Global Graphics PLC
(formerly Global Graphics SE)

Annual report and financial statements for the year ended 31 December 2017

Company registration number: 10872426

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About Global Graphics

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

Through its operating subsidiaries, Global Graphics is a leading developer of platforms for digital inkjet printing and type design and development. Its principal customers are Original Equipment Manufacturers ("OEMs").

It is at the forefront of technology developments used for printing and displaying an increasingly diverse range of goods, from food labelling and packaging, to textiles and wall coverings, to automotive dashboard displays. Its strategic focus is to acquire the technology and skills to offer OEMs a more integrated solution for their production digital presses, in particular, to increase market share in the fast-growing inkjet market, and to expand its geographical reach for its solutions.

Global Graphics PLC is headquartered in Cambridge UK. Its operating subsidiaries are:

- Global Graphics Software: developers of software for digital printing, used by press manufacturers (OEMs);
- Meteor Inkjet: specialists in industrial printhead driver solutions, used by inkjet press manufacturers (OEMs); and
- URW type foundry: designers and developers of digital font technology used by OEMs, as well as corporate type development and production.

Operating subsidiaries

Global Graphics Software

Before designs can be printed or displayed they must be broken down into pixels or vector. Global Graphics Software is one of the world's foremost software developers with this expertise.

Strategy
Its strategic focus is on high-speed digital printing for commercial printing applications, such as photo books, for labels and packaging, and for interior décor and ceramics. The company's combination of software and first-rate engineering skills mean that it can help press manufacturers to respond to technical challenges with innovation, adding value to their products, and getting them to market quickly. Its existing patent portfolio covers many areas of printing and document technology while a number of patent applications will protect future inventions.

Customers
Global Graphics Software's customers include Hewlett Packard, Agfa, Canon, FujiXerox, Durst, Roland and Kodak.

Licensing
Solutions are typically licensed under technology agreements and reseller agreements. The company is noted for its flexible approach to licensing its technology and prides itself on being a trusted commercial and development partner.

Products
Global Graphics Software's product range includes:

- Harlequin RIP®: a software raster image processor ("RIP") which converts text and images into printable form. Harlequin offers market leading performance, outstanding quality and reliability for high-speed digital printing applications;
- ScreenPro™: a software engine used to improve inkjet image quality and compatible with any printing industry workflow;
- Fundamentals: a toolkit for building a Digital Front End ("DFE") which is the brain of a printing press. A DFE created using Fundamentals may contain the Harlequin RIP or ScreenPro; and
- Mako™: a multi-platform software development kit for building custom workflows, particularly where many file formats need to be combined. Can be used upstream of the Harlequin RIP.

The significance of industry standards
Global Graphics Software plays an active role in the development of new standards so that its OEM customers are among the first to benefit from technology that is compliant with new standards. The PDF (Portable Document Format) file, for example, is the most commonly used format for printing in all its strategic markets. Global Graphics Software's CTO has been the primary UK expert to the ISO committees working on PDF, PDF/X and PDF/VT for several years. In 2017, he was named as the co-chair of the PDF Technical Working Group ("TWG") within the PDF Association's PDF Competence Centre, the international organisation promoting awareness and adoption of standards using PDF.

Meteor Inkjet

Meteor Inkjet is a leading independent supplier of industrial inkjet printhead driving solutions. The industrial inkjet market includes ceramic tiles, packaging, commercial print, product decoration and textiles. Printheads are a component of an inkjet press and generally contain multiple nozzles for jetting ink or other fluids onto substrates. Meteor's software and electronics send data to the printheads, instructing them what to print.

The seven major industrial printhead vendors are Meteor's route to identifying inkjet printer development projects around the world. Consequently, Meteor works closely with them all, namely Xaar, FUJIFILM Dimatix, Kyocera, Konica Minolta, Toshiba TEC, SII and Ricoh. Meteor develops drivers for their new printhead types and encourages them to sell their products to accelerate their route to production.

About Global Graphics (continued)

Meteor's solutions are modular, scalable, production-ready. They are supported by a world-class technical team, largely, but not exclusively, based at its headquarters near Cambridge, UK.

Strategy
Meteor's strategy is to maintain and deepen its relationships with all the printhead vendors and to add value to its printhead driver solutions with new software products, including collaboration with Global Graphics Software.

Customers
Meteors's solutions reduce development risk and time to market for manufacturers building new industrial inkjet presses. Among its customers are Mark Andy, a leading label equipment manufacturer in the US: Hymmen a leading printed laminate equipment manufacturer in Germany; and China's leading ceramic tile decoration equipment manufacturer.

Products
Meteor supports the printheads demanded by OEMs and print system integrators world-wide. It collaborates closely, always producing the best quality product to optimize the performance of the printhead for its customers. The Meteor software interface is common across the range of printheads, but the functionality can be tailored for each customer. Its products comprise:

- Printhead driver cards: contain the digital and analogue electronics necessary to configure, power and drive one or more industrial inkjet printheads;
- Controller cards: contain the high-speed data path electronics that buffer, store, manipulate and route data to the printhead array; and
- Software: the Meteor PrintEngine that configures printheads and datapath hardware and prepares image data for distribution to the datapath.

URW

The Hamburg-based URW type foundry is a leading developer of digital font technology, designing OpenType fonts as well as custom typefaces for businesses globally. Open Type is a cross-platform industry standard format for scalable computer fonts.

The company invented digital outline font technology and tools and is one of the few remaining font foundries that dates from the 1970s. It owns a high-quality library of type that it licenses to creative agencies, brands, publishers and individual users and has a significant presence on the major font portals used by these communities, such as Adobe Typekit, fonts.com and myfonts.com.

Strategy
URW's strategy for growth is to expand its geographical footprint and to continually add value to its font library. For example, it owns the most comprehensive and complete library in the world for the best-selling Futura font. In 2017 URW collaborated successfully with Global Graphics' Tokyo office to supply fonts to printer manufacturers in Asia. It also grew revenues in the UK, with the opening of a UK office, and has plans to expand in the USA.

URW's studio is in Hamburg, Germany, where it has an in-house pool of type design and technical talent. URW also works with a network of font designers, font technicians and experienced distribution partners in Asia, India and Arabian countries to guarantee the highest design quality of non-Latin fonts.

Customers
URW has an extensive customer list of global brands with whom it works directly including General Motors, Mercedes Benz, Siemens, Ricoh, NEC, Epson. Its major distribution partners are Adobe Typekit, MyFonts, Fonts.com, Creative Market and You Work For Them.

Licensing
URW licenses custom fonts and library fonts directly to corporate clients and OEMs. It also sells fonts from its library directly to individual users via its own web site (https://www.urwpp.de/com). Noted for its technical expertise, URW also provides technical services directly to its corporate customers.

Products

- Services for corporates and brands: design and development of exclusive corporate typefaces
- Services for design agencies and publishers: an extensive type library of over 700 families used in print, mobile apps, websites and e-books across the globe
- Global fonts: includes scripts from all the major writing systems around the world.

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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 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, several 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 2018 and 2019, 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 €5.08 million as at 31 December 2017 (2016: €4.64 million) and the absence of any outstanding bank debt.

GROUP STRATEGIC REPORT

STRATEGY AND BUSINESS MODEL

Through its operating subsidiaries, Global Graphics PLC is a leading developer of software and hardware technology for digital inkjet printing and type design and development. Customers for digital inkjet technology include press manufacturers such as HP, Canon, Durst and Roland. Those for font design include numerous international brands, from manufacturers such as Mercedes Benz and Siemens, to digital media and e-publishing companies. With the acquisition of Meteor Inkjet Ltd ("Meteor") in December 2016, the Group is able to provide a broader offering to digital inkjet press manufacturers by combining software technology with Meteor's comprehensive range of industrial printhead driver solutions.

Our strategic focus is on high-speed digital printing, which includes a growing number of applications from labels and packaging, ceramics, interior décor and even automotive applications. Our combination of software and exceptional 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. We continue to work to expand the customer base for all businesses into geographical areas that have growth potential, whilst building long-term relationships with key market leaders.

Our business model is to directly license software technology to original equipment manufacturers ("OEMs") of pre-press equipment, digital printers and copiers, developers of applications that create, manipulate and manage electronic documents and system integrators. The fonts and associated technology is licensed to software developers and OEMs for inclusion in their products, to corporates for use in their corporate identity and branding and is sold through font portals to design agencies and end users. The font design team have the capability to create new font styles and redesign, expand or optimise characters for special applications. Meteor's printhead driver solutions can drive all available inkjet heads currently on the market and are sold direct to the manufacturer of the printing device. Consequently, Global Graphics' printing technology lies at the heart of industry leading brands of digital pre-press systems, professional colour proofing devices, wide-format colour printers and digital production presses. Fonts are included in products from household names, ranging from domestic appliances to motor vehicles.

Global Graphics continues to play an active role on industry standards committees, and through its sustained program of research and development has a patent portfolio touching many areas of printing technology.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

FINANCIAL HIGHLIGHTS

- Revenue for the year was €20.54 million (2016: €16.03 million)
- Gross profit for the year was €15.44 million or 75.2% of revenue (2016: €14.45 million, 89.5% of revenue)
- Pre-tax loss for the year was €0.16 million (2016: €0.13 million profit)
- EBITDA for the year was €3.10 million (2016: €4.29 million)
- Cash at 31 December 2017 was €5.08 million (2016: €4.64 million)

CEO'S REVIEW

I am very pleased with our top line growth and especially that we have attained another milestone in 2017, that of exceeding revenue of €20 million. Although our profitability is slightly down on the previous year, during Q4 we executed a reorganisation within Global Graphics Software which should see profitability improve in the future.

I am particularly pleased with the shape the business is taking and the direction in which we are moving in order to transact on opportunities arising from growth markets, particularly the market for industrial inkjet, not to mention the opportunity for growth offered by expanding URW's footprint into new geographical territories.

Following the recent acquisitions, we have reviewed how we manage and operate the businesses and refined our operating segments to now report results from our three operating companies, namely Global Graphics Software, Meteor Inkjet, and URW. Our strategy is to grow each of these business units, either into new markets or geographically, and to explore more synergies between them beyond those that currently exist, which are proving very fruitful.

In the Software segment we have continued to expand and enhance our products to be an even more compelling solution in the label and packaging market. Testament to that, we expanded our relationship with HP Indigo who chose the Harlequin RIP as the RIP engine inside their new digital front end (DFE), HP Production Pro for Indigo Labels & Packaging. Durst Group, a new customer for us, selected the Harlequin RIP and the ScreenPro screening engine to optimize data throughput in their new workflow, Durst Symphony. Symphony will drive the Durst Tau 330 digital and packaging presses.

