Global Graphics PLC

Annual report and financial statements for the year ended 31 December 2019

Company registration number: 10872426

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About Global Graphics

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

Through its operating subsidiaries, Global Graphics is a leading developer of integrated hardware / software 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, floor tiles, 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 the geographical reach of 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);
- URW type foundry: designers and developers of digital font technology used by OEMs, as well as corporate type development and production; and
- Xitron: a reseller and provider of production digital front ends ("DFEs") and workflow solutions.

Operating subsidiaries

Global Graphics Software

Before designs can be printed or displayed they must be broken down into raster data (image pixels) or vector data (mathematical drawing algorithms). Global Graphics Software is one of the world's foremost software developers with this expertise.

Strategy
Its strategic focus is software tools for 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 enables it to 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 experienced product 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 remove artifacts in the inkjet printing process;
- PrintFlat: a closed-loop calibration tool for improving print uniformity and reducing artifacts of the inkjet printing process.
- 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 and manipulated. Mako can be used independently or 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) format, for example, is the most commonly used file 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 standards for 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.

About Global Graphics (continued)

Meteor Inkjet

Meteor Inkjet develops and supplies driver 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 proprietary driver electronics send data to printheads inside inkjet devices to control the printing process. Printheads are a component of an inkjet press and generally contain multiple nozzles for jetting ink or other fluids onto substrates.

The major industrial printhead manufacturers are Meteor's route to identifying inkjet printer development projects around the world. Consequently, Meteor works closely with all leading printhead vendors, including Xaar, FUJIFILM Dimatix, Kyocera, Konica Minolta, Toshiba TEC, SII and Ricoh. Meteor develops hardware and software drivers for their new printhead models and partners with printhead manufacturers and OEMS to accelerate their route to production.

Meteor's solutions are modular, scalable, and production-ready. They are supported by a world-class technical team, based at its headquarters near Cambridge, UK as well as in key markets including Asia and North America.

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
Meteors' 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 worldwide. 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 worldwide. OpenType 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 and has appointed a dedicated sales resource to expand in the USA. In 2019 URW launched the Asterisk Type Collection, corporate typefaces created by design talent from around the world, curated by URW, and produced to exacting technical standards for use across all the publishing platforms used by corporates. URW's fonts enable many 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 the Middle East 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

About Global Graphics (continued)

Xitron

Xitron, acquired in November 2019, is a prepress solutions company headquartered in Ann Arbor, Michigan, USA. Xitron develops workflow systems, digital front ends ("DFEs") and USB interfaces that drive the prepress industry's most popular output devices and high-speed inkjet presses. It has been building solutions around the Harlequin RIP® since the early 1990s, driving hundreds of different models of imagesetters, proofers, platesetters, inkjet printers, and digital presses.

Strategy
Xitron has a well-established presence in offset, flexography, digital inkjet, and screen printing segments of the global print market and continues to add value for those customers through upgrades and software enhancements. Its strategy is to maintain and further develop this user base while capitalizing on its more recent success in production inkjet. Xitron's Navigator DFE supports all current Memjet systems, the HP FI-1000, and printhead drive electronics from Meteor Inkjet.

Customers
With customers in virtually every country in the world, Xitron's Navigator RIP enjoys an excellent international reputation. Xitron sells the Navigator RIP principally through an extensive global dealer network. It also works directly with many vendors such as Agfa, Ryobi, Mitsubishi, Memjet, Ohio Engraving, Presstek, Printware, and Neopost on custom software development.

Products

- The Navigator RIP: first developed in 1992 and based on the Harlequin RIP
- The Navigator Digital Front End: first developed for Neopost in 2012
- The Sierra RIP: based on the Adobe PDF Print Engine in 2007
- Output Device Interfaces: hardware and software solutions to connect RIPs to Computer-to-Plate devices, imagesetters, proofers, digital presses, high-speed copiers, and inkjet printers, extending the life of legacy equipment
- Software Development: Xitron's development team customises solutions for leading industry workflows and printing devices.

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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 2020 and 2021, 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 €5.00 million as at 31 December 2019 (2018: €5.65 million).

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 printing and prepress equipment, digital presses, printers and copiers, and to system integrators and developers of applications that create, manipulate and manage electronic documents. The fonts and associated technology are licensed to software developers and OEMs for inclusion in their products, to corporate clients for use in their corporate identity and branding and 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 leading inkjet heads and are sold direct to the manufacturers of the printing device. Finally, Xitron's RIPs and DFE solutions are sold both to OEMs and directly to end users through their worldwide partner network. 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 €22.51 million (2018: €23.92 million)
- Gross profit for the year was €18.23 million or 81.0% of revenue (2018: €18.96 million, 79.3% of revenue)
- Pre-tax profit for the year was €0.72 million (2018: €2.87 million profit)
- EBITDA for the year was €4.38 million (2018: €5.72 million)
- Cash at 31 December 2019 was €5.00 million (2018: €5.65 million)

CEO'S REVIEW

As the incoming CEO of Global Graphics PLC, it is my pleasure to provide an overview of the 2019 activities and business results. Although 2019 was a challenging year, I am pleased to report a significant increase in revenue in the Software segment, up 16% from €9.98 million in 2018 to €11.61 million in 2019, part of which was due to the highly strategic acquisition of Xitron, our largest reseller partner for the Harlequin RIP.

The strategy is very much on course: to target the fast-growing market for inkjet solutions and for digital font technology; to provide an integrated technology platform for industrial inkjet presses; to leverage the individual strengths of each group company to enter new geographies and new vertical markets; and, not least, to continue innovative product development, such as the evolution of the PrintFlat technology and Meteor's ability to support new printheads by working closely with the major printhead manufacturers.

Coming off a terrific year in 2018, Meteor Inkjet was affected by the slowdown in ceramic tiles and building materials in Asia throughout 2019, so their hardware sales were lower than expected. However, the product integration between Global Graphics Software and Meteor Inkjet improved substantially last year, and Meteor now offers the Harlequin RIP and PrintFlat software to their OEM customers. This was demonstrated at the Labelexpo Europe trade fair in September 2019.

In early 2019, Congra Software S.à r.l. ("Congra"), an existing shareholder, launched a takeover bid for the publicly held shares of the Company at a price of €4.25 per share in cash. Congra acquired all the shares offered and is now the majority holder of voting rights of the Company. They continue to fully support the Group's strategy and provided an unsecured loan to enable the acquisition of Xitron in November 2019.

Xitron is a welcome addition to the Group, and their sales results from November and December 2019 were already a noteworthy addition to Software segment revenues. Xitron provides a unique channel for Global Graphics Software since they are the only Group company that sells to end user customers (mainly print service providers), both with their own direct sales force and through their network of global channel partners. Xitron has a long history of adding value to Global Graphics products like the Harlequin RIP, and their products are complementary to both Global Graphics Software and Meteor Inkjet.

2020 is a drupa year, the major printing industry trade fair that is held in Düsseldorf, Germany every 4 years. The Group will be well represented at drupa, with dedicated exhibit booths for Global Graphics Software, Meteor Inkjet, and Xitron and numerous OEM partners also at the event. Our drupa product announcements will be made at industry press conferences prior to the start of drupa in June, and we are looking forward to an exciting year.

GROUP STRATEGIC REPORT (CONTINUED)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

CFO'S REVIEW

Group structure
On 7 November 2019, the Group acquired the entire membership interest of Xitron, LLC ("Xitron"), with effect from 1 November 2019.

Revenue
Revenue for the year was €22.51 million compared with €23.92 million in 2018, a decrease of €1.41 million (5.9%), At 2018 exchange rates, 2019 sales would have been approximately €1.19 million lower and totalled approximately €21.32 million.

License fees accounted for 56.2% (2018: 48.9%) of revenue, driver electronics accounted for 27.1% (2018: 38.5%), maintenance and support accounted for 7.2% (2018: 5.2%), engineering services accounted for 7.2% (2018: 5.7%), hardware and consumables accounted for 2.1% (2018: 1.7%) and other items accounted for 0.2% (2018: 0.0%).

Customer concentration and the dependence on a limited number of customers continued to improve this year. In 2019, the ten largest customers represented 48.3% (2018: 52.2%) of the Group's revenue, the five largest customers represented 36.5% (2018: 37.7%) of the Group's revenue and the single largest customer represented 12.0% (2018: 12.4%) of the Group's revenue. There was 1 customer (2018: 1) during the year that represented 10% or more of total revenue. Revenue from that customer totalled €2.71 million and is reported in the Printhead Solutions segment (2018: 1 customer totalling €2.96 million, in the Printhead Solutions segment).

The Group's sales are made in several different currencies, thus fluctuations in exchange rates can affect the reported revenue. During the year 38.2% (2018: 38.5%) were denominated in US dollars, 34.7% (2018: 48.6%) were in pounds sterling, 15.3% (2018: 4.2%) were in japanese yen and 11.8% (2018: 8.7%) were in euros.

Software segment
Revenue for the Software segment totalled €11.61 million for the year (2018: €9.98 million). The segment benefited from non-recurring revenue of €0.32 million from a new customer and a contract amendment with an existing customer that resulted in €2.00 million of revenue being recognised, which is also not expected to be recurring. Additionally, €0.71 million associated with the acquisition of Xitron, LLC from 1 November 2019 contributed to the segment's revenue.

Printhead Solutions segment
Revenue for the Printhead Solutions segment was €6.87 million for the year (2018: €9.20 million). Revenue from existing customers was lower by €2.97 million and was offset by revenue from new customers of €0.64 million. The top three customers in the segment accounted for €2.66 million of the decline in existing customers, of which €0.68 million was non-recurring in 2018. Two of these customers are in China and one is in the United States.

Fonts segment
Revenue for the Fonts segment was €4.03 million for the year (2018: €4.75 million). Included in the year was €0.78 million of non-recurring licence revenue (2018: €1.58 million).

