

# **Global Graphics PLC**

**Annual report and financial statements  
for the year ended 31 December 2018**

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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, Mark Andy, 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. This is facilitated by a Technical Services team who work to accelerate a customer’s time to market and by an excellent support team.

#### **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. ScreenPro applies Advanced Inkjet Screens™ and PrintFlat™ to mitigate artifacts in inkjet output;
- 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 Chief Technology Officer 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 develops and supplies electronics, software, tools and services for industrial inkjet systems. The industrial inkjet market includes ceramic tiles, packaging, commercial print, product decoration and textiles. Meteor’s software and electronics send data to printheads, instructing them what to print. Printheads are a component of an inkjet press and generally contain multiple nozzles for jetting ink or other fluids onto substrates.

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

## ABOUT GLOBAL GRAPHICS (CONTINUED)

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.

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, notably through collaboration with Global Graphics Software.

### Customers

Meteor'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:

- Electronics: state-of-the-art hardware to drive industrial printheads;
- Software: OEMs can license an application-tuned Meteor Digital Front End or develop bespoke software using a Meteor Software Development Kit. Optional integrated Harlequin® RIP and ScreenPro™ inkjet screens are also available;
- Tools and services: allow customers to evaluate and optimise printhead/fluid combinations.

## 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. It has significantly grown revenues in the UK, with the opening of a UK office, and has appointed a dedicated sales resource to expand in the USA. Included in the major font releases of 2018 was the addition of a new weight ("Thin") to the truly global font family Nimbus Sans Global. This is a ground-breaking family whose significance is in enabling global brands to maintain their corporate identity across the world's writing systems

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, FontSpring 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.urwtype.com/en/>. 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: the Nimbus global font family covers more than 190 languages in 12 different scripts enabling consistent brand identity across the world's writing systems

## CONTACT

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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 directors, a chairman and a non-executive director. The board considers that the non-executive director is independent.

The roles of chairman and chief executive officer are separate appointments and it is board policy that this will continue. The non-executive director brings 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 2019 and 2020, 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 €5.65 million as at 31 December 2018 (2017: €5.08 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, Mark Andy 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.

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 are 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 €23.92 million (2017: €20.54 million)
- Gross profit for the year was €18.96 million or 79.3% of revenue (2017: €15.44 million, 75.2% of revenue)
- Pre-tax profit for the year was €2.87 million (2017: €0.16 million loss)
- EBITDA for the year was €5.72 million (2017: €3.10 million)
- Cash at 31 December 2018 was €5.65 million (2017: €5.08 million)

#### CEO'S REVIEW

We saw organic growth across all three business units in 2018. I'm very pleased to see an increase in profitability and also to end the year with a solid cash position.

Key to our success this year has been: maintaining focus on our strategy to target the fast-growing market for inkjet solutions and for digital font technology; our ability to open up new relationships because as a Group we can offer more of the software and hardware components required for industrial inkjet presses; our global infrastructure which has made it possible for the business units to branch out into new geographies; and, not least, innovative product development, such as the evolution of the ScreenPro technology and Meteor's ability to support new printheads by working closely with the major printhead manufacturers.

In 2018 we were delighted to be listed in the FT Future100 UK companies; to feature in the LSE top 1000 inspirational UK companies and to scoop an industry award for ScreenPro, namely the Printing Industries of America InterTech™ technology award. One of our supporters in achieving this award was Mark Andy with their Digital Series HD label press, a new contract that we announced during the year. Contracts with several other new customers have been signed, some of which cannot be announced due to confidentiality agreements in place. However, it was gratifying to see that a number of Harlequin RIP OEMs were shipping the new version 12, the significance of which is its compatibility with the ISO PDF 2.0 standard on whose working groups our CTO is the primary UK expert.

Meteor Inkjet has been working closely with Global Graphics Software and is now making the Harlequin RIP® and ScreenPro available as options to its printhead driver electronics to offer a more complete toolset for OEMs when required. In September they held an official opening of their new office providing increased floor space for their expanding team and for a purpose-built laboratory.

URW also moved to a new, modern location in Hamburg in 2018 from where they continue to expand their digital font library with new releases and enhancements to existing fonts. It is working conscientiously on its plan to expand its geographical footprint, notably into Japan and the UK and is making inroads to the US market too. Revenues in 2018 were boosted by a one-off deal for a fully paid up perpetual licence.

#### CFO'S REVIEW

##### **Group structure**

During the year there was an internal group restructuring. The assets of Cambridge Grey Bit Limited ("CGB") were acquired by Global Graphics Software Limited and CGB was subsequently dissolved on 2 October 2018.

## GROUP STRATEGIC REPORT (CONTINUED)

### BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

#### CFO'S REVIEW (CONTINUED)

##### **Revenue**

Revenue for the year was €23.92 million compared with €20.54 million in 2017. This was an increase of €3.38 million (16.5%), however, €3.73 million of 2018 revenue is expected to be non-recurring (see below for further detail). At 2017 exchange rates, 2018 sales would have been approximately €0.25 million higher and totalled approximately €24.17 million.

License fees accounted for 48.9% (2017: 48.1%) of revenue, driver electronics accounted for 38.5% (2017: 37.4%), maintenance and support accounted for 5.2% (2017: 6.8%), engineering services accounted for 5.7% (2017: 4.4%), hardware and consumables accounted for 1.7% (2017: 3.1%) and other items accounted for 0.0% (2017: 0.2%).

Customer concentration and the dependence on a limited number of customers improved during the year. In 2018, the ten largest customers represented 52.2% (2017: 53.5%) of the Group's revenue, the five largest customers represented 37.7% (2017: 41.9%) of the Group's revenue and the single largest customer represented 12.4% (2017: 19.6%) of the Group's revenue. There was 1 customer (2017: 2) during the year that represented 10% or more of total revenue. Revenue from that customer totalled €2.96 million and is reported in the Printhead Solutions segment (2017: 2 customers totalling €6.05 million, one in each of the Software and Printhead Solutions segments).

The Group's sales are made in several different currencies, and during the year 48.6% (2017: 38.7%) were in pounds sterling, 38.5% (2017: 40.8%) were denominated in US dollars, 8.7% (2017: 13.8%) were in euros and 4.2% (2017: 6.4%) were in Japanese yen. 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 €9.98 million for the year (2017: €9.08 million). Revenue from existing customers declined by €0.93 million year on year, offset by revenue from new customers and licensing deals of €1.83 million, of which €1.48 million is expected to be non-recurring.

##### **Printhead Solutions**

Revenue for the Printhead Solutions segment was €9.20 million for the year (2017: €7.68 million). The number of customers for which revenue was recognised during the year increased by 24.5% over the previous year. Sales in Europe remained flat, but there was 64.3% (€0.70 million) growth in North America and 13.7% (€0.72 million) growth in Asia. The growth in Asia included €0.67 million which is expected to be non-recurring.

##### **Fonts**

Revenue for the Fonts segment was €4.75 million for the year (2017: €3.78 million). During the year a new contract was signed in the Fonts segment which generated €1.58 million in revenue. The revenue from that contract is non-recurring and is not expected to be repeated.

##### **Pre-tax result**

The consolidated pre-tax result was a profit of €2.87 million compared with a loss of €0.16 million in 2017. The increase in profitability of €3.03 million is due to:

- an increase in revenue of €3.38 million (€3.73 million of 2018 revenue is expected to be non-recurring);
- a decrease in cost of sales of €0.13 million;
- an increase in other income of €0.02 million;
- an increase in selling, general and administrative expenses of €0.59 million;
- an increase in research and development expenses of €0.36 million;
- a decrease in other operating expenses of €0.51 million;
- an increase in finance income of €0.02 million; and
- a decrease in foreign exchange gains of €0.08 million.

Gross profit for the period has improved to 79.3% of revenue (2017: 75.2%). Margins were improved across all segments of the Group.

Included in selling, general and administrative expenses is amortisation of €1.16 million (2017: €1.52 million) related to intangible assets recognised as a result of acquisitions and €0.31 million (2017: €0.06 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 €0.36 million (2017: €0.18 million) related to these assets. The net expense was comprised of €1.41 million (2017: €1.46 million) in amortisation charge offset by €1.05 million (2017: €1.28 million) in capitalisation of development expenses.

An analysis of all the items included in other operating expenses is included in note 8 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 €5.65 million (2017: €5.08 million). There were no contingent consideration payments related to acquisitions during the year as none were due until early 2019.