Contracts with several other new customers have been signed, some of which cannot be announced due to confidentiality agreements in place.

I mentioned industrial inkjet earlier. We are seeing growth for high-speed inkjet applications across multiple sectors and this plays to our strengths. A large and growing market is developing as this relatively new technology takes hold. The growth in Meteor Inkjet's revenue for 2017 is testament to this.

With that in mind, to keep focussed on these growing markets, we have transitioned the sales and support of our traditional Harlequin business, the RTI acquisition made in 2015, to our long-standing partner Xitron, LLC. Xitron will fulfil and support orders for customers of the Harlequin MultiRIP business for all commercial offset and flexographic markets. The agreement took effect from 1 January 2018 and covers the RTI customer base for Harlequin MultiRIP Computer-to-Plate and Computer-to-Film applications worldwide.

GROUP STRATEGIC REPORT (CONTINUED)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

CEO'S REVIEW (CONTINUED)

Our font business, through URW in Germany, has had a very robust year achieving remarkable revenue and operating profit. A one-off license fee for a large printer manufacturer helped make it an outstanding year, but we have also seen increased volume from some key existing customers. This was further supported by winning a new contract for design work that should result in another year of strong revenue in 2018.

CFO'S REVIEW

Acquisitions
On 27 September 2017, the Group acquired the entire issued share capital of Cambridge Grey Bit Limited ("CGB").

CGB is a research and development company specializing in advanced software for industrial inkjet printing and is based near Cambridge, UK. With this acquisition, CGB's screening and cross web calibration for single pass and scanning inkjet heads will be integrated into Global Graphics Software's technology offering to further enhance the ScreenPro™ product.

Group structure
Other than the addition of CGB, there has been no change to the structure of the Group since the year ended 31 December 2016, however, on 22 June 2017 at a general meeting of shareholders it was voted that the Company be converted from a Societas Europaea ("SE") to a public limited company registered in England and Wales ("PLC"). The conversion was completed on 18 July 2017.

This conversion was performed to mitigate any risk that may be associated with the legal status of an SE after the UK leaves the European Union.

Operating segments
Following a review of how the Group is operated and managed, the products, business activities, the information provided to the CEO and the discrete financial information available, the reportable segments of Print, eDoc and Fonts have been replaced with 3 new segments. The new segments are:

- Software, for digital printing and digital documents software;
- Printhead Solutions, for electronics and software developed for industrial inkjet printing; and
- Fonts, for digital typeface design and technology.

Further information about segment revenue and profitability can be found in note 6 to the consolidated financial statements.

Revenue
Revenue for the year was €20.54 million compared with €16.03 million in 2016. This was an increase of €4.51 million (28.1%). At 2016 exchange rates, 2017 sales would have been approximately €0.58 million higher and totalled approximately €21.12 million.

License fees accounted for 48.1% (2016: 77.2%) of revenue, driver electronics accounted for 37.4% (2016: 3.6%), maintenance and support accounted for 6.8% (2016: 8.0%), engineering services accounted for 4.4% (2016: 6.7%), hardware and consumables accounted for 3.1% (2016: 4.4%) and other items accounted for 0.2% (2016: 0.1%).

In 2017, the ten largest customers represented 53.5% (2016: 61.7%) of the Group's revenue, the five largest customers represented 41.9% (2016: 45.6%) of the Group's revenue and the single largest customer represented 19.6% (2016: 18.1%) of the Group's revenue. There were 2 customers during the year that represented 10% or more of total revenue. Revenue from those 2 customers totalled €6.05 million and is reported in the Software and the Printhead Solutions segments.

The Group's sales are made in several different currencies, and during the reporting year 40.8% (2016: 54.2%) were denominated in US dollars, 38.7% (2016: 4.9%) were in pounds sterling, 13.8% (2016: 13.5%) were in euros, 6.4% (2016: 27.4%) were in japanese yen and 0.3% (2016: nil) were in other currencies. This means that the Group's revenues can be affected significantly by currency fluctuations against the reporting currency of euro.

Software
Revenue for the Software segment totalled €9.08 million for the year (2016: €13.04 million). The decrease of €3.96 million was due to:

- revenue from new customers of €0.54 million;
- a decrease of €0.22 million due to the movement in exchange rates;
- a decrease of €2.87 million for one-off revenue in 2016; and
- a decrease of €1.41 million due to net lower volume from existing customers.

GROUP STRATEGIC REPORT (CONTINUED)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

CFO'S REVIEW (CONTINUED)

During the year ending 31 December 2016, a customer exercised a multi-year option in their contract which resulted in the recognition of revenue totalling €2.87 million. This exceptional revenue was not repeated in the year ending 31 December 2017, but will repeat in 2021 if the customer renews the contract.

Several new customers from the previous year that were expected to generate revenue during the year did not start shipping as expected. It is anticipated that shipments will increase during 2018 and that they will be shipping for the full year from 2019. Other new customers signed during the year are expected to generate revenue during 2018.

Printhead Solutions
Revenue for the Printhead Solutions segment was €7.68 million for the year (2016: €0.57 million).

The increase in revenue allocated to this segment was due to the inclusion of the full year results of Meteor Inkjet Limited, which was acquired in December 2016.

On a standalone, like-for-like basis, i.e. a full 12-month comparison, the growth in revenue was 78.3% attributed to increased volume from existing customers and 21.7% attributed to new customers.

Fonts
Revenue for the Fonts segment was €3.78 million for the year (2016: €2.42 million). Revenue from distribution channels that generate recurring revenue increased during the year and revenue from new customers totalled €1.29 million. Of the new customer revenue, €0.70 million was attributed to a license fee from one customer.

Orders for corporate type development totalling €0.70 million were received towards the end of the year. The revenue resulting from this work is expected to be recognised throughout 2018.

Pre-tax result
The consolidated pre-tax result was a loss of €0.16 million in 2017 compared with a pre-tax profit of €0.13 million in 2016. The reduction in profitability of €0.29 million is due to:

- an increase in revenue of €4.51 million;
- an increase in cost of sales of €3.51 million
- an increase in selling, general and administrative expenses of €1.02 million;
- a decrease in research and development expenses of €0.95 million;
- an increase in other operating expenses of €0.54 million; and
- a decrease in foreign exchange gains of €0.67 million.

Gross profit for the period was 75.2% of revenue. For the same period in the prior year it was 89.5% of revenue. Following the acquisition of Meteor in December 2016, the Group's sales are now comprised of software and a significant proportion of printhead driver electronics. The driver electronics hardware revenue attracts a higher cost of sale, resulting in lower gross margins, thus, the total Group gross profit margin percentage is lower.

Included in selling, general and administrative expenses is amortisation of €1.52 million (2016: €1.07 million) related to intangible assets recognised as a result of acquisitions and €0.06 million (2016: €0.95 million) related to share-based payment expenses.

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 €0.18 million (2016: €1.52 million) related to these assets. The net expense was comprised of €1.46 million (2016: €2.79 million) in amortisation charge offset by €1.28 million (2016: €1.27 million) in capitalisation of development expenses.

Redundancy costs of €0.28 million are included in other operating expenses. This expense relates to a minor reorganisation in the Software segment, which is expected to result in annualised cost savings of approximately €0.90 million, taking effect from 1 January 2018.

Also included in other operating expenses is a charge of €0.23 million for a fair value adjustment to contingent consideration payable for the acquisition of Meteor Inkjet Limited ("Meteor"). The growth in revenue seen during 2017 in Meteor surpassed expectations used when modelling the acquisition date fair value of contingent consideration. The model was subsequently revised for current forecasts and expectations, which concluded that it is expected that the contingent consideration payments will be made earlier, thereby increasing the present value of those payments and increasing the liability in the balance sheet.

An analysis of all the items included in other operating expenses is included in note 9 to the consolidated financial statements.

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

GROUP STRATEGIC REPORT (CONTINUED)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

CFO'S REVIEW (CONTINUED)

Cashflow
The Group continued to be cash generative during the year, ending with cash balances valued at €5.08 million (2016: €4.64 million). This positive cash flow was generated after significant cash outflows of €0.83 million for contingent consideration payments related to acquisitions and €0.60 million of own-share purchases were incurred.

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 €0.32 million (2016: €0.25 million).

Adjusted operating result and net profit
The Board 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, for internal planning and forecasting purposes and for the measurement of performance related bonuses.

The Group 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 IFRS. The Group presents adjusted financial results when reporting its financial results to provide investors with additional tools 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.

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

IFRS reported operating profit or loss is adjusted as follows:

In thousands of euros	**2017**	2016
IFRS reported operating loss	(288)	(674)
Add share based remuneration expense (see note 29)	63	950
Deduct capitalised development expense (see note 16)	(1,284)	(1,269)
Add amortisation of capitalised development	1,464	2,789
Add amortisation of acquired intangibles	1,529	1,098
Add other operating expenses (see note 9)	657	121
Deduct other income	(1)	(2)
Total adjustments to reported operating loss	2,428	3,687
Adjusted operating profit	**2,140**	**3,013**

IFRS reported net profit or loss is adjusted as follows:

In thousands of euros	**2017**	2016
IFRS reported net (loss)/profit	(266)	596
Adjustments to operating result above	2,428	3,687
Tax effect of above-mentioned adjustments	(389)	(613)
Total adjustments to reported net (loss)/profit	2,039	3,074
Adjusted net profit	**1,773**	**3,670**
Adjusted net basic earnings per share (see note 28)	**0.15**	**0.33**
Adjusted net diluted earnings per share (see note 28)	**0.15**	**0.32**

EBITDA
Historically, the Group has only reported its own measure of adjusted operating profit in addition to the IFRS reported profit. EBITDA is now also reported as an alternative measure of profit and is calculated by adding back interest, tax, depreciation and amortisation to net profit.

EBITDA for the year was €3.10 million (2016: €4.29 million) and is reconciled to IFRS reported net profit as follows:

In thousands of euros	**2017**	2016
IFRS reported net (loss)/profit	(266)	596
Interest expense/(income)	2	(8)
Tax expense/(benefit)	103	(466)
Depreciation	204	211
Amortisation	3,052	3,956
EBITDA	**3,095**	**4,289**

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, if 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 in the prior year, the Group 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 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.