Pre-tax result
The consolidated pre-tax result was a profit of €0.72 million compared with a profit of €2.87 million in 2018. The reduction in profitability of €2.15 million is due to:

- a decrease in revenue of €1.41 million;
- a decrease in cost of sales of €0.69 million;
- a decrease in other income of €0.02 million;
- an increase in selling, general and administrative expenses of €0.77 million;
- an increase in research and development expenses of €0.29 million;
- an increase in other operating expenses of €0.02 million;
- an increase in net finance expenses of €0.15 million; and
- an increase in foreign exchange losses of €0.18 million.

Gross profit for the period has improved to 81.0% of revenue (2018: 79.3%), primarily due to the higher proportion of software revenue which generates a higher profit margin.

Included in selling, general and administrative expenses is amortisation of €1.23 million (2018: €1.16 million) related to intangible assets recognised as a result of acquisitions and €0.15 million (2018: €0.31 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 €0.13 million (2018: €0.36 million) related to these assets. The net expense was comprised of €1.44 million (2018: €1.41 million) in amortisation charge offset by €1.31 million (2018: €1.05 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.

GROUP STRATEGIC REPORT (CONTINUED)

CFO'S REVIEW (CONTINUED)

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

Cashflow

There was a net decrease of €0.87 million in cash during the year due to the acquisition of Xitron, LLC (€3.94 million) and a contingent consideration payment related to the acquisition of Meteor Inkjet Ltd (€0.93 million). An unsecured loan of €2.50 million was granted by the Group's major shareholder, Congra Software sàrl, of which €0.50 million was repaid during the year.

Operationally the Group continued to be cash generative during the year. Excluding the acquisition and the borrowing, but including the contingent consideration payment, the Group generated €1.08 million in cash during the year.

Adjusted operating result and net profit

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

The Group does not suggest that investors should consider these adjusted financial results in isolation from, or as a substitute for, financial information prepared in accordance with IFRS. The Group presents adjusted financial results when reporting its financial results to provide investors with additional tools to evaluate the Group's results in a manner that focuses on what the Group believes to be its underlying business operations. The Group's management believes that the inclusion of adjusted financial results provides consistency and comparability with past reports.

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

IFRS reported operating profit or loss is adjusted as follows:

In thousands of euros	**2019**	2018
IFRS reported operating profit	983	2,808
Add share-based remuneration expense (see note 30)	153	306
Deduct capitalised development expense (see note 16)	(1,306)	(1,051)
Add amortisation of capitalised development	1,439	1,408
Add amortisation of acquired intangibles	1,230	1,157
Add other operating expenses (see note 8)	168	151
Deduct other income	(1)	(20)
Total adjustments to reported operating profit	1,683	1,951
Adjusted operating profit	**2,666**	**4,759**

IFRS reported net profit or loss is adjusted as follows:

In thousands of euros	**2019**	2018
IFRS reported net profit	452	2,369
Adjustments to operating result above	1,683	1,951
Tax effect of above-mentioned adjustments	(316)	(339)
Total adjustments to reported net profit	1,367	1,612
Adjusted net profit	**1,819**	**3,981**
Adjusted net basic earnings per share	**0.16**	**0.34**
Adjusted net diluted earnings per share	**0.16**	**0.34**

The benefit of previously unrecognised deferred tax of €153k (2018: €564k) has not been excluded in the above adjusted net profit. The impact of excluding it would be to reduce adjusted earnings per share by €0.01 (2018: €0.05).

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 €4.38 million (2018: €5.72 million) and is reconciled to IFRS reported net profit as follows:

In thousands of euros	**2019**	2018
IFRS reported net profit	452	2,369
Interest expense/(income) (see note 13)	129	(21)
Tax expense (see note 19)	269	504
Depreciation (see notes 14 & 15)	835	266
Amortisation (see note16)	2,692	2,602
EBITDA	**4,377**	**5,720**

GROUP STRATEGIC REPORT (CONTINUED)

CFO'S REVIEW (CONTINUED)

IFRS 16 Leases (see note 3, 15 and 26) 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 12 months ending 31 December 2019 is to increase EBITDA by €0.56 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 year would have been €3.57 million on a comparative basis to 2018 (€5.72 million).

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.

GROUP STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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.

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 leaving the European Union ("Brexit")

On 31 January 2020, the UK stopped being a member of the European Union ("EU") but will continue to follow all of the EU's rules and its trading relationship will remain the same until 31 December 2020. 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 2019 27.9% (2018: 28.0%) of the Group's revenue was from Europe, excluding the UK, 5.88% (2018: 12.8%) 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 6.5% (2018: 4.4%) of the Group's revenue during the year.

The Group's manufacturers of drive electronics are based in the UK and China and no difficulties with supply are anticipated.

Coronavirus

The Group operates globally, so could be affected in many regions if the virus affects a significant number of people outside of China. With 50.8% of the 2019 revenue for the Printhead Solutions segment originating from China and Hong Kong there is a potential risk that if the virus is not brought under control that it could have a significant effect on the Group's revenue and profitability for the year ending 31 December 2020 if normal operations are affected in that region.

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 2019, the Group had not entered into any forward contracts (2018: 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.

GROUP STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 €5.00 million at 31 December 2019, the Group has not formally applied for any such lines of credit as at the date of this report.

Cash flow interest-rate risk

As the Group had no variable-interest bearing assets or liabilities at 31 December 2019 (2018: none), the Group's income and operating cash flows for the year ended 31 December 2019 were substantially independent of changes in market interest rates.

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.

SECTION 172(1)

The directors have considered the requirements of section 172(1) of the Companies Act 2006 and it is a core duty of the directors above. The key considerations are set out below.

It is a core duty of the directors to promote the success of the company. To do so the directors consider the main issues and stakeholders when making significant decisions. The Group has never paid a dividend, thus shareholders are invested for capital growth and due to the nature of the business, employees are critical to the success of the Group's products. As mentioned in the Corporate Governance Report, the CEO and CFO communicate regularly with analysts and shareholders are encouraged to participate in an annual meeting. As mentioned below, engagement with employees is two-way to ensure that employees are kept well-informed about the business and valuable feedback is received to ensure continuation of being a trusted employer.

Considering the capital growth aims of shareholders, the directors are focussed on growing the revenue and product portfolio to ensure that the Group continues to grow, whilst remaining profitable, with the continuing move to digital printing and manufacturing in the marketplace. This is done by development of new products, for example ScreenPro and Printflat over the previous years and by strategic acquisitions such as Meteor and Xitron, as mentioned in the CEO's review.

Products are developed based on an identified market demand, in the case of ScreenPro and Printflat the identification of quality issues when printing with inkjet technology.

Acquisitions are evaluated not only for their financial merits, but on the basis that they fit within the strategy and culture of the Group and that synergies and further opportunities can be developed through integration.

Relationships with customers and key suppliers are fostered through a collaborative approach through the use of technical services, evaluation software and products and customer-specific product development where appropriate. Long-term contracts further strengthen those relationships.

It is the Group's policy to manage and operate worldwide business activities in conformity with applicable laws and regulations as well as with the highest ethical standards. Both the Group's Board of Directors and executive management are determined to comply fully with the applicable law and regulations, and to maintain the Company's reputation for integrity and fairness in business dealings with third parties. A strict compliance with the provisions of the Group's Code of Ethics is mandatory for every member of the Group's Board, Executive Officers, every Senior Executive and every employee at all locations.

ENVIRONMENTAL MATTERS

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

SOCIAL, COMMUNITY AND HUMAN RIGHTS

Social and community

Staff are encouraged to participate in charitable and community activities. The Group contributes to employee-led fund raising activities for local and national charities and staff are allowed paid time off to participate in charitable activities. Donations to charities amounted to €2,705 (2018: €567) during the year.

GROUP STRATEGIC REPORT (CONTINUED)

SOCIAL, COMMUNITY AND HUMAN RIGHTS (CONTINUED)

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 2019.

Company level	Number of females	Number of males	Total
Board	1	3	4
Key management	4	16	20
Employees	24	90	114
Total Group	**29**	**109**	**138**

By order of the board,

Michael Rottenborn
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 2019.

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 5.

CORPORATE GOVERNANCE

Details of the Group's corporate governance can be found in the Corporate governance report on page 4.

POLITICAL CONTRIBUTIONS

The Group made no political contributions during the year (2018: €nil).

DIVIDENDS

The directors do not recommend the payment of a dividend (2018: €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 2019.

FINANCIAL RISK MANAGEMENT

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

RESEARCH AND DEVELOPMENT

The Group spent €6.86 million (2018: €6.57 million) on research and development during the year. Under IAS 38 Intangible Assets, €1.31 million (2018: €1.05 million) of research and development was capitalised and €1.44 million (2018: €1.41 million) of capitalised research and development was amortised. There was no impairment of capitalised research and development during the year (2018: €nil). The net effect of capitalisation, amortisation and impairment on profit in the year was an expense of €0.13 million (2018: €0.36 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[1]:

Guido Van der Schueren	Chairman (non-executive)	
Gary Fry	Chief Executive Officer	Resigned with effect from 24 January 2020
Graeme Huttley	Chief Financial Officer	
Johan Volckaerts	Non-executive Director	Resigned with effect from 1 March 2019
Clare Findlay	Non-executive Director	Appointed 1 March 2019

The Company maintains director and officers' liability insurance.

[1] Michael Rottenborn was appointed a director and CEO with effect from 1 January 2020

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 2019 was:

	Number of ordinary shares	% of issued share capital
Congra Software Sarl *	5,872,086	49.61%
UNITED NRJ bvba	582,499	4.92%
Friberg Christian	381,732	3.23%
Company owned shares (see note 25)	112,996	0.95%
Free float	4,886,394	41.29%
Total	**11,835,707**	**100.00%**

* Congra Software Sarl is controlled by Guido Van der Schueren, the Company's Chairman. Michael Rottenborn, the Group's CEO with effect from 1 January 2020, is also a shareholder of Congra Software Sarl.

INVESTMENT IN OWN SHARES

The Company holds some of its own shares in treasury to meet its obligations arising from the Group's employee share programmes (see note 25 and 30).

The total number of shares held in treasury at 31 December 2019 was 112,996 (2018: 222,473). Further information can be found in note 25 to the financial statements.