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 €0.39 million (2017: €0.32 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:

<b>In thousands of euros</b>	<b>2018</b>	2017
IFRS reported operating profit/(loss)	2,808	(288)
Add share-based remuneration expense (see note 28)	306	63
Deduct capitalised development expense (see note 15)	(1,051)	(1,284)
Add amortisation of capitalised development	1,408	1,464
Add amortisation of acquired intangibles	1,157	1,529
Add other operating expenses (see note 8)	151	657
Deduct other income	(20)	(1)
Total adjustments to reported operating profit/(loss)	1,951	2,428
<b>Adjusted operating profit</b>	<b>4,759</b>	<b>2,140</b>

IFRS reported net profit or loss is adjusted as follows:

<b>In thousands of euros</b>	<b>2018</b>	2017
IFRS reported net profit/(loss)	2,369	(266)
Adjustments to operating result above	1,951	2,428
Tax effect of above-mentioned adjustments	(339)	(389)
Total adjustments to reported net profit/(loss)	1,612	2,039
<b>Adjusted net profit</b>	<b>3,981</b>	<b>1,773</b>
Adjusted net basic earnings per share (see note 27)	<b>0.34</b>	<b>0.15</b>
Adjusted net diluted earnings per share (see note 27)	<b>0.34</b>	<b>0.15</b>

**EBITDA**

EBITDA is 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 €5.72 million (2017: €3.10 million) and is reconciled to IFRS reported net profit as follows:

<b>In thousands of euros</b>	<b>2018</b>	2017
IFRS reported net profit/(loss)	2,369	(266)
Interest (income)/expense (see note 13)	(21)	2
Tax expense (see note 18)	504	103
Depreciation (see note 14)	266	204
Amortisation (see note 15)	2,602	3,052
<b>EBITDA</b>	<b>5,720</b>	<b>3,095</b>



## 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 2016, 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. There is an expectation that there will be no immediate change to the Group's corporate structure and financial reporting requirements, however, 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 2018 28.0% (2017: 22.7%) of the Group's revenue was from Europe, excluding the UK, 12.8% (2017: 7.6%) of which was generated by the Company's subsidiary in Germany. Shipments of physical goods from the UK to Europe, which could attract additional duties and taxes as a result of the UK leaving the EU, accounted for 4.4% (2017: 5.1%) of the Group's revenue during the year.

The Group's manufacturers of drive electronics which it supplies to its customers are based in the UK and China and no difficulties with supply are anticipated.

#### 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 2018, the Group had not entered into any forward contracts (2017: 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 €5.65 million at 31 December 2018, 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 2018 (2017: none), the Group's income and operating cash flows for the year ended 31 December 2018 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 €567 (2017: €2,765) 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 2018.

Company level	Number of females	Number of males	Total
Board	-	4	4
Key management	2	10	12
Employees	24	75	99
<b>Total Group</b>	<b>26</b>	<b>89</b>	<b>115</b>

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 2018.

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 (2017: €nil).

### DIVIDENDS

The directors do not recommend the payment of a dividend (2017: €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 2018.

### FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management are disclosed in the Group strategic report and in note 30 to the financial statements.

### RESEARCH AND DEVELOPMENT

The Group spent €6.57 million (2017: €6.21 million) on research and development during the year. Under IAS 38 "Intangible Assets" €1.05 million (2017: €1.28 million) of research and development was capitalised and €1.41 million (2017: €1.46 million) of capitalised research and development was amortised. There was no impairment of capitalised research and development during the year (2017: €nil). The net effect of capitalisation, amortisation and impairment on profit in the year was an expense of €0.36 million (2017: €0.18 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	Resigned with effect from 1 March 2019

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 2018 was:

	<b>Number of ordinary shares</b>	<b>% of issued share capital</b>
Congra Software Sarl *	2,418,074	20.43%
Powergraph BVBA *	1,640,000	13.86%
Company owned shares (see note 24)	222,473	1.88%
Free float	7,555,160	63.83%
<b>Total</b>	<b>11,835,707</b>	<b>100.00%</b>

\* Congra Software Sarl and Powergraph BVBA are 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 24 and 28).

The total number of shares held in treasury at 31 December 2018 was 222,473 (2017: 267,091). Further information can be found in note 24 to the financial statements.

During the year, the Company did not dispose of any treasury shares (2017: none), however, it did transfer 44,618 shares to employees to satisfy the Company's obligations under the share schemes.

**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 10 confirm that to the best of their knowledge:

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

### **DISCLOSURE OF INFORMATION TO AUDITOR**

The directors confirm that:

- so far as each director is aware there is no relevant audit information of which the Company's Auditor 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,

**Gary Fry**  
Director

2030 Cambourne Business Park  
Cambourne  
Cambridge  
CB23 6DW

27 March 2019

## 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 2018. 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 "Regulations").

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 2019 Annual General Meeting and the policy will take effect for the financial year beginning on 1 January 2020. 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 2019 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 for the year.

### 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 2018:

In euros	Salary and fees	Taxable benefits	Bonus	LTIP	Pension	Total
<b>Executive directors</b>						
Gary Fry, CEO	214,859	30,520	123,759	161,424	18,884	549,446
Graeme Huttley, CFO	108,119	9,642	28,384	32,284	9,278	187,707
<b>Total executive directors</b>	<b>322,978</b>	<b>40,162</b>	<b>152,143</b>	<b>193,708</b>	<b>28,162</b>	<b>737,153</b>
<b>Non-executive directors</b>						
Guido Van der Schueren, Chairman	5,000	-	-	-	-	5,000
Johan Volckaerts	5,000	-	-	-	-	5,000
<b>Total non-executive directors</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Total directors</b>	<b>332,978</b>	<b>40,162</b>	<b>152,143</b>	<b>193,708</b>	<b>28,162</b>	<b>747,153</b>

For the year ended 31 December 2017:

In euros	Salary and fees	Taxable benefits	Bonus	LTIP	Pension	Total
<b>Executive directors</b>						
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
<b>Total executive directors</b>	<b>317,129</b>	<b>23,315</b>	<b>144,112</b>	<b>-</b>	<b>43,225</b>	<b>527,781</b>
<b>Non-executive directors</b>						
Guido Van der Schueren, Chairman	5,000	-	-	-	-	5,000
Johan Volckaerts	5,000	-	-	-	-	5,000
<b>Total non-executive directors</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>
<b>Total directors</b>	<b>327,129</b>	<b>23,315</b>	<b>144,112</b>	<b>-</b>	<b>43,225</b>	<b>537,781</b>

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 (2017: €5,000), prorated where appointed or resigned during the year.

Taxable benefits are car allowance payments, travel 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:

- 50% against achieving the board approved revenue target; and
- 50% 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 (see note 28 to the financial statements).

Contributions totalling €28,162 (2017: €43,225) 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**

<b>Number of shares (except price)</b>	<b>Gary Fry</b>	<b>Graeme Huttley</b>
Options at 1 January 2018	-	-
Granted on 6 April 2018	40,356	8,071
Exercised	-	-
Lapsed	-	-
<b>Outstanding at 31 December 2018</b>	<b>40,356</b>	<b>8,071</b>
Exercisable at 31 December 2018	40,356	8,071
Exercise price, per share	€0.00	€0.00
Vesting date	2 November 2018	2 November 2018
Expiry date	5 April 2021	5 April 2021

The vesting conditions of the above options are as follows:

- The individual must be either an employee or director of the Group.
- The reported closing price of the Company's shares must be €4.00 or higher per share for at least 20 trading days in any 6 month period.
- 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.
- The options will expire after 3 years from grant date if they do not vest.

Options from this grant will be satisfied out of existing treasury shares when exercised.

For these options, the market price at 31 December 2018 was €4.25 per share, the highest price during the year was €4.40 per share and the lowest price during the year was €2.77 per share.

**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 2018:

	<b>Gary Fry</b>	<b>Graeme Huttley</b>	<b>Guido Van der Schueren *</b>	<b>Johan Volckaerts</b>
Shares beneficially owned	138,545	33,006	4,058,074	-
<b>Total interest in shares</b>	<b>138,545</b>	<b>33,006</b>	<b>4,058,074</b>	-

\* The interests of Guido Van der Schueren are held in the name of Powergraph BVBA and Congra Software Sarl, companies controlled by Guido Van der Schueren.