During the year ended 31 December 2017 22.7% (2016: 11.5%) of the Group's revenue was from Europe, excluding the UK, 7.6% (2016: 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 converted the Company from a UK registered SE to a UK registered public limited company ("PLC"). The change took effect from 18 July 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 2017, the Group had not entered into any forward contracts (2016: 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 €5.08 million at 31 December 2017, the Group has not formally 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 2017 (2016: none), the Group's income and operating cash flows for the year ended 31 December 2017 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 inkjet related 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 €2,765 (2016: €797) 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 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 if 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 2017.

Company level	Number of females	Number of males	Total
Board	-	4	4
Key management	2	11	13
Employees	24	75	99
Total Group	**26**	**90**	**116**

By order of the board,

Gary Fry
CEO

DIRECTORS' REPORT

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

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

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 4.

CORPORATE GOVERNANCE

Details of the Group's corporate governance can be found in the Corporate governance report on page 3.

POLITICAL CONTRIBUTIONS

The Group made no political contributions during the year (2016: €nil).

DIVIDENDS

The directors do not recommend the payment of a dividend (2016: €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, therefore, 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 2017.

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management are disclosed in the Group strategic report and in note 31 to the financial statements.

RESEARCH AND DEVELOPMENT

The Group spent €6.21 million (2016: €7.16 million) on research and development during the year. Under IAS 38 "Intangible Assets" €1.28 million (2016: €1.27 million) of research and development was capitalised and €1.46 million (2016: €2.79 million) of capitalised research and development was amortised. There was no impairment of capitalised research and development during the year (2016: €nil). The net effect of capitalisation, amortisation and impairment on profit in the year was an expense of €0.18 million (2016: €1.52 million).

DIRECTORS

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

Subject to the provisions of the Company's Articles, 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 Articles.

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
Graeme Huttley	Chief Financial Officer
Johan Volckaerts	Non-executive Director

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 Articles, 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 2017 was:

	Number of ordinary shares	% of issued share capital
Clema Capital sarl *	1,517,171	12.82%
Johan Volckaerts	455,897	3.85%
Parana Management Corp BVBA **	1,640,000	13.86%
Company owned shares (see note 25)	267,091	2.26%
Free float	7,955,548	67.21%
Total	**11,835,707**	**100.00%**

* Clema Capital sarl is controlled by Johan Volckaerts, a non-executive director of the Company.
** 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 to meet its obligations arising from the Group's employee share programmes (see note 25 and 29).

The total number of shares held in treasury at 31 December 2017 was 267,091 (2016: 106,826). Further information can be found in note 25 to the financial statements.

During the year, the Company did not dispose of any treasury shares (2016: none), however, it did transfer 33,978 shares to employees to satisfy the Company's obligations under the share schemes. The Company also acquired 194,243 shares from employees that exercised share options during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company 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 (IFRS) 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 each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS (CONTINUED)

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

RESPONSIBILITY STATEMENTS UNDER THE DISCLOSURE AND TRANSPARENCY RULES

Each of the directors listed on page 11 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

28 February 2018

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 2017. 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 2018 Annual General Meeting and the policy will take effect for the financial year beginning on 1 January 2019. 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 2018 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 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 2017:

In euros	Salary and fees	Taxable benefits	Bonus	LTIP	Pension	Total
Executive directors						
Gary Fry, CEO	210,962	14,056	118,608	-	18,540	362,166
Graeme Huttley, CFO	106,167	9,259	25,504	-	24,685	165,615
Total executive directors	**317,129**	**23,315**	**144,112**	**-**	**43,225**	**527,781**
Non-executive directors						
Guido Van der Schueren, Chairman	5,000	-	-	-	-	5,000
Johan Volckaerts	5,000	-	-	-	-	5,000
Total non-executive directors	**10,000**	**-**	**-**	**-**	**-**	**10,000**
Total directors	**327,129**	**23,315**	**144,112**	**-**	**43,225**	**537,781**

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**

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 (2016: €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:

- 33% against achieving the board approved revenue target;
- 33% against achieving the board approved gross margin target; and
- 33% against achieving the board approved operating expense target.

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 ending 31 December 2016, share options vested for Gary Fry and Graeme Huttley in accordance with the plan rules (see note 29 to the financial statements).

Contributions totalling €43,225 (2016: €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

There were no share option awards during the year ended 31 December 2017.

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 PLC as at 31 December 2017:

	Gary Fry	Graeme Huttley	Guido Van der Schueren *	Johan Volckaerts **
Shares beneficially owned	138,024	31,020	1,640,000	1,973,068
Total interest in shares	**138,024**	**31,020**	**1,640,000**	**1,973,068**
Share options exercised during the year	210,000	30,000	-	-

* 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.

** Part of the total interest of Johan Volckaerts are held by Clema Capital sarl, a company controlled by Johan Volckaerts.

The aggregate amount of gains made by directors on the exercise of share options during the year was €736,800.

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

In thousands of euros	**2017**	2016
Grant of share options (see above and note 29)	-	461
Total	**-**	461

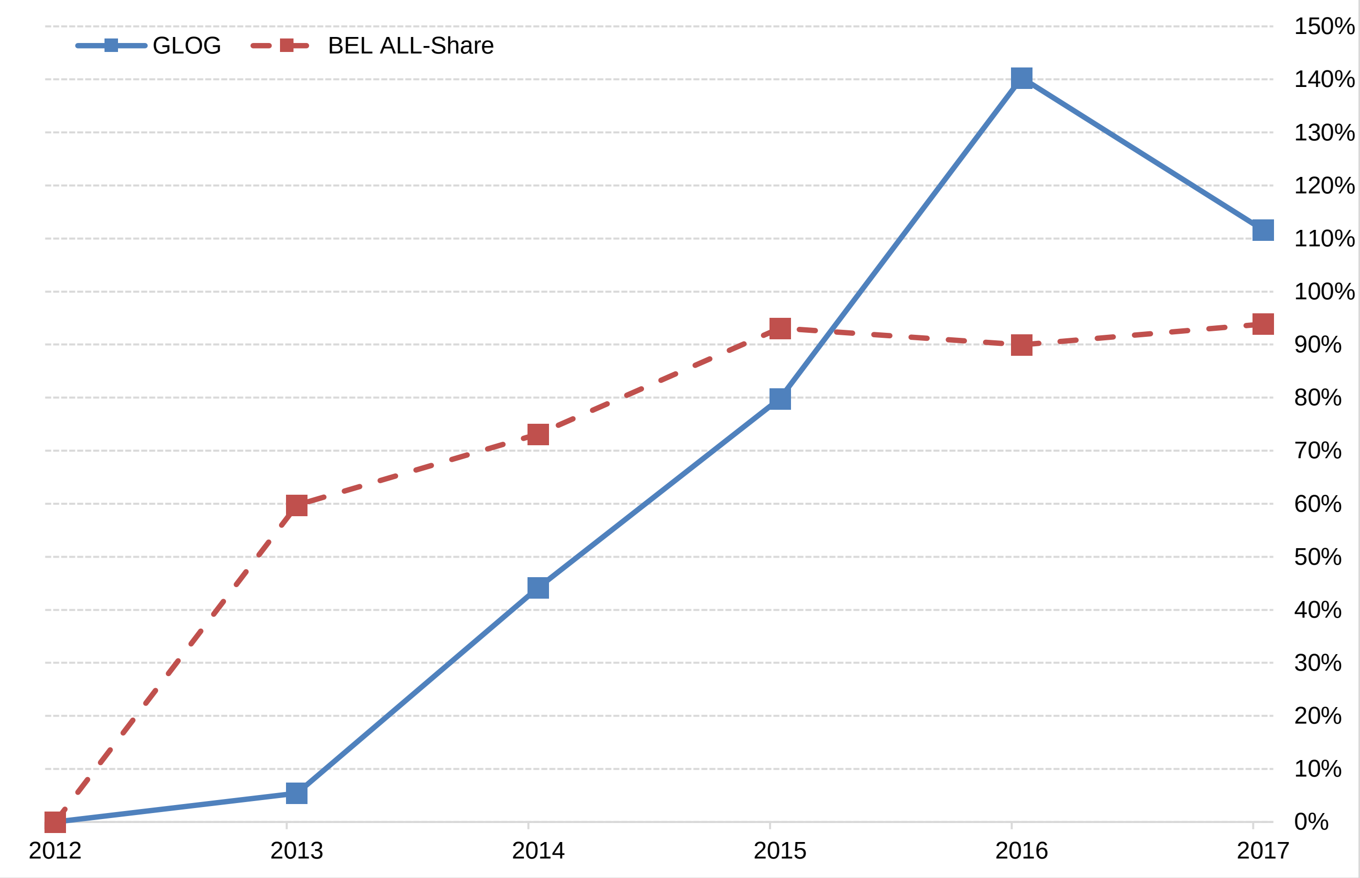
DIRECTORS' REMUNERATION REPORT (CONTINUED)

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 31 December 2012 to 31 December 2017. The BEL ALL-SHARE index has been selected for this comparison because the Company has been a constituent of that index throughout the period. No dividends have been paid by the Company, so total shareholder return is the change in share price.



Over the above 5 year period, the Company's share price has increased by 112% and the BEL ALL-SHARE index has increased by 94%.

CEO remuneration table

The following table shows the CEO's remuneration and percentage achievement of annual bonuses and long term incentives over the past 5 years:

	2013	2014	2015	2016	2017
Total CEO remuneration (in thousands of euros)	250	378	473	1,043	362
Annual bonus pay-out against maximum opportunity	75%	100%	100%	100%	100%
Long term incentive vesting rates against maximum opportunity	0%	0%	25%	100%	n/a

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 2017 and 31 December 2016 for the CEO and for all employees of the Group:

	Salary and fees	Taxable benefits	Bonus
CEO	2.00%	0.00%	0.00%
Average pay based on all employees	2.45%	0.00%	0.00%

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	2017	2016	% change
Staff expenses (see note 13)	10,292	10,068	2.22%
Repurchase of own shares (see note 25)	596	184	323.91%

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 2018.

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 2 elements; 50% for achieving the board approved revenue target and 50% 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.

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 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 usually 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.

