operating activities	3,513	-	3,513
Cash flows from investing activities	(2,851)	-	(2,851)
Cash flows from financing activities	(23)	-	(23)
Net increase in cash	**639**	**-**	**639**
Cash and cash equivalents at 1 January	**4,235**	**-**	**4,235**
Effect of exchange rate fluctuations on cash at 1 January	(235)	-	(235)
Cash and cash equivalents at 31 December	**4,639**	**-**	**4,639**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Goodwill and other intangible assets
The fair value of goodwill and other intangible assets which were acquired in business combinations is based on the discounted cash flows expected to be derived from the use of these intangible assets.

Derivative financial instruments
At a given reporting date, the fair value of forward exchange contracts is based on their listed market prices whereas the fair value of foreign currency forward and option contracts is based on quotes provided by the financial intermediaries that are the Group's counterparties in those transactions.

Non-derivative financial instruments
The carrying values less impairment provision of trade receivables, current tax assets, other current assets, cash, trade payables, current tax liabilities, other current liabilities, as well as customer advances and deferred revenue, are assumed to approximate their fair values at each of the balance sheet dates presented herein.

Share-based payments
The fair value of share options which have been granted were estimated by an independent valuation adviser using a Monte Carlo valuation model. Measurement inputs include the share price on the measurement date, the exercise price of the share option, the expected volatility, the weighted average expected life of the option, the expected absence of dividends, and a risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value of the options.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information in conformity with IFRS requires the directors to make critical accounting estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. An assessment of the impact of these estimates and judgements on the financial statements is set out below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information is available.

Fair values for employee share schemes
The establishment of fair values in respect of employee services received in exchange for share options require the exercise of judgement and estimation in respect of the life of the option, the expected dividend yield and, in particular, the expected volatility of the underlying shares. A calculated value for the latter may not accurately reflect the future share price movements given the Group's stage of development, whilst a value benchmarked against peers may not control for factors unique to either business.

Assessing whether development costs meet the criteria for capitalisation
The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical feasibility is demonstrable. Furthermore, the useful economic lives of capitalised development costs are based on management's knowledge of the life cycle of the Group's products and technology. The carrying value of development assets also depends on management's ability to demonstrate the future economic benefits they will deliver. This judgement requires assumptions about factors outside the business's control such as medium term economic conditions, technological developments and market changes.

Assessing the amount of deferred tax asset that has been recognised
The amount of the deferred tax asset included in the balance sheet of the Group is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In estimating the amount of the deferred tax asset that may be recognised the directors make judgements, based on current budgets and forecasts, about the amount of future taxable profits and the timing of when these will be realised.

Assessing whether capitalised development costs and goodwill have been impaired
The Group tests annually whether the capitalised development costs and goodwill have been impaired by reference to expected future generation of cash from the relevant products incorporating the technologies developed. In estimating the cash the capitalised development costs may generate the directors make judgements, based on budgets and forecasts, about the amount of future profits from the relevant products that will be generated and the timing of when these will be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. OPERATING SEGMENTS

Identification of reportable segments

Management has determined the operating segments based on the reports reviewed by the Group's Chief Executive Officer ("CEO") that are used for deciding how to allocate resources and also in assessing both operating and financial performance of each segment. The Group's CEO is considered as the Group's chief operating decision maker ("CODM").

Three segments were identified, primarily due to the products sold and the markets they are sold into; the Print segment, for printing software and Meteor driver electronics operations, the eDoc segment, for digital document technology operations and the Fonts segment for digital typeface operations.

Performance of operating segments is assessed by the Company's CEO based on their respective gross margin contribution.

The following tables provide information on sales and costs for each of the Group's operating segments for the years ended 31 December 2015 and 31 December 2016:

Year ended 31 December 2016:

In thousands of euros	Print	eDoc	Fonts	Unallocated	Total
Segmental measure of profit					
Revenue from external customers	11,949	1,663	2,421	-	16,033
Inter-segment revenue	-	-	15	-	15
Cost of sales	(1,096)	-	(441)	(61)	(1,598)
Gross profit/(loss) for the year	**10,853**	**1,663**	**1,995**	**(61)**	**14,450**
Segmental balance sheet items					
Non-current assets	15,346	304	3,348	1,295	20,293
Current assets	3,888	166	1,413	3,381	8,848
Total assets	**19,234**	**470**	**4,761**	**4,676**	**29,141**
Non-current liabilities	4,585	-	530	-	5,115
Current liabilities	1,947	39	262	1,354	3,602
Total liabilities	**6,532**	**39**	**792**	**1,354**	**8,717**

Year ended 31 December 2015:

In thousands of euros	Print	eDoc	Fonts	Unallocated	Total
Segmental measure of profit					
Revenue from external customers	11,669	2,642	954	-	15,265
Inter-segment revenue	-	-	80	-	80
Cost of sales	(816)	(94)	(265)	(67)	(1,242)
Gross profit/(loss) for the year	**10,853**	**2,548**	**769**	**(67)**	**14,103**
Segmental balance sheet items					
Non-current assets	9,986	707	4,242	1,285	16,220
Current assets	2,752	438	1,352	4,103	8,645
Total assets	**12,738**	**1,145**	**5,594**	**5,388**	**24,865**
Non-current liabilities	-	-	822	-	822
Current liabilities	782	130	539	1,473	2,924
Total liabilities	**782**	**130**	**1,361**	**1,473**	**3,746**

Inter-segment revenues are included in cost of sales for the reciprocal segment and are eliminated on consolidation. Unallocated assets and liabilities include cash and cash equivalents, deferred tax balances, current tax, VAT, prepaid expenses and trade payables.

The Group has disclosed these amounts for each reportable segment because they are regularly provided to the CODM.

Reconciliation of reportable segments' measure of profit to loss before tax:

In thousands of euros	2016	2015
Gross profit from above	14,450	14,103
Other income	2	16
Selling, general and administrative expenses	(7,841)	(5,737)
Research and development expenses	(7,164)	(6,951)
Other operating expenses (see note 10)	(121)	(305)
Financial expenses, net of financial income (see note 15)	804	90
Profit before tax	**130**	**1,216**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. BUSINESS COMBINATIONS

Acquisition of TTP Meteor Limited

On 5 December 2016, the Group acquired the entire issued share capital of TTP Meteor Limited ("Meteor"), specialists in printhead driver systems, from the TTP Group plc ("TTP") based near Cambridge, UK. Meteor's name was subsequently changed to Meteor Inkjet Limited.

Meteor enables industrial inkjet, graphic arts and commercial printing applications through the provision of world-leading drive electronics and software. Through strong relationships with industrial inkjet printhead manufacturers including Fujifilm Dimatix, Konica Minolta, Kyocera, Ricoh, SII Printek, Toshiba TEC and Xaar, Meteor supplies production-ready electronics and software to print equipment manufacturers world-wide.

TTP has been involved in developing leading edge printing technologies since 1987. From 2006, printhead drive electronics have been supplied under the Meteor brand. With this acquisition, Meteor becomes a wholly-owned subsidiary of Global Graphics SE.

This acquisition is strategically important for Global Graphics because it means the Group can offer a broader solution to inkjet press manufacturers by combining the Group's software solutions with Meteor's industrial printhead driver solutions. Healthy growth is predicted for the inkjet segment of digital printing where there continues to be a vast amount of innovation as jetting technology is applied to an increasingly diverse range of applications such as ceramics, textiles or décor. The Group is already emerging as an important partner to the industry's leading manufacturers and Meteor adds to this capability, making a very compelling proposition in the market. The Group and Meteor already share joint customers and the goal is to substantially grow this base.