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



**DIRECTORS' REMUNERATION REPORT (CONTINUED)****ANNUAL REPORT ON REMUNERATION (CONTINUED)**

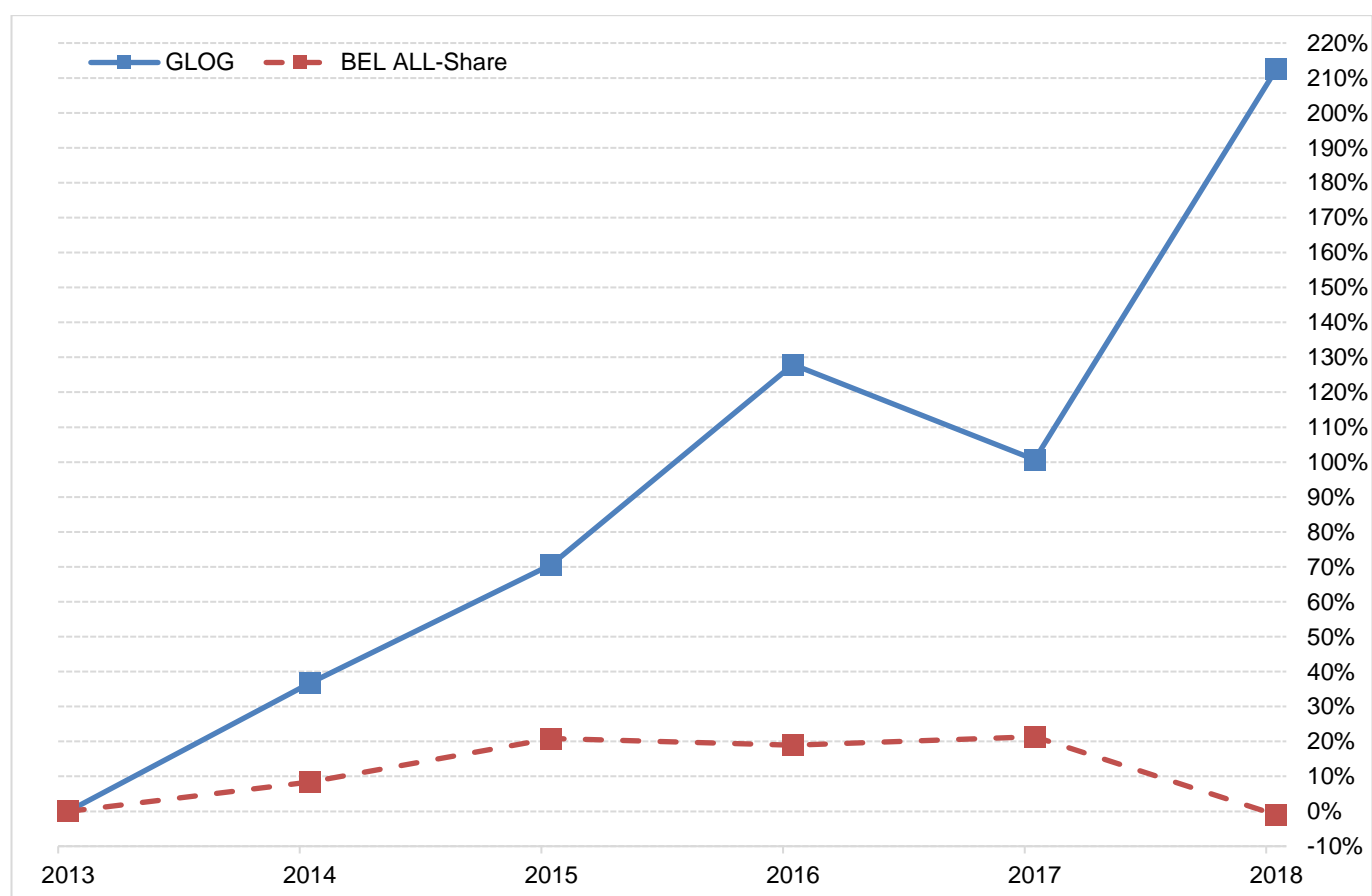
The portion of the share-based compensation expenses which were attributable to the Group's executive directors was:

In thousands of euros	2018	2017
Matching shares awarded for participating in the Share Incentive Plan (see note 28)	1	-
Grant of share options (see above and note 28)	72	-
<b>Total</b>	<b>73</b>	<b>-</b>

**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 2013 to 31 December 2018. 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 213% and the BEL ALL-SHARE index has decreased by 1%.

**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:

	2014	2015	2016	2017	2018
Total CEO remuneration (in thousands of euros)	378	473	1,043	362	549
Annual bonus pay-out against maximum opportunity	100%	100%	100%	100%	100%
Long term incentive vesting rates against maximum opportunity	0%	25%	100%	n/a	100%

**DIRECTORS' REMUNERATION REPORT (CONTINUED)****ANNUAL REPORT ON REMUNERATION (CONTINUED)****Percentage change in remuneration of director undertaking the role of chief executive officer**

The table below shows the percentage change in the base payment currency of remuneration between the years ended 31 December 2018 and 31 December 2017 for the CEO and for all employees of the Group:

	<b>Salary and fees</b>	<b>Taxable benefits</b>	<b>Bonus</b>
CEO	3.00%	112.00%	0.00%
Average pay based on all employees	3.55%	0.00%	0.00%

The increase in taxable benefits is due to the payment of a travel allowance in lieu of claiming certain travel expenses. HMRC ruled that Mr Fry's home office was not a permanent workplace and that expenses for travel from that home office to another workplace were not considered qualifying travel expenses, thus are subject to income tax and national insurance.

**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.

<b>In thousands of euros</b>	<b>2018</b>	<b>2017</b>	<b>% change</b>
Staff expenses (see note 12 to the consolidated financial statements)	11,143	10,292	8.27%
Repurchase of own shares (see note 24 to the consolidated financial statements)	-	596	n/a

**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 2019.

**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.

**DIRECTORS' REMUNERATION REPORT (CONTINUED)****ANNUAL REPORT ON REMUNERATION (CONTINUED)****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.

**FUTURE POLICY TABLE**

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

<b>Component</b>	<b>Purpose</b>	<b>Operation</b>	<b>Opportunity</b>	<b>Applicable performance measures</b>	<b>Recovery</b>
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.	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 monthly 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.

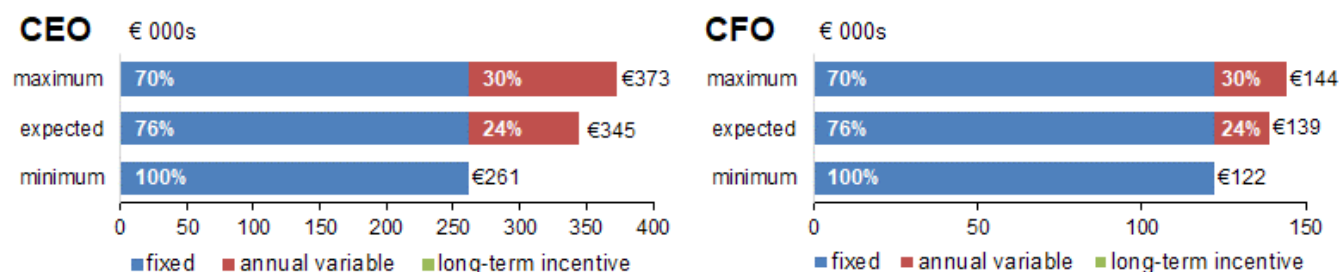
**Payment for loss of office**

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	<ul style="list-style-type: none"> <li>Base salary, fees, taxable benefits and pension</li> <li>No bonus pay-out</li> <li>No LTIP</li> </ul>
Expected performance:	<ul style="list-style-type: none"> <li>Base salary, fees, taxable benefits and pension</li> <li>75% bonus pay-out</li> <li>No LTIP</li> </ul>
Maximum performance:	<ul style="list-style-type: none"> <li>Base salary, fees, taxable benefits and pension</li> <li>100% bonus pay-out</li> <li>No LTIP</li> </ul>

The report was approved by the board of directors on 27 March 2019 and signed on its behalf by:

**Gary Fry**  
CEO

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



# 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 2018 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flows 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 2018 and of the Group's profit 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 (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### 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 first appointed as auditor by the directors on 3 September 2013. The period of total uninterrupted engagement is for the 6 financial years ended 31 December 2018. 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 listed public interest entities. No non-audit services prohibited by that standard were provided.

#### Overview

<b>Materiality:</b>	€161,250 (2017: €102,000)
group financial statements as a whole	0.67% (2017: 0.5%) of group revenue

<b>Coverage</b>	100% (2017: 100%) of group profit (2017: loss) before tax
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#### Risks of material misstatement vs 2017

<b>Recurring risks</b>	Recoverability of goodwill in the Print Software CGU and recoverability of Parent Company Investment in Global Graphics (UK) Limited	▼
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<b>New risks</b>	Impact of uncertainties due to the UK exiting the European Union on our audit	▲
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## 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. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p><b>The impact of uncertainties due to the UK exiting the European Union on our audit</b></p> <p>Refer to page 8 (principal risks)</p>	<p><b>Unprecedented levels of uncertainty</b></p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in recoverability of goodwill in the Print Software CGU and the recoverability of parent company investment in Global Graphics (UK) Limited below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.</p> <p>Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Our Brexit knowledge</b> – We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.</li> <li>• <b>Sensitivity analysis</b> – When addressing the recoverability of goodwill in the Print Software CGU and the recoverability of parent company investment in Global Graphics (UK) Limited and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.</li> <li>• <b>Assessing transparency</b> – As well as assessing individual disclosures as part of our procedures on recoverability of goodwill in the Print Software CGU and the recoverability of parent company investment in Global Graphics (UK) Limited we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.</li> </ul> <p><b>Our results</b></p> <p>As reported under the KAM in relation to the recoverability of goodwill in the Print Software CGU and recoverability of Parent Company Investment in Global Graphics (UK) Limited, we found the resulting estimates and related disclosures of goodwill and investments and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.</p>



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

## 2. Key audit matters: our assessment of risks of material misstatement (continued)

	The risk	Our response
<p><b>Recoverability of goodwill in the Print Software CGU and recoverability of Parent Company Investment in Global Graphics (UK) Limited</b></p> <p><b>Print Software CGU goodwill</b> €6,613,000; (2017: €6,675,000)</p> <p><b>Parent company investment in Global Graphics (UK) Limited</b> €15,828,000 ; (2017: €15,828,000)</p> <p><i>Refer to page 31 (accounting policy) and page 42 (financial disclosures)</i></p>	<p><b>Forecast-based valuation</b></p> <p>The estimated recoverable amount of the Print Software goodwill balance and investment in Global Graphics (UK) Limited is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.</p> <p>Whilst the risk of misstatement is relatively low in this case, the size of the balance, and the requirement to test goodwill for impairment on an annual basis, makes this a core area on which our audit focused.</p>	<p><b>Our procedures included:</b></p> <ul style="list-style-type: none"> <li>• <b>Historical comparisons:</b> We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous budgets and by evaluating the track record of assumptions used versus actual results'</li> <li>• <b>Benchmarking assumptions:</b> Comparing the group's assumptions to externally derived data in relation to key inputs such as projected growth rates and discount rates;</li> <li>• <b>Sensitivity analysis:</b> 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;</li> <li>• <b>Comparing valuations:</b> Comparing the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of those cash flows; and</li> <li>• <b>Assessing transparency:</b> Assessing whether the group's disclosures on goodwill and the parent company investment are appropriate.</li> </ul> <p><b>Our results</b></p> <ul style="list-style-type: none"> <li>• We found the resulting estimate of the recoverable amount of goodwill in the Print Software CGU and the parent company investment in Global Graphics (UK) Limited to be acceptable (2017 result: acceptable).</li> </ul>

We continue to perform procedures over the recoverability of goodwill in the Fonts and Print Electronics CGU's, recoverability of other intangible assets and recoverability of the parent company's investments in Global Graphics EBT Limited, Meteor Inkjet Limited and URW Type Foundry GmbH. However, following a review of the headroom in the Company's model to support the goodwill balance in the Fonts and Print Electronics CGU's, the other intangible assets and the investment carrying values in Global Graphics EBT Limited, Meteor Inkjet Limited and URW Type Foundry GmbH, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.



