Global Graphics PLC

Unaudited condensed consolidated interim financial statements for the six months ended 30 June 2019

Company registration number: 10872426

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INTERIM MANAGEMENT REPORT

STRATEGY AND BUSINESS MODEL

Through its operating subsidiaries, Global Graphics PLC 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.

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

BUSINESS REVIEW

CEO's statement

Overall, our performance for the first half of 2019 is in line with our expectations and the guidance we set at the start of the year. However, the performance of individual operating segments has varied from what we had expected.

Whilst the Software segment had a strong first half-year, partly due to the extension of a major contract, our Printhead Solutions segment was adversely affected. We are seeing the impact of the slowdown in the Chinese economy, reflected notably in the ceramics sector. We are, however, confident in our business model and are very pleased to see that revenues from this segment outside of the top three customers has grown in the first half of 2019 compared with the same period in 2018. The Fonts segment had another strong first half-year and continues to perform well.

We have made some significant advances in enabling our Printhead Solutions segment to be supported by the unique propositions that our Software segment has to offer, namely ScreenPro™ and PrintFlat™. More customers are working with us across the entire suite of our portfolio, proving that our strategy to be a strategic partner to inkjet machine manufacturers is gaining traction. We have seen a number of contract wins and early successes in Europe and the USA and are starting to see some green shoots in Japan.

In the Fonts segment our strategy for international expansion is going to plan and we are now seeing consistent revenue from all the geographical locations in which we have invested.

We remain confident in our overall business strategy as we gear up to a 2020 drupa year.

Group structure

There has been no change to the structure of the Group since the year ended 31 December 2018.

Outcome of the Annual General Meeting

All of the proposed resolutions were passed by the shareholders at the Company's Annual General Meeting ("AGM") on 15 May 2019.

At the AGM, the Company's board of directors was appointed as follows:

- Guido Van der Schueren, Chairman
- Gary Fry, Chief Executive Officer
- Graeme Huttley, Chief Financial Officer
- Clare Findlay, Non-Executive Director

Under the Company's articles of association, all directors must retire at every AGM, but are entitled to stand for re-election at that AGM. More information about the resolutions passed at the AGM can be found in the investor's section of the Company's website at http://www.globalgraphics.com/investors/annual-shareholders-meeting/.

Financial highlights

- Revenue for the period was €11.30 million (2018: €11.36 million)
- Gross profit for the period was €9.23 million or 81.7% of revenue (2018: €8.93 million, 78.6% of revenue)
- Pre-tax profit for the period was €0.78 million (2018: €1.53 million)
- EBITDA for the period was €2.50 million (2018: €2.92 million)
- Cash at 30 June 2019 was €4.86 million (at 31 December 2018: €5.65 million)

Revenue

Revenue for the period was €11.30 million, compared with €11.36 million for the same period in 2018, a decrease of 0.6%. On a constant exchange rate basis, i.e. at 2018 exchange rates, revenue during the period would have been approximately €0.30 million lower and totalled €11.00 million.

Royalties and software license fees accounted for 58.2% (2018: 47.8%) of revenue, driver electronics accounted for 26.3% (2018: 39.4%), engineering/design services accounted for 6.5% (2018: 5.7%), maintenance and support accounted for 6.8% (2018: 5.2%), hardware and consumables accounted for 2.1% (2018: 1.8%) and consultancy and other items accounted for 0.1% (2018: 0.1%).

During the period the Software segment concluded a contract amendment with an existing customer to license additional products and to extend the term of the contract. This amendment resulted in €2.00 million of revenue being recognised in the period.

The Printhead Solutions segment saw a reduction in orders from its three largest customers, which reduced revenue by €1.73 million when compared to the same period in 2018. The reduction is primarily due to the economic slowdown in China and is not expected to improve during the remainder of the year. Revenue from other customers grew by €0.24 million (16.5%) when compared to the same period in 2018.

Gross profit

Gross profit for the period was 81.7% of sales. For the same period in the prior year it was 78.6% of sales.