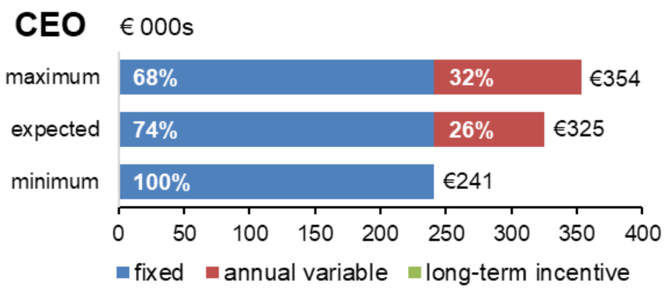
Payment for loss of office

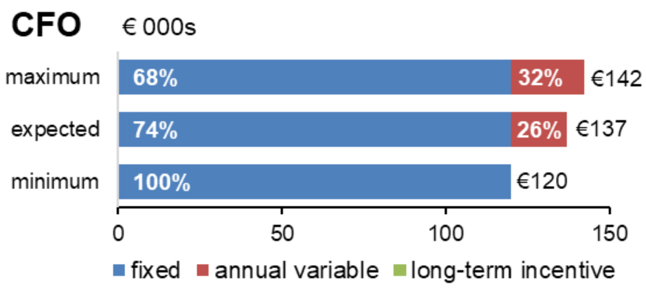
None of the directors are entitled to any specific indemnity which would be due or liable to be due on termination of their appointment. However, Gary Fry and Graeme Huttley are entitled to the payment of salary for a notice period should the Group terminate their employment. The notice period is 6 months.

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

Application of the policy

The charts below show 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 28 February 2018 and signed on its behalf by:

Gary Fry
CEO

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

KPMG

Independent auditor's report

to the members of Global Graphics plc

1. Our opinion is unmodified

We have audited the financial statements of Global Graphics PLC ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, Group Statement of Financial Position and Company Balance Sheets, Group and Company Statement of Changes in Equity, Group Cash flow Statement and the related notes, including the accounting policies in note 3.

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 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 2 September 2013. The period of total uninterrupted engagement is for the 5 financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: group financial statements as a whole	€102,000 (2016: €64,000) 0.5% of Group revenue (2016: 5%) of Group profit before tax]
Coverage	100% (2016:100%) of Group loss before tax

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

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Recoverability of Group Goodwill, and Group Intangible Assets and Parent Company Investments Goodwill: €10,552,000 (2016: €10,684,000) Software technology: €818,000 (2016: €1,002,000) Font library: €1,277,000 (2016: €1,787,000) Driver electronics: €2,582,000 (2016: €3,241,000) Parent Company Investments: €25,583,000 (2016: €25,583,000) Refer to page 31 (accounting policy) and page 44 (financial disclosures).	**Forecast based valuation** Goodwill, customer intangible assets (Font Library and Driver Electronics) are directly linked as they arise from past acquisitions. These are assessed for indicators of impairment and tested for impairment if such indicators are identified. The 3 cash generating units to which goodwill is allocated are assessed for impairment using a discounted cash flow model to calculate a value in use, on an annual basis. The carrying value of development costs (software technology) is a function of forecast future sales of the product in development. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.	Our procedures included: **Control design** Evaluating the group's and parent company's budgeting procedures upon which the cash flow forecasts are based; **Our sector experience** Evaluating and challenging whether there were any internal or external indicators of impairment that should have been considered by the directors, associated with the goodwill, finite life intangible assets and investments, based on our knowledge of the group and the market; **Benchmarking assumptions** We conducted benchmarking in evaluating the discount rate and we considered the reasonableness of other key assumptions including, growth rate, and cash flow forecasts; **Sensitivity analysis** Performing sensitivity analysis on the key assumptions within the cash flow forecasts. This included sensitising the discount rate applied to the future cash flows and the growth rates and profit margins forecasts. Critically assessing the extent to which a change in these assumptions both individually or in aggregate would result in an impairment and considered the likelihood of such events occurring; **Historical comparisons** Challenging the forecasts used by evaluating the Group's budgeting procedures and competency upon which the forecasts are based. We assessed the accuracy of the current year forecasts by considering the accuracy of prior period forecasts and performance in the year to date; and **Assessing transparency** Assessing the adequacy of the Group's disclosures (see Note 17) in respect of impairment testing and considered whether the disclosures reflected the risks inherent in the valuation of goodwill, intangible assets and investments and the sensitivity of such risks. **Our results** We found the Group's assessment of the recoverable amount of goodwill and intangibles in the Group and the Parent company's investment in subsidiaries to be acceptable.

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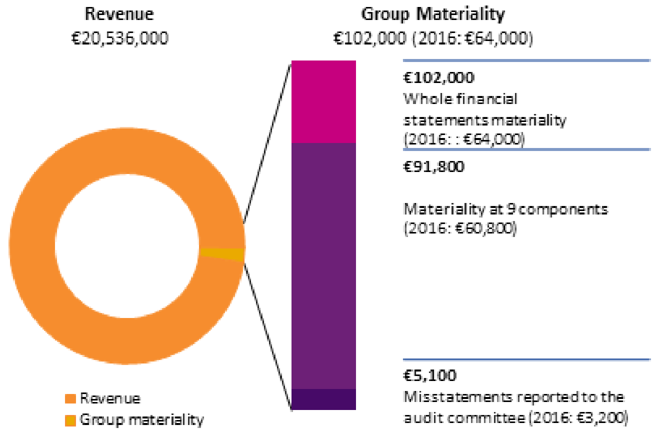
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL GRAPHICS PLC (CONTINUED)

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at €102,000 (2016: €64,000) and determined with reference to a benchmark of group revenue as disclosed on the face of the Income Statement, of which it represents 0.5% (2016: 5% of profit before tax). In the prior year Group profit before tax was the relevant benchmark but this is not deemed a relevant benchmark this year, since the Group has made a loss.

Materiality for the parent Company financial statements as a whole was set at €91,800 (2016: €60,800), restricted by aggregation risk on consolidation of multiple entities to 90% (2016: 95%) of Group materiality.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €5,100 (2016: €3,200), in addition to other identified misstatements that we believe warranted reporting on qualitative grounds.

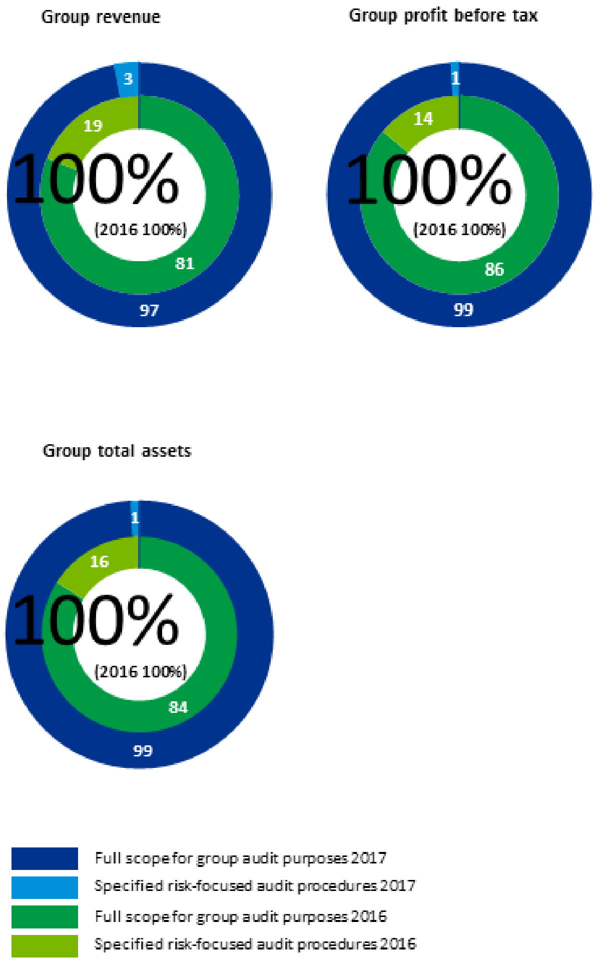


Scoping

Of the group's 9 components (2016: 8 components), we subjected 5 (2016: 4) to full scope audits. These accounted for over 97% (2016: 81%) of the Group's revenues, 99% (2016: 86%) of profit before taxation, and 99% (2016: 84%) of the Group's total assets. The coverage of revenues, Group profit before tax, and Group assets achieved can be seen in the table below. For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement with these. All relevant components were tested by the Group audit team.

The component materiality was reduced to 90% of group materiality at €91.800 (2016: €60.800) for all components.

The Group team visited 8 (2016: 6) components in 3 locations (2016: 2 locations).



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

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on the work on the other information:

- we have not identified material misstatements in strategic report and directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on pages 12 and 13, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit we considered the impact of laws and regulations in core areas such as financial reporting, and company and taxation legislation. We identified these areas through discussion with the directors and other management (as required by auditing standards) and from our sector experience. In addition we had regard to laws and regulations in other areas including financial reporting, and company and taxation legislation.

We considered the extent of compliance with those laws and regulations that directly affect the financial statements, being the form and content of financial statements and industry-specific financial reporting issues, as part of our procedures on the related financial statement items. For the remaining laws and regulations, we made enquiries of directors and other management (as required by auditing standards

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

8. The purpose of our audit work and to whom we owe our responsibilities

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

Mark Prince (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
100 Hills Road
Cambridge
CB2 1AR
28 February 2018

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	Note	For the year ended 31 December 2017	2016
Revenue	8	**20,536**	16,033
Cost of sales		**(5,096)**	(1,583)
Gross profit		**15,440**	14,450
Other income		**1**	2
Selling, general and administrative expenses		**(8,863)**	(7,841)
Research and development expenses		**(6,209)**	(7,164)
Other operating expenses	9	**(657)**	(121)
Operating loss		**(288)**	(674)
Finance income	14	**-**	9
Finance expenses	14	**(2)**	(1)
Net finance (expense)/income		**(2)**	8
Foreign currency exchange gains	14	**127**	796
(Loss)/profit before tax		**(163)**	130
Tax	19	**(103)**	466
(Loss)/profit for the year attributable to equity holders		**(266)**	596
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**(559)**	(2,148)
Other comprehensive loss for the year, net of tax		**(559)**	(2,148)
Total comprehensive loss for the year attributable to equity holders		**(825)**	(1,552)
Earnings per ordinary share			
Basic (loss)/earnings per share	28	**(0.02)**	0.05
Diluted (loss)/earnings per share	28	**(0.02)**	0.05

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

The notes on pages 29 to 53 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**	**2017**	**2016** (restated[1])
ASSETS			
Non-current assets			
Property, plant and equipment	15	**467**	369
Other intangible assets	16	**4,694**	6,401
Goodwill	17	**10,552**	10,684
Financial assets	18	**24**	28
Deferred tax assets	19	**868**	837
Trade receivables due after more than one year	20	**606**	1,974
Total non-current assets		**17,211**	20,293
Current assets			
Inventories	21	**747**	441
Current tax assets		**196**	156
Trade and other receivables	22	**3,209**	3,128
Other current assets	23	**168**	87
Prepayments		**612**	397
Cash and cash equivalents	24	**5,076**	4,639
Total current assets		**10,008**	8,848
TOTAL ASSETS		**27,219**	29,141
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital	25	**4,734**	4,546
Share premium	25	**1,979**	1,979
Treasury shares	25	**(792)**	(314)
Retained earnings		**24,987**	25,493
Foreign currency translation reserve		**(11,839)**	(11,280)
Total equity		**19,069**	20,424
Liabilities			
Deferred tax liabilities	19	**857**	1,191
Other liabilities	26	**3,260**	3,924
Total non-current liabilities		**4,117**	5,115
Current liabilities			
Current tax liabilities		**220**	105
Trade and other payables		**794**	911
Other current liabilities		**1,738**	1,501
Contract liabilities	8,27	**1,281**	1,085
Total current liabilities		**4,033**	3,602
Total liabilities		**8,150**	8,717
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**27,219**	29,141

The notes on pages 29 to 53 are an integral part of these consolidated financial statements.