During the year, the Company did not dispose of any treasury shares (2018: none), however, it did transfer 109,477 shares to employees to satisfy the Company's obligations under the share schemes.

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

The directors are responsible for preparing the Annual 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 as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting standards, 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's 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 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 12 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,

2030 Cambourne Business Park
Cambourne
Cambridge
CB23 6DW

Michael Rottenborn
Director

10 March 2020

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 2019. 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 (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 2020 Annual General Meeting and the policy will take effect for the financial year beginning on 1 January 2021. 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 2020 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. It was decided that the current level of €5,000 per annum for each executive director was commensurate with the business and their additional activities given that they are paid a salary, bonus and receive other non-cash benefits. However, for the Chairman, given that the Group has grown in size and complexity, it was decided that a review should be made. Independently of the Board, a review of other listed Groups, similar in size or in a related industry was conducted. The outcome of that review was that there was a large range of annual fees paid, ranging from €6,000 to €242,000 per annum with no consistency across the size of the Group, the industry or the location of listing.

With that considered, the Board decided that a cumulative annual cost of living increase should be applied to the last Chairman's annual fee (€64,000) before all board fees were reduced to €5,000 (effective from 1 January 2014). As a result, it was agreed that the Chairman's annual remuneration would be increased to €72,000 per annum.

ANNUAL REPORT ON REMUNERATION

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

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

For the year ended 31 December 2019:

In euros	Salary and fees	Taxable benefits	Bonus	LTIP	Pension	Total
Executive directors						
Gary Fry, CEO	222,742	30,302	161,349	88,628	19,595	522,616
Graeme Huttley, CFO[2]	146,964	9,269	26,616	17,726	35,285	235,860
Total executive directors	**369,706**	**39,571**	**187,965**	**106,354**	**54,880**	**758,476**
Non-executive directors						
Guido Van der Schueren, Chairman	72,000	-	-	-	-	72,000
Clare Findlay	12,552	-	-	-	-	12,552
Total non-executive directors	**84,552**	**-**	**-**	**-**	**-**	**84,552**
Total directors	**454,258**	**39,571**	**187,965**	**106,354**	**54,880**	**843,028**

For the year ended 31 December 2018:

In euros	Salary and fees	Taxable benefits	Bonus	LTIP	Pension	Total
Executive directors						
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
Total executive directors	**322,978**	**40,162**	**152,143**	**193,708**	**28,162**	**737,153**
Non-executive directors						
Guido Van der Schueren, Chairman	5,000	-	-	-	-	5,000
Johan Volckaerts	5,000	-	-	-	-	5,000
Total non-executive directors	**10,000**	**-**	**-**	**-**	**-**	**10,000**
Total directors	**332,978**	**40,162**	**152,143**	**193,708**	**28,162**	**747,153**

[2] includes the director's spouse, who is also an employee of the Group

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

Salary and fees are the contracted annual salaries and board fees that are payable. Each executive director received board fees of €5,000 for the year (2018: €5,000), prorated where appointed or resigned during the year.

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

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

- up to 50% against achieving the board approved revenue target; and
- up to 50% against achieving the board approved operating expense target.

75% of the bonus amounts were earned based on the actual Group results for the year. Payments are made after approval by the board.

LTIP (long term incentive plan) for 2019 is a cash award that will be payable after 3 years of continuous service. For 2018 the amount was for share options with certain vesting conditions attached.

Contributions totalling €49,962 (2018: €28,162) 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

Number of shares (except price)	Gary Fry	Graeme Huttley
Options at 1 January 2019	40,356	8,071
Granted	-	-
Exercised	40,356	8,071
Lapsed	-	-
Outstanding at 31 December 2019	**-**	**-**
Exercisable at 31 December 2019	-	-
Exercise price, per share	Not applicable	Not applicable
Vesting date	Not applicable	Not applicable
Expiry date	Not applicable	Not applicable

Exercised options were satisfied out of existing treasury shares.

All exercised options were sold at €4.25 per share as part of the Takeover Bid launched by Congra Software Sarl as announced on 23 January 2019.

The aggregate amount of gains made by directors on the exercise of share options during the year was €205,815 (2018: €nil).

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 2019:

	Gary Fry	Graeme Huttley	Guido Van der Schueren *	Clare Findlay
Shares beneficially owned	1,063	1,050	5,872,086	100
Total interest in shares	**1,063**	**1,050**	**5,872,086**	**100**

* The interests of Guido Van der Schueren are held in the name of Congra Software Sarl, a company controlled by Guido Van der Schueren.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

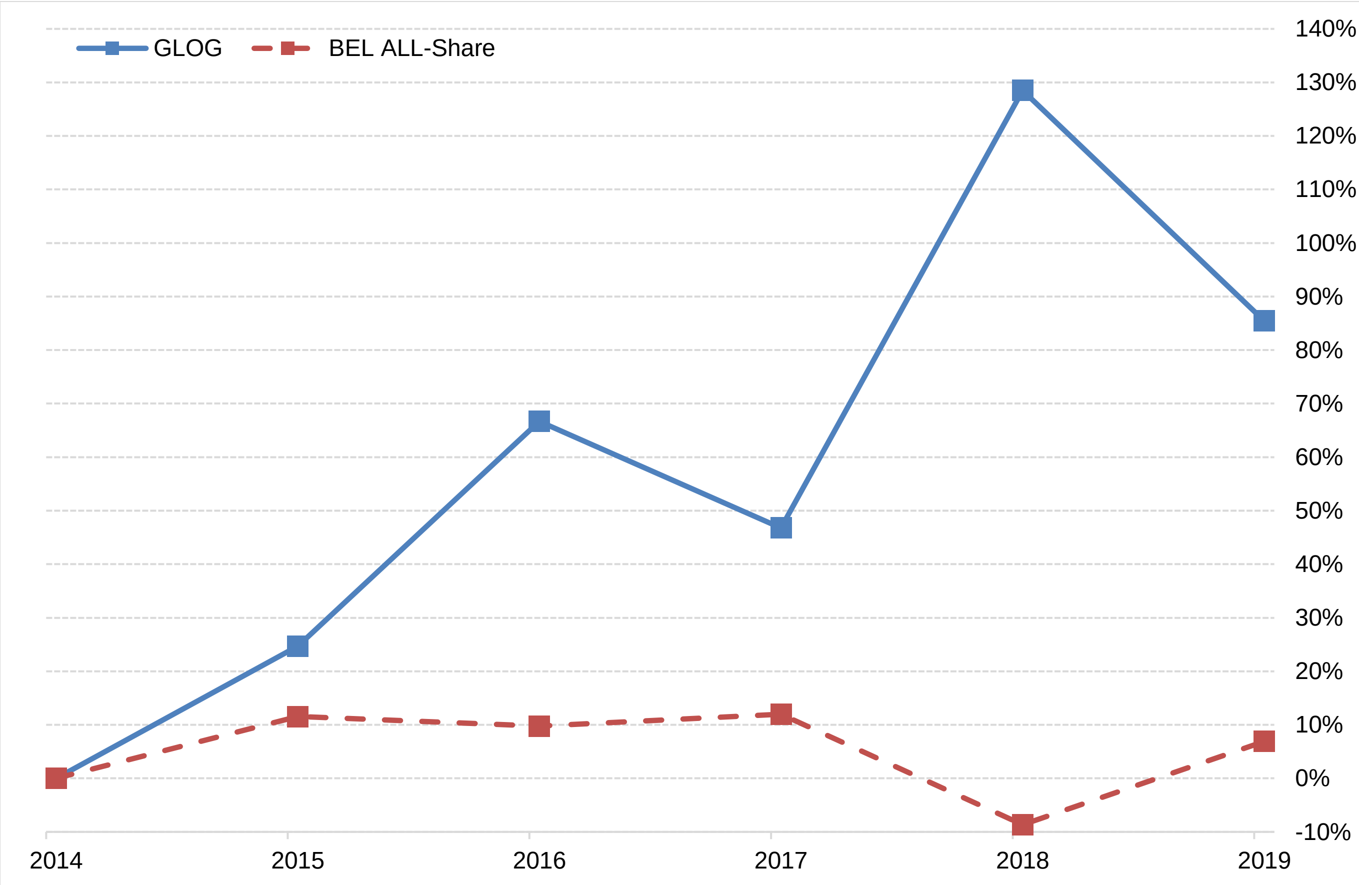
The portion of the share-based compensation expenses which were attributable to the Group's executive directors was:

In thousands of euros	2019	2018
Matching shares awarded for participating in the Share Incentive Plan (see note 30)	1	1
Grant of share options (see above and note 30)	-	72
Total	**1**	**73**

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 2014 to 31 December 2019. 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 86% and the BEL ALL-SHARE index has increased by 7%.

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:

	2015	2016	2017	2018	2019
Total CEO remuneration (in thousands of euros)	473	1,043	362	549	523
Annual bonus pay-out against maximum opportunity	100%	100%	100%	100%	75%
Long term incentive vesting rates against maximum opportunity	25%	100%	n/a	100%	n/a

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

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

The table below shows the percentage change in the base payment currency of remuneration between the years ended 31 December 2018 and 31 December 2019 for the CEO and for all employees of the Group:

	Salary and fees	Taxable benefits	Bonus
CEO	3.00%	0.00%	0.00%
Average pay based on all employees	4.38%	0.00%	0.00%

Relative importance of spend on pay

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

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

In thousands of euros	2019	2018	% change
Staff expenses (see note 12 to the consolidated financial statements)	**11,771**	11,143	5.64%
Repurchase of own shares (see note 25 to the consolidated financial statements)	-	-	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 2020.

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 the CEO and CFO will be divided into 2 elements; up to 50% for achieving the board approved revenue target and up to 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 information provided in this part of the Directors' remuneration report is not subject to audit.