The improvement in margin percentage is due to the higher mix of non-hardware related sales during the period.

Pre-tax result

The IFRS pre-tax result was a profit of €0.78 million for the period, compared with a profit of €1.53 million for the same period in 2018.

The reduction in profitability of €0.75 million is due to:

- the decrease in revenue of €0.06 million;
- a lower cost of sales of €0.37 million;
- an increase in selling, general and administrative expenses of €0.70 million;
- an increase in research and development expenses of €0.29 million;
- an increase in other expenses and finance expenses of €0.10 million; and
- an increase in foreign exchange gains of €0.03 million.

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

EBITDA

EBITDA is reported as an alternative measure of profit and is calculated by adding back interest, tax, depreciation and amortisation to net profit.

EBITDA for the period was €2.50 million (2018: €2.92 million) and is reconciled to IFRS reported net profit as follows:

In thousands of euros *(unaudited)*	**2019**	2018
IFRS reported net profit	680	1,531
Net interest expense/(income) (see note 5)	45	(1)
Tax expense (see note 10)	98	1
Depreciation (see note 6 and note 7)	407	122
Amortisation (see note 8)	1,268	1,268
EBITDA	**2,498**	**2,921**

IFRS 16 Leases (see note 2, 7 and 12) is mandatory for the accounting period beginning on 1 January 2019 and results in an increase in depreciation and interest expense for the Group. The effect of this on EBITDA for the 6 months ending 30 June 2019 is to increase EBITDA by €0.27 million. Due to the transition method used by the Group, IFRS 16 does not require comparative information to be restated. Excluding the effect of IFRS 16, EBITDA for the period would have been €2.23 million on a comparative basis to the same period in 2018.

Cashflow

Despite the profit generated during the period there was a decrease in cash of €0.79 million. This is primarily due to timing differences between when some revenue is recognised and the payments, which are due in future periods, are received from customers. There was also some significant capital expenditure during the period (€0.41 million) and a contingent consideration payment for the acquisition of Meteor Inkjet Limited (€0.93 million).

Cash balances were valued at €4.86 million on 30 June 2019 (31 December 2018: €5.65 million).

The Group continues to generate sufficient cash to fund its day to day operational expenditure and capital expenditure on property, plant and equipment.

Adjusted financial results

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

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

Reported operating profit is adjusted as follows:

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2019**	**2018**
Reported operating profit	689	1,422
Add share-based remuneration expense (see note 15)	74	85
Deduct capitalised development expense (see note 8)	(592)	(510)
Add amortisation and impairment of capitalised development	687	666
Add amortisation of acquired intangibles	567	589
Add other operating expenses	76	21
Total adjustments to reported operating profit	812	851
Adjusted operating profit	**1,501**	**2,273**

Reported net profit is adjusted as follows:

	For the six months ended 30 June	
In thousands of euros, except per share data in euro *(unaudited)*	**2019**	**2018**
Reported net profit	680	1,531
Adjustments to operating result above	812	851
Tax effect of abovementioned adjustments	(150)	(165)
Total adjustments to reported net profit	662	686
Adjusted net profit	**1,342**	**2,217**
Adjusted net basic earnings per share (see note 16)	0.11	0.19

The adoption of IFRS 16 had a negligible effect of reducing the Group's measure of adjusted profit by €0.02 million in the period.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties to the Group can be found on pages 7 and 8 of the Company's annual report for the year ended 31 December 2018.

For the remaining six months of this financial year, the principal risks are foreign exchange risk on the conversion of surplus currencies to functional currencies of subsidiaries, primarily US dollars to pounds sterling, credit risk from trade receivables, disruption to the supply of electronic components used in the Group's products and the economic situation in China. It is unlikely that Brexit will have an effect, either positive or negative, on the Group, but there is a level of uncertainty until it is clear what the outcome will be.