In the period from 5 December 2016 to 31 December 2016, Meteor contributed revenue of €0.57 million and profit before tax and amortisation of €0.22 million to the Group's results. If the acquisition had occurred on 1 January 2016, management estimates that consolidated revenue during the reporting period would have been €20.2 million and consolidated net profit for the reporting period would have been €0.09 million, after charging amortisation of purchased intangibles of €1.04 million. Management have assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2016.

The acquisition date fair value of the consideration was made up of:

In thousands of euros	
Cash on completion	1,435
Contingent consideration	4,031
Total consideration	**5,466**

The contingent consideration is payable in cash and is contingent on revenue during the ten year period from 6 December 2016 until 31 December 2026. For each year there is a minimum level of revenue ("the floor") that must be achieved before any consideration is due. The contingent consideration payable is calculated as a percentage of the actual revenue for that year if actual revenue is above the floor. The floor increases each year after year 1 and the percentage payable decreases each year for years 2, 3 and 4 and remains at the year 4 rate for the balance of the term. The maximum contingent consideration payable is £3.60 million.

It is expected that the range of undiscounted outcomes for the amount of contingent consideration payable is between £0.74 million and £3.60 million.

The identifiable assets acquired and liabilities assumed were:

In thousands of euros	**Book value**	**Fair value adjustment**	**Total**
Property, plant and equipment	14	-	14
Intangible assets (see note 17)	-	3,675	3,675
Deferred tax asset	2	-	2
Inventories	391	-	391
Trade and other receivables	163	-	163
Other current assets	50	-	50
Prepayments	14	-	14
Cash and cash equivalents	123	-	123
Deferred tax liabilities	-	(678)	(678)
Trade and other payables	(298)	-	(298)
Other current liabilities	(312)	-	(312)
Total identifiable net assets acquired	**147**	**2,997**	**3,144**

The trade receivables comprised of contractual amounts due, all of which was expected to be collected at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. BUSINESS COMBINATIONS (CONTINUED)

Acquisition of TTP Meteor Limited (continued)

The intangible assets recognised have been valued as follows:

Intangible asset	Valuation method
Driver electronics	The present value of cashflows from operating activites over a 5 year period, using an historical profit % level and an assumption that revenue will grow year-on-year during the valuation period.
Know-how	The one-year salary cost of certain key staff members.

Goodwill was recognised as a result of the acquisition as follows:

In thousands of euros	
Total consideration payable	5,466
Fair value of identifiable net assets	(3,144)
Total Goodwill	**2,322**

The goodwill is mainly attributable to the reputation in the marketplace and the opportunities that are expected to be achieved by expanding the Group's proposition to the expanding industrial inkjet printing market. None of the goodwill recognised is expected to be deductible for tax purposes.

The Group incurred acquisition-related costs of €121,377 for external professional fees for the acquisition of Meteor. These costs have been included in 'Other operating expenses' in the consolidated statement of comprehensive income.

9. REVENUE

Print segment

The Group typically sells its Print software through multi-year license and distribution agreements which provide for the periodic payment of license royalties, the unit value of which has been contractually agreed at the outset of the agreement, and which is typically based upon either the volume sold by the customer or the sale value of those products into which the Group's software have been integrated. These agreements also include specific provisions with respect to the delivery of maintenance and after-sale support services over the duration of the agreement. Such services are rendered against the payment of a fixed fee, which has been contractually agreed at the outset of the agreement, and is typically charged on the anniversary date of the agreement. These agreements may also provide for the delivery of design and engineering services to ensure a seamless integration of the Group's software into the customer's products.

Through its RTI-RIPS.COM brand, the Group also has revenue from associated printing hardware and consumables sales.

Driver electronics sold through Meteor Inkjet Limited are typically sold initially as a development kit to a new customer. Once the customer has completed their design process and their product is put into production they will typically issue a purchase order for a quantity of products and will draw-down from that order as they require the inventory.

eDoc segment

The Group typically sells its eDoc software through multi-year license and distribution agreements which provide for the periodic payment of license royalties, the unit value of which has been contractually agreed at the outset of the agreement, and which is typically based upon either the volume sold by the customer or the sale value of those products into which the Group's software have been integrated. These agreements also include specific provisions with respect to the delivery of maintenance and after-sale support services over the duration of the agreement. Such services are rendered against the payment of a fixed fee, which has been contractually agreed at the outset of the agreement, and is typically charged on the anniversary date of the agreement. These agreements may also provide for the delivery of design and engineering services to ensure a seamless integration of the Group's software into the customer's products.

Font segment

The Group typically sells its font technology through multi-year license and distribution agreements which provide for the periodic payment of license royalties, the unit value of which has been contractually agreed at the outset of the agreement, and which is typically based upon the volume sold by the customer.

In addition to licensing font technology, the Group also provides font design services for corporate clients. A price for the design service will be agreed in advance of the work being undertaken.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. REVENUE (CONTINUED)

An analysis of external sales by revenue type and primary geographical market is shown below. The table also provides a reconciliation of disaggregated revenue with the Group's reportable segments.

	Print		eDoc		Fonts		Total	
In thousands of euros	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue type								
License royalties	**9,258**	9,722	**1,475**	2,420	**1,644**	718	**12,377**	12,860
Maintenance and after-sale support services	**1,128**	1,184	**139**	151	**12**	17	**1,279**	1,352
Engineering/design services	**259**	298	**49**	71	**765**	203	**1,073**	572
Printer hardware and consumables	**705**	423	**-**	-	**-**	-	**705**	423
Driver electronics	**570**	-	**-**	-	**-**	-	**570**	-
Other items	**29**	42	**-**	-	**-**	16	**29**	58
Total sales	**11,949**	**11,669**	**1,663**	**2,642**	**2,421**	**954**	**16,033**	**15,265**
Primary geographical markets								
United Kingdom	**314**	298	**93**	16	**84**	19	**491**	333
Europe, excluding United Kingdom	**1,982**	141	**67**	531	**1,069**	626	**3,118**	1,298
North America	**5,210**	6,274	**287**	245	**1,130**	280	**6,627**	6,799
Asia	**4,443**	4,956	**1,216**	1,850	**138**	29	**5,797**	6,835
Total sales	**11,949**	**11,669**	**1,663**	**2,642**	**2,421**	**954**	**16,033**	**15,265**

In 2016, the ten largest customers represented 61.7% (2015: 71.5%) of the Group's revenue, the five largest customers represented 45.6% (2015: 57.7%) of the Group's revenue and the single largest customer represented 18.1% (2015: 23.8%) of the Group's revenue. That single largest customer is the only customer that represented more than 10% of the Group's revenue (2015: three). That customer is included in the Print segment (2015: two in Print, one in eDoc) with sales totalling €2.90 million.

During the reporting period, a customer in the Print segment exercised an option in their contract which resulted in the recognition of revenue totalling €2.87 million from a performance obligation that had been satisfied during the year ended 31 December 2015.

The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2016.

In thousands of euros	**2017**	**2018**	**2019**	**Total**
After-sale support services	930	75	19	1,024
Consultancy services	61	-	-	61
Total	**991**	**75**	**19**	**1,085**

The Group applies the practical expedient in paragraph 63 of IFRS 15 and does not adjust the promised amount of consideration for the effects of a significant financing component for contracts where payments are due within one year.