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

Component	Purpose	Operation	Opportunity	Applicable performance measures	Recovery
Salary and fees	Rewards skills and experience and provides the basis for a competitive remuneration package.	Salaries and fees, including recruitment and loss of office payments, are agreed with the director with reference to the role, the individual's experience, and market practice and market data.	100% of contractual salary and fees are paid for services rendered to the Group.	Reviewed annually and executive directors' salaries are generally increased in line with company-wide pay increases.	No provision for recovery or withholding of payments unless breach of contract.
Taxable benefits	Protects against risks and provides other benefits.	The provision of benefits to executive directors includes private medical cover, life insurance and ill-health income protection.	100% of the premiums due are paid on behalf of the executive director.	There are no performance measures associated with the benefits other than being a current executive director.	No provision for recovery or withholding of payments unless breach of contract.
Bonuses	Rewards delivery of the near-term business targets set each year, the individual performance of the executive directors in achieving those targets, and contribution to delivering the Group's strategic objectives.	Bonuses are agreed in the employment contract with the executive director. The level of bonus payable is determined based on the role, the individual's experience, and market practice and market data.	50% to 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 into a 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.

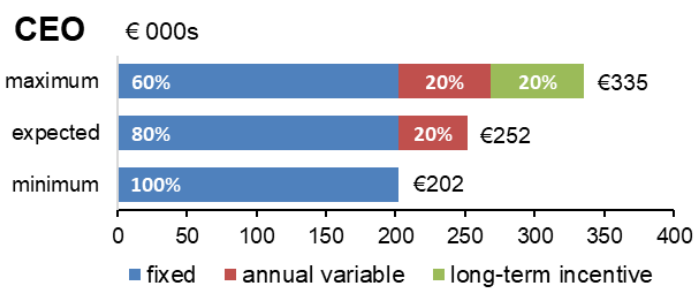
Payment for loss of office

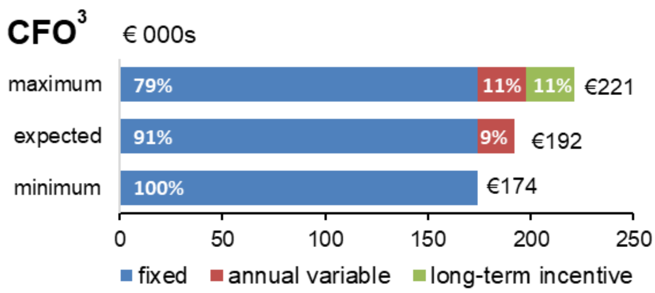
None of the directors are entitled to any specific indemnity which would be due or liable to be due on termination of their appointment. However, Michael Rottenborn and Graeme Huttley are entitled to the payment of salary for a notice period should the Group terminate their employment. The notice period 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[3] in accordance with the directors' remuneration policy in the first year to which the policy applies.





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

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

The report was approved by the board of directors on 10 March 2020 and signed on its behalf by:

Michael Rottenborn
CEO

[3] includes the CFO's spouse, who is also an employee of the Group

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

KPMG

Independent auditor's report

to the members of Global Graphics plc

1. Our opinion is unmodified

We have audited the financial statements of Global Graphics plc ("the Company") for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and the 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 2019 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 7 financial years ended 31 December 2019. 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		
Materiality: group financial statements as a whole	€170,000 (2018: €161,250) 0.75% (2018: 0.67%) of group revenue	
Coverage	100% (2018:100%) of group profit (2018: profit) before tax	
Risks of material misstatement		**vs 2018**
Recurring risks	Impact of uncertainties due to the UK exiting the European Union on our audit	◄►
New risks	Acquisition accounting associated with the purchase of Xitron LLC	▲
	Recoverability of goodwill in the Printhead Solutions CGU and recoverability of Parent Company Investment in Meteor Inkjet Limited	▲

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
The impact of uncertainties consequent upon the UK's departure from the European Union on our audit Refer to page 9 (principal risks)	**Unprecedented levels of uncertainty** The UK left the European Union (EU) on 31 January 2020 and entered an implementation period which is due to operate until 31 December 2020. At that point current trade agreements with the European Union terminate. The UK is entering negotiations over future trading relationships with the EU and a number of other countries. Where new trade agreements are not in place World Trade Organisation (WTO) arrangements will be in force, meaning among other things import and export tariffs, quotas and border inspections, which may cause delivery delays. Different potential outcomes of these trade negotiations could have wide ranging impacts on the Group's operations and the future economic environment in the UK and EU. All audits assess and challenge the reasonableness of estimates, in particular as described in the recoverability of goodwill in the Printhead Solutions CGU and the recoverability of parent company investment in Meteor Inkjet 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. The uncertainty over the UK's future trading relationships with the rest of the world and related economic effects give rise to extreme levels of uncertainty, with the full range of possible effects currently unknown.	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: • **Our knowledge** of the business– 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. • **Sensitivity analysis** – When addressing the recoverability of goodwill in the Printhead Solutions CGU and the recoverability of parent company investment in Meteor Inkjet 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 these uncertainties and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency** – As well as assessing individual disclosures as part of our procedures on the recoverability of goodwill in the Printhead Solutions CGU and the recoverability of parent company investment in Meteor Inkjet Limited, we considered all of the disclosures concerning uncertainties related to the UK's future trading relationships together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** As reported under the KAM in relation to the recoverability of goodwill in the Printhead Solutions CGU and recoverability of Parent Company Investment in Meteor Inkjet 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 the impact of the UK's departure from the EU.

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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 (continued)**

	The risk	Our response
Acquisition accounting related to the purchase of Xitron LLC **Goodwill** €1,773,000 **Acquisition related intangibles** €2,879,000 *Refer to pages 37 and 38 (accounting policy) and pages 60 and 61 (financial disclosures)*	**Forecast-based valuation** During the year, Global Graphics Software Inc. acquired Xitron LLC for $4.5m cash consideration. This is considered to be a significant unusual transaction for the business. There is therefore an additional risk this year with regards to the acquisition accounting, in particular with regards to the estimations and the determination of fair values of intangible assets recognised.	**Our procedures included:** • **Inspection:** We inspected the purchase agreement for this transaction and assessed the consideration amount for this transaction, including whether there are any contingent or deferred considerations arising from this; • **Assessing the assumptions:** We assessed the valuation of the assets acquired and assessed the assumptions and reasonableness of VIU models, or any other methods used in calculating the FV of the intangible assets identified by management; • **Sensitivity analysis:** Performing sensitivity analysis on the key assumptions within the cash flow forecasts used to support the intangible assets recognised. This included sensitising the discount rate applied to the future cash flows and the growth rates and profit margin forecasts, with reference to externally derived data. 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; • **Assessing the accounting treatment:** We assessed the acquisition accounting for this transaction and the goodwill being recognized in accordance with IFRS 3. This included examining whether management had appropriately determined the deferred tax that should be recognized in the acquisition accounting; and • **Assessing transparency:** Assessing whether the group's disclosures in relation to the acquisition and associated balances are appropriate. **Our results** • We found the acquisition accounting in respect of the acquisition of Xitron LLC to be appropriate.

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
Recoverability of goodwill in the Printhead Solutions CGU and recoverability of Parent Company Investment in Meteor Inkjet Limited **Printhead Solutions CGU goodwill** €2,322,000; (2018: €2,322,000) **Parent company investment in Meteor Inkjet Limited** *Refer to pages 37 and 38 (accounting policy) and pages 50 and 51 (financial disclosures)*	**Subjective Estimate** The estimated recoverable amount of the Printhead Solutions goodwill balance and investment in Meteor Inkjet Limited (through which the Printhead Solutions CGU operates) is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and has an elevated level of risk compared to the other CGUs as a result of the operating loss suffered. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the estimated recoverable amount of the Printhead Solutions goodwill balance and investment in Meteor Inkjet Limited had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that materiality.	**Our procedures included:** • **Historical comparisons:** 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'; • **Benchmarking assumptions:** Comparing the group's assumptions to externally derived data in relation to key inputs such as projected growth rates and discount rates; • **Sensitivity analysis:** Performing sensitivity analysis on the key assumptions within the cash flow forecasts. This included sensitising the discount rate applied to the future cash flows and the growth rates and profit margins forecasts. Critically assessing the extent to which a change in these assumptions both individually or in aggregate would result in an impairment and considered the likelihood of such events occurring; • **Comparing valuations:** Comparing the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of those cash flows; and • **Assessing transparency:** Assessing whether the group's disclosures on goodwill and the parent company investment are appropriate. **Our results** • We found the carrying amount of goodwill in the Printhead Solutions CGU and the parent company investment in Meteor Inkjet Limited to be acceptable.

We continue to perform procedures over the rrecoverability of goodwill in the Fonts and Print Software CGU's, recoverability of other intangible assets and recoverability of the parent company's investments in Global Graphics EBT Limited, Global Graphics (UK) 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 Software CGU's, the other intangible assets and the investment carrying values in Global Graphics EBT Limited, Global Graphics (UK) 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.

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

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

Materiality for the group financial statements as a whole was set at €170,000, determined with reference to a benchmark of group revenue of €22,508,000, of which it represents 0.75% (2018: 0.67%).

Materiality for the parent company financial statements as a whole was set at €50,000 (2018: € 145,000), determined with reference to a benchmark of company total assets, of which it represents 0.20% (2018: 0.56%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding €9,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 9 (2018: 8) reporting components, we subjected 6 (2018: 5) to full scope audits for group purposes.

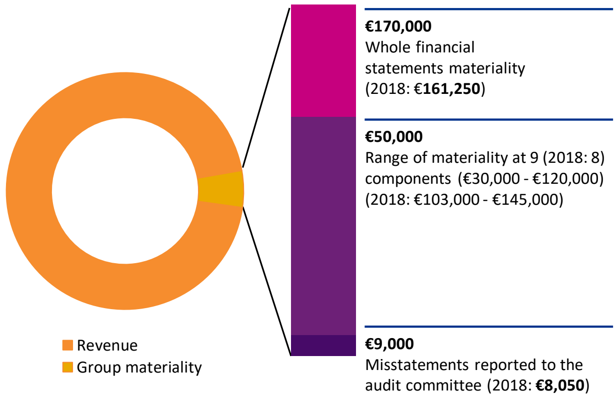
The components within the scope of our work accounted for the percentages illustrated opposite.

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.