RESPONSIBILITY STATEMENTS UNDER THE DISCLOSURE AND TRANSPARENCY RULES

Each of the appointed directors listed on page 1 of this report confirm that to the best of their knowledge that:

- the condensed consolidated interim financial statements, prepared in accordance with IAS 34 Interim Financial Reporting and applicable law, give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation taken as a whole; and
- the interim management report contains a fair review of the important events and major transactions between affiliated parties which have occurred during the first six months of the current financial year and of their impact on the summary of the financial statements as well as a description of the principal risks and uncertainties for the remaining six months of the current financial year.

By order of the board,

Gary Fry
Director

2030 Cambourne Business Park
Cambourne, CB23 6DW, UK
26 July 2019

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros, except per share data in euro *(unaudited)*	Note	For the six months ended 30 June 2019	2018
Revenue	4	**11,296**	11,364
Cost of sales		**(2,063)**	(2,436)
Gross profit		**9,233**	8,928
Selling, general and administrative expenses		**(5,045)**	(4,347)
Research and development expenses		**(3,423)**	(3,138)
Other operating expenses		**(76)**	(21)
Operating profit		**689**	1,422
Finance income	5	**5**	1
Finance expenses	5	**(50)**	-
Net finance (expenses)/income		**(45)**	1
Foreign currency exchange gains	5	**134**	109
Profit before tax		**778**	1,532
Tax	10	**(98)**	(1)
Profit for the period attributable to equity holders		**680**	1,531
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**50**	62
Other comprehensive gain for the period, net of tax		**50**	62
Total comprehensive profit for the period attributable to equity holders		**730**	1,593
Earnings per ordinary share			
Basic earnings per share	16	**0.06**	0.13
Diluted earnings per share	16	**0.06**	0.13

All activities of the Group in the current and comparative period are classed as continuing.

The notes on pages 9 to 17 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Note	30 June 2019 *(unaudited)*	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	6	**877**	570
Right-of-use assets	7	**1,922**	-
Other intangible assets	8	**2,627**	3,306
Goodwill	9	**10,502**	10,490
Financial assets		**24**	24
Deferred tax assets	10	**914**	894
Trade receivables due after more than one year		**3,189**	1,199
Total non-current assets		**20,055**	16,483
Current assets			
Inventories		**1,135**	1,241
Current tax assets		**78**	-
Trade and other receivables		**3,685**	5,704
Other current assets		**214**	205
Prepayments		**1,453**	1,078
Cash and cash equivalents		**4,864**	5,650
Total current assets		**11,429**	13,878
TOTAL ASSETS		**31,484**	30,361
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	**4,734**	4,734
Share premium		**1,979**	1,979
Treasury shares	11	**(309)**	(631)
Retained earnings		**28,120**	27,688
Foreign currency translation reserve		**(11,780)**	(11,830)
Total equity		**22,744**	21,940
Liabilities			
Deferred tax liabilities	10	**453**	585
Lease liabilities	12	**1,940**	-
Other liabilities	13	**2,326**	3,206
Total non-current liabilities		**4,719**	3,791
Current liabilities			
Current tax liabilities		**563**	540
Trade and other payables		**472**	289
Other current liabilities		**1,743**	2,785
Contract liabilities	4,14	**1,243**	1,016
Total current liabilities		**4,021**	4,630
Total liabilities		**8,740**	8,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**31,484**	30,361

The notes on pages 9 to 17 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros *(unaudited)*	**Note**	**Share capital**	**Share premium**	**Treasury shares**	**Retained earnings**	**Foreign currency translation adjustment**	**Total equity**
Balance at 1 January 2018		**4,734**	**1,979**	**(792)**	**24,987**	**(11,839)**	**19,069**
Total comprehensive income							
Net profit for the period		-	-	-	1,531	-	1,531
Total other comprehensive income		-	-	-	-	62	62
Total comprehensive income		**-**	**-**	**-**	**1,531**	**62**	**1,593**
Transactions with owners							
Share-based payment transactions	15	-	-	-	85	-	85
Total transactions with owners		**-**	**-**	**-**	**85**	**-**	**85**
Balance at 30 June 2018		**4,734**	**1,979**	**(792)**	**26,603**	**(11,777)**	**20,747**
Balance at 1 January 2019		**4,734**	**1,979**	**(631)**	**27,688**	**(11,830)**	**21,940**
Total comprehensive income							
Net profit for the period		-	-	-	680	-	680
Total other comprehensive income		-	-	-	-	50	50
Total comprehensive income		**-**	**-**	**-**	**680**	**50**	**730**
Transactions with owners							
Share-based payment transactions	11,15	-	-	322	(248)	-	74
Total transactions with owners		**-**	**-**	**322**	**(248)**	**-**	**74**
Balance at 30 June 2019		**4,734**	**1,979**	**(309)**	**28,120**	**(11,780)**	**22,744**