These financial statements on pages 25 to 28 were approved and authorised for issue by the board of directors on 28 February 2018 and were signed on its behalf by:

Gary Fry
Director
Company registered number: 10872426

[1] See note 2, change in accounting policy

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December	
In thousands of euros	**Note**	**2017**	**2016**
Cash flows from operating activities			
Net (loss)/profit for the year		**(266)**	596
Adjustments to reconcile net profit to net cash:			
- Depreciation of property, plant and equipment	15	**204**	211
- Amortisation and impairment of other intangible assets	16	**3,052**	3,956
- Share-based remuneration expenses	29	**63**	950
- Net interest expense/(income)	14	**2**	(8)
- Net foreign currency exchange gains	14	**(127)**	(796)
- Tax expense/(benefit)	19	**103**	(466)
- Change in fair value contingent consideration	26	**229**	-
- Other items		**21**	(213)
Total adjustments to net (loss)/profit		**3,547**	3,634
Change in operating assets and liabilities :			
- Financial assets	18	**(4)**	104
- Inventories	21	**(306)**	(431)
- Trade receivables		**1,287**	(1,347)
- Other current assets	23	**(81)**	(20)
- Prepayments		**(215)**	71
- Trade and other payables		**(117)**	481
- Other current liabilities		**237**	130
- Contract liabilities	27	**196**	173
Total change in operating assets and liabilities		**997**	(839)
Cash generated from operating activities		**4,278**	3,391
Interest received		**-**	8
Interest paid		**(2)**	-
Cash (paid)/received during the year for tax		**(507)**	114
Net cash flow from operating activities		**3,769**	3,513
Cash flows from investing activities			
Capital expenditures on property, plant & equipment	15	**(317)**	(253)
Capital expenditures on other intangible assets		**(28)**	(17)
Capitalisation of development expenses		**(1,284)**	(1,269)
Contingent consideration paid	26	**(832)**	-
Acquisition of subsidiary, net of cash acquired	7	**(85)**	(1,312)
Net cash flow used in investing activities		**(2,546)**	(2,851)
Cash flows from financing activities			
New shares issued	25	**-**	160
Own share repurchases	25	**(596)**	(183)
Net cash flow used in financing activities		**(596)**	(23)
Net increase in cash		**627**	639
Cash and cash equivalents at 1 January		**4,639**	4,235
Effect of exchange rate fluctuations on cash at 1 January		**(190)**	(235)
Cash and cash equivalents at 31 December		**5,076**	4,639

The notes on pages 29 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Note	Share capital	Share premium	Treasury shares	Retained earnings (restated[2])	Foreign currency translation adjustment	Total equity
Balance at 31 December 2015		**4,486**	**1,879**	**(353)**	**24,239**	**(9,132)**	**21,119**
Balance at 1 January 2016, as previously reported		4,486	1,879	(353)	24,239	(9,132)	21,119
Impact of change in accounting policy[2]		-	-	-	(69)	-	(69)
Adjusted balance at 1 January 2016		**4,486**	**1,879**	**(353)**	**24,170**	**(9,132)**	**21,050**
Total comprehensive income for the period							
Net profit for the year		-	-	-	596	-	596
Foreign currency translation differences		-	-	-	-	(2,148)	(2,148)
Total comprehensive income for the period		**-**	**-**	**-**	**596**	**(2,148)**	**(1,552)**
Transactions with owners							
Share-based payment transactions	29	-	-	-	950	-	950
Own share grants	25	60	100	223	(223)	-	160
Own share purchases	25	-	-	(184)	-	-	(184)
Total transactions with owners		**60**	**100**	**39**	**727**	**-**	**926**
Balance at 31 December 2016		**4,546**	**1,979**	**(314)**	**25,493**	**(11,280)**	**20,424**
Total comprehensive income for the period							
Net loss for the year		-	-	-	(266)	-	(266)
Foreign currency translation differences		-	-	-	-	(559)	(559)
Total comprehensive income for the period		**-**	**-**	**-**	**(266)**	**(559)**	**(825)**
Transactions with owners							
Share-based payment transactions	29	-	-	-	63	-	63
Own share grants	25	188	-	118	(303)	-	3
Own share purchases	25	-	-	(596)	-	-	(596)
Total transactions with owners		**188**	**-**	**(478)**	**(240)**	**-**	**(530)**
Balance at 31 December 2017		**4,734**	**1,979**	**(792)**	**24,987**	**(11,839)**	**19,069**

The notes on pages 29 to 53 are an integral part of these consolidated financial statements.

[2] See note 2, change in accounting policy

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Global Graphics PLC (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 applications. It is also a leading supplier of drive electronics for industrial inkjet printing, digital typefaces and font technology.

The Company is a public limited company, registered in England and Wales, domiciled in the United Kingdom and is quoted on Euronext in 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 ('IFRS') 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 28 February 2018.

Change in accounting policy

During the period, the directors decided that in order to reduce the complexity of the financial statements, as it is a policy choice to have a separate share-based payment reserve or include such amounts within the retained earnings reserve, it would be better included in retained earnings in future. This change in treatment is considered a change in accounting policy. The impact of this change has been to transfer the previously stated share-based payment reserve to the retained earnings reserve. The amount transferred to the retained earnings reserve is €4,501,648 (2016: €4,438,244).

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 4 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 5.

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 2018 and 2019, 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 €5.08 million as at 31 December 2017 (2016: €4.64 million) and the absence of any outstanding bank debt.

Alternative performance measures

The Strategic Report includes both IFRS profit and adjusted profit, the latter of which, in management's view, reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis by adjusting for non-recurring or uncontrollable factors which affect the IFRS reported amounts.

The Board 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, for internal planning and forecasting purposes and for the measurement of performance related bonuses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

The Group 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 IFRS. The Group presents EBITDA and adjusted financial results when reporting its financial results to provide investors with additional tools 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.

Parent Company financial statements

The parent Company financial statements present information about the Company as a separate entity and not about its group.

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.

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. After 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 2017 the Group had no derivative financial instrument contracts in place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 IFRS 3 (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.

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 estimated useful 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 adopted IFRS 15 Revenue from Contracts with Customers with effect from the year ending 31 December 2016.

Software

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 performance obligations identified in the contract. The stand-alone selling price of each of the elements of the arrangement is typically established by the contract or the price charged when the same element is sold separately.

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.

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

- signing of the license agreement
- no additional significant production, modification or customisation of the software is required
- performance obligations are complete
- the fee is fixed or determinable

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 performance 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 performance obligation on the Group during that license period. If there is no such performance obligation, the revenue is recognised when the Group's performance obligation has been fulfilled. All license fees are non-refundable.

Software support and maintenance revenue is recognised over the duration of the support and 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. 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.

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.

Fonts

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 contract liabilities in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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.

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.

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. Operating segments were reviewed and amended during the year (see note 6 for further information).

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 Software 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 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effect of interpretations and amendments to existing and new standards (continued)

New standards which were not adopted by the Group in 2017

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 2017.

- 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 has limited, unsophisticated financial assets and liabilities, therefore no impact is expected on the consolidated financial statements.
- 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, however, the Group does not expect to adopt the standard until the mandatory adoption date. It is expected that substantially the same transactions currently identified as leases will be those identified under the standard. This will result in an initial recognition of an asset and equivalent liability in the Group's balance sheet. On that basis it is not expected to have a significant impact on the Group's operating result when adopted.
- 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.
- 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.
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration is intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or nonmonetary liability relating to advance consideration received or paid in a foreign currency. No impact is expected on the Group's consolidated financial statements.
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. No impact is expected on the Group's consolidated financial statements.
- Transfers of Investment Property – Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Group does not hold any property, therefore, the amendments will not have any impact on the Groups consolidated financial statements.
- Annual Improvements to IFRSs 2014–2016 Cycle – Amendments to IFRS 1 and IAS 28. The Group is not a first-time adopter of IFRS and does not have any investments in associates or joint ventures, therefore, the amendments will not have any impact on the Groups consolidated financial statements.

4. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. DETERMINATION OF FAIR VALUES (CONTINUED)

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.

5. 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 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.

6. 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").

Following a review of how the Group is operated and managed, the products, business activities, the information provided to the CODM and the discrete financial information available, the reportable segments of Print, eDoc and Fonts have been replaced with 3 new segments. The new segments are:

- Software, for digital printing and digital documents software;
- Printhead Solutions, for electronics and software developed for industrial inkjet printing; and
- Fonts, for digital typeface design and technology.

Measurement of the operating segments’ profit is assessed against revenue forecasts and expense budgets, excluding non-operating IFRS items such as share-based payments, capitalisation and amortisation of internally generated intangible assets and amortisation of intangible assets acquired through acquisition.

The following tables provide information on revenue, profit, interest, depreciation and amortisation and tax as reported to the CODM for each of the Group’s operating segments for the years ended 31 December 2016 (restated for the new segments) and 31 December 2017. The Group has disclosed these amounts for each reportable segment because they are regularly provided to the CODM or are required to be disclosed by IFRS 8. Assets and liabilities by segment are not regularly reported to the CODM.