10. OTHER OPERATING EXPENSES

Non-recurring expenses incurred during the year were:

In thousands of euros	**2016**	**2015**
Acquisition related expenses	121	150
Legal expenses (see below)	-	155
Total other operating expenses	**121**	**305**

During the year ended 31 December 2015 one of the Group's customers was involved in an alleged patent infringement involving the Group's technology. For commercial reasons, rather than defend the alleged infringement, management agreed to settle the alleged patent infringement in return for protection for all of its customers, past, present and future. No further expenses are expected in relation to this matter.

11. OPERATING EXPENSES BY NATURE

In thousands of euros	**2016**	**2015**
Employee benefit expense (see note 14)	10,068	8,984
Depreciation expenses (see note 16)	211	290
Capitalisation of R&D expenses (see note 17)	(1,269)	(1,736)
Amortisation of capitalised R&D expenses	2,789	3,058
Amortisation of acquired intangibles	1,098	370
Rent expenses	437	464
Other operating expenses, net of other operating income	1,790	1,547
Total operating expenses	**15,124**	**12,977**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. SERVICES PROVIDED BY THE GROUP'S AUDITOR

In thousands of euros	**2016**	**2015**
For the audit of Parent and Consolidated Financial Statements	**20**	**21**
For other services provided:		
- audit of financial statements of subsidiaries of the company	**41**	**32**
- audit-related assurance services	**10**	**11**
- all other services	**6**	**-**
Total fees payable to the Group's auditor and its associates	**77**	**64**

The audit-related assurance services provided by the Group's auditor were for the review of the half year interim financial statements.

Fees for all other services provided by the Group’s auditor were related to the acquisition of TTP Meteor Limited.

13. REMUNERATION OF DIRECTORS

The aggregate amount of remuneration (all salary, fees and bonuses, sums paid by way of expense allowance and money value of other non-cash benefits) paid or receivable by directors for the year was €1,318,290 (2015: €488,316).

The aggregate value of gains made by directors during the year on the exercise of share options was €97,750 (2015: €nil).

The aggregate value of assets awarded to directors under long term incentive schemes during the year was €748,800 (2015: €51,480).

The Group only operates defined contribution pension schemes. During the year, for two directors (2015: one director), €53,297 (2015: €21,771) of pension contributions were paid.

Further information is available in the Directors’ remuneration report on pages 13 to 18.

14. EMPLOYEE INFORMATION

The average number of people, including executive directors, employed by the Group during the year was:

	2016	**2015**
By activity		
Research and development	53	47
Sales and support	28	24
General and administrative	15	12
Total average number of people employed	**96**	**83**

The aggregate costs for the above persons during the year were:

In thousands of euros	**2016**	**2015**
Wages and salaries	7,342	6,855
Compulsory social security contributions	805	710
Medical insurance contributions	316	318
Pension contributions to defined contribution plans	572	839
Share-based payments (see note 30)	950	108
Other employee related expenses	83	154
Total employee benefit expenses	**10,068**	**8,984**

15. FINANCE INCOME AND FINANCE COSTS

In thousands of euros	**2016**	**2015**
Interest income	9	5
Interest expense	(1)	(1)
Total finance income	**8**	**4**
Foreign exchange gains on transactions and revaluations	796	86
Total foreign exchange gain	**796**	**86**
Net finance income	**804**	**90**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Leasehold improvements	Computer equipment	Office equipment	Office furniture	Other items	Total
Cost						
At 1 January 2015	653	1,704	26	330	859	3,572
Additions	7	171	-	5	81	264
Additions - business combinations	-	23	-	-	-	23
Disposals	-	-	-	-	-	-
Effect of movement in exchange rates	41	116	3	25	54	239
At 31 December 2015	**701**	**2,014**	**29**	**360**	**994**	**4,098**
At 1 January 2016	701	2,014	29	360	994	4,098
Additions	111	88	-	3	37	239
Additions - business combinations	-	14	-	-	-	14
Disposals	(54)	(907)	(8)	(142)	(422)	(1,533)
Effect of movement in exchange rates	(102)	(236)	1	(36)	(131)	(504)
At 31 December 2016	**656**	**973**	**22**	**185**	**478**	**2,314**
Accumulated depreciation						
At 1 January 2015	533	1,496	25	329	840	3,223
Charge for the year	84	171	1	2	32	290
Disposals	-	-	-	-	-	-
Effect of movement in exchange rates	32	98	3	25	53	211
At 31 December 2015	**649**	**1,765**	**29**	**356**	**925**	**3,724**
At 1 January 2016	649	1,765	29	356	925	3,724
Charge for the year	49	122	-	3	37	211
Disposals	(54)	(907)	(8)	(142)	(422)	(1,533)
Effect of movement in exchange rates	(92)	(207)	1	(37)	(122)	(457)
At 31 December 2016	**552**	**773**	**22**	**180**	**418**	**1,945**
Net book value						
At 31 December 2015	52	249	-	4	69	374
At 31 December 2016	**104**	**200**	**-**	**5**	**60**	**369**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer contracts	Patents	Trade-marks	Know-how	Font library	Driver electronics	Total
Cost								
At 1 January 2015	35,189	15,479	2,919	665	162	-	-	54,414
Additions – internally developed	1,736	-	-	-	-	-	-	1,736
Additions – purchased	119	-	-	-	-	-	-	119
Additions – business combinations	211	104			388	2,465	-	3,168
Effect of movement in exchange rates	2,094	930	175	40	10	-	-	3,249
At 31 December 2015	**39,349**	**16,513**	**3,094**	**705**	**560**	**2,465**	**-**	**62,686**
At 1 January 2016	39,349	16,513	3,094	705	560	2,465	-	62,686
Additions – internally developed	1,269	-	-	-	-	-	-	1,269
Additions – purchased	17	-	-	-	-	-	-	17
Additions – business combinations	-	-	-	-	379	-	3,296	3,675
Effect of movement in exchange rates	(5,614)	(2,323)	(438)	(100)	(24)	-	-	(8,499)
At 31 December 2016	**35,021**	**14,190**	**2,656**	**605**	**915**	**2,465**	**3,296**	**59,148**
Accumulated								
At 1 January 2015	31,293	15,479	2,877	665	162	-	-	50,476
Charge for the year	3,168	77	9	-	97	143	-	3,494
Effect of movement in exchange rates	1,836	931	173	40	10	-	-	2,990
At 31 December 2015	**36,297**	**16,487**	**3,059**	**705**	**269**	**143**	**-**	**56,960**
At 1 January 2016	36,297	16,487	3,059	705	269	143	-	56,960
Charge for the year	3,010	25	8	-	323	535	55	3,956
Effect of movement in exchange rates	(5,288)	(2,323)	(434)	(100)	(24)	-	-	(8,169)
At 31 December 2016	**34,019**	**14,189**	**2,633**	**605**	**568**	**678**	**55**	**52,747**
Net book value								
At 31 December 2015	3,052	26	35	-	291	2,322	-	5,726
At 31 December 2016	**1,002**	**1**	**23**	**-**	**347**	**1,787**	**3,241**	**6,401**

The amortisation of patents is included in cost of sales, the amortisation charge for software technology which has been capitalised in accordance with IAS 38 is included in research and development expenses and amortisation charges related to intangible assets acquired through business combinations are included in selling, general and administrative expenses.