The notes on pages 9 to 17 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros *(unaudited)*	Note	For the six months ended 30 June 2019	2018
Cash flows from operating activities			
Net profit for the period		**680**	1,531
Adjustments to reconcile net profit to net cash:			
- Depreciation	6,7	**407**	122
- Amortisation of other intangible assets	8	**1,268**	1,268
- Share-based remuneration expenses	15	**74**	85
- Net interest expense/(income)	5	**45**	(1)
- Net foreign currency exchange gains	5	**(134)**	(109)
- Tax expense	10	**98**	1
- Other items		**227**	(9)
Total adjustments to net profit		**1,985**	1,357
Change in operating assets and liabilities:			
- Financial assets		**-**	(1)
- Inventories		**106**	(128)
- Trade and other receivables		**29**	(461)
- Other current assets		**(9)**	(42)
- Prepayments		**(375)**	(290)
- Trade and other payables		**183**	(309)
- Other current liabilities		**(1,042)**	(226)
- Customer advances and deferred revenue		**227**	(410)
Total change in operating assets and liabilities		**(881)**	(1,867)
Cash generated from operating activities		**1,764**	1,021
Interest received		**5**	1
Cash paid for interest on lease liabilities		**(50)**	-
Cash paid during the period for tax		**(320)**	(201)
Net cash flow from operating activities		**1,419**	821
Cash flows from investing activities			
Capital expenditures on property, plant & equipment	6	**(498)**	(247)
Capital expenditures on other intangible assets	8	**-**	(173)
Capitalisation of development expenses	8	**(592)**	(510)
Contingent consideration paid		**(932)**	-
Net cash flow used in investing activities		**(2,022)**	(930)
Cash flows from financing activities			
Principal payments on lease liabilities	12	**(202)**	-
Net cash flow used in financing activities		**(202)**	-
Net decrease in cash		**(805)**	(109)
Cash and cash equivalents at 1 January		**5,650**	5,076
Effect of exchange rate fluctuations on cash held at 1 January		**19**	30
Cash and cash equivalents at 30 June		**4,864**	4,997

The notes on pages 9 to 17 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM 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

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2018.

The accounting policies and methods of computation adopted are consistent with those as described in the Company's consolidated financial statements for the year ended 31 December 2018 except for the application of IFRS 16, which became mandatory with effect from 1 January 2019.

IFRS 16 Leases
This standard is mandatory for the accounting period beginning on 1 January 2019 and the Group has applied the modified retrospective approach, therefore comparative figures are not restated. The main effect on the Group is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases which were previously classified as operating leases. For the Group, this applies to all the office leases and has resulted in an increase in non-current assets (Right-of-use assets) and non-current liabilities (Lease liabilities) in the balance sheet, a reduction in rent expense, an increase in depreciation and an increase in interest expense. For further information please see note 7 and note 12.

There are no other new or amended interpretations or standards effective for the financial year commencing 1 January 2019 that have had a material impact on the Group.

These condensed consolidated interim financial statements are unaudited and were authorised for issue by the Company’s board of directors on 26 July 2019.

Basis of measurement

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

Non-current assets are stated at the lower of amortized cost and fair value less disposal costs when applicable. The methods used to measure fair value are discussed in note 5 of the Company's annual report for the year ended 31 December 2018.