Inter-segment revenues are included in cost of sales for the reciprocal segment and are eliminated on consolidation. Unallocated amounts relate to Group expenses and exchange gains and losses that are not attributable to a particular operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. OPERATING SEGMENTS (CONTINUED)

Year ended 31 December 2017:

In thousands of euros	Software	Printhead Solutions	Fonts	Unallocated	Total
Revenue from external customers	9,081	7,679	3,776	-	20,536
Inter-segment revenue	-	-	-	-	-
Segment revenue	**9,081**	**7,679**	**3,776**	**-**	**20,536**
Segment operating profit/(loss) after tax	**(1,575)**	**1,547**	**947**	**459**	**1,378**
Included in the operating profit/(loss) are:					
Interest income	-	-	-	-	-
Interest expense	(2)	-	-	-	(2)
Depreciation and amortisation	(180)	(28)	(5)	(1)	(214)
Tax (expense)/benefit	8	(10)	(449)	-	(451)

Year ended 31 December 2016 (restated):

In thousands of euros	Software	Printhead Solutions	Fonts	Unallocated	Total
Revenue from external customers	13,042	570	2,421	-	16,033
Inter-segment revenue	-	-	15	-	15
Segment revenue	**13,042**	**570**	**2,436**	**-**	**16,048**
Segment profit/(loss) after tax	**4,211**	**222**	**649**	**(1,515)**	**3,567**
Included in the operating profit/(loss) are:					
Interest income	9	-	-	-	9
Interest expense	(1)	-	-	-	(1)
Depreciation and amortisation	(235)	(1)	(3)	(1)	(240)
Tax (expense)/benefit	161	-	(265)	-	(104)

Reconciliation of reportable segments' measure of profit to consolidated profit/(loss) after tax:

In thousands of euros	2017	2016 (restated)
Segment total profit after tax	1,378	3,567
Share-based payments expense	(63)	(950)
Capitalisation and amortisation of internally generated intangible assets	(179)	(1,520)
Amortisation of acquired intangible assets	(1,520)	(1,071)
Other items	(230)	-
Tax effect of above-mentioned items	348	570
Consolidated (loss)/profit before tax	**(266)**	**596**

7. BUSINESS COMBINATIONS

Acquisition of Cambridge Grey Bit Limited

On 27 September 2017, the Group acquired the entire issued share capital of Cambridge Grey Bit Limited ("CGB").

CGB is a research and development company specializing in advanced software for industrial inkjet printing and is based near Cambridge, UK. With this acquisition, CGB's screening and cross web calibration for single pass and scanning inkjet heads will be integrated into Global Graphics Software's technology offering. CGB had no employees and two directors, one of which has been employed by the Group.

Consideration for the acquisition was £75,000 in cash followed by deferred consideration contingent on revenue during the five year period from 27 September 2017 until 27 September 2022.

In the period from 27 September 2017 to 31 December 2017, CGB contributed no revenue or profit before tax and amortisation to the Group's results. If the acquisition had occurred on 1 January 2017, management estimates that consolidated revenue for the reporting period would have been €20.536 million and consolidated net loss would have been €0.279 million after charging amortisation of purchased intangibles of €13,000. Management have assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. BUSINESS COMBINATIONS (CONTINUED)

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

In thousands of euros	
Cash on completion	85
Contingent consideration	91
Total consideration	**176**

The contingent consideration is payable in cash and is contingent on revenue during the five year period from 27 September 2017 until 27 September 2022. The contingent consideration payable is calculated as a percentage of actual revenue recognised by the Group from products in which CGB's technology is included.

It is expected that the range of undiscounted outcomes for the amount of contingent consideration payable is between £75,000 and £206,520. This is based on the contractual minimum payment and a forecast of new customers and revenue over the contractual term.

The identifiable assets acquired and liabilities assumed were:

In thousands of euros	Book value	Fair value adjustment	Total
Intangible assets (see note 16)	-	65	65
Deferred tax liabilities	-	(12)	(12)
Total identifiable net assets acquired	**-**	**53**	**53**

The intangible assets recognised have been valued as follows:

Intangible asset	Valuation method
Software technology	The present value of cashflows from operating activities forecast over a 5 year period.

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

In thousands of euros	
Total consideration payable	176
Fair value of identifiable net assets	53
Total Goodwill	**123**

The goodwill is mainly attributable to the amortised investment in the technology acquired and the opportunities that are expected to be achieved by enhancing the Group's software technology in the industrial inkjet printing market. None of the goodwill recognised is expected to be deductible for tax purposes.

The Group incurred acquisition-related costs of €23,019 for external professional fees for the acquisition of CGB. These costs have been included in 'Other operating expenses' in the consolidated statement of comprehensive income.

8. REVENUE

Software segment
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.

Through its RTI-RIPS.COM brand, the Software segment also has revenue from related printing hardware and consumables sales.

Printhead solutions segment
Driver electronics and accompanying software sold through Meteor Inkjet Limited are initially sold 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.

Fonts 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. REVENUE (CONTINUED)

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.

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.

	Software		Printhead Solutions		Fonts		Total	
In thousands of euros	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue type								
License royalties	**6,851**	10,733	**-**	-	**3,026**	1,644	**9,877**	**12,377**
Maintenance and after-sale support services	**1,378**	1,267	**3**	-	**25**	12	**1,406**	**1,279**
Engineering/design services	**179**	308	**-**	-	**725**	765	**904**	**1,073**
Printer hardware and consumables	**640**	705	**-**	-	**-**	-	**640**	**705**
Driver electronics	**-**	-	**7,676**	570	**-**	-	**7,676**	**570**
Other items	**33**	29	**-**	-	**-**	-	**33**	**29**
Total sales	**9,081**	**13,042**	**7,679**	**570**	**3,776**	**2,421**	**20,536**	**16,033**
Primary geographical markets								
United Kingdom	**286**	407	**292**	-	**212**	84	**790**	**491**
Europe, excluding United Kingdom	**2,062**	1,949	**1,040**	100	**1,565**	1,069	**4,667**	**3,118**
North America	**4,758**	5,454	**1,081**	43	**1,224**	1,130	**7,063**	**6,627**
Asia	**1,975**	5,232	**5,266**	427	**775**	138	**8,016**	**5,797**
Total sales	**9,081**	**13,042**	**7,679**	**570**	**3,776**	**2,421**	**20,536**	**16,033**

In 2017, the ten largest customers represented 53.5% (2016: 61.7%) of the Group's revenue, the five largest customers represented 41.9% (2016: 45.6%) of the Group's revenue and the single largest customer represented 19.6% (2016: 18.1%) of the Group's revenue. There were 2 customers during the year that represented 10% or more of total revenue. Revenue from those 2 customers totalled €6.05 million and is reported in the Software and the Printhead Solutions segments.

During the year ending 31 December 2016, a customer exercised a multi-year option in their contract which resulted in the recognition of revenue totalling €2.87 million. This exceptional revenue was not repeated in the year ending 31 December 2017.

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 2017.

In thousands of euros	**2018**	**2019**	**2020**	**Total**
After-sale support services	829	15	2	846
Product and consultancy	435	-	-	435
Total	**1,264**	**15**	**2**	**1,281**

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.

9. OTHER OPERATING EXPENSES

Other operating expenses incurred during the year were:

In thousands of euros	**2017**	**2016**
Stamp duty on share issues	26	-
Conversion to PLC	27	-
Acquisition related expenses	28	121
Share option exercise payroll taxes	64	-
Fair value adjustment to contingent consideration (see note 26)	229	-
Redundancy expenses (see below)	283	-
Total other operating expenses	**657**	**121**

Redundancy expenses
This expense relates to a minor reorganisation in the Software segment, which is expected to result in annualised cost savings of approximately €0.90 million, taking effect from 1 January 2018. No further expenses are expected in relation to these redundancies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. OPERATING EXPENSES BY NATURE

In thousands of euros	2017	2016
Employee benefit expense (see note 13)	10,292	10,068
Depreciation expenses (see note 15)	204	211
Capitalisation of R&D expenses (see note 16)	(1,284)	(1,269)
Amortisation of capitalised R&D expenses	1,464	2,789
Amortisation of acquired intangibles	1,529	1,098
Rent expenses	487	437
Other operating expenses, net of other operating income	3,036	1,790
Total operating expenses, net of other operating income	**15,728**	**15,124**

11. SERVICES PROVIDED BY THE GROUP'S AUDITOR

In thousands of euros	2017	2016
For the audit of Parent and Consolidated Financial Statements	**23**	**20**
For other services provided:		
- audit of financial statements of subsidiaries of the company	**35**	**41**
- audit-related assurance services	**9**	**10**
- all other services	**7**	**6**
Total fees payable to the Group's auditor and its associates	**74**	**77**

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 conversion from a Societas Europaea (SE) to a public limited company (PLC).

12. 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 €537,781 (2016: €1,318,290).

The aggregate value of gains made by directors during the year on the exercise of share options was €736,800 (2016: €97,750).

The aggregate value of assets awarded to directors under long term incentive schemes during the year was €nil (2016: €748,800).

The Group only operates defined contribution pension schemes. During the year, for two directors (2016: two), €43,225 (2016: €53,297) of pension contributions were paid.

Further information is available in the Directors' remuneration report on pages 14 to 19.

13. EMPLOYEE INFORMATION

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

	2017	2016
By activity		
Research and development	58	53
Sales and support	33	28
General and administrative	21	15
Total average number of people employed	**112**	**96**

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

In thousands of euros	2017	2016
Wages and salaries	7,997	7,342
Compulsory social security contributions	950	805
Medical insurance contributions	382	316
Pension contributions to defined contribution plans	841	572
Share-based payments (see note 29)	63	950
Other employee related expenses	59	83
Total employee benefit expenses	**10,292**	**10,068**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. FINANCE INCOME AND FINANCE COSTS

In thousands of euros	2017	2016
Interest income	-	9
Interest expense	(2)	(1)
Total finance income	**(2)**	**8**
Foreign exchange gains on transactions and revaluations	127	796
Total foreign exchange gain	**127**	**796**
Net finance income	**125**	**804**

15. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Leasehold improvements	Computer equipment	Office equipment	Office furniture	Other items	Total
Cost						
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**
At 1 January 2017	656	973	22	185	478	2,314
Additions	6	150	31	45	85	317
Disposals	-	(16)	-	-	-	(16)
Effect of movement in exchange rates	(24)	(44)	(3)	(9)	(20)	(100)
At 31 December 2017	**638**	**1,063**	**50**	**221**	**543**	**2,515**
Accumulated depreciation						
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**
At 1 January 2017	552	773	22	180	418	1,945
Charge for the year	17	133	4	3	47	204
Disposals	-	(16)	-	-	-	(16)
Effect of movement in exchange rates	(21)	(34)	(3)	(9)	(18)	(85)
At 31 December 2017	**548**	**856**	**23**	**174**	**447**	**2,048**
Net book value						
At 31 December 2016	104	200	-	5	60	369
At 31 December 2017	**90**	**207**	**27**	**47**	**96**	**467**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. 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 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**
At 1 January 2017	35,021	14,190	2,656	605	915	2,465	3,296	59,148
Additions – internally developed	1,284	-	-	-	-	-	-	1,284
Additions – purchased	28	-	-	-	-	-	-	28
Additions – business combinations	65	-	-	-	-	-	-	65
Effect of movement in exchange rates	(1,253)	(514)	(94)	(22)	(5)	-	-	(1,888)
At 31 December 2017	**35,145**	**13,676**	**2,562**	**583**	**910**	**2,465**	**3,296**	**58,637**
Accumulated amortisation and impairment								
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**
At 1 January 2017	34,019	14,189	2,633	605	568	678	55	52,747
Charge for the year	1,529	-	7	-	347	510	659	3,052
Effect of movement in exchange rates	(1,221)	(514)	(94)	(22)	(5)	-	-	(1,856)
At 31 December 2017	**34,327**	**13,675**	**2,546**	**583**	**910**	**1,188**	**714**	**53,943**
Net book value								
At 31 December 2016	1,002	1	23	-	347	1,787	3,241	6,401
At 31 December 2017	**818**	**1**	**16**	**-**	**-**	**1,277**	**2,582**	**4,694**

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 17).