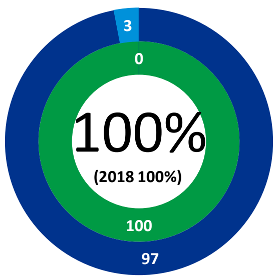
The work on all the components (2018: all components) was performed by the Group team including the audit of the parent company.

Revenue
€22,508,000 (2018: € 23,922,000)

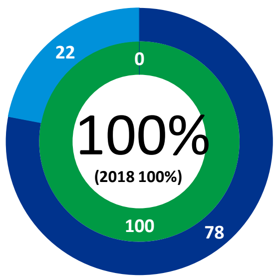
Group Materiality
€170,000 (2018: € 161,250)



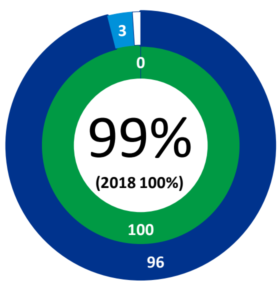
Group revenue



Group profit before tax



Group total assets



- Full scope for group audit purposes 2019
- Specified risk-focused audit procedures 2019
- Full scope for group audit purposes 2018
- Specified risk-focused audit procedures 2018
- 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.

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

Auditor's responsibilities

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

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and 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 throughout the audit.

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 and certain aspects of company legislation recognising the financial 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

10 March 2020

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
In thousands of euros	**Note**	**2019**	**2018**
Revenue	7	**22,508**	23,922
Cost of sales		**(4,278)**	(4,963)
Gross profit		**18,230**	18,959
Other income		**1**	20
Selling, general and administrative expenses		**(10,223)**	(9,449)
Research and development expenses		**(6,857)**	(6,571)
Other operating expenses	8	**(168)**	(151)
Operating profit		**983**	2,808
Finance income	13	**8**	21
Finance expenses	13	**(137)**	-
Net finance (expense)/income		**(129)**	21
Foreign currency exchange (losses)/gains	13	**(133)**	44
Profit before tax		**721**	2,873
Tax	19	**(269)**	(504)
Profit for the year attributable to equity holders		**452**	2,369
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**916**	9
Other comprehensive profit for the year, net of tax		**916**	9
Total comprehensive profit for the year attributable to equity holders		**1,368**	2,378
Earnings per ordinary share			
Basic earnings per share	29	**0.04**	0.20
Diluted earnings per share	29	**0.04**	0.20

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

The notes on pages 32 to 58 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		For the year ended 31 December	
In thousands of euros	**Note**	**2019**	**2018**
ASSETS			
Non-current assets			
Property, plant and equipment	14	**844**	570
Right-of-use assets	15	**1,838**	-
Other intangible assets	16	**4,827**	3,306
Goodwill	17	**12,659**	10,490
Financial assets	18	**45**	24
Deferred tax assets	19	**975**	894
Trade receivables due after more than one year	20	**3,701**	1,199
Total non-current assets		**24,889**	16,483
Current assets			
Inventories	21	**1,240**	1,241
Current tax assets		**76**	-
Trade and other receivables	22	**3,775**	5,704
Other current assets	23	**92**	205
Prepayments		**1,264**	1,078
Cash and cash equivalents	24	**4,995**	5,650
Total current assets		**11,442**	13,878
TOTAL ASSETS		**36,331**	30,361
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital	25	**4,734**	4,734
Share premium	25	**1,979**	1,979
Treasury shares	25	**(309)**	(631)
Retained earnings		**27,970**	27,688
Foreign currency translation reserve		**(10,914)**	(11,830)
Total equity		**23,460**	21,940
Liabilities			
Deferred tax liabilities	19	**1,072**	585
Lease liabilities	26	**1,882**	-
Other liabilities	27	**4,416**	3,206
Total non-current liabilities		**7,370**	3,791
Current liabilities			
Current tax liabilities		**605**	540
Trade and other payables		**581**	289
Accrued liabilities		**2,045**	2,785
Contract liabilities	7, 28	**2,270**	1,016
Total current liabilities		**5,501**	4,630
Total liabilities		**12,871**	8,421
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**36,331**	30,361

The notes on pages 32 to 58 are an integral part of these consolidated financial statements.

These financial statements on pages 28 to 31 were approved and authorised for issue by the board of directors on 10 March 2020 and were signed on its behalf by:

Michael Rottenborn
Director
Company registered number: 10872426

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December	
In thousands of euros	**Note**	**2019**	**2018**
Cash flows from operating activities			
Net profit for the year		**452**	2,369
Adjustments to reconcile net profit to net cash:			
- Depreciation of property, plant, equipment and right-of-use assets	14, 15	**835**	266
- Amortisation and impairment of other intangible assets	16	**2,692**	2,602
- Share-based remuneration expenses	30	**152**	306
- Net interest expense/(income)	13	**129**	(21)
- Net foreign currency exchange losses/(gains)	13	**133**	(44)
- Tax expense	19	**269**	504
- Change in fair value of contingent consideration	27	**14**	(20)
- Other items		**126**	376
Total adjustments to net profit		**4,350**	3,969
Change in operating assets and liabilities:			
- Financial assets	18	**21**	-
- Inventories	21	**1**	(494)
- Trade receivables	20,22	**(573)**	(3,088)
- Other current assets	23	**113**	(37)
- Prepayments		**(186)**	(466)
- Trade and other payables		**292**	(505)
- Accrued liabilities		**(740)**	1,047
- Contract liabilities	28	**1,254**	(265)
Total change in operating assets and liabilities		**182**	(3,808)
Cash generated from operating activities		**4,984**	2,530
Interest received	13	**8**	21
Cash paid for interest on lease liabilities	13,26	**(109)**	-
Cash paid during the year for tax		**(577)**	(383)
Net cash from operating activities		**4,306**	2,168
Cash flows from investing activities			
Capital expenditures on property, plant & equipment	14	**(581)**	(386)
Capital expenditures on other intangible assets	16	**-**	(173)
Capitalisation of development expenses	16	**(1,306)**	(1,051)
Acquisition of subsidiary, net of cash acquired	34	**(3,941)**	-
Net cash used in investing activities		**(5,828)**	(1,610)
Cash flows from financing activities			
Proceeds from loans and borrowings	27	**2,500**	-
Repayment against loans and borrowings	27	**(500)**	-
Contingent consideration paid	27	**(932)**	-
Principal payments on lease liabilities	26	**(411)**	-
Net cash from financing activities		**657**	-
Net (decrease)/increase in cash		**(865)**	558
Cash and cash equivalents at 1 January		**5,650**	5,076
Effect of exchange rate fluctuations on cash at 1 January		**210**	16
Cash and cash equivalents at 31 December		**4,995**	5,650

The notes on pages 32 to 58 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
Balance at 31 December 2017		**4,734**	**1,979**	**(792)**	**24,987**	**(11,839)**	**19,069**
Total comprehensive income for the year							
Net profit for the year		-	-	-	2,369	-	2,369
Foreign currency translation differences		-	-	-	-	9	9
Total comprehensive income for the year		**-**	**-**	**-**	**2,369**	**9**	**2,378**
Transactions with owners							
Share-based payment transactions	30	-	-	161	332	-	493
Total transactions with owners		**-**	**-**	**161**	**332**	**-**	**493**
Balance at 31 December 2018		**4,734**	**1,979**	**(631)**	**27,688**	**(11,830)**	**21,940**
Total comprehensive income for the year							
Net profit for the year		-	-	-	452	-	452
Foreign currency translation differences		-	-	-	-	916	916
Total comprehensive income for the year		**-**	**-**	**-**	**452**	**916**	**1,368**
Transactions with owners							
Share-based payment transactions	30	-	-	322	(170)	-	152
Total transactions with owners		**-**	**-**	**322**	**(170)**	**-**	**152**
Balance at 31 December 2019		**4,734**	**1,979**	**(309)**	**27,970**	**(10,914)**	**23,460**

The notes on pages 32 to 58 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 10 March 2020.

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 2020 and 2021, 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 €5.00 million as at 31 December 2019 (2018: €5.65 million).

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. The Company has elected to prepare its parent company financial statements in accordance with FRS 101. These are presented on pages 59 to 64.

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 except for the application of IFRS 16 Leases, which became mandatory with effect from 1 January 2019.

Leases

IFRS 16 Leases 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 15 and note 26.

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.

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 contract liabilities. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2019 the Group had no derivative financial instrument contracts in place (2018: none).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Impairment of non-current assets

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

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 the 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 accrued liabilities are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method. Trade payables and accrued 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 satisfaction of the relevant performance obligation where the customer substantially obtains the benefit of the engineering or consultancy work and usually makes a payment for those services rendered. Amounts received in advance of the related services being performed are included in deferred revenue and recognised in revenue based on hours delivered only when the services are provided.

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 the performance obligation. 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 entity becomes entitled to the revenue. 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 standalone selling price of each element. 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.

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. Control transfers 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.

Contract assets and contract liabilities

Contract assets and liabilities will arise from scheduled payments specified in the contracts compared to the recognition of revenue under the respective performance obligations.

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 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 2019.

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 2019
A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2020 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 2019.

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

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- 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.

Other intangible assets
The fair value of 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, accrued liabilities, as well as contract liabilities, 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.

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.

Estimates

Assessing whether capitalised development costs and goodwill have been impaired
The Group tests annually whether the goodwill has been impaired and assesses capitalised development costs for indicators of impairment, if such triggers are identified, by reference to expected future generation of cash from the relevant products incorporating the technologies developed. In estimating the cash flow, the directors make estimates, based on budgets and forecasts, about the amount of future profits from the relevant products that will be generated and the timing of when these will be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 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.

Judgements

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.

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.

The acquisition of Xitron has been assessed and it has been determined that it should be included in the Software segment because the nature of the business, the products that are sold and the market that the business operates in are all consistent with that segment.