Functional and presentation currency

These condensed consolidated interim 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 condensed consolidated financial statements in accordance 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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

Going concern

On the date these condensed consolidated interim 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, primarily because of the cash position of €4.86 million as at 30 June 2019 (31 December 2018: €5.65 million) and the absence of any outstanding bank debt.

3. 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").

The Group's 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 6 months ended 30 June 2018 and 30 June 2019. 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 expenses and exchange gains and losses that are not directly attributable to a specific operating segment.

Six months ended 30 June 2019:

In thousands of euros *(unaudited)*	**Software**	**Printhead Solutions**	**Fonts**	**Unallocated**	**Total**
Revenue from external customers	6,300	3,285	1,711	-	11,296
Inter-segment revenue	24	-	-	-	24
Segment revenue	**6,324**	**3,285**	**1,711**	**-**	**11,320**
Segment operating profit/(loss) after tax	**1,636**	**(84)**	**305**	**(571)**	**1,286**
Included in the operating profit/(loss) are:					
Interest income	4	1	-	-	5
Interest expense	(42)	(4)	(4)	-	(50)
Depreciation and amortisation	(285)	(93)	(36)	-	(414)
Tax expense	(21)	-	(227)	-	(248)

Six months ended 30 June 2018:

In thousands of euros *(unaudited)*	**Software**	**Printhead Solutions**	**Fonts**	**Unallocated**	**Total**
Revenue from external customers	5,030	4,775	1,559	-	11,364
Inter-segment revenue	-	-	5	-	5
Segment revenue	**5,030**	**4,775**	**1,564**	**-**	**11,369**
Segment operating profit/(loss) after tax	**850**	**930**	**557**	**(144)**	**2,193**
Included in the operating profit/(loss) are:					
Interest income	1	-	-	-	1
Interest expense	-	-	-	-	-
Depreciation and amortisation	(96)	(27)	(7)	(1)	(131)
Tax expense	(15)	-	(151)	-	(166)

Reconciliation of reportable segments' measure of profit to consolidated profit after tax:

In thousands of euros *(unaudited)*	**2019**	2018
Segment total operating profit after tax	1,286	2,193
Share-based payments expense	(74)	(85)
Capitalisation and amortisation of internally generated intangible assets	(95)	(155)
Amortisation of acquired intangible assets	(567)	(579)
Other items	(20)	(8)
Tax effect of above-mentioned items	150	165
Consolidated profit after tax	**680**	**1,531**

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

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

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.

For the six months ending 30 June:

	Software		Printhead Solutions		Fonts		Total	
In thousands of euros *(unaudited)*	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Revenue type								
Royalties and software licences	**5,121**	3,919	**296**	293	**1,156**	1,222	**6,573**	5,434
Maintenance and after-sale support services	**736**	573	**14**	-	**16**	16	**766**	589
Engineering/design services	**194**	324	**-**	-	**539**	321	**733**	645
Printer hardware and consumables	**242**	207	**-**	-	**-**	-	**242**	207
Driver electronics	**-**	-	**2,975**	4,482	**-**	-	**2,975**	4,482
Other items	**7**	7	**-**	-	**-**	-	**7**	7
Total sales	**6,300**	5,030	**3,285**	4,775	**1,711**	1,559	**11,296**	11,364
Primary geographical markets								
United Kingdom	**229**	194	**70**	94	**269**	202	**568**	490
Europe, excluding United Kingdom	**1,496**	845	**605**	625	**752**	679	**2,853**	2,149
North America	**2,077**	3,031	**546**	812	**593**	641	**3,216**	4,484
Asia	**2,498**	960	**2,064**	3,244	**97**	37	**4,659**	4,241
Total sales	**6,300**	5,030	**3,285**	4,775	**1,711**	1,559	**11,296**	11,364

During the period the Software segment concluded a contract amendment with an existing customer to license additional products and to extend the term of the contract. This amendment resulted in €2.00 million of revenue being recognised in the period.