There was no significant change during the year to the calculations and assumptions that were used at 31 December 2016 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 2017 (2016: €nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. OTHER INTANGIBLE ASSETS (CONTINUED)

For individual intangible assets material to the financial statements, the following table shows the remaining amortisation periods and the carrying amounts:

In thousands of euros	Remaining amortisation period	2017	2016
Harlequin RIP	Between 0.5 years and 2.3 years	625	585
Jaws RIP	Fully amortised	-	55
EDL	2.5 years	77	91
gDoc applications	Between 0.1 years and 2.5 years	54	271
CGB Screening	4.75 years	62	-
Total software technology		**818**	**1,002**
Font Library	2.75 years	**1,277**	**1,787**
Driver Electronics	3.90 years	**2,582**	**2,582**

17. GOODWILL

In thousands of euros	Total Goodwill
Cost	
At 1 January 2016	16,281
Additions – business combinations	2,410
Effect of movement in exchange rates	(2,073)
At 31 December 2016	**16,618**
At 1 January 2017	16,618
Additions – business combinations (see note 7)	123
Effect of movement in exchange rates	(467)
At 31 December 2017	**16,274**
Accumulated amortisation or impairment	
At 1 January 2016	6,911
Effect of movement in exchange rates	(977)
At 31 December 2016	**5,934**
At 1 January 2017	5,934
Effect of movement in exchange rates	(212)
At 31 December 2017	**5,722**
Net book value	
At 31 December 2016	10,684
At 31 December 2017	**10,552**

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	2017	2016
Print Software	**6,675**	6,807
Fonts	**1,555**	1,555
Print Electronics	**2,322**	2,322
Total goodwill	**10,552**	10,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. GOODWILL (CONTINUED)

The recoverable amount of the CGUs has been determined using an estimate of their value in use as at 31 December 2017. These calculations employed cash flow projections based on financial forecasts approved by management covering a seven-year period ending 31 December 2024. 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 2017. The exchange rates were determined with reference to HSBC market forecasts and were 1.1300 euros for 1 pound sterling, 1.2000 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 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:

	2017	2016
Risk free rate (UK Treasury Gilts)	0.96%	0.81%
Equity risk premium	5.00%	5.00%
Equity risk premium for micro caps	3.74%	3.74%
Cost of capital	**9.70%**	**9.55%**
Industry average debt level	Nil	Nil
Estimated net debt cost	Not applicable	Not applicable
Weighted average cost of capital	**9.70%**	**9.55%**

As a result of these projections, the Group concluded that no impairment was required for goodwill for the year ended 31 December 2017 (2016: €nil).

18. FINANCIAL ASSETS

Financial assets measured at amortised cost.

In thousands of euros	2017	2016
Rent deposits	23	24
Other items	1	4
Total financial assets	**24**	**28**

19. TAX

Corporation tax

Analysis of the tax benefit in the year:

In thousands of euros	2017	2016
Current tax		
Benefit arising from the repayment of R&D tax credits in the UK	-	283
Current year charge	(533)	(438)
Total current tax	**(533)**	**(155)**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	35	304
Effect of change in tax rate	8	-
Origination and reversal of temporary differences	387	317
Total deferred tax	**430**	**621**
Total tax (expense)/benefit	**(103)**	**466**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. 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	2017	2016
(Loss)/profit before tax	(163)	130
Expected tax benefit/(expense) at the Company's tax rate of 19.25% (2016: 20.00%)	31	(26)
Effect of differences in tax rates in foreign jurisdictions	(206)	(95)
Effect of share-based payments	(12)	(190)
Effect of the repayment of R&D tax credits	-	283
Effect of changes in unrecognised tax losses	40	640
Effect of other items	44	(146)
Total tax (expense)/benefit recognised	**(103)**	**466**

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.

On 22 December 2017 legislation in the USA was substantively enacted to reduce the rate of corporation tax with effect from 1 January 2018. This will reduce the tax charge against profits for the Group’s operating company in the USA.

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	2017	2016
Deferred tax assets		
Capital allowances	956	991
Other items	50	33
Total deferred tax assets	**1,006**	**1,024**
Capitalised development expenses	(138)	(187)
Total deferred tax liabilities	**(138)**	**(187)**
Total recognised deferred tax assets	**868**	**837**
Deferred tax liabilities		
As a result of business combinations	857	(1,191)
Total recognised deferred tax liabilities	**(857)**	**(1,191)**

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 2017 has been calculated based on the rate 19%. The deferred tax liability at 31 December 2017 has been recognised from the acquisition of URW++ Design and Development GmbH (“URW”), TTP Meteor Limited (“Meteor”) and Cambridge Grey Bit Limited (“CGB”). For URW it has been calculated based on the expected tax rate of 29.65%. For Meteor and CGB it has been calculated based on the enacted tax rates of 20%, 19% and 17%.

€1.373 million (2016: €0.972 million) in respect of losses that are capital in nature of other Group companies has not been recognised.

20. TRADE RECEIVABLES DUE AFTER MORE THAN ONE YEAR

In thousands of euros	2017	2016
Amounts due after more than one year	606	1,974
Total trade receivables due after more than one year	**606**	**1,974**

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

21. INVENTORIES

In thousands of euros	2017	2016
Finished goods	747	441
Total inventories	**747**	**441**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. TRADE AND OTHER RECEIVABLES

In thousands of euros	2017	2016
Trade receivables	3,216	3,135
Allowance for doubtful debts	(7)	(7)
Total trade and other receivables	**3,209**	**3,128**

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	2017	2016
Under 90 days	3,017	3,011
Over 90 days and provided for	7	7
Over 90 days but not provided for	192	117
Total trade and other receivables	**3,216**	**3,135**

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

In thousands of euros	2017	2016
Balance as at 1 January	7	9
Effect of exchange rates	-	(2)
Total allowance for doubtful debts	**7**	**7**

See note 31 for further disclosure regarding the credit quality of the Group's trade debtors.

23. OTHER CURRENT ASSETS

In thousands of euros	2017	2016
VAT receivable	166	59
Other items	2	28
Total other current assets	**168**	**87**

24. CASH AND CASH EQUIVALENTS

In thousands of euros	2017	2016
Cash at bank and in hand	5,076	4,639
Total cash and cash equivalents	**5,076**	**4,639**

25. CAPITAL AND RESERVES

Ordinary shares allotted, called up and fully paid:

	2017		2016	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At 1 January	11,365,707	4,546	11,215,707	4,486
Issued for share options exercised	470,000	188	150,000	60
As at 31 December	**11,835,707**	**4,734**	**11,365,707**	**4,546**

Share premium:

In thousands of euros	2017	2016
At 1 January	1,979	1,879
Issued for share options exercised	-	100
As at 31 December	**1,979**	**1,979**

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

	2017		2016	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At 1 January	106,826	314	70,519	353
Grant of shares to employees	(33,978)	(118)	(56,265)	(223)
Purchase of own shares	194,243	596	92,572	184
As at 31 December	**267,091**	**792**	**106,826**	**314**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	2017	2016
Contingent consideration	3,260	3,924
Total other liabilities	**3,260**	**3,924**

Fair value adjustment to contingent consideration
Certain assumptions about revenue growth were used when calculating the acquisition date fair value of contingent consideration for the acquisition of TTP Meteor Limited (now Meteor Inkjet Limited) in the year ending 31 December 2016. These assumptions were reviewed for the year ended 31 December 2017. Based on the revenue growth seen by Meteor Inkjet Limited and the revised forecasts, the review concluded that it is expected that the contingent consideration payments will be made earlier, thereby increasing the present value of those payments and increasing the liability in the balance sheet by €0.23 million.

During the year, cash payments of £740,000 were paid against the contingent consideration due for the acquisition of Meteor Inkjet Limited.

27. CONTRACT LIABILITIES

In thousands of euros	2017	2016
Customer advances	435	61
Deferred revenue	846	1,024
Total contract liabilities	**1,281**	**1,085**

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.

28. 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	2017	2016
Weighted average number of shares (basic), in thousands of shares	11,462	11,247
Add the effect of dilutive potential ordinary shares	-	393
Weighted average number of shares (diluted), in thousands of shares	11,462	11,640
(Loss)/profit attributable to ordinary shareholders	(266)	596
Basic (loss)/earnings per share, in euros	**(0.02)**	**0.05**
Diluted (loss)/earnings per share, in euros	**(0.02)**	**0.05**

In thousands of euros unless otherwise stated	2017	2016
Adjusted profit attributable to ordinary shareholders (see Group strategic report)	1,773	3,670
Basic adjusted earnings per share, in euros	0.15	0.33
Diluted adjusted earnings per share, in euros	0.15	0.32

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. SHARE BASED PAYMENTS

At 31 December 2017, 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.

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 2016 Number	Granted Number	Exercised Number	Lapsed Number	Outstanding at 31 December 2017 Number	Exercisable at 31 December 2017 Number
1 March 2016	€0.00	470,000	-	(470,000)	-	-	-
		470,000	**-**	**(470,000)**	**-**	**-**	**-**

The vesting conditions of the above options are as follows:

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

b. The reported closing price of the Company's shares must be €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 if 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.

For options exercised during the period, the weighted average share price at the date of the exercise was €3.07 per share.