**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 €161,250, determined with reference to a benchmark of group revenue of €23,922,000, of which it represents 0.67% (2017: 0.5%).

Materiality for the parent company financial statements as a whole was set at €145,000 (2017: €91,800), determined with reference to a benchmark of company total assets, of which it represents 0.56% (2017: 0.36%).

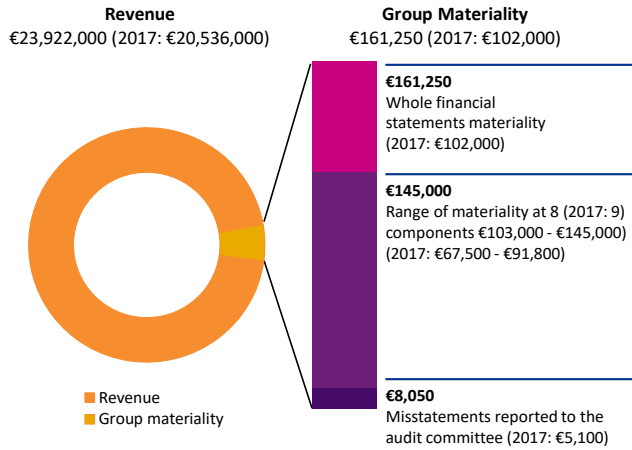
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding €8,050, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group’s 8 (2017: 9) reporting components, we subjected 5 (2017: 5) to full scope audits for group purposes.

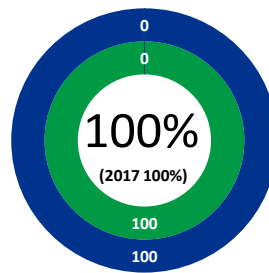
The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 0% of total group revenue, 0% of group profit before tax and 0% of total group assets is represented by 3 of reporting components, none of which individually represented more than 0% of any of total group revenue, group profit before tax or total group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

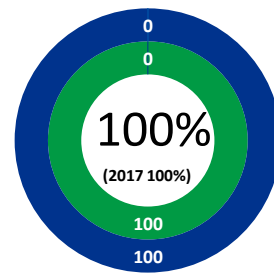
The work on all components (2017: all components) was performed by Group team and the rest, including the audit of the parent company, was performed by the Group team.



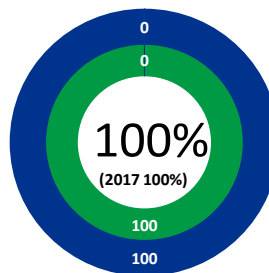
**Group revenue**



**Group profit before tax**



**Group total assets**



- Full scope for group audit purposes 2018
- Specified risk-focused audit procedures 2018
- Full scope for group audit purposes 2017
- Specified risk-focused audit procedures 2017
- Residual components





**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLOBAL GRAPHICS PLC (CONTINUED)****4. We have nothing to report on going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was the impact of Brexit on the Group's supply chain and customer base.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, 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 a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

**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 our work on the other information:

- we have not identified material misstatements in the strategic report and the 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.



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

### 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### 7. Respective responsibilities

#### Directors' responsibilities

As explained more fully in their statement set out on page 11, 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](http://www.frc.org.uk/auditorsresponsibilities).

#### Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, regulatory capital and certain aspects of company legislation recognising the financial and regulated nature of the group's company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any.

These limited procedures did not identify actual or suspected non-compliance

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, 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. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

### 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.

**Matthew Radwell (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

Botanic House  
100 Hills Road  
Cambridge  
CB2 1AR  
27 March 2019



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

In thousands of euros	Note	For the year ended 31 December	
		2018	2017
Revenue	7	23,922	20,536
Cost of sales		(4,963)	(5,096)
<b>Gross profit</b>		<b>18,959</b>	<b>15,440</b>
Other income		20	1
Selling, general and administrative expenses		(9,449)	(8,863)
Research and development expenses		(6,571)	(6,209)
Other operating expenses	8	(151)	(657)
<b>Operating profit/(loss)</b>		<b>2,808</b>	<b>(288)</b>
Finance income	13	21	-
Finance expenses	13	-	(2)
<b>Net finance income/(expense)</b>		<b>21</b>	<b>(2)</b>
Foreign currency exchange gains	13	44	127
<b>Profit/(loss) before tax</b>		<b>2,873</b>	<b>(163)</b>
Tax	18	(504)	(103)
<b>Profit/(loss) for the year attributable to equity holders</b>		<b>2,369</b>	<b>(266)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		9	(559)
<b>Other comprehensive profit/(loss) for the year, net of tax</b>		<b>9</b>	<b>(559)</b>
<b>Total comprehensive profit/(loss) for the year attributable to equity holders</b>		<b>2,378</b>	<b>(825)</b>
<b>Earnings per ordinary share</b>			
Basic earnings/(loss) per share	27	0.20	(0.02)
Diluted earnings/(loss) per share	27	0.20	(0.02)

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

The notes on pages 29 to 52 are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

In thousands of euros	Note	For the year ended 31 December	
		2018	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	570	467
Other intangible assets	15	3,306	4,694
Goodwill	16	10,490	10,552
Financial assets	17	24	24
Deferred tax assets	18	894	868
Trade receivables due after more than one year	19	1,199	606
<b>Total non-current assets</b>		<b>16,483</b>	<b>17,211</b>
<b>Current assets</b>			
Inventories	20	1,241	747
Current tax assets		-	196
Trade and other receivables	21	5,704	3,209
Other current assets	22	205	168
Prepayments		1,078	612
Cash and cash equivalents	23	5,650	5,076
<b>Total current assets</b>		<b>13,878</b>	<b>10,008</b>
<b>TOTAL ASSETS</b>		<b>30,361</b>	<b>27,219</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Parent</b>			
Share capital	24	4,734	4,734
Share premium	24	1,979	1,979
Treasury shares	24	(631)	(792)
Retained earnings		27,688	24,987
Foreign currency translation reserve		(11,830)	(11,839)
<b>Total equity</b>		<b>21,940</b>	<b>19,069</b>
<b>Liabilities</b>			
Deferred tax liabilities	18	585	857
Other liabilities	25	3,206	3,260
<b>Total non-current liabilities</b>		<b>3,791</b>	<b>4,117</b>
<b>Current liabilities</b>			
Current tax liabilities		540	220
Trade and other payables		289	794
Other current liabilities		2,785	1,738
Contract liabilities	7, 26	1,016	1,281
<b>Total current liabilities</b>		<b>4,630</b>	<b>4,033</b>
<b>Total liabilities</b>		<b>8,421</b>	<b>8,150</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>30,361</b>	<b>27,219</b>

The notes on pages 29 to 52 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 27 March 2019 and were signed on its behalf by:

**Gary Fry**  
 Director  
 Company registered number: 10872426

**CONSOLIDATED STATEMENT OF CASH FLOWS**

In thousands of euros	Note	For the year ended 31 December	
		2018	2017
<b>Cash flows from operating activities</b>			
Net profit/(loss) for the year		2,369	(266)
<i>Adjustments to reconcile net profit/(loss) to net cash:</i>			
- Depreciation of property, plant and equipment	14	266	204
- Amortisation and impairment of other intangible assets	15	2,602	3,052
- Share-based remuneration expenses	28	306	63
- Net interest (income)/expense	13	(21)	2
- Net foreign currency exchange gains	13	(44)	(127)
- Tax expense	18	504	103
- Change in fair value of contingent consideration	25	(20)	229
- Other items		376	21
<b>Total adjustments to net profit/(loss)</b>		<b>3,969</b>	<b>3,547</b>
<i>Change in operating assets and liabilities:</i>			
- Financial assets	17	-	(4)
- Inventories	20	(494)	(306)
- Trade receivables	19,21	(3,088)	1,287
- Other current assets	22	(37)	(81)
- Prepayments		(466)	(215)
- Trade and other payables		(505)	(117)
- Other current liabilities		1,047	237
- Contract liabilities	26	(265)	196
<b>Total change in operating assets and liabilities</b>		<b>(3,808)</b>	<b>997</b>
<b>Cash generated from operating activities</b>		<b>2,530</b>	<b>4,278</b>
Interest received		21	-
Interest paid		-	(2)
Cash paid during the year for tax		(383)	(507)
<b>Net cash flow from operating activities</b>		<b>2,168</b>	<b>3,769</b>
<b>Cash flows from investing activities</b>			
Capital expenditures on property, plant & equipment	14	(386)	(317)
Capital expenditures on other intangible assets	15	(173)	(28)
Capitalisation of development expenses	15	(1,051)	(1,284)
Contingent consideration paid	25	-	(832)
Acquisition of subsidiary, net of cash acquired		-	(85)
<b>Net cash flow used in investing activities</b>		<b>(1,610)</b>	<b>(2,546)</b>
<b>Cash flows from financing activities</b>			
Own share repurchases	24	-	(596)
<b>Net cash flow used in financing activities</b>		<b>-</b>	<b>(596)</b>
<b>Net increase in cash</b>		<b>558</b>	<b>627</b>
<b>Cash and cash equivalents at 1 January</b>		<b>5,076</b>	<b>4,639</b>
Effect of exchange rate fluctuations on cash at 1 January		16	(190)
<b>Cash and cash equivalents at 31 December</b>		<b>5,650</b>	<b>5,076</b>