The Printhead Solutions segment saw a reduction in orders from its three largest customers, which reduced revenue by €1.73 million when compared to the same period in 2018. The reduction is primarily due to the economic slowdown in China and is not expected to improve during the remainder of the year. Revenue from other customers grew by €0.24 million (16.5%) when compared to the same period in 2018.

The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at 30 June 2019.

In thousands of euros *(unaudited)*	**0 to 12 months**	**12 to 24 months**	**after 24 months**	**Total**
After-sale support services	843	88	182	1,113
Product and consultancy	130	-	-	130
Total	**973**	**88**	**182**	**1,243**

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.

5. FINANCE INCOME AND FINANCE EXPENSES

In thousands of euros *(unaudited)*	For the six months ended 30 June **2019**	2018
Interest income	5	1
Lease liability interest (see note 12)	(50)	-
Net finance (expenses)/income	**(45)**	**1**
Foreign currency exchange gains on transactions and revaluations	134	109
Foreign currency exchange gains	**134**	**109**

6. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Leasehold improvements	Computer equipment	Office equipment	Office furniture	Other items	Total
Cost						
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)
At 31 December 2018	**716**	**1,149**	**70**	**253**	**546**	**2,734**
At 1 January 2019	716	1,149	70	253	546	2,734
Additions	-	383	17	23	75	498
Effect of movement in exchange rates	1	(4)	(1)	-	-	(4)
At 30 June 2019 *(unaudited)*	**717**	**1,528**	**86**	**276**	**621**	**3,228**
Accumulated depreciation						
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)
At 31 December 2018	**572**	**923**	**21**	**163**	**485**	**2,164**
At 1 January 2019	572	923	21	163	485	2,164
Charge for the period	20	108	16	9	34	187
Effect of movement in exchange rates	-	1	(1)	-	-	-
At 30 June 2019 *(unaudited)*	**592**	**1,032**	**36**	**172**	**519**	**2,351**
Net book value						
At 31 December 2018	144	226	49	90	61	570
At 30 June 2019 *(unaudited)*	**125**	**496**	**50**	**104**	**102**	**877**

7. RIGHT-OF-USE ASSETS

In thousands of euros *(unaudited)*	Property
Additions	2,142
Depreciation charge for the period	220
Balance at 30 June 2019	1,922

IFRS 16 Leases is mandatory for the accounting period beginning on 1 January 2019 and the Group has applied the modified retrospective approach, so comparative figures have not been adjusted. As a result, existing agreements for the rental of office space are now recognised as right-of-use assets, with a corresponding lease liability (see note 12).

The initial measurement of the right-of-use assets was the present value of the lease payments that were not yet paid as at 1 January 2019. The lease payments were discounted using a weighted average interest rate of 4.68%. Any initial direct costs for obtaining the lease have been excluded.

These right-of-use assets are depreciated on a straight-line basis over the remaining term of the rental agreement. As at the date of these interim financial statements, the remaining terms range from 7 months to 7 years.

8. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer contracts	Patents	Trade-marks	Know-how	Font library	Driver electronics	Total
Cost								
At 1 January 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)
At 31 December 2018	**35,807**	**13,535**	**2,700**	**577**	**908**	**2,465**	**3,296**	**59,288**
At 1 January 2019	35,807	13,535	2,700	577	908	2,465	3,296	59,288
Additions – internally developed	592	-	-	-	-	-	-	592
Effect of movement in exchange rates	45	24	5	1	-	-	-	75
At 30 June 2019 *(unaudited)*	**36,444**	**13,559**	**2,705**	**578**	**908**	**2,465**	**3,296**	**59,955**
Accumulated amortisation and impairment								
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)
At 31 December 2018	**35,389**	**13,535**	**2,526**	**577**	**908**	**1,674**	**1,373**	**55,982**
At 1 January 2019	35,389	13,535	2,526	577	908	1,674	1,373	55,982
Charge for the period	700	-	7	-	-	231	330	1,268
Effect of movement in exchange rates	47	24	6	1	-	-	-	78
At 30 June 2019 *(unaudited)*	**36,136**	**13,559**	**2,539**	**578**	**908**	**1,905**	**1,703**	**57,328**
Net book value								
At 31 December 2018	418	-	174	-	-	791	1,923	3,306
At 30 June 2019 *(unaudited)*	**308**	**-**	**166**	**-**	**-**	**560**	**1,593**	**2,627**

The amortisation of patents is included in cost of sales and the amortisation charge for software technology which has been capitalised in accordance with IAS 38 is included in research and development expenses. The 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.