Intangible assets that are subject to amortisation (i.e. those arising from the capitalisation of development costs in accordance with criteria set in IAS 38, Intangible Assets) are reviewed annually for impairment or whenever events or changes in accounting estimates indicate that the carrying amount may not be recoverable. The calculations are based on the discounted cash flows over the remaining period of amortisation of the capitalised development expense and use the same discount rate and exchange rates that were used for the impairment review of Goodwill (see note 18).

There was no significant change during the year to the calculations and assumptions that were used at 31 December 2015 to identify the requirement to impair any of these intangible assets. It was concluded that no impairment was required for the year ended 31 December 2016 (2015: €nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. OTHER INTANGIBLE ASSETS (CONTINUED)

The software technology is allocated to the following technology and segments and has the following net book value and remaining amortisation periods:

In thousands of euros	Remaining amortisation period	2016	2015
Harlequin RIP	Between 1.5 years and 2.1 years	585	1,700
Jaws RIP	0.2 years	55	354
Total Print segment		**640**	**2,054**
EDL	0.5 years	91	321
gDoc applications	1.1 years	271	519
Total eDoc segment		**362**	**840**
Ikarus	None, fully amortised	-	158
Total Font segment		**-**	**158**
Total software technology		**1,002**	**3,052**

Customer contracts, know-how and driver electronics are allocated to the Print segment and the Font library is allocated to the Font segment

18. GOODWILL

In thousands of euros	Harlequin asset purchase	Ansyr asset purchase	RTI asset purchase	Acquisition of URW++ Design & Development GmbH	Acquisition of TTP Meteor Ltd	Total
Cost						
At 1 January 2015	13,831	15	-	-	-	13,846
Additions – business combinations	-	-	137	1,467	-	1,604
Effect of movement in exchange rates	831	2	(2)	-	-	831
At 31 December 2015	**14,662**	**17**	**135**	**1,467**	**-**	**16,281**
At 1 January 2016	14,662	17	135	1,467	-	16,281
Additions – business combinations	-	-	-	88	2,322	2,410
Effect of movement in exchange rates	(2,079)	1	5	-	-	(2,073)
At 31 December 2016	**12,583**	**18**	**140**	**1,555**	**2,322**	**16,618**
Accumulated amortisation or						
At 1 January 2015	6,503	15	-	-	-	6,518
Effect of movement in exchange rates	391	2	-	-	-	393
At 31 December 2015	**6,894**	**17**	**-**	**-**	**-**	**6,911**
At 1 January 2016	6,894	17	-	-	-	6,911
Effect of movement in exchange rates	(978)	1	-	-	-	(977)
At 31 December 2016	**5,916**	**18**	**-**	**-**	**-**	**5,934**
Net book value						
At 31 December 2015	7,768	-	135	1,467	-	9,370
At 31 December 2016	**6,667**	**-**	**140**	**1,555**	**2,322**	**10,684**

The Group is required to test annually whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment during the year in accordance with the policy set out in note 3.

Goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment testing. The CGUs identified were Print Software, Fonts and Print Electronics.

The table below shows the allocation of goodwill to the CGUs.

In thousands of euros	2016	2015
Print Software	**6,807**	7,903
Fonts	**1,555**	1,467
Print Electronics	**2,322**	-
Total goodwill	**10,684**	9,370

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. GOODWILL (CONTINUED)

The recoverable amount of the CGUs have been determined using an estimate of their value in use as at 31 December 2016. These calculations employed cash flow projections based on financial forecasts approved by management covering a seven-year period ending 31 December 2023. The financial forecasts are most sensitive to changes in the customer base and associated revenues and to changes in staff costs. Revenues were forecasted for each customer in their invoice currency and were based on historical trends and anticipated growth from recent contracts that are not yet shipping. Staffing levels were reviewed against the additional revenue and an average increase in staff costs was applied to account for future potential pay increase that could be awarded to employees.

Projected cash flows were converted into euros based on the rates used for preparing the Group's budget for the year ending 31 December 2016. The exchange rates were determined with reference to HSBC market forecasts and were 1.1800 euros for 1 pound sterling, 1.0700 US dollars for 1 euro, and 118 Japanese yen for 1 euro. Where applicable, the terminal value was determined based on the perpetual growth method using a perpetual growth rate of 1.0%.

Management considers the use of a seven year forecast is justified because the core of the products and technology that make up the CGUs have been generating revenue for over between 10 and 25 years and are typically sold under long term contracts. The Group's technology has evolved to meet the changing requirements of the industries in which it operates and it continues to do so. Combining acquisitions with the continual shift to digital printing and manufacturers looking to differentiate their products new opportunities continue to be created for the Group and its products.

The discount rate used to value the future cash flows was calculated as below:

	2016	2015
Risk free rate (UK Treasury Gilts)	0.81%	1.35%
Equity risk premium	5.00%	5.00%
Equity risk premium for micro caps	3.74%	3.74%
Cost of capital	**9.55%**	**10.09%**
Industry average debt level	Nil	Nil
Estimated net debt cost	Not applicable	Not applicable
Weighted average cost of capital	**9.55%**	**10.09%**

As a result of these projections, the Group concluded that no impairment was required for goodwill for the year ended 31 December 2016 (2015: €nil).

19. FINANCIAL ASSETS

Financial assets measured at amortised cost.

In thousands of euros	**2016**	**2015**
Rent deposits	24	129
Other items	4	3
Total financial assets	**28**	**132**

20. TAX

Corporation tax

Analysis of the tax benefit in the year:

In thousands of euros	**2016**	**2015**
Current tax		
Benefit arising from the repayment of R&D tax credits in the UK	283	489
Current year charge	(438)	(186)
Total current tax	**(155)**	**303**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	304	267
Effect of change in tax rate	-	39
Origination and reversal of temporary differences	317	76
Total deferred tax	**621**	**382**
Total tax benefit	**466**	**685**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. TAX (CONTINUED)

The tax charge for the year differs from that calculated by applying the standard rate of corporation tax of the Company to profit or loss before taxation. The differences are as follows:

In thousands of euros	2016	2015
Profit before tax	130	1,216
Expected tax expense at the Company's tax rate of 20.00% (2015: 20.25%)	(26)	(246)
Effect of differences in tax rates in foreign jurisdictions	(95)	(34)
Effect of share-based payments	(190)	(22)
Effect of the repayment of R&D tax credits	283	489
Effect of changes in unrecognised tax losses	640	519
Effect of other items	(146)	(21)
Total tax benefit recognised	**466**	**685**

Reductions in the UK rate of corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020 were enacted on 18 November 2015 and 15 September 2016 respectively. This will reduce the Group's future current tax charge accordingly. It has not yet been possible to quantify the full anticipated effect of the announced further rate reduction, although this will most likely reduce the Group's future current tax charge.

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	2016	2015
Deferred tax assets		
Capital allowances	991	1,152
Other items	33	18
Total deferred tax assets	**1,024**	**1,170**
Capitalised development expenses	(187)	(552)
Total deferred tax liabilities	**(187)**	**(552)**
Total recognised deferred tax assets	**837**	**618**
Deferred tax liabilities		
As a result of business combinations	(1,191)	(822)
Total recognised deferred tax liabilities	**(1,191)**	**(822)**

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The deferred tax asset at 31 December 2016 has been calculated based on the rates of 20% to 1 April 2017 and 19% thereafter. The deferred tax liability at 31 December 2016 has been recognised from the acquisition of URW++ Design and Development GmbH ("URW") and TTP Meteor Limited ("Meteor"). For URW it has been calculated based on the expected tax rate of 29.65%. For Meteor it has been calculated based on the enacted tax rates of 20%, 19% and 17%.