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 2018 and 31 December 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 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 2019:

In thousands of euros	Software	Printhead Solutions	Fonts	Unallocated	Total
Revenue from external customers	11,610	6,868	4,030	-	22,508
Inter-segment revenue	169	-	40	-	209
Segment revenue	**11,779**	**6,868**	**4,070**	**-**	**22,717**
Segment operating profit/(loss) after tax	**1,004**	**(74)**	**1,149**	**(413)**	**1,666**
Included in the operating profit/(loss) are:					
Interest income	6	2	-	-	8
Interest expense	(93)	(8)	(7)	(29)	(137)
Depreciation and amortisation	(593)	(185)	(70)	-	(848)
Tax expense	(35)	-	(550)	-	(585)

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
Segment revenue	**9,979**	**9,200**	**4,752**	**-**	**23,931**
Segment operating profit/(loss) after tax	**1,194**	**1,587**	**1,582**	**(533)**	**3,830**
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)

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

In thousands of euros	2019	2018
Segment total profit/(loss) after tax	1,666	3,830
Share-based payments expense	(152)	(306)
Capitalisation and amortisation of internally generated intangible assets	(132)	(357)
Amortisation of acquired intangible assets	(1,232)	(1,157)
Other items	(14)	20
Tax effect of above-mentioned items	316	339
Consolidated profit after tax	**452**	**2,369**

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, primary geographical market and timing of recognition is shown below. The table also provides a reconciliation of disaggregated revenue with the Group's reportable segments.

	Software		Printhead Solutions		Fonts		Total	
In thousands of euros	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue type								
License royalties	**8,895**	7,854	**738**	754	**3,020**	3,848	**12,653**	12,456
Maintenance and after-sale support services	**1,574**	1,218	**28**	-	**16**	16	**1,618**	1,234
Engineering/design services	**634**	488	**-**	-	**994**	883	**1,628**	1,371
Printer hardware and consumables	**470**	407	**-**	-	**-**	-	**470**	407
Driver electronics	**-**	-	**6,102**	8,446	**-**	-	**6,102**	8,446
Other items	**37**	8	**-**	-	**-**	-	**37**	8
Total sales	**11,610**	9,975	**6,868**	9,200	**4,030**	4,747	**22,508**	23,922
Primary geographical markets								
United Kingdom	**584**	654	**199**	395	**400**	321	**1,183**	1,370
Europe, excluding United Kingdom	**3,502**	2,594	**1,454**	1,044	**1,323**	3,064	**6,279**	6,702
North America	**4,299**	5,131	**1,028**	1,776	**1,653**	1,308	**6,980**	8,215
Asia	**3,225**	1,596	**4,187**	5,985	**654**	54	**8,066**	7,635
Total sales	**11,610**	9,975	**6,868**	9,200	**4,030**	4,747	**22,508**	23,922
Timing of revenue recognition								
Products transferred at a point in time	**9,402**	8,269	**6,840**	9,200	**3,020**	3,848	**19,262**	21,317
Products and services transferred over time	**2,208**	1,706	**28**	-	**1,010**	899	**3,246**	2,605
Total sales	**11,610**	9,975	**6,868**	9,200	**4,030**	4,747	**22,508**	23,922

In 2019, the ten largest customers represented 48.3% (2018: 52.2%) of the Group's revenue, the five largest customers represented 36.5% (2018: 37.7%) of the Group's revenue and the single largest customer represented 12.0% (2018: 12.4%) of the Group's revenue. There was 1 customer (2018: 1) during the year that represented 10% or more of total revenue. Revenue from that customer totalled €2.71 million and is reported in the Printhead Solutions segment (2018: 1 customer totalling €2.96 million, in the Printhead Solutions segment). 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. During the year ending 31 December 2019 a customer in the Fonts segment exercised an option in their contract which resulted in €0.46 million of revenue being recognised. The revenue from that option 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 2019.

In thousands of euros	next 12 months	12-24 months	after 24 months	Total
After-sale support services	1,095	193	258	1,546
Product and consultancy	724	-	-	724
Total	**1,819**	**193**	**258**	**2,270**

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	2019	2018
Acquisition related expenses (see note 34)	99	-
Share option exercise payroll taxes	55	-
Fair value adjustment to contingent consideration (see note 27)	14	-
Redundancy expenses	-	13
Takeover bid legal & professional fees	-	136
Disposal of assets	-	2
Total other operating expenses	**168**	**151**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. OPERATING EXPENSES BY NATURE

In thousands of euros	2019	2018
Employee benefit expense (see note 12)	11,771	11,143
Depreciation expenses (see note 14 and 15)	835	266
Capitalisation of R&D expenses (see note 16)	(1,306)	(1,051)
Amortisation of capitalised R&D expenses	1,439	1,408
Amortisation of acquired intangibles	1,230	1,157
Rent expenses (see note 15)	-	530
Other operating expenses, net of other operating income	3,278	2,698
Total operating expenses, net of other operating income	**17,247**	**16,151**

10. SERVICES PROVIDED BY THE GROUP'S AUDITOR

In thousands of euros	2019	2018
For the audit of Parent and Consolidated Financial Statements	**55**	33
For other services provided:		
- audit of financial statements of subsidiaries of the company	**65**	37
- audit-related assurance services	**7**	9
- all other services	**16**	18
Total fees payable to the Group's auditor and its associates	**143**	**97**

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 Global Graphics Software Limited. Fees for all other services in 2018 were related relation to tax compliance in the United States of America and the independent verification of financial results of Meteor Inkjet Limited.

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 €843,028 (2018: €747,153).

The aggregate value of gains made by directors during the year on the exercise of share options was €205,815 (2018: €nil).

The aggregate value of assets awarded to directors under long term incentive schemes during the year was €nil (2018: €193,708). Long term incentive for 2019 is a cash award that will be payable after 3 years of continuous service. For 2018 the amount was for share options with certain vesting conditions attached.

The Group only operates defined contribution pension schemes. During the year, for two directors (2018: two), €49,962 (2018: €28,162) of pension contributions were paid.

Further information is available in the Directors' remuneration report on pages 15 to 20.

12. EMPLOYEE INFORMATION

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

	2019	2018
By activity		
Research and development	61	57
Sales and support	39	33
General and administrative	19	19
Total average number of people employed	**119**	**109**

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

In thousands of euros	2019	2018
Wages and salaries	9,388	8,727
Compulsory social security contributions	1,050	986
Medical insurance contributions	320	285
Pension contributions to defined contribution plans	742	688
Share-based payments (see note 30)	152	306
Other employee related expenses	119	151
Total employee benefit expenses	**11,771**	**11,143**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. FINANCE INCOME AND FINANCE COSTS

In thousands of euros	2019	2018
Interest income	8	21
Interest expense	(28)	-
Lease liability interest (see note 26)	(109)	-
Total finance (expense)/income	**(129)**	**21**
Foreign exchange (losses)/gains on transactions and revaluations	(133)	44
Total foreign exchange (loss)/gain	**(133)**	**44**
Net finance (expense)/income	**(262)**	**65**

14. 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	-	459	20	26	76	581
Additions – business combinations (note 34)	5	16	9	1	3	34
Disposals	-	(2)	-	-	-	(2)
Effect of movement in exchange rates	44	84	5	11	37	181
At 31 December 2019	**765**	**1,706**	**104**	**291**	**662**	**3,528**
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 year	41	220	30	20	70	381
Disposals	-	(1)	-	-	-	(1)
Effect of movement in exchange rates	37	59	2	10	32	140
At 31 December 2019	**650**	**1,201**	**53**	**193**	**587**	**2,684**
Net book value						
At 31 December 2018	144	226	49	90	61	570
At 31 December 2019	**115**	**505**	**51**	**98**	**75**	**844**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. RIGHT-OF-USE ASSETS

In thousands of euros	Property
Additions – IFRS 16 adoption	2,142
Additions – business combinations (note 34)	150
Total additions	2,292
Depreciation charge for the year	454
Balance at 31 December 2019	**1,838**

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 26). The prior year rent expense was €0.53 million.

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 financial statements, the remaining terms range from 1 month to 6.5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer contracts	Patents	Trade-marks	Know-how	Font library	Driver electronics	Total
Cost								
At 1 January 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	1,306	-	-	-	-	-	-	1,306
Additions – business combinations (note 34)	2,321	258	-	-	300	-	-	2,879
Effect of movement in exchange rates	2,244	833	166	36	9	-	-	3,288
At 31 December 2019	**41,678**	**14,626**	**2,866**	**613**	**1,217**	**2,465**	**3,296**	**66,761**
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 year	1,539	9	13	-	10	462	659	2,692
Effect of movement in exchange rates	2,226	833	156	36	9	-	-	3,260
At 31 December 2019	**39,154**	**14,377**	**2,695**	**613**	**927**	**2,136**	**2,032**	**61,934**
Net book value								
At 31 December 2018	418	-	174	-	-	791	1,923	3,306
At 31 December 2019	**2,524**	**249**	**171**	**-**	**290**	**329**	**1,264**	**4,827**

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

Intangible assets that are subject to amortisation (i.e. those arising from the capitalisation of development costs in accordance with criteria set in IAS 38, Intangible Assets) are reviewed annually for impairment or whenever events or changes in accounting estimates indicate that the carrying amount may not be recoverable. The calculations are based on the discounted cash flows over the remaining period of amortisation of the capitalised development expense and use the same discount rate and exchange rates that were used for the impairment review of Goodwill (see note 17).

There was no significant change during the year to the calculations and assumptions that were used at 31 December 2018 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 2019 (2018: €nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. OTHER INTANGIBLE ASSETS (CONTINUED)

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

In thousands of euros	Remaining amortisation period	2019	2018
Harlequin RIP	0.3 to 3.6 years	153	204
EDL	0.5 years	99	152
gDoc applications	0.5 years	4	13
CGB Screening	2.75 years	36	49
Xitron	4.8 years	2,232	-
Total software technology		**2,524**	**418**
Customer contracts	4.8 years	**249**	-
Know-how	0.8 years	**290**	-
Font Library	0.75 years	**329**	**791**
Driver Electronics	1.90 years	**1,264**	**1,923**

17. 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
Additions – business combinations (note 34)	1,773
Effect of movement in exchange rates	745
At 31 December 2019	**18,670**
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	349
At 31 December 2019	**6,011**
Net book value	
At 31 December 2018	10,490
At 31 December 2019	**12,659**

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, Printhead Solutions and Xitron.