There was no significant change during the period to the calculations and assumptions used at 31 December 2018 to identify any requirement to impair any of these intangible assets. It was concluded that no impairment was required for the six months ended 30 June 2019 (2018: €nil).

8. 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	30 June 2019 *(unaudited)*	31 December 2018
Harlequin RIP	0.80 years	136	204
EDL	1.00 year	122	152
gDoc applications	1.00 year	8	13
CGB Screening	3.25 years	42	49
Total software technology		**308**	**418**
Font Library	1.25 years	**560**	**791**
Driver Electronics	2.40 years	**1,593**	**1,923**

9. GOODWILL

In thousands of euros	Total Goodwill
Cost	
At 1 January 2018	16,274
Effect of movement in exchange rates	(122)
At 31 December 2018	**16,152**
At 1 January 2019	16,152
Effect of movement in exchange rates	21
At 30 June 2019 *(unaudited)*	**16,173**
Accumulated amortisation or impairment	
At 1 January 2018	5,722
Effect of movement in exchange rates	(60)
At 31 December 2018	**5,662**
At 1 January 2019	5,662
Effect of movement in exchange rates	9
At 30 June 2019 *(unaudited)*	**5,671**
Net book value	
At 31 December 2018	10,490
At 30 June 2019 *(unaudited)*	**10,502**

The Group is required to test annually, or more frequently if facts and circumstances warrant a review, whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment during the year.

Having reviewed the revenue and operating result for the six months ended 30 June 2019 against the forecast used for the impairment review at 31 December 2018, management concluded that no impairment review was necessary for this interim reporting period.

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

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

In thousands of euros	30 June 2019 *(unaudited)*	31 December 2018
Print Software	**6,625**	6,613
Fonts	**1,555**	1,555
Print Electronics	**2,322**	2,322
Total goodwill	**10,502**	**10,490**

10. TAX

Corporation tax

Analysis of the tax benefit in the period:

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2019**	2018
Current tax		
Expense arising from other items	(248)	(166)
Total current tax expense	**(248)**	**(166)**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	18	29
Arising from the amortisation of acquired intangibles	132	136
Total deferred tax benefit	**150**	**165**
Total tax expense	**(98)**	**(1)**

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	**30 June 2019** *(unaudited)*	31 December 2018
Capital allowances	947	945
Other items	19	18
Capitalised development expenses	(52)	(69)
Total recognised deferred tax assets	**914**	**894**
Deferred tax liabilities		
As a result of business combinations	453	585
Total recognised deferred tax liabilities	**453**	**585**

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 30 June 2019 has been calculated based on the rate 19%. The deferred tax liability at 30 June 2019 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%.

11. SHARE CAPITAL AND TREASURY SHARES

Ordinary shares issued:

In thousands of euros	**30 June 2019** *(unaudited)*	31 December 2018
Allotted, called up and fully paid		
11,835,707 (31 December 2018: 11,835,707) ordinary shares of €0.40 each	**4,734**	4,734

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

	For the six months ended 30 June 2019 *(unaudited)*		For the year ended 31 December 2018	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At the start of the period	222,473	631	267,091	792
Disbursement of shares to employees	(109,477)	(322)	(44,618)	(161)
At the end of the period	**112,996**	**309**	**222,473**	**631**

12. LEASE LIABILITIES

In thousands of euros	30 June 2019 *(unaudited)*	31 December 2018
Lease liabilities	1,940	-
Total lease liabilities	**1,940**	**-**

IFRS 16 Leases is mandatory for the accounting period beginning on 1 January 2019 and the Group has applied the modified retrospective approach so comparative figures have not been adjusted. As a result, existing agreements for the rental of office space are now recognised as right-of-use assets (see note 7), with a corresponding lease liability.