The notes on pages 29 to 52 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	Foreign currency translation adjustment	Total equity
<b>Balance at 31 December 2016</b>		<b>4,546</b>	<b>1,979</b>	<b>(314)</b>	<b>25,493</b>	<b>(11,280)</b>	<b>20,424</b>
<b>Total comprehensive loss for the year</b>							
Net loss for the year		-	-	-	(266)	-	(266)
Foreign currency translation differences		-	-	-	-	(559)	(559)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(266)</b>	<b>(559)</b>	<b>(825)</b>
<b>Transactions with owners</b>							
Share-based payment transactions	28	-	-	-	63	-	63
Own share grants	24	188	-	118	(303)	-	3
Own share purchases	24	-	-	(596)	-	-	(596)
<b>Total transactions with owners</b>		<b>188</b>	<b>-</b>	<b>(478)</b>	<b>(240)</b>	<b>-</b>	<b>(530)</b>
<b>Balance at 31 December 2017</b>		<b>4,734</b>	<b>1,979</b>	<b>(792)</b>	<b>24,987</b>	<b>(11,839)</b>	<b>19,069</b>
<b>Total comprehensive income for the year</b>							
Net profit for the year		-	-	-	2,369	-	2,369
Foreign currency translation differences		-	-	-	-	9	9
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,369</b>	<b>9</b>	<b>2,378</b>
<b>Transactions with owners</b>							
Share-based payment transactions		-	-	161	332	-	493
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>161</b>	<b>332</b>	<b>-</b>	<b>493</b>
<b>Balance at 31 December 2018</b>		<b>4,734</b>	<b>1,979</b>	<b>(631)</b>	<b>27,688</b>	<b>(11,830)</b>	<b>21,940</b>

The notes on pages 29 to 52 are an integral part of these consolidated financial statements.

## 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 27 March 2019.

#### 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 2019 and 2020, 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 €5.65 million as at 31 December 2018 (2017: €5.08 million) and the absence of any outstanding bank debt.

#### Alternative performance measures

The Strategic Report includes both IFRS profit, adjusted profit and EBITDA.

Adjusted profit, 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.

EBITDA is also reported as an alternative measure of profit and is calculated by adding back interest, tax, depreciation and amortisation to net profit. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies.

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. At 31 December 2018 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 directly 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.

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 2018.

## 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 2018***

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2019 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 2018.

##### ***IFRS 16 Leases***

The Group is required to adopt IFRS 16 Leases from 1 January 2019. Under the new standard, the Group will recognise assets and liabilities for operating leases of office space. The nature of expenses related to those leases will change because the Group will, instead of recognising an operating lease expense on a straight-line basis, recognise a depreciation charge for right-of-use assets and an interest expense on lease liabilities. It is expected that substantially the same transactions currently identified as leases will be those identified under IFRS 16 Leases. Based on current information, this will result in an initial recognition of an asset and equivalent liability in the Group's balance sheet of approximately €2.34 million.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

##### ***Other standards***

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

### 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.

##### ***Share-based payments***

The fair value of share options which have been granted were valued by using a Black-Scholes 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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 flow 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") and the identified segments are:

- Software, for digital printing 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 2017 and 31 December 2018. 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 2018:

In thousands of euros	Software	Printhead Solutions	Fonts	Unallocated	Total
Revenue from external customers	9,975	9,200	4,747	-	23,922
Inter-segment revenue	4	-	5	-	9
<b>Segment revenue</b>	<b>9,979</b>	<b>9,200</b>	<b>4,752</b>	<b>-</b>	<b>23,931</b>
<b>Segment operating profit/(loss) after tax</b>	<b>1,194</b>	<b>1,587</b>	<b>1,582</b>	<b>(533)</b>	<b>3,830</b>
Included in the operating profit/(loss) are:					
Interest income	4	2	-	15	21
Interest expense	-	-	-	-	-
Depreciation and amortisation	(195)	(72)	(10)	(1)	(278)
Tax expense	(66)	-	(777)	-	(843)

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	-	-	-	-	-
<b>Segment revenue</b>	<b>9,081</b>	<b>7,679</b>	<b>3,776</b>	<b>-</b>	<b>20,536</b>
<b>Segment operating (loss)/profit after tax</b>	<b>(1,575)</b>	<b>1,547</b>	<b>947</b>	<b>459</b>	<b>1,378</b>
Included in the operating (loss)/profit are:					
Interest income	-	-	-	-	-
Interest expense	(2)	-	-	-	(2)
Depreciation and amortisation	(180)	(28)	(5)	(1)	(214)
Tax credit/(expense)	8	(10)	(449)	-	(451)

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

In thousands of euros	2018	2017
Segment total profit after tax	3,830	1,378
Share-based payments expense	(306)	(63)
Capitalisation and amortisation of internally generated intangible assets	(357)	(179)
Amortisation of acquired intangible assets	(1,157)	(1,520)
Other items	20	(230)
Tax effect of above-mentioned items	339	348
<b>Consolidated profit/(loss) before tax</b>	<b>2,369</b>	<b>(266)</b>

**7. 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****7. REVENUE (CONTINUED)****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.

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.

In thousands of euros	Software		Printhead Solutions		Fonts		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Revenue type</b>								
License royalties	7,854	6,851	-	-	3,848	3,026	11,702	9,877
Maintenance and after-sale support services	1,218	1,378	-	3	16	25	1,234	1,406
Engineering/design services	488	179	-	-	883	725	1,371	904
Printer hardware and consumables	407	640	-	-	-	-	407	640
Driver electronics	-	-	9,200	7,676	-	-	9,200	7,676
Other items	8	33	-	-	-	-	8	33
<b>Total sales</b>	<b>9,975</b>	<b>9,081</b>	<b>9,200</b>	<b>7,679</b>	<b>4,747</b>	<b>3,776</b>	<b>23,922</b>	<b>20,536</b>
<b>Primary geographical markets</b>								
United Kingdom	654	286	395	292	321	212	1,370	790
Europe, excluding United Kingdom	2,594	2,062	1,044	1,040	3,064	1,565	6,702	4,667
North America	5,131	4,758	1,776	1,081	1,308	1,224	8,215	7,063
Asia	1,596	1,975	5,985	5,266	54	775	7,635	8,016
<b>Total sales</b>	<b>9,975</b>	<b>9,081</b>	<b>9,200</b>	<b>7,679</b>	<b>4,747</b>	<b>3,776</b>	<b>23,922</b>	<b>20,536</b>

In 2018, the ten largest customers represented 52.2% (2017: 53.5%) of the Group's revenue, the five largest customers represented 37.7% (2017: 41.9%) of the Group's revenue and the single largest customer represented 12.4% (2017: 19.6%) of the Group's revenue. There was 1 customer (2017: 2) during the year that represented 10% or more of total revenue. Revenue from that customer totalled €2.96 million and is reported in the Printhead Solutions segment (2017: 2 customers totalling €6.05 million, one in each of the Software and Printhead Solutions segments).

During the year ending 31 December 2018 a new contract was signed in the Fonts segment which generated €1.58 million in revenue. The revenue from that contract is non-recurring and is not expected to be repeated.

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 2018.

In thousands of euros	2019	2020	2021	Total
After-sale support services	701	40	72	813
Product and consultancy	203	-	-	203
<b>Total</b>	<b>904</b>	<b>40</b>	<b>72</b>	<b>1,016</b>

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.

**8. OTHER OPERATING EXPENSES**

Other operating expenses incurred during the year were:

In thousands of euros	2018	2017
Stamp duty on share issues	-	26
Conversion to PLC	-	27
Acquisition related expenses	-	28
Share option exercise payroll taxes	-	64
Fair value adjustment to contingent consideration (see note 25)	-	229
Redundancy expenses	13	283
Takeover bid legal & professional fees	136	-
Disposal of assets	2	-
<b>Total other operating expenses</b>	<b>151</b>	<b>657</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****9. OPERATING EXPENSES BY NATURE**

In thousands of euros	2018	2017
Employee benefit expense (see note 12)	11,143	10,292
Depreciation expenses (see note 14)	266	204
Capitalisation of R&D expenses (see note 15)	(1,051)	(1,284)
Amortisation of capitalised R&D expenses	1,408	1,464
Amortisation of acquired intangibles	1,157	1,529
Rent expenses	530	487
Other operating expenses, net of other operating income	2,698	3,036
<b>Total operating expenses, net of other operating income</b>	<b>16,151</b>	<b>15,728</b>

**10. SERVICES PROVIDED BY THE GROUP'S AUDITOR**

In thousands of euros	2018	2017
For the audit of Parent and Consolidated Financial Statements	33	23
For other services provided:		
- audit of financial statements of subsidiaries of the company	37	35
- audit-related assurance services	9	9
- all other services	18	7
<b>Total fees payable to the Group's auditor and its associates</b>	<b>97</b>	<b>74</b>

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 in relation to tax compliance in the United States of America and the independent verification of financial results of Meteor Inkjet Limited. Fees for all other services in 2017 were related to the conversion from a Societas Europaea (SE) to a public limited company (PLC).