€0.972 million (2015: €1.502 million) in respect of losses that are capital in nature of other Group companies has not been recognised.

21. TRADE RECEIVABLES DUE AFTER MORE THAN ONE YEAR

In thousands of euros	2016	2015
Amounts due after more than one year	1,974	-
Total trade receivables due after more than one year	**1,974**	**-**

Under some long-term contracts, the Group recognises revenue at the beginning of the contract whilst some payments become due during the term of the agreement.

22. INVENTORIES

In thousands of euros	2016	2015
Finished goods	441	10
Total inventories	**441**	**10**

The increase in inventories is primarily due to the acquisition of Meteor (see note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. TRADE AND OTHER RECEIVABLES

In thousands of euros	2016	2015
Trade receivables	3,135	3,764
Allowance for doubtful debts	(7)	(9)
Total trade and other receivables	**3,128**	**3,755**

Trade receivables less than 90 days past due are not considered impaired. The ageing analysis of trade receivables is as follows:

In thousands of euros	2016	2015
Under 90 days	3,011	3,704
Over 90 days and provided for	7	9
Over 90 days but not provided for	117	51
Total trade and other receivables	**3,135**	**3,764**

Movements in the Group's provision for impairment of trade receivables are as follows:

In thousands of euros	2016	2015
Balance as at 1 January	9	80
Amounts receivable which were written off during the year	-	(22)
Unused amounts which reversed during the year	-	(56)
Effect of exchange rates	(2)	7
Total allowance for doubtful debts	**7**	**9**

See note 32 for further disclosure regarding the credit quality of the Group's trade debtors.

24. OTHER CURRENT ASSETS

In thousands of euros	2016	2015
VAT receivable	59	55
Other items	28	12
Total other current assets	**87**	**67**

25. CASH AND CASH EQUIVALENTS

In thousands of euros	2016	2015
Cash at bank and in hand	4,639	4,235
Total cash and cash equivalents	**4,639**	**4,235**

26. CAPITAL AND RESERVES

Ordinary shares allotted, called up and fully paid:

	2016		2015	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At 1 January	11,215,707	4,486	10,289,781	4,116
Issued in business combination	-	-	925,926	370
Issued for share options exercised	150,000	60	-	-
As at 31 December	**11,365,707**	**4,546**	**11,215,707**	**4,486**

Share premium:

In thousands of euros	2016	2015
At 1 January	1,879	249
From business combination	-	1,630
Issued for share options exercised	100	-
As at 31 December	**1,979**	**1,879**

The Company's investment in its own shares in treasury is as follows:

	2016		2015	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At 1 January	70,519	353	180,519	883
Grant of shares to employees	(56,265)	(223)	(110,000)	(530)
Purchase of own shares	92,572	184	-	-
As at 31 December	**106,826**	**314**	**70,519**	**353**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	2016	2015
Contingent consideration	3,924	-
Total other liabilities	**3,924**	**-**

28. CONTRACT LIABILITIES

In thousands of euros	2016	2015
Customer advances	61	-
Deferred revenue	1,024	912
Total contract liabilities	**1,085**	**912**

The contract liabilities primarily relate to consideration received in advance of the provision of services. Customer advances relate to consideration received in advance of the provision of engineering and consultancy services. Deferred revenue relates to the consideration received for support and maintenance performance obligations that will be recognised as revenue over a period of time.

The increase in contract liabilities is mainly due to the launch of a new consultancy product, called Breakthrough, resulting in increased customer advances and the timing of payments due for deferred revenue.

29. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding those held in treasury.

For diluted earnings per share, the weighted average number of ordinary shares in issue during the year, excluding those held in treasury, is adjusted to assume conversion of all dilutive potential ordinary shares. At the year end, those share options where the exercise price is less than the average market price of the Company's ordinary shares were the only dilutive potential ordinary shares.

In thousands of euros unless otherwise stated	2016	2015
Weighted average number of shares (basic), in thousands of shares	11,247	10,456
Add the effect of dilutive potential ordinary shares	393	146
Weighted average number of shares (diluted), in thousands of shares	11,640	10,602
Profit attributable to ordinary shareholders	596	1,901
Basic earnings per share, in euros	**0.05**	**0.18**
Diluted earnings per share, in euros	**0.05**	**0.18**

In thousands of euros unless otherwise stated	2016	2015
Adjusted profit attributable to ordinary shareholders (see Group strategic report)	3,670	3,597
Basic adjusted earnings per share, in euros	0.33	0.34
Diluted adjusted earnings per share, in euros	0.32	0.34

30. SHARE BASED PAYMENTS

At 31 December 2016, the Group has the following shared based payment arrangements.

Share option plan

The Group operates a share option scheme that awards key personnel with options to acquire ordinary shares of €0.40 in the Company subject to certain criteria being met. Options can only be granted to and exercised by a person that is either an employee or a director of the Group at both grant and exercise dates. If the beneficiary of the granted option no longer fulfils the employment condition, they may only exercise the portion of options which are vested at the termination date of their employment with the Group. Any unvested options cannot be exercised at any future date.

Share options that vest and are exercised will be satisfied by the creation and allotment of new shares to the option holder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. SHARE BASED PAYMENTS (CONTINUED)

The number of options relating to current and former employees and directors over ordinary shares of €0.40 each during the year was as follows:

Date granted	Exercise price	As at 31 December 2015 Number	Granted Number	Exercised Number	Lapsed Number	Outstanding at 31 December 2016 Number	Exercisable at 31 December 2016 Number	Vesting conditions
6 August 2008	€2.08	200,000	-	-	(200,000)	-	-	(a)
17 December 2008	€2.08	50,000	-	-	(50,000)	-	-	(a)
28 July 2010	€1.65	10,000	-	-	(10,000)	-	-	(a)
2 November 2011	€1.06	250,000	-	(125,000)	(125,000)	-	-	(b)
21 May 2013	€1.06	25,000	-	(12,500)	(12,500)	-	-	(b)
30 September 2013	€1.13	25,000	-	(12,500)	(12,500)	-	-	(b)
1 March 2016	€0.00	-	460,000	-	-	460,000	460,000	(c)
		560,000	**-**	**(150,000)**	**(410,000)**	**460,000**	**460,000**	

The vesting conditions of the above options are as follows:

(a) For options granted in the years ending 31 December 2008 and 31 December 2010:

a. The individual must be either an employee or director of the Group.

b. When the 120 trading day average of the reported closing price of the Company's shares reaches:
   i. €4.00, then 25% of the options will vest
   ii. €8.00, then a further 25% of the options will vest, up to 50% of the total
   iii. €12,00, then a further 25% of the options will vest, up to 75% of the total
   iv. €16.00, then all options will vest

c. All unvested options will automatically vest and may therefore be exercised, regardless of whether or not the abovementioned minimum share price conditions are met, should one or several shareholders acting in concert come to hold more voting rights than the Company's reference shareholder, Stichting Andlinger & Co. Euro-Foundation, which held 2,032,011 shares of the Company's shares (17.88% of the Company's share capital) as at 31 December 2016 (' de facto control'), or one third or more of the total number of shares or voting rights attached to the Company's shares ('legal control'), being noted that such threshold was reduced to 30.0% of the total number of shares forming the Company's share capital or the voting rights attached to the Company's shares with effect from 1 February 2011, pursuant to the decrease to that level of the threshold the crossing of which triggers the requirement to initiate a public offer.