Measurement of fair value
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 3 or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. SHARE BASED PAYMENTS (CONTINUED)

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

	As at 31 December 2016 Number	Granted Number	Exercised Number	Withdrawn Number	Lapsed Number	As at 31 December 2017 Number
SIP matching shares	9,449	10,570	-	(9,974)	-	10,045
Free shares granted	21,000	90,000	-	(20,000)	-	91,000
	30,449	**100,570**	**-**	**(29,974)**	**-**	**101,045**

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	**2017**	**2016**
Share option grants	-	902
SIP matching shares	9	3
Free share grants	54	45
Total share based payments expense	**63**	**950**

30. 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 have varying terms, escalation clauses, and renewal rights. The future aggregate minimum operating lease payments under these agreements are as follows:

In thousands of euros	**2017**	**2016**
Less than one year	494	252
Between one and five years	1,506	1,180
More than 5 years	920	1,226
Total	**2,920**	**2,658**

31. 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 2017 (2016: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2017				
Trade receivables	1,003	1,072	400	734
Current tax assets	143	53	-	-
Other current assets	30	-	129	9
Trade payables	(421)	(76)	(289)	(8)
Current tax liabilities	(150)	(40)	-	(30)
Other current liabilities	(216)	(177)	(1,335)	(10)
Customer advances and deferred revenue	(41)	(291)	(949)	-
Net exposure	**348**	**541**	**(2,044)**	**695**
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**

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 2017				
Contingent consideration	-	-	3,260	-
At 31 December 2016	-	-	-	-
Contingent consideration	-	-	3,924	-

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	
	2017	**2016**	**2017**	**2016**
US dollar	0.8873	0.9039	0.8319	0.9491
Pound sterling	1.1420	1.2242	1.1249	1.1664
Japanese yen	0.0079	0.0083	0.0074	0.0081

If sales and results for the year had been converted using the exchange rates prevailing in the prior year, the Group's 2017 sales would have been higher by approximately €0.6 million and the operating loss for the year would have increased by approximately €0.7 million.

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 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), 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 22 (Trade and other receivables) and note 24 (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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 monthly. 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 current need for borrowing facilities, 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 2017			
Trade payables	794	-	794
Current tax liabilities	220	-	220
Other current liabilities	1,738	-	1,738
Other liabilities	-	3,260	3,260
Total	**2,752**	**3,260**	**6,012**
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**

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 2017.

In thousands of euros	2017	2016
Capital		
Total equity	19,069	20,424
Less cash and cash equivalents	5,076	4,639
	13,993	**15,785**
Overall financing		
Total equity	19,069	20,424
	19,069	**20,424**
Capital to overall financing ratio	**1:1.36**	**1:1.29**

32. 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 14 to 19.

Andlinger & Co. CVBA
The Group had a related party relationship with Andlinger & Co. CVBA (Andlinger), a Belgian company, which was managed by Johan Volckaerts. Andlinger was dissolved during the year ended 31 December 2017, therefore there is no longer a related party relationship.

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 CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. RELATED PARTIES (CONTINUED)

Congra Software Sarl
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, Congra Software Sarl (also known as Hybrid Software). Hybrid Software 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 €194,465 (2016: €68.281) in revenue from Hybrid. At the date of these financial statements €49,956 was owed to the Group from Hybrid.

33. GROUP ENTITIES

Company name	Registered office address	Country of incorporation	Ownership interest % 2017	2016
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%	100%
URW++ Design & Development GmbH	Poppenbütteler Bogen 36, 22399 Hamburg, Germany	Germany	100%	100%
Cambridge Grey Bit Limited	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	0%

34. SUBSEQUENT EVENTS

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2017.

COMPANY BALANCE SHEET

In thousands of euros	Note	For the year ended 31 December 2017	2016
FIXED ASSETS			
Intangible assets	4	**1**	2
Investments	5	**25,583**	25,583
Total fixed assets		**25,584**	25,585
CURRENT ASSETS			
Other current assets	6	**3**	27
Cash and cash equivalents		**11**	131
Total current assets		**14**	158
Creditors: Amounts falling due within one year	7	**(12,698)**	(11,610)
		(12,698)	
Net current liabilities		**(12,684)**	(11,452)
Creditors due in more than one year	8	**(3,172)**	(3,924)
Net assets		**9,728**	10,209
CAPITAL AND RESERVES			
Called up share capital	10	**4,734**	4,546
Share premium account	10	**1,979**	1,979
Share-based payments reserve		**174**	174
Treasury shares	10	**(792)**	(314)
Profit and loss account		**3,633**	3,824
Total shareholders' funds		**9,728**	10,209

The notes on pages 56 to 60 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 2017 was €112,953 (2016: €1,436,464).

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 28 February 2018 and were signed on its behalf by:

Gary Fry
Director
Company registered number: 10872426

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 2016		**4,486**	**1,879**	**174**	**(353)**	**2,611**	**8,797**
Total comprehensive income for the period							
Net profit for the year		-	-	-	-	1,436	1,436
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**1,436**	**1,436**
Transactions with owners							
Own share grants	10	60	100	-	223	(223)	160
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**
Total comprehensive income for the period							
Net profit for the year		-	-	-	-	113	113
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**113**	**113**
Transactions with owners							
Own share grants	10	188	-	-	118	(304)	2
Own share purchases	10	-	-	-	(596)	-	(596)
Total transactions with owners		**188**	**-**	**-**	**(478)**	**(304)**	**(594)**
Balance at 31 December 2017		**4,734**	**1,979**	**174**	**(792)**	**3,633**	**9,728**

The notes on pages 56 to 60 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Global Graphics PLC 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 (2016/17 Cycle) issued in July 2017 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;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Financial instruments.

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 2018 and 2019, 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 €5.08 million as at 31 December 2017 (2016: €4.64 million) and the absence of any outstanding bank debt.

2. EMPLOYEES AND REMUNERATION OF DIRECTORS

The Company employed an average of nil employees (including executive directors) during the year (2016: nil). Directors' emoluments are disclosed in the directors' remuneration report on pages 14 to 19 and in note 12 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 11 to the consolidated financial statements.

4. INTANGIBLE ASSETS

In thousands of euros	**Trademarks**
Cost	
At 1 January 2017 and 31 December 2017	47
Accumulated amortisation	
At 1 January 2017	45
Charge for the year	1
At 31 December 2017	**46**
Net book value	
At 31 December 2016	2
At 31 December 2017	**1**

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 2017 and 31 December 2017	**83,341**
Provision	
At 1 January 2017 and 31 December 2017	**57,758**
Net book value	
At 31 December 2016	25,583
At 31 December 2017	**25,583**

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 2018 to 2027 using the same discount rate and exchange rates that were used for the impairment review of Goodwill in the consolidated financial statements (see note 17 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**	**Principal Activities**	**Class of shares held**	**2017**	**2016**
Global Graphics (UK) Limited	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	Dormant holding company.	Ordinary	100%	100%
Global Graphics Software Limited *	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	Computer software development, sales, technical support and marketing.	Ordinary	100%	100%
Global Graphics Software Incorporated *	Somerset Court, 281 Winter Street, Waltham, MA 02451, USA	Selling and technical support of computer software.	Ordinary	100%	100%
Global Graphics Kabushiki Kaisha *	610 AIOS Nagatacho Bldg, 2-17-17 Nagatacho, Chiyoda-ku, Tokyo 100-0014, Japan	Technical support of computer software.	Ordinary	100%	100%
Global Graphics EBT Limited	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	Dormant.	Ordinary	100%	100%
Meteor Inkjet Limited	Ash House, Melbourn Science Park, Melbourn, SG8 6HB, UK	Design and supply of technology for digital inkjet printing.	Ordinary	100%	100%
URW++ Design & Development GmbH	Poppenbütteler Bogen 36, 22399 Hamburg, Germany	Design and development of digital font technology.	Ordinary	100%	100%
Cambridge Grey Bit Limited *	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	Computer software development.	Ordinary	100%	0%

* indirectly held by the Company.

Except for Cambridge Grey Bit Limited, all of the above subsidiaries are included within the consolidated financial statements of Global Graphics PLC for the years ended 31 December 2017 and 31 December 2016. Cambridge Grey Bit Limited was acquired on 27 September 2017 and is included from that date within the consolidated financial statements of Global Graphics PLC for the year ended 31 December 2017. See note 7 to the consolidated financial statements for more information.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

6. OTHER CURRENT ASSETS

In thousands of euros	2017	2016
VAT receivable	-	20
Prepayments	-	7
Other amounts receivable	3	-
Total other current assets	**3**	**27**

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

In thousands of euros	2017	2016
Trade creditors	-	112
Amounts owed to group undertakings	12,698	11,492
Accruals	-	6
Total creditors due within one year	**12,698**	**11,610**

8. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	2017	2016
Contingent consideration	3,172	3,924
Total other liabilities	**3,172**	**3,924**

Fair value adjustment to contingent consideration
Certain assumptions about revenue growth were used when calculating the acquisition date fair value of contingent consideration for the acquisition of TTP Meteor Limited (now Meteor Inkjet Limited) in the year ending 31 December 2016. These assumptions were reviewed for the year ended 31 December 2017. Based on the revenue growth seen by Meteor Inkjet Limited and the revised forecasts, the review concluded that it is expected that the contingent consideration payments will be made earlier, thereby increasing the present value of those payments and increasing the liability in the balance sheet by €0.23 million.

During the year, cash payments of £740,000 were paid against the contingent consideration due for the acquisition of Meteor Inkjet Limited.

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 2017 (2016: €nil).

10. SHARE CAPITAL

New ordinary shares were issued during the year to satisfy the exercise of share options that vested. See note 29 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 2017	11,365,707	4,546
Issue of shares	470,000	188
As at 31 December 2017	**11,835,707**	**4,734**

Share premium:

In thousands of euros	2017
As at 1 January 2017 and 31 December 2017	**1,979**

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

	2017		2016	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At 1 January	106,826	314	70,519	353
Grant of shares to employees	(33,978)	(118)	(56,265)	(223)
Purchase of own shares	194,243	596	92,572	184
As at 31 December	**267,091**	**792**	**106,826**	**314**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

11. SHARE BASED PAYMENTS

Information about share based payments for directors and employees is detailed in note 29 to the consolidated financial statements.

12. RELATED PARTY TRANSACTIONS

The remuneration paid to the directors is detailed in the directors' remuneration report on pages 14 to 19. Other related party relationships are detailed in note 32 to the consolidated financial statements.

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 2017.