**11. 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 €747,153 (2017: €537,781).

The aggregate value of gains made by directors during the year on the exercise of share options was €nil (2017: €736,800).

The aggregate value of assets awarded to directors under long term incentive schemes during the year was €193,708 (2017: €nil).

The Group only operates defined contribution pension schemes. During the year, for two directors (2017: two), €28,162 (2017: €43,225) of pension contributions were paid.

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

**12. EMPLOYEE INFORMATION**

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

	2018	2017
<b>By activity</b>		
Research and development	57	58
Sales and support	33	33
General and administrative	19	21
<b>Total average number of people employed</b>	<b>109</b>	<b>112</b>

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

In thousands of euros	2018	2017
Wages and salaries	8,727	7,997
Compulsory social security contributions	986	950
Medical insurance contributions	285	382
Pension contributions to defined contribution plans	688	841
Share-based payments (see note 28)	306	63
Other employee related expenses	151	59
<b>Total employee benefit expenses</b>	<b>11,143</b>	<b>10,292</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****13. FINANCE INCOME AND FINANCE COSTS**

In thousands of euros	2018	2017
Interest income	21	-
Interest expense	-	(2)
<b>Total finance income/(expense)</b>	<b>21</b>	<b>(2)</b>
Foreign exchange gains on transactions and revaluations	44	127
<b>Total foreign exchange gain</b>	<b>44</b>	<b>127</b>
<b>Net finance income</b>	<b>65</b>	<b>125</b>

**14. PROPERTY, PLANT AND EQUIPMENT**

In thousands of euros	Leasehold improvements	Computer equipment	Office equipment	Office furniture	Other items	Total
<b>Cost</b>						
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)
<b>At 31 December 2017</b>	<b>638</b>	<b>1,063</b>	<b>50</b>	<b>221</b>	<b>543</b>	<b>2,515</b>
At 1 January 2018	638	1,063	50	221	543	2,515
Additions	88	180	37	56	25	386
Disposals	-	(84)	(18)	(22)	(16)	(140)
Effect of movement in exchange rates	(10)	(10)	1	(2)	(6)	(27)
<b>At 31 December 2018</b>	<b>716</b>	<b>1,149</b>	<b>70</b>	<b>253</b>	<b>546</b>	<b>2,734</b>
<b>Accumulated depreciation</b>						
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)
<b>At 31 December 2017</b>	<b>548</b>	<b>856</b>	<b>23</b>	<b>174</b>	<b>447</b>	<b>2,048</b>
At 1 January 2018	548	856	23	174	447	2,048
Charge for the year	30	149	16	11	60	266
Disposals	-	(79)	(18)	(22)	(16)	(135)
Effect of movement in exchange rates	(6)	(3)	-	-	(6)	(15)
<b>At 31 December 2018</b>	<b>572</b>	<b>923</b>	<b>21</b>	<b>163</b>	<b>485</b>	<b>2,164</b>
<b>Net book value</b>						
At 31 December 2017	90	207	27	47	96	467
<b>At 31 December 2018</b>	<b>144</b>	<b>226</b>	<b>49</b>	<b>90</b>	<b>61</b>	<b>570</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 15. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer contracts	Patents	Trade-marks	Know-how	Font library	Driver electronics	Total
<b>Cost</b>								
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)
<b>At 31 December 2017</b>	<b>35,145</b>	<b>13,676</b>	<b>2,562</b>	<b>583</b>	<b>910</b>	<b>2,465</b>	<b>3,296</b>	<b>58,637</b>
At 1 January 2018	35,145	13,676	2,562	583	910	2,465	3,296	58,637
Additions – internally developed	1,051	-	-	-	-	-	-	1,051
Additions – purchased	-	-	173	-	-	-	-	173
Effect of movement in exchange rates	(389)	(141)	(35)	(6)	(2)	-	-	(573)
<b>At 31 December 2018</b>	<b>35,807</b>	<b>13,535</b>	<b>2,700</b>	<b>577</b>	<b>908</b>	<b>2,465</b>	<b>3,296</b>	<b>59,288</b>
<b>Accumulated amortisation and impairment</b>								
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)
<b>At 31 December 2017</b>	<b>34,327</b>	<b>13,675</b>	<b>2,546</b>	<b>583</b>	<b>910</b>	<b>1,188</b>	<b>714</b>	<b>53,943</b>
At 1 January 2018	34,327	13,675	2,546	583	910	1,188	714	53,943
Charge for the year	1,450	-	7	-	-	486	659	2,602
Effect of movement in exchange rates	(388)	(140)	(27)	(6)	(2)	-	-	(563)
<b>At 31 December 2018</b>	<b>35,389</b>	<b>13,535</b>	<b>2,526</b>	<b>577</b>	<b>908</b>	<b>1,674</b>	<b>1,373</b>	<b>55,982</b>
<b>Net book value</b>								
At 31 December 2017	818	1	16	-	-	1,277	2,582	4,694
<b>At 31 December 2018</b>	<b>418</b>	<b>-</b>	<b>174</b>	<b>-</b>	<b>-</b>	<b>791</b>	<b>1,923</b>	<b>3,306</b>

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 16).

There was no significant change during the year to the calculations and assumptions that were used at 31 December 2017 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 2018 (2017: €nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****15. 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	2018	2017
Harlequin RIP	1.3 years	204	625
EDL	1.5 years	152	77
gDoc applications	1.5 years	13	54
CGB Screening	3.75 years	49	62
<b>Total software technology</b>		<b>418</b>	<b>818</b>
<b>Font Library</b>	1.75 years	<b>791</b>	<b>1,277</b>
<b>Driver Electronics</b>	2.90 years	<b>1,923</b>	<b>2,582</b>

**16. GOODWILL**

In thousands of euros	Total Goodwill
<b>Cost</b>	
At 1 January 2017	16,618
Additions – business combinations	123
Effect of movement in exchange rates	(467)
<b>At 31 December 2017</b>	<b>16,274</b>
At 1 January 2018	16,274
Effect of movement in exchange rates	(122)
<b>At 31 December 2018</b>	<b>16,152</b>
<b>Accumulated amortisation or impairment</b>	
At 1 January 2017	5,934
Effect of movement in exchange rates	(212)
<b>At 31 December 2017</b>	<b>5,722</b>
At 1 January 2018	5,722
Effect of movement in exchange rates	(60)
<b>At 31 December 2018</b>	<b>5,662</b>
<b>Net book value</b>	
At 31 December 2017	10,552
<b>At 31 December 2018</b>	<b>10,490</b>

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 Software, Fonts and Printhead Solutions.

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

In thousands of euros	2018	2017
Software	6,613	6,675
Fonts	1,555	1,555
Printhead Solutions	2,322	2,322
<b>Total goodwill</b>	<b>10,490</b>	<b>10,552</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****16. GOODWILL (CONTINUED)**

The recoverable amount of the CGUs has been determined using an estimate of their value in use as at 31 December 2018. These calculations employed cash flow projections based on financial forecasts approved by management covering a seven-year period ending 31 December 2025. The financial forecasts are most sensitive to changes in the customer base and associated revenues and to changes in staff costs. Revenues were forecasted 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 increases 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 2018. The exchange rates were determined with reference to HSBC market forecasts and were 1.1300 euros for 1 pound sterling, 1.1500 US dollars for 1 euro, and 118 Japanese yen for 1 euro.

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 for each CGU to value the future cash flows was calculated as below and is deemed to be the most appropriate rate. The same rate was used for all CGUs because the risks for each CGU are similar.

	<b>2018</b>	<b>2017</b>
Risk free rate (UK Treasury Gilts)	1.01%	0.96%
Equity risk premium	5.00%	5.00%
Equity risk premium for micro caps	3.74%	3.74%
<b>Cost of capital</b>	<b>9.75%</b>	<b>9.70%</b>
Industry average debt level	Nil	Nil
Estimated net debt cost	Not applicable	Not applicable
<b>Weighted average cost of capital</b>	<b>9.75%</b>	<b>9.70%</b>

As a result of these projections, no impairment was required for goodwill for the year ended 31 December 2018 (2017: €nil).

No sensitivities are disclosed as no reasonable possible change in the key assumptions causes an impairment.

**17. FINANCIAL ASSETS**

Financial assets measured at amortised cost.