(b) For options granted in the years ending 31 December 2011 and 31 December 2013:

a. The individual must be either an employee or director of the Group.

b. 50% vest when the reported closing price of the Company's shares is €2.00 or higher per share for at least 20 trading days in any 60 trading day period. The remaining 50% vest when the reported closing price of the Company's shares is €3.00 or higher per share for at least 20 trading days in any 60 trading day period.

c. An accelerated vesting of these options, regardless of whether or not the abovementioned minimum share price conditions were met, would occur should one or several shareholders acting in concert come to hold more than 30.0% of the total number of shares forming the Company's share capital or of the voting rights attached to such shares.

(c) For options granted during the year ending 31 December 2016

a. The individual must be either an employee or director of the Group.

b. When the reported closing price of the Company's shares is €3.00 or higher per share for at least 20 trading days in any 6 month period.

c. An accelerated vesting of these options, regardless of whether or not the abovementioned minimum share price conditions were met, would occur should one or several shareholders acting in concert come to hold more than 30.0% of the total number of shares forming the Company's share capital or of the voting rights attached to such shares.

The options outstanding at the end of the year had a weighted average exercise price of €nil (2015: 560,000 with a weighted average exercise price of €1.53) and a weighted average contractual life of 8.0 years (2015: 6.1 years).

For options exercised during the period, the weighted average share price at the date of the exercise was €1.98 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. SHARE BASED PAYMENTS (CONTINUED)

Share option plan (continued)

Measurement of fair value
For options granted during the period, the estimate of the fair value of these options was measured by an independent valuator using a Monte Carlo simulation and the following inputs:

- Exercise price of €nil
- Share price at date of grant of €2.22 per share
- Risk free rate of return of 0.076% (Belgium 8 year government bond at date of grant, being the lowest risk investment underpinning the market)
- Dividend yield of 0%
- Share price volatility of 44.58%, based on an analysis of 5 years of historic share price for the Company's shares
- Expected life of 1.7 years

The model generated a fair value per option of €1.92.

Free shares

On 24 April 2009 the Group established an HMRC approved Share Incentive Plan ("SIP") in the UK and also operates an Enterprise Management Incentive Scheme ("EMI") to enable its UK employees and directors to participate in a tax efficient manner in the ownership of the Company's shares. Under these schemes, free shares can be granted by the board to eligible employees and directors. For non-UK employees and directors free shares can be granted directly to the employee. Free shares granted by the board to employees and directors, either directly or through the SIP or EMI, have a 4 year vesting period and free shares granted outside of the SIP or EMI have vesting periods of either 12 or 24 months.

Employees participating in the SIP are also granted free matching shares in proportion to the partnership shares that they purchased through a deduction from their gross pay before tax, subject to current HMRC limits. The matching shares have a vesting period of 3 years.

The number of free shares granted, exercised, lapsed or withdrawn during the year was as follows:

	As at 31 December 2015 Number	Granted Number	Exercised Number	Withdrawn Number	Lapsed Number	As at 31 December 2016 Number
SIP matching shares	9,619	2,244	-	(2,414)	-	9,449
25 October 2012 grant	3,000	-	(3,000)	-	-	-
23 March 2015 grant	45,000	-	(25,000)	-	-	20,000
1 May 2015 grant	1,000	-	-	-	-	1,000
	58,619	**2,244**	**(28,000)**	**(2,414)**	**-**	**30,449**

Measurement of fair value
The fair value of free shares granted as matching shares under the SIP was assumed to be equal to the purchase price of corresponding partnership shares which were acquired by participants in the SIP.

The fair value of free shares granted was assumed to be the closing price reported for the Company's shares on the last trading day immediately preceding the date when the shares were granted. It was also considered that all of the grantees would be in employment at the date of vesting.

Expenses related to share based payments

During the year the Group recognised the following expenses related to share based payments:

In thousands of euros	2016	2015
Share option grants	902	6
SIP matching shares	3	3
10 March 2011 free share grant	-	5
2 November 2011 free share grant	-	4
25 October 2012 free share grant	1	1
23 March 2015 free share grant	43	89
1 May 2015 free share grant	1	-
Total share based payments expense	**950**	**108**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. OPERATING LEASE COMMITMENTS

The Group has entered into certain non-cancellable operating leases for its offices in the UK, US, Japan and Germany. These leases, which all expire within the next ten years, have varying terms, escalation clauses, and renewal rights. The future aggregate minimum operating lease payments under these agreements are as follows:

	2016		2015	
In thousands of euros	**Property**	**Office equipment**	**Property**	**Office equipment**
Less than one year	252	-	306	1
Between one and five years	1,180	-	192	-
More than 5 years	1,226	-	-	-
Total	**2,658**	**-**	**498**	**1**

32. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market (notably foreign exchange risk), credit risk and liquidity risk. The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial risk management is overseen by the Chief Financial Officer (CFO) under policies approved by the board which has overall responsibility for the establishment and oversight of the Group's risk management framework.

The board provides principles for overall risk management, covering specific areas such as foreign exchange risk and the use of derivative financial instruments, whereas the CFO identifies, evaluates, and manages financial risks in close co-operation with the Group's operating units. The Group does not permit the use of derivative financial instruments for speculative purposes.

Market risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the British pound. Foreign exchange risk arises from future commercial transactions, recognised assets (notably trade receivables) and liabilities, as well as net investments in foreign operations.

To help manage these foreign exchange risks the Group may utilise foreign currency option or forward contracts transacted with high-credit-quality financial institutions, after review and approval by the Group's CFO. There were no such contracts outstanding as at 31 December 2016 (2015: none).

The Group had the following current assets and liabilities denominated in currencies:

In thousands of euros	**Euros**	**US dollars**	**Pounds sterling**	**Japanese yen**
At 31 December 2016				
Trade receivables	586	1,626	216	700
Current tax assets	143	13	-	-
Other current assets	20	8	48	11
Trade payables	(177)	(298)	(428)	(8)
Current tax liabilities	(30)	(43)	-	(32)
Other current liabilities	(168)	(148)	(1,171)	(14)
Customer advances and deferred revenue	(11)	(453)	(621)	-
Net exposure	**363**	**705**	**(1,956)**	**657**
At 31 December 2015				
Trade receivables	583	2,930	240	2
Current tax assets	-	110	-	-
Other current assets	11	10	36	10
Trade payables	(208)	(36)	(176)	(10)
Current tax liabilities	(151)	(19)	-	(41)
Other current liabilities	(461)	(112)	(798)	-
Customer advances and deferred revenue	-	(457)	(455)	-
Net exposure	**(226)**	**2,426**	**(1,153)**	**(39)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

The Group had the following non-current liabilities denominated in currencies:

In thousands of euros	Euros	US dollars	Pounds sterling	Japanese yen
At 31 December 2016				
Contingent consideration	-	-	3,924	-
At 31 December 2015	-	-	-	-
Contingent consideration	-	-	-	-

The average and year end exchange rates applied during the year to convert currencies to Euros are as follows:

	Average rate for		Rate at 31 December	
	2016	2015	2016	2015
US dollar	0.9039	0.9026	0.9491	0.9157
Pound sterling	1.2242	1.3786	1.1664	1.3591
Japanese yen	0.0083	0.0075	0.0081	0.0076