The lease liabilities were calculated as follows:

In thousands of euros *(unaudited)*	
Off-balance sheet operating lease obligations as at 31 December 2018	2,532
Effect of discounting to present value	(390)
Total lease liabilities as at 1 January 2019	**2,142**

The present value of the off-balance sheet lease obligations as at 31 December 2018 were discounted using a weighted average interest rate of 4.68%.

Cash out flow for leases:

	For the six months ended 30 June	
In thousands of euros *(unaudited)*	**2019**	2018
Lease liability interest	50	-
Principal payments	202	-
Total cash outflow for leases	**252**	**-**

Maturity analysis of contractual undiscounted cash flows:

In thousands of euros *(unaudited)*	
Less than one year	10
One to five years	449
More than five years	1,820
Total undiscounted lease liabilities at 30 June 2019	**2,279**

Lease liabilities are classified as non-current liabilities in the statement of financial position. It is expected that as a lease matures it will either be extended or replaced by a new lease on similar terms, typically for a period of 5 years or more.

13. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	30 June 2019 *(unaudited)*	31 December 2018
Contingent consideration	2,326	3,206
Total other liabilities	**2,326**	**3,206**

14. CONTRACT LIABILITIES

In thousands of euros	30 June 2019 *(unaudited)*	31 December 2018
Customer advances	130	203
Deferred revenue	1,113	813
Total contract liabilities	**1,243**	**1,016**

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 and delivery of product. Deferred revenue relates to the consideration received for support and maintenance performance obligations that will be recognised as revenue over a period of time.

15. SHARE BASED PAYMENTS

Share option plan *(unaudited)*

Pursuant to the mandatory takeover bid launched by Congra Software Sarl, all unvested options as at that date vested and were exercised. As a result there are no share options outstanding as at 30 June 2019.

Free shares *(unaudited)*

During the six months ended 30 June 2019, 507 Share Incentive Plan ("SIP") Matching Shares were granted. As a result of the aforementioned takeover bid, the SIP is frozen and no additional shares can be awarded.

Share-based payment expense *(unaudited)*

For the six months ended 30 June 2019, the Group has recognised €73,580 (2018: €85,128) of share-based payment expense in these financial statements.

16. 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.

	As at 30 June	
In thousands of euros unless otherwise stated *(unaudited)*	**2019**	2018
Weighted average number of shares (basic), in thousands of shares	11,690	11,569
Add the effect of dilutive potential ordinary shares, in thousands of shares	-	3
Weighted average number of shares (diluted), in thousands of shares	11,690	11,572
Profit attributable to ordinary shareholders	680	1,531
Basic earnings per share, in euros	**0.06**	**0.13**
Diluted earnings per share, in euros	**0.06**	**0.13**
Adjusted profit attributable to ordinary shareholders (see Interim Management Report)	1,342	2,217
Basic adjusted earnings per share, in euros	0.11	0.19

17. RELATED PARTY TRANSACTIONS

Existing related parties

Key personnel

Since the year ended 31 December 2018, Johan Volckaerts has resigned from the Board and Clare Findlay has been appointed as a non-executive director and is entitled to board fees of £13,200 per annum. The Board also agreed to increase the Chairman's board fees to €72,000 per annum.

All other directors continue to receive board fees of €5,000 each per annum. Gary Fry and Graeme Huttley are the only directors with an employment contract that entitles them to salary, bonus and other benefits in addition to the board fees.

Congra Software Sarl (also known as Hybrid Software)

During the period the Group recognised revenue from Congra Software of €182,581 (2018: €67,738) and spent €23,081 (2018: €24,420) on licence fees with Congra Software. At the date of these financial statements the Group was owed €124,964 by Congra Software.

18. SUBSEQUENT EVENTS

There are no post balance sheet events requiring disclosure in these interim financial statements for the period ended 30 June 2019.