<b>In thousands of euros</b>	<b>2018</b>	<b>2017</b>
Rent deposits	24	23
Other items	-	1
<b>Total financial assets</b>	<b>24</b>	<b>24</b>

**18. TAX****Corporation tax**

Analysis of the tax charge in the year:

<b>In thousands of euros</b>	<b>2018</b>	<b>2017</b>
<b>Current tax</b>		
Current year charge	(843)	(533)
<b>Total current tax</b>	<b>(843)</b>	<b>(533)</b>
<b>Deferred tax</b>		
Arising from the capitalisation and amortisation of development expenses	68	35
Effect of change in tax rate	-	8
Origination and reversal of temporary differences	271	387
<b>Total deferred tax</b>	<b>339</b>	<b>430</b>
<b>Total tax expense</b>	<b>(504)</b>	<b>(103)</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****18. 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:

<b>In thousands of euros</b>	<b>2018</b>	<b>2017</b>
Profit/(loss) before tax	2,873	(163)
Expected tax (expense)/benefit at the Company's tax rate of 19.00% (2017: 19.25%)	(546)	31
Effect of differences in tax rates in foreign jurisdictions	(331)	(206)
Effect of share-based payments	(58)	(12)
Effect of changes in unrecognised tax losses	471	40
Effect of other items	(40)	44
<b>Total tax expense recognised</b>	<b>(504)</b>	<b>(103)</b>

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.

**Deferred tax**

The Group had recognised deferred tax as follows:

<b>In thousands of euros</b>	<b>2018</b>	<b>2017</b>
<b>Deferred tax assets</b>		
Capital allowances	945	956
Other items	18	50
Capitalised development expenses	(69)	(138)
<b>Total recognised deferred tax assets</b>	<b>894</b>	<b>868</b>
<b>Deferred tax liabilities</b>		
As a result of business combinations	585	857
<b>Total recognised deferred tax liabilities</b>	<b>585</b>	<b>857</b>

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 2018 has been calculated based on the rate of 19%. The deferred tax liability at 31 December 2018 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 19% and 17%.

€1.556 million (2017: €1.373 million) in respect of losses that are capital in nature has not been recognised.

**19. TRADE RECEIVABLES DUE AFTER MORE THAN ONE YEAR**

<b>In thousands of euros</b>	<b>2018</b>	<b>2017</b>
Amounts due after more than one year	1,199	606
<b>Total trade receivables due after more than one year</b>	<b>1,199</b>	<b>606</b>

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.

**20. INVENTORIES**

<b>In thousands of euros</b>	<b>2018</b>	<b>2017</b>
Finished goods	1,241	747
<b>Total inventories</b>	<b>1,241</b>	<b>747</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****21. TRADE AND OTHER RECEIVABLES**

In thousands of euros	2018	2017
Trade receivables	5,711	3,216
Allowance for doubtful debts	(7)	(7)
<b>Total trade and other receivables</b>	<b>5,704</b>	<b>3,209</b>

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	2018	2017
Under 90 days	5,615	3,017
Over 90 days and provided for	7	7
Over 90 days but not provided for	89	192
<b>Total trade and other receivables</b>	<b>5,711</b>	<b>3,216</b>

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

In thousands of euros	2018	2017
Balance as at 1 January and 31 December	7	7

See note 30 for further disclosure regarding the credit quality of the Group's trade debtors.

**22. OTHER CURRENT ASSETS**

In thousands of euros	2018	2017
VAT receivable	204	166
Other items	1	2
<b>Total other current assets</b>	<b>205</b>	<b>168</b>

**23. CASH AND CASH EQUIVALENTS**

In thousands of euros	2018	2017
Cash at bank and in hand	5,650	5,076
<b>Total cash and cash equivalents</b>	<b>5,650</b>	<b>5,076</b>

**24. CAPITAL AND RESERVES**

Ordinary shares allotted, called up and fully paid:

In thousands of euros, except number of shares	2018		2017	
	Number	Value	Number	Value
At 1 January	11,835,707	4,734	11,365,707	4,546
Issued for share options exercised	-	-	470,000	188
<b>As at 31 December</b>	<b>11,835,707</b>	<b>4,734</b>	<b>11,835,707</b>	<b>4,734</b>

Share premium:

In thousands of euros	2018	2017
As at 1 January and 31 December	1,979	1,979

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

In thousands of euros, except number of shares	2018		2017	
	Number	Value	Number	Value
At 1 January	267,091	792	106,826	314
Disbursement of shares to employees	(44,618)	(161)	(33,978)	(118)
Purchase of own shares	-	-	194,243	596
<b>As at 31 December</b>	<b>222,473</b>	<b>631</b>	<b>267,091</b>	<b>792</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****25. OTHER LIABILITIES**

Financial liabilities measured at fair value.

<b>In thousands of euros</b>	<b>2018</b>	<b>2017</b>
Contingent consideration	3,206	3,260
<b>Total other liabilities</b>	<b>3,206</b>	<b>3,260</b>

**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 2018. Based on the revised forecasts, the review concluded that there was a reduction in the present value of those payments thus reducing the liability on the balance sheet by €0.02 million (2017: increase of €0.23 million).

During the year, no cash payments (2017: £740,000) were paid against the contingent consideration due for the acquisition of Meteor Inkjet Limited.

The underlying liability is denominated in pounds sterling, thus there is a movement due to changes in exchange rates used to convert to Euros at the reporting date.

**26. CONTRACT LIABILITIES**

<b>In thousands of euros</b>	<b>2018</b>	<b>2017</b>
Customer advances	203	435
Deferred revenue	813	846
<b>Total contract liabilities</b>	<b>1,016</b>	<b>1,281</b>

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.

**27. 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.

<b>In thousands of euros unless otherwise stated</b>	<b>2018</b>	<b>2017</b>
Weighted average number of shares (basic), in thousands of shares	11,583	11,462
Add the effect of dilutive potential ordinary shares	-	-
Weighted average number of shares (diluted), in thousands of shares	11,583	11,462
Profit/(loss) attributable to ordinary shareholders	2,369	(266)
<b>Basic earnings/(loss) per share, in euros</b>	<b>0.20</b>	<b>(0.02)</b>
<b>Diluted earnings/(loss) per share, in euros</b>	<b>0.20</b>	<b>(0.02)</b>

<b>In thousands of euros unless otherwise stated</b>	<b>2018</b>	<b>2017</b>
Adjusted profit attributable to ordinary shareholders (see Group strategic report)	3,981	1,773
Basic adjusted earnings per share, in euros	0.34	0.15
Diluted adjusted earnings per share, in euros	0.34	0.15

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****28. SHARE BASED PAYMENTS**

At 31 December 2018, 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.

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:

As at 31 December 2017	Granted	Exercised	Lapsed	Outstanding at 31 December 2018	Exercisable at 31 December 2018	Exercise price
-	104,776	-	-	104,776	104,776	€0.00

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 €4.00 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 aforementioned 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.
- (d) The options will expire after 3 years from grant date if they do not vest.

Options from this grant will be satisfied out of existing treasury shares when exercised.

**Measurement of fair value**

The estimate of the fair value of these options was measured using a Black-Scholes valuation and the following inputs:

- Exercise price of €0.00
- Share price at date of grant of €2.84 per share
- Risk free rate of return of 0.70% (Bank of England gilt)
- Share price volatility of 36.76%, based on an analysis of 5 years of historic share price for the Company's shares
- Exercise period of 3 years

The model generated a fair value per option of €1.48.

**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.

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

	As at 31 December 2017 Number	Granted Number	Exercised Number	Withdrawn Number	Lapsed Number	As at 31 December 2018 Number
SIP matching shares	10,045	17,070	-	-	-	27,115
Free shares granted	91,000	51,000	-	-	(6,000)	136,000
	<b>101,045</b>	<b>68,070</b>	<b>-</b>	<b>-</b>	<b>(6,000)</b>	<b>163,115</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****28. SHARE BASED PAYMENTS (CONTINUED)****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	2018	2017
Share option grants	155	-
SIP matching shares	20	9
Free share grants	131	54
<b>Total share based payments expense</b>	<b>306</b>	<b>63</b>

**29. 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	2018	2017
Less than one year	504	494
Between one and five years	1,378	1,506
More than 5 years	650	920
<b>Total</b>	<b>2,532</b>	<b>2,920</b>

**30. 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 2018 (2017: none).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****30. 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
<b>At 31 December 2018</b>				
Trade receivables	944	1,665	2,348	747
Current tax assets	-	-	-	-
Other current assets	29	-	166	10
Trade payables	(106)	(26)	(144)	(13)
Current tax liabilities	(480)	(17)	-	(43)
Other current liabilities	(780)	(76)	(1,891)	(38)
Customer advances and deferred revenue	(130)	(245)	(641)	-
<b>Net exposure</b>	<b>(523)</b>	<b>1,301</b>	<b>(162)</b>	<b>663</b>
<b>At 31 December 2017</b>				
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)	-
<b>Net exposure</b>	<b>348</b>	<b>541</b>	<b>(2,044)</b>	<b>695</b>

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

In thousands of euros	Euros	US dollars	Pounds sterling	Japanese yen
<b>At 31 December 2018</b>				
Trade receivables	309	835	41	14
Other liabilities	-	-	(3,206)	-
<b>Net exposure</b>	<b>309</b>	<b>835</b>	<b>(3,165)</b>	<b>14</b>
<b>At 31 December 2017</b>				
Trade receivables	86	11	-	509
Other liabilities	-	-	(3,260)	-
<b>Net exposure</b>	<b>86</b>	<b>11</b>	<b>(3,260)</b>	<b>509</b>