If sales and results for the year had been converted using the exchange rates prevailing in the prior year, the Group's 2016 sales would have been lower by approximately €0.1 million and the operating profit for the year would have been approximately €1.1 million lower.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales to customers. It is Group policy to assess the credit risk of new customers before entering contracts and to have a frequent and proactive collections process, including a two-weekly review of receivables by the CFO. Historically, bad debts across the Group have been low. The concentration of credit risk is limited due to the customer base comprising mainly of blue chip companies. Credit risk also arises from cash deposits with banks. At the year-end the Group's cash deposits were held with major clearing banks in the UK (HSBC Bank plc and Lloyds Bank plc), USA (Bank of America), Japan (Sumitomo Mitsui Banking Corporation) and Germany (Hamburger Sparkasse AG). The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. These are summarised within note 23 (Trade and other receivables) and note 25 (Cash and cash equivalents). The Group's management considers that all the above financial assets that are not impaired at the balance sheet date under review are of good credit quality, including those that are past due.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The board reviews an annual 12-month financial projection and the CFO and CEO review cash balances and cash flow forecasts on a monthly basis. At the balance sheet date liquidity risk was considered to be low, given the fact that the Group is expected to be cash generative, has no borrowings and cash and cash equivalents are thought to be at acceptable levels. While the board considers there to be no need for borrowing facilities at the moment, it continually monitors the Group's cash requirements.

The Group's financial liabilities have contractual maturities as summarised below:

In thousands of euros	Within 1 year	Between 1 and 10 years	Total
At 31 December 2016			
Trade payables	911	-	911
Current tax liabilities	105	-	105
Other current liabilities	1,501	-	1,501
Other liabilities	-	3,924	3,924
Total	**2,517**	**3,924**	**6,441**
At 31 December 2015			
Trade payables	430	-	430
Current tax liabilities	211	-	211
Other current liabilities	1,371	-	1,371
Other liabilities	-	-	-
Total	**2,012**	**-**	**2,012**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk
The Group has no interest bearing debt, therefore the Group's interest rate risk arises principally from bank deposits. The Group manages its cash held on deposit to gain reasonable interest rates whilst maintaining sufficient liquidity to support the Group's operations and strategy.

Capital risk
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders, maintain investor, creditor and market confidence, and sustain future development of the business. The Group has no external borrowings, therefore capital equates to the Group's total equity.

There were no changes in the Group's approach to capital risk management during the year ended 31 December 2016.

In thousands of euros	**2016**	**2015**
Capital		
Total equity	20,424	21,119
Less cash and cash equivalents	4,639	4,235
	15,785	**16,884**
Overall financing		
Total equity	20,424	21,119
	20,424	**21,119**
Capital to overall financing ratio	**1:1.29**	**1:1.25**

33. RELATED PARTIES

The Company has a related party relationship with its subsidiaries as well as with its directors and executive officers. The remuneration paid to the directors is detailed in the directors' remuneration report on pages 13 to 18.

Andlinger & Co. CVBA
The Group has a related party relationship with Andlinger & Co. CVBA (Andlinger), a Belgian company, which is managed by Johan Volckaerts. During the period, there were no transactions between the Group and Andlinger and at the date of these financial statements there were no amounts owed between the two parties.

Hybrid Software
Following the appointment of Guido Van der Schueren as Chairman on 16 May 2014, a related party relationship has been established with one of the Group's customers, Hybrid Software (Hybrid). Hybrid is a company controlled by Mr Van der Schueren and has been licensing the Group's Harlequin RIP technology since September 2013 and includes it as part of its solutions to its own customers.

During the year the Group recognised €68,281 (2015: €31,591) in revenue from Hybrid. At the date of these financial statements €62,285 was owed to the Group from Hybrid, all of which had been paid by the date of publication.

34. GROUP ENTITIES

			Ownership interest %	
Company name	**Registered office address**	**Country of incorporation**	**2016**	**2015**
Global Graphics (UK) Limited	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	100%
Global Graphics Software Limited	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	100%
Global Graphics Software Incorporated	Somerset Court, 281 Winter Street, Waltham, MA 02451, USA	United States of America	100%	100%
Global Graphics Kabushiki Kaisha	610 AIOS Nagatacho Bldg, 2-17-17 Nagatacho, Chiyoda-ku, Tokyo 100-0014, Japan	Japan	100%	100%
Global Graphics EBT Limited	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	100%
Meteor Inkjet Limited	Ash House, Melbourn Science Park, Melbourn, SG8 6HB, UK	United Kingdom	100%	0%
URW++ Design & Development GmbH	Poppenbütteler Bogen 36, 22399 Hamburg, Germany	Germany	100%	100%

35. SUBSEQUENT EVENTS

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2016.

COMPANY BALANCE SHEET

		For the year ended 31 December	
In thousands of euros	**Note**	**2016**	**2015**
FIXED ASSETS			
Intangible assets	4	**2**	4
Investments	5	**25,583**	20,028
Total fixed assets		**25,585**	20,032
CURRENT ASSETS			
Other current assets	6	**27**	11
Cash and cash equivalents		**131**	-
Total current assets		**158**	11
Creditors: Amounts falling due within one year	7	**(11,610)**	(11,246)
Net current liabilities		**(11,452)**	(11,235)
Creditors due in more than one year	8	**(3,924)**	-
Net assets		**10,209**	8,797
CAPITAL AND RESERVES			
Called up share capital	10	**4,546**	4,486
Share premium account	10	**1,979**	1,879
Share-based payments reserve	11	**174**	174
Treasury shares	10	**(314)**	(353)
Profit and loss account		**3,824**	2,611
Total shareholders' funds		**10,209**	8,797

The notes on pages 54 to 58 form part of these financial statements.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account and related notes. The profit for the year ended 31 December 2016 was €1,436,464 (2015: €769,346 loss).

There are no recognised gains or losses for the current year or preceding year other than those disclosed above.

These financial statements were approved and authorised for issue by the board of directors on 15 March 2017 and were signed on its behalf by:

Gary Fry
Director
Company registered number: SE000077

COMPANY STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Note	Called up share capital	Share premium account	Share-based payments reserve	Treasury shares	Profit and loss account	Total equity
Balance at 1 January 2015		**4,116**	**249**	**66**	**(883)**	**3,810**	**7,358**
Total comprehensive income							
Net loss for the year		-	-	-	-	(769)	(769)
Total comprehensive loss		**-**	**-**	**-**	**-**	**(769)**	**(769)**
Transactions with owners							
Issue of shares	10	370	1,630	-	-	-	2,000
Share-based payment transactions	11	-	-	108	-	-	108
Own share grants	10	-	-	-	530	(430)	100
Total transactions with owners		**370**	**1,630**	**108**	**530**	**(430)**	**2,208**
Balance at 31 December 2015		**4,486**	**1,879**	**174**	**(353)**	**2,611**	**8,797**
Total comprehensive income							
Net profit for the year		-	-	-	-	1,436	1,436
Total comprehensive profit		**-**	**-**	**-**	**-**	**1,436**	**1,436**
Transactions with owners							
Issue of shares	10	60	100	-	-	-	160
Own share grants	10	-	-	-	223	(223)	-
Own share purchases	10	-	-	-	(184)	-	(184)
Total transactions with owners		**60**	**100**	**-**	**39**	**(223)**	**(24)**
Balance at 31 December 2016		**4,546**	**1,979**	**174**	**(314)**	**3,824**	**10,209**

The notes on pages 54 to 58 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Global Graphics SE is a company incorporated and domiciled in the UK.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 - Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is an ultimate parent undertaking and is included in the Company's consolidated financial statements. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 2030 Cambourne Business Park, Cambourne, CB23 6DW.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following a retrospective change in accounting policy; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments; and
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Investments

Investments in subsidiary undertakings are stated at cost, less provision for any impairment in value.