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	
	2018	2017	2018	2017
US dollar	0.8485	0.8873	0.8740	0.8319
Pound sterling	1.1320	1.1420	1.1129	1.1249
Japanese yen	0.0077	0.0079	0.0079	0.0074

If sales and results for the year had been converted using the exchange rates prevailing in the prior year, the Group's 2018 sales would have been higher by approximately €0.25 million and the operating profit for the year would have increased by approximately €0.18 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 21 (Trade and other receivables) and note 23 (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)****30. 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 regularly. 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
<b>At 31 December 2018</b>			
Trade payables	289	-	289
Current tax liabilities	540	-	540
Other current liabilities	2,785	-	2,785
Other non-current liabilities	905	2,301	3,206
<b>Total</b>	<b>4,519</b>	<b>2,301</b>	<b>6,820</b>
<b>At 31 December 2017</b>			
Trade payables	794	-	794
Current tax liabilities	220	-	220
Other current liabilities	1,738	-	1,738
Other non-current liabilities	-	3,260	3,260
<b>Total</b>	<b>2,752</b>	<b>3,260</b>	<b>6,012</b>

**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 2018.

In thousands of euros	2018	2017
<b>Capital</b>		
Total equity	21,940	19,069
Less cash and cash equivalents	5,650	5,076
	<b>16,290</b>	<b>13,993</b>
<b>Overall financing</b>		
Total equity	21,940	19,069
	<b>21,940</b>	<b>19,069</b>
<b>Capital to overall financing ratio</b>	<b>1:1.35</b>	<b>1:1.36</b>

**31. RELATED PARTIES**

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

**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 ("Congra", 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. The Group also licenses some of Hybrid Software's technology for use in solutions to Group customers.

During the year the Group spent €107,972 (2017: €nil) with Congra and recognised €139,703 (2017: €194,465) in revenue from them. At the date of these financial statements €40,101 was owed to the Group by Congra.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****32. GROUP ENTITIES**

Company name	Registered office address	Country of incorporation	Ownership interest %	
			2018	2017
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	5996 Clark Center Avenue, Sarasota, FL 34238, 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	Harston Mill, Royston Road, Harston, Cambridge, CB22 7GG, UK	United Kingdom	100%	100%
URW Type Foundry GmbH	Essener Straße 105, 22419 Hamburg, Germany	Germany	100%	100%

After transferring its assets to Global Graphics Software Limited, Cambridge Grey Bit Limited was dissolved on 2 October 2018.

**33. SUBSEQUENT EVENTS**

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2018.

**COMPANY BALANCE SHEET**

In thousands of euros	Note	For the year ended 31 December	
		2018	2017
<b>FIXED ASSETS</b>			
Intangible assets	4	-	1
Investments	5	25,583	25,583
<b>Total fixed assets</b>		<b>25,583</b>	<b>25,584</b>
<b>CURRENT ASSETS</b>			
Other current assets	6	7	3
Cash and cash equivalents		234	11
<b>Total current assets</b>		<b>241</b>	<b>14</b>
Creditors: Amounts falling due within one year	7	(11,601)	(12,698)
		(11,601)	(12,698)
<b>Net current liabilities</b>		<b>(11,360)</b>	<b>(12,684)</b>
Creditors due in more than one year	8	(3,117)	(3,172)
<b>Net assets</b>		<b>11,106</b>	<b>9,728</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	4,734	4,734
Share premium account	10	1,979	1,979
Share-based payments reserve		174	174
Treasury shares	10	(631)	(792)
Profit and loss account		4,850	3,633
<b>Total shareholders' funds</b>		<b>11,106</b>	<b>9,728</b>

The notes on pages 55 to 59 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 2018 was €1,190,881 (2017: €112,953).

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 27 March 2019 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
<b>Balance at 1 January 2017</b>		<b>4,546</b>	<b>1,979</b>	<b>174</b>	<b>(314)</b>	<b>3,824</b>	<b>10,209</b>
<b>Total comprehensive income for the year</b>							
Net profit for the year		-	-	-	-	113	113
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113</b>	<b>113</b>
<b>Transactions with owners</b>							
Own share grants	10	188	-	-	118	(304)	2
Own share purchases	10	-	-	-	(596)	-	(596)
<b>Total transactions with owners</b>		<b>188</b>	<b>-</b>	<b>-</b>	<b>(478)</b>	<b>(304)</b>	<b>(594)</b>
<b>Balance at 31 December 2017</b>		<b>4,734</b>	<b>1,979</b>	<b>174</b>	<b>(792)</b>	<b>3,633</b>	<b>9,728</b>
<b>Total comprehensive income for the year</b>							
Net profit for the year		-	-	-	-	1,191	1,191
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,191</b>	<b>1,191</b>
<b>Transactions with owners</b>							
Share-based payment transactions		-	-	-	161	26	187
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>161</b>	<b>26</b>	<b>187</b>
<b>Balance at 31 December 2018</b>		<b>4,734</b>	<b>1,979</b>	<b>174</b>	<b>(631)</b>	<b>4,850</b>	<b>11,106</b>

The notes on pages 55 to 59 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 2019 and 2020, 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 Company's ability to continue as a going concern, notably because the Company, excluding amounts owed to Group undertakings, has net current assets of €0.14 million, the Group has consolidated cash valued at €5.65 million as at 31 December 2018 (2017: €5.08 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 (2017: nil). Directors' emoluments are disclosed in the directors' remuneration report on pages 13 to 18 and in note 11 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 10 to the consolidated financial statements.

**4. INTANGIBLE ASSETS**

In thousands of euros	Trademarks
<b>Cost</b>	
<b>At 1 January 2018 and 31 December 2018</b>	47
<b>Accumulated amortisation</b>	
At 1 January 2018	46
Charge for the year	1
<b>At 31 December 2018</b>	<b>47</b>
<b>Net book value</b>	
At 31 December 2017	1
<b>At 31 December 2018</b>	<b>-</b>

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
<b>Cost</b>	
<b>At 1 January 2018 and 31 December 2018</b>	<b>83,341</b>
<b>Provision</b>	
<b>At 1 January 2018 and 31 December 2018</b>	<b>57,758</b>
<b>Net book value</b>	
At 31 December 2017	25,583
<b>At 31 December 2018</b>	<b>25,583</b>

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 7 year period from 2019 to 2025 using the same discount rate and exchange rates that were used for the impairment review of Goodwill in the consolidated financial statements (see note 16 to the consolidated financial statements). Management considers the use of a 7 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:

Company name	Registered office address	Principal Activities	Class of shares held	Ownership interest	
				2018	2017
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 *	5996 Clark Center Avenue, Sarasota, FL 34238, 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	Harston Mill, Royston Road, Harston, Cambridge, CB22 7GG, UK	Design and supply of technology for digital inkjet printing.	Ordinary	100%	100%
URW Type Foundry GmbH	Essener Straße 105, 22419 Hamburg, Germany	Design and development of digital font technology.	Ordinary	100%	100%

\* indirectly held by the Company.

After transferring its assets to Global Graphics Software Limited, Cambridge Grey Bit Limited was dissolved on 2 October 2018.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)****6. OTHER CURRENT ASSETS**

In thousands of euros	2018	2017
VAT receivable	7	3
<b>Total other current assets</b>	<b>7</b>	<b>3</b>

**7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

In thousands of euros	2018	2017
Amounts owed to group undertakings	11,499	12,698
Accruals	102	-
<b>Total creditors due within one year</b>	<b>11,601</b>	<b>12,698</b>

**8. OTHER LIABILITIES**

Financial liabilities measured at fair value.

In thousands of euros	2018	2017
Contingent consideration	3,117	3,172
<b>Total other liabilities</b>	<b>3,117</b>	<b>3,172</b>

**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 2018. Based on the revised forecasts, the review concluded that there was a reduction in the present value of those payments thus reducing the liability on the balance sheet by €0.02 million (2017: increase of €0.23 million).

During the year, no cash payments (2017: £740,000) were paid against the contingent consideration due for the acquisition of Meteor Inkjet Limited.

The underlying liability is denominated in pounds sterling, thus there is a movement due to changes in exchange rates used to convert to Euros at the reporting date.

**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 2018 (2017: €nil).

**10. SHARE CAPITAL**

Ordinary shares allotted, called up and fully paid:

In thousands of euros, except number of shares	Number	Value
<b>At 1 January 2018 and 31 December 2018</b>	<b>11,835,707</b>	<b>4,734</b>

Share premium:

In thousands of euros	2018
<b>As at 1 January and 31 December</b>	<b>1,979</b>

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

In thousands of euros, except number of shares	2018		2017	
	Number	Value	Number	Value
<b>At 1 January</b>	267,091	792	106,826	314
Disbursement of shares to employees	(44,618)	(161)	(33,978)	(118)
Purchase of own shares	-	-	194,243	596
<b>As at 31 December</b>	<b>222,473</b>	<b>631</b>	<b>267,091</b>	<b>792</b>

## **NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)**

### **11. SHARE BASED PAYMENTS**

Information about share based payments for directors and employees is detailed in note 28 to the consolidated financial statements.

### **12. RELATED PARTY TRANSACTIONS**

The remuneration paid to the directors is detailed in the directors' remuneration report on pages 13 to 18. Other related party relationships are detailed in note 31 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 2018.