Intangible assets

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Foreign currencies

The functional and presentation currency of the Company is euro.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or at a contracted rate if applicable and any exchange differences arising are taken to the profit and loss account.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as required by IAS 12.

Share based payments

The share option programme allows employees of the Group to acquire shares of the Company. The fair value of the options and shares granted is recognised as an employee expense, with a corresponding increase in equity, and is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options or shares. The fair value of the options granted is measured using an appropriate valuation model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognised as an expense is adjusted to reflect the actual number of share options or shares for which the related service and non-market conditions are met. The proceeds received, net of any directly attributable transaction costs, are credited to share capital for the par value of the shares issued and to share premium for the balance, when the share options are exercised.

Going concern

On the date these consolidated financial statements were approved, based on their review of cash flow projections prepared by management for the years ending 31 December 2017 and 2018, the members of the Company’s board of directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the Group’s ability to continue as a going concern, notably because of a Group consolidated cash position of €4.639 million as at 31 December 2016 (2015: €4.235 million) and the absence of any outstanding debt.

2. EMPLOYEES AND REMUNERATION OF DIRECTORS

The Company employed an average of nil employees (including executive directors) during the year (2015: nil). Directors’ emoluments are disclosed in the directors' remuneration report on pages 13 to 18 and in note 13 to the consolidated financial statements.

3. SERVICES PROVIDED BY THE COMPANY'S AUDITOR

Fees payable to the Company’s auditor for the audit of the Company’s accounts and for other services are set out in note 12 to the consolidated financial statements.

4. INTANGIBLE ASSETS

In thousands of euros	Trademarks
Cost	
At 1 January 2016 and 31 December 2016	47
Accumulated amortisation	
At 1 January 2016	43
Charge for the year	2
At 31 December 2016	**45**
Net book value	
At 31 December 2015	4
At 31 December 2016	**2**

Intangible assets consist of registered trademarks and internet domain names carried at historical cost. Amortisation is calculated on a straight line basis from acquisition date over their useful estimated lives, which is estimated to be 10 years.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. INVESTMENTS

In thousands of euros	Shares in subsidiary undertakings
Cost	
At 1 January 2016	77,786
Additions	5,555
At 31 December 2016	**83,341**
Provision	
At 1 January 2016 and 31 December 2016	**57,758**
Net book value	
At 31 December 2015	20,028
At 31 December 2016	**25,583**

On 5 December 2016 the Company acquired the entire share capital of TTP Meteor Limited. Full details of the acquisition can be found in note 8 to the consolidated financial statements.

Investments are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. An investment is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that investment. An impairment loss in respect of an investment is measured as the difference between its carrying amount and the present value of the estimated future cash flows.

The estimated fair value of the investments has been determined by the present value of future cash flows over a 10 year period from 2017 to 2026 using the same discount rate and exchange rates that were used for the impairment review of Goodwill in the consolidated financial statements (see note 18 to the consolidated financial statements). Management considers the use of a ten year period is justified because the underlying businesses have been established for over 25 years, have recurring revenues and continue to develop new products and gain new customers.

The Company had the following interests in the ordinary share capital of group undertakings:

			Ownership interest %	
Company name	**Registered office address**	**Country of incorporation**	**2016**	**2015**
Global Graphics (UK) Limited	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	100%
Global Graphics Software Limited *	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	100%
Global Graphics Software Incorporated *	Somerset Court, 281 Winter Street, Waltham, MA 02451, USA	United States of America	100%	100%
Global Graphics Kabushiki Kaisha *	610 AIOS Nagatacho Bldg, 2-17-17 Nagatacho, Chiyoda-ku, Tokyo 100-0014, Japan	Japan	100%	100%
Global Graphics EBT Limited	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	100%
Meteor Inkjet Limited	Ash House, Melbourn Science Park, Melbourn, SG8 6HB, UK	United Kingdom	100%	0%
URW++ Design & Development GmbH	Poppenbütteler Bogen 36, 22399 Hamburg, Germany	Germany	100%	100%

* indirectly held by the Company.

Except for Meteor Inkjet Limited, all of the above subsidiaries are included within the consolidated financial statements of Global Graphics SE for the years ended 31 December 2016 and 31 December 2015. Meteor Inkjet Limited (previously known as TTP Meteor Limited) was acquired on 5 December 2016 and is included from that date within the consolidated financial statements of Global Graphics SE for the year ended 31 December 2016. See note 8 to the consolidated financial statements for more information.

6. OTHER CURRENT ASSETS

In thousands of euros	2016	2015
VAT receivable	20	9
Prepayments	7	2
Total other current assets	**27**	**11**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

In thousands of euros	2016	2015
Trade creditors	112	1
Amounts owed to group undertakings	11,492	11,003
Accruals	6	242
Total non-current liabilities	**11,610**	**11,246**

8. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	2016	2015
Contingent consideration	3,924	-
Total other liabilities	**3,924**	**-**

9. TAX

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company had no recognised or unrecognised deferred tax assets as at 31 December 2016 (2015: €nil).

10. SHARE CAPITAL

New ordinary shares were issued during the year to satisfy the exercise of share options that vested. See note 30 to the consolidated financial statements for more information.

Ordinary shares allotted, called up and fully paid:

In thousands of euros, except number of shares	Number	Value
At 1 January 2016	11,215,707	4,486
Issue of shares	150,000	60
As at 31 December 2016	**11,365,707**	**4,546**

Share premium:

In thousands of euros	2016
At 1 January 2016	1,879
Issue of shares	100
As at 31 December 2016	**1,979**

The Company's investment in its own shares in treasury is as follows:

	2016		2015	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At 1 January	70,519	353	180,519	883
Grant of shares to employees	(56,265)	(223)	(110,000)	(530)
Purchase of own shares	92,572	184	-	-
As at 31 December	**106,826**	**314**	**70,519**	**353**

11. SHARE BASED PAYMENTS

Information about share based payments for directors and employees are detailed in note 30 to the consolidated financial statements.

12. RELATED PARTY TRANSACTIONS

The remuneration paid to the directors is detailed in the directors' remuneration report on pages 13 to 18.

Andlinger & Co. CVBA

The Group has a related party relationship with Andlinger & Co. CVBA (Andlinger), a Belgian company, which is managed by Johan Volckaerts. During the period, there were no transactions between the Group and Andlinger and at the date of these financial statements there were no amounts owed between the two parties.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

12. RELATED PARTY TRANSACTIONS (CONTINUED)

Hybrid Software

Following the appointment of Guido Van der Schueren as Chairman on 16 May 2014, a related party relationship has been established with one of the Group's customers, Hybrid Software (Hybrid). Hybrid is a company controlled by Mr Van der Schueren and has been licensing the Group's Harlequin RIP technology since September 2013 and includes it as part of its solutions to its own customers.

During the year the Group recognised €68,281 (2015: €31,591) in revenue from Hybrid. At the date of these financial statements €62,285 was owed to the Group from Hybrid, all of which had been paid by the date of publication.

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 for transactions with wholly owned group companies.

13. SUBSEQUENT EVENTS

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2016.