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

In thousands of euros	2019	2018
Software	7,009	6,613
Fonts	1,555	1,555
Printhead Solutions	2,322	2,322
Xitron	1,773	-
Total goodwill	**12,659**	**10,490**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. GOODWILL (CONTINUED)

The recoverable amount of the CGUs has been determined using an estimate of their value in use as at 31 December 2019. These calculations employed cash flow projections based on financial forecasts approved by management covering a seven-year period ending 31 December 2026. 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 2019. The exchange rates were determined with reference to market forecasts and were 1.1600 euros for 1 pound sterling, 1.1100 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.

	2019	**2018**
Risk free rate (UK Treasury Gilts)	0.38%	1.01%
Equity risk premium	6.02%	5.00%
Equity risk premium for micro caps	3.74%	3.74%
Cost of capital	**%**	**9.75%**
Industry average debt level	Nil	Nil
Estimated net debt cost	Not applicable	Not applicable
Weighted average cost of capital	**10.14%**	**9.75%**

As a result of these projections, no impairment was required for goodwill for the year ended 31 December 2019 (2018: €nil).

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

18. FINANCIAL ASSETS

Financial assets measured at amortised cost.

In thousands of euros	**2019**	**2018**
Rent deposits	45	24
Total financial assets	**45**	**24**

19. TAX

Corporation tax

Analysis of the tax charge in the year:

In thousands of euros	**2019**	**2018**
Current tax		
Current year charge	(585)	(843)
Total current tax	**(585)**	**(843)**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	26	68
Origination and reversal of temporary differences	290	271
Total deferred tax	**316**	**339**
Total tax expense	**(269)**	**(504)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. TAX (CONTINUED)

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

In thousands of euros	2019	2018
Profit before tax	721	2,873
Expected tax expense at the Company's tax rate of 19% (2018: 19%)	(137)	(546)
Effect of differences in tax rates in foreign jurisdictions	(228)	(331)
Effect of share-based payments	(29)	(58)
Effect of expenses not deductible	(57)	(93)
Effect of deferred tax not being recognised	153	564
Effect of other items	29	(40)
Total tax expense recognised	**(269)**	**(504)**

A reduction in the UK rate of corporation tax from 19% to 17% from 1 April 2020 was enacted on 15 September 2016. It is expected that this will reduce the Group's future current tax charge accordingly.

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	2019	2018
Deferred tax assets		
Capital allowances	1,004	945
Other items	19	18
Capitalised development expenses	(48)	(69)
Total recognised deferred tax assets	**975**	**894**
Deferred tax liabilities		
As a result of business combinations	1,072	585
Total recognised deferred tax liabilities	**1,072**	**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 31 December 2019 has been calculated based on the rate of 19%. The deferred tax liability at 31 December 2019 has been recognised from the acquisitions of URW++ Design and Development GmbH ("URW"), TTP Meteor Limited ("Meteor"), Cambridge Grey Bit Limited ("CGB") and Xitron, LLC (Xitron). 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% and for Xitron is has been calculated on the expected combined United States federal and Michigan state tax rate of 27%.

€1.86 million (2018: €1.56 million) in respect of losses that are capital in nature and €0.81 million of trading losses have not been recognised.

The movement in deferred tax liabilities is as follows:

In thousands of euros	
Balance as at 1 January 2019	585
Amounts charged to profit & loss	(290)
From business combinations (see note 34)	777
Balance as at 31 December 2019	**1,072**

20. TRADE RECEIVABLES DUE AFTER MORE THAN ONE YEAR

In thousands of euros	2019	2018
Amounts due after more than one year	3,701	1,199
Total trade receivables due after more than one year	**3,701**	**1,199**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. INVENTORIES

In thousands of euros	2019	2018
Finished goods	1,240	1,241
Total inventories	**1,240**	**1,241**

22. TRADE AND OTHER RECEIVABLES

In thousands of euros	2019	2018
Trade receivables	3,788	5,711
Allowance for doubtful debts	(13)	(7)
Total trade and other receivables	**3,775**	**5,704**

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	2019	2018
Under 90 days	3,416	5,615
Over 90 days and provided for	13	7
Over 90 days but not provided for	359	89
Total trade and other receivables	**3,788**	**5,711**

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

In thousands of euros	2019	2018
At 1 January	7	7
Additions – business combinations	6	-
At 31 December	13	7

The directors have considered the nature of the customers, the historic levels of bad debts and the payment profile of customer contracts in reaching the value of the expected credit losses above.

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

23. OTHER CURRENT ASSETS

In thousands of euros	2019	2018
VAT receivable	90	204
Other items	2	1
Total other current assets	**92**	**205**

24. CASH AND CASH EQUIVALENTS

In thousands of euros	2019	2018
Cash at bank and in hand	4,995	5,650
Total cash and cash equivalents	**4,995**	**5,650**

25. CAPITAL AND RESERVES

Ordinary shares allotted, called up and fully paid:

	2019		2018	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
As at 1 January and 31 December	**11,835,707**	**4,734**	**11,835,707**	**4,734**

Share premium:

In thousands of euros	2019	2018
As at 1 January and 31 December	**1,979**	**1,979**

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

	2019		2018	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At 1 January	222,473	631	267,091	792
Disbursement of shares to employees	(109,477)	(322)	(44,618)	(161)
As at 31 December	**112,996**	**309**	**222,473**	**631**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. LEASE LIABILITIES

In thousands of euros	2019	2018
Lease liabilities	1,882	-
Total lease liabilities	**1,882**	**-**

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 15), with a corresponding lease liability. Where applicable, the Group applies the recognition exemption for short-term leases and leases for which the underlying asset is of low value. During the year, there were no expenses related to short-term leases or low value assets.

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.

There are no variable lease payments, all lease payments are for fixed amounts agreed at the outset of the lease.

The lease liabilities were calculated as follows:

In thousands of euros	
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:

In thousands of euros	2019	2018
Lease liability interest	109	-
Principal payments	411	-
Total cash outflow for leases	**520**	**-**

Maturity analysis of contractual undiscounted cash flows:

In thousands of euros	
Less than one year	52
One to five years	441
More than five years	1,690
Total undiscounted lease liabilities at 31 December 2019	**2,183**

27. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	2019	2018
Contingent consideration	2,416	3,206
Shareholder loan	2,000	-
Total other liabilities	**4,416**	**3,206**

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 2019. Based on the revised forecasts, the review concluded that there was an increase in the present value of those payments, thus increasing the liability on the balance sheet, of €0.01 million (2018: reduction of €0.02 million).

During the year, cash payments of £812,838 (2018: £nil) 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.

During the year an unsecured loan of €2.5 million was granted to the Group by Congra Software Sarl (see note 32) to enable the acquisition of Xitron, LLC (see note 34). Interest is payable on the loan at the rate of 6% per annum and a repayment of €0.5 million of the loan was made during the year. The balance of the loan plus interest is expected to be repaid during the year ending 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. CONTRACT LIABILITIES

In thousands of euros	2019	2018
Customer advances	724	203
Deferred revenue	1,546	813
Total contract liabilities	**2,270**	**1,016**

The contract liabilities primarily relate to consideration received in advance of the provision of goods and services. Customer advances relate to consideration received in advance of the provision of physical goods, 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.

Movements in the balance are purely driven by individual contracts and wouldn't be expected to be consistent year on year.

29. EARNINGS PER SHARE

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

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

In thousands of euros unless otherwise stated	2019	2018
Weighted average number of shares (basic), in thousands of shares	11,707	11,583
Add the effect of dilutive potential ordinary shares	-	-
Weighted average number of shares (diluted), in thousands of shares	11,707	11,583
Profit attributable to ordinary shareholders	452	2,369
Basic earnings per share, in euros	**0.04**	**0.20**
Diluted earnings per share, in euros	**0.04**	**0.20**

30. SHARE BASED PAYMENTS

At 31 December 2019, the Group has the following shared based payment arrangements.

Share option plan

Prior to the Takeover Bid (see the Group strategic report) the Group historically operated a share option scheme that awarded key personnel with options to acquire ordinary shares of €0.40 in the Company subject to certain criteria being met. Options could only be granted to and exercised by a person that was either an employee or a director of the Group at both grant and exercise dates. If the beneficiary of the granted option no longer fulfilled the employment condition, they could only exercise the portion of options which were vested at the termination date of their employment with the Group. Any unvested options could not be exercised at any future date.

Pursuant to the Takeover Bid, all option holders exercised their options and no new options were granted.

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 2018	Granted	Exercised	Lapsed	Outstanding at 31 December 2019	Exercisable at 31 December 2019	Exercise price
104,776	**-**	**104,776**	**-**	**-**	**-**	**n/a**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. SHARE BASED PAYMENTS (CONTINUED)

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 2018 Number	Granted Number	Exercised Number	Withdrawn Number	Lapsed Number	As at 31 December 2019 Number
SIP matching shares	27,115	-	-	(20,641)	-	6,474
Free shares granted	136,000	-	-	(9,566)	-	126,434
	163,115	**-**	**-**	**(30,207)**	**-**	**132,908**

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.

During the year the Group recognised €0.15 million (2018: €0.31 million) of share-based payment expense in these financial statements.

31. FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

To help manage these foreign exchange risks the Group may utilise foreign currency option or forward contracts transacted with high-credit-quality financial institutions, after review and approval by the Group’s CFO. There were no such contracts outstanding as at 31 December 2019 (2018: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

In thousands of euros	Euros	US dollars	Pounds sterling	Japanese yen
At 31 December 2019				
Trade receivables	1,298	1,414	919	144
Other current assets	10	-	72	10
Trade payables	(113)	(208)	(250)	(10)
Accrued liabilities	(225)	(192)	(1,617)	(11)
Net exposure	**970**	**1,014**	**(876)**	**133**
At 31 December 2018				
Trade receivables	944	1,665	2,348	747
Other current assets	29	-	166	10
Trade payables	(106)	(26)	(144)	(13)
Accrued liabilities	(780)	(76)	(1,891)	(38)
Net exposure	**87**	**1,563**	**479)**	**706**

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

In thousands of euros	Euros	US dollars	Pounds sterling	Japanese yen
At 31 December 2019				
Trade receivables	698	432	45	2,526
Other liabilities	(2,000)	-	(2,416)	-
Net exposure	**(1,302)**	**432**	**(2,371)**	**2,526**
At 31 December 2018				
Trade receivables	309	835	41	14
Other liabilities	-	-	(3,206)	-
Net exposure	**309**	**835**	**(3,165)**	**14**

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	
	2019	**2018**	**2019**	**2018**
US dollar	0.8933	0.8485	0.8907	0.8740
Pound sterling	1.1404	1.1320	1.1817	1.1129
Japanese yen	0.0082	0.0077	0.0082	0.0079

If sales and results for the year had been converted using the exchange rates prevailing in the prior year, the Group's 2019 sales would have been lower by approximately €1.19 million and the operating profit for the year would have reduced by approximately €0.83 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 and payment in advance for some customers. Credit risk also arises from cash deposits with banks. At the year-end the Group's cash deposits were held with major clearing banks in the UK (HSBC Bank plc), USA (Bank of America), Japan (Sumitomo Mitsui Banking Corporation) and Germany (Hamburger Sparkasse AG). The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. These are summarised within note 22 (Trade and other receivables) and note 24 (Cash and cash equivalents). The Group's management considers that all the above financial assets that are not impaired at the balance sheet date under review are of good credit quality, including those that are past due.

The exposure to credit risk for trade receivables by type of counterparty was as follows:

In thousands of euros	2019	2018
Equipment manufacturers	2,743	2,534
Resellers and end users	1,032	3,170
Total trade receivables	**3,775**	**5,704**

At 31 December 2019, the ten largest customers represented 45.7% (2018: 68.3%) of the Group's trade receivables and the single largest customer represented 12.3% (2018: 29.2%) of the Group's trade receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The board reviews an annual 12-month financial projection and the CFO and CEO review cash balances and cash flow forecasts 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 and cash and cash equivalents are thought to be at acceptable levels. While the board considers there to be no current need for additional borrowing facilities, it continually monitors the Group's cash requirements.

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

In thousands of euros	**Within 1 year**	**Between 1 and 10 years**	**Total**
At 31 December 2019			
Trade payables	581	-	581
Accrued liabilities	1,753	292	2,045
Other non-current liabilities	2,526	1,890	4,416
Total	**4,860**	**2,182**	**7,042**
At 31 December 2018			
Trade payables	289	-	289
Accrued liabilities	2,785	-	2,785
Other non-current liabilities	905	2,301	3,206
Total	**3,979**	**2,301**	**6,280**

Interest rate risk
The Group has no variable interest rate 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.

There were no changes in the Group's approach to capital risk management during the year ended 31 December 2019.

In thousands of euros	**2019**	**2018**
Capital		
Total equity	23,460	21,940
Less cash and cash equivalents	4,995	5,650
	18,465	**16,290**
Overall financing		
Total equity	23,460	21,940
Plus borrowings	2,000	-
	25,460	**21,940**
Capital to overall financing ratio	**1:1.38**	**1:1.35**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. RELATED PARTIES

The controlling party is Congra Software Sarl ("Congra"), which owns 50.09% of the voting rights of the Company.

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 15 to 20.

Key personnel

During the year, Johan Volckaerts resigned from the Board and Clare Findlay was appointed as a non-executive director and is entitled to board fees of £13,200 per annum. Gary Fry resigned from the Group and the Board with effect from 24 January 2020 and Michael Rottenborn was appointed as CEO with effect from 1 January 2020. The Board also agreed to increase the Chairman's remuneration to €72,000 per annum (see Directors' remuneration report).

All other directors continue to receive board fees of €5,000 each per annum. Michael Rottenborn 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

Following the appointment of Guido Van der Schueren as Chairman on 16 May 2014, a related party relationship has been established with Congra, one of the Group's customers and suppliers. Congra 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 Congra's technology for use in solutions to Group customers.

During the year the Group spent €171,009 (2018: €107,972) with Congra and recognised €243,906 (2018: €139,703) in revenue from them.

Additionally, an unsecured loan of €2.5 million was granted to the Group by Congra to enable the acquisition of Xitron, LLC (see note 34). Interest is payable on the loan at the rate of 6% per annum and €28,356 was expensed during the year. A repayment of €0.5 million was made during the year and the balance of the loan plus interest is expected to be repaid during the year ending 31 December 2020.

At the date of these financial statements €2.02 million was owed by the Group to Congra (2018: €0.04 million was owed by Congra to the Group).

33. GROUP ENTITIES

Company name	Registered office address	Country of incorporation	Ownership interest % 2019	Ownership interest % 2018
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%
Xitron, LLC	4750 Venture Drive, Suite 200A, Ann Arbor, Michigan 48108, USA	United States of America	100%	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. ACQUISITION OF SUBSIDIARY

Acquisition of Xitron LLC

On 7 November 2019, the Group acquired the entire membership interest of Xitron, LLC (“Xitron”), with effect from 1 November 2019.

Xitron develops workflow systems and interfaces to drive the prepress industry’s most popular output devices. One of Global Graphics Software’s longest standing partners, it has been building solutions around the Harlequin RIP® since 1991 to drive hundreds of different models of imagesetters, proofers, platesetters, inkjet printers, and digital presses.

This acquisition is strategically important for Global Graphics because Xitron is the lead player in pre-press RIPs with some 35,000 Harlequin RIP-based installations around the world and an impressive network of dealers and distributors. The acquisition allows the Group to further develop its digital print strategy with a more complete offering for industrial inkjet, such as textiles and décor, and with a broader range of pre-press components for digital applications.

The Group is emerging as an important partner to the industry’s leading manufacturers and Xitron adds to this capability, making a very compelling proposition in the market.

In the period from 1 November 2019 to 31 December 2019, Xitron contributed revenue of €0.71 million and profit before tax and amortisation of €0.11 million to the Group's results. If the acquisition had occurred on 1 January 2019, management estimates that consolidated revenue during the reporting period would have been €25.35 million and consolidated net profit for the reporting period would have been €0.03 million, after charging amortisation of purchased intangibles of €0.82 million. Management have assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2019.

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

In thousands of euros	
Cash on completion	4,031
Satisfaction of a pre-existing relationship	246
Total consideration	**4,277**

The satisfaction of a pre-existing relationship was the write-off of an amount payable to the Group by Xitron.

The identifiable assets acquired and liabilities assumed were:

In thousands of euros	**Book value**	**Fair value adjustment**	**Total**
Property, plant and equipment (see note 14)	34	-	34
Righty-of-use assets (see note 15)	-	150	150
Intangible assets (see note 16)	-	2,879	2,879
Inventories	255	-	255
Trade and other receivables	558	-	558
Prepayments	50	-	50
Cash and cash equivalents	90	-	90
Deferred tax liabilities	-	(777)	(777)
Trade and other payables	(301)	-	(301)
Accrued liabilities	(124)	-	(124)
Lease liabilities (see note 26)	-	(150)	(150)
Contract liabilities	(160)	-	(160)
Total identifiable net assets acquired	**402**	**2,102**	**2,504**

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

The intangible assets recognised have been valued as follows:

Intangible asset	**Valuation method**
Technology	The present value of cashflows from operating activities in relation to owned technology over a 5 year period, using an historical profit % level and an assumption that revenue will grow year-on-year during the valuation period.
Customer relationships	The present value of cashflows from operating activities in relation to third party products over a 5 year period, using an historical profit % level and an assumption that revenue will grow year-on-year during the valuation period.
Know-how	The one-year salary cost of certain key staff members.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. ACQUISITION OF SUBSIDIARY (CONTINUED)

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

In thousands of euros	
Total consideration payable	4,277
Fair value of identifiable net assets	(2,504)
Total Goodwill (note 17)	**1,773**

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

The Group incurred the following acquisition-related costs in respect of this acquisition, which have been included in 'Other operating expenses' in the consolidated statement of comprehensive income:

In thousands of euros	
Legal and professional fees	99
Total acquisition-related costs	**99**

The accounts receivable write-off relates to the cancellation of a pre-existing condition for a licence agreement.

35. SUBSEQUENT EVENTS

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2019.

COMPANY BALANCE SHEET

In thousands of euros	Note	For the year ended 31 December 2019	2018
FIXED ASSETS			
Investments	4	**25,583**	**25,583**
Total fixed assets		**25,583**	**25,583**
CURRENT ASSETS			
Other current assets	5	**10**	**7**
Cash and cash equivalents		**4**	**234**
Total current assets		**14**	**241**
Creditors: Amounts falling due within one year	6	**(10,280)**	**(11,601)**
		(10,280)	**(11,601)**
Net current liabilities		**(10,266)**	**(11,360)**
Creditors due in more than one year	7	**(4,368)**	**(3,117)**
Net assets		**10,949**	**11,106**
CAPITAL AND RESERVES			
Called up share capital	9	**4,734**	**4,734**
Share premium account	9	**1,979**	**1,979**
Share-based payments reserve		**174**	**174**
Treasury shares	9	**(309)**	**(631)**
Profit and loss account		**4,371**	**4,850**
Total shareholders' funds		**10,949**	**11,106**

The notes on pages 61 to 64 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 result for the year ended 31 December 2019 was a loss of €156,603 (2018: €1,190,881 profit).

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 10 March 2020 and were signed on its behalf by:

Michael Rottenborn
Director
Company registered number: 10872426

COMPANY STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Note	Called up share capital	Share premium account	Share-based payments reserve	Treasury shares	Profit and loss account	Total equity
Balance at 1 January 2018		**4,734**	**1,979**	**174**	**(792)**	**3,633**	**9,728**
Total comprehensive income for the year							
Net profit for the year		-	-	-	-	1,191	1,191
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**1,191**	**1,191**
Transactions with owners							
Share-based payment transactions		-	-	-	161	26	187
Total transactions with owners		**-**	**-**	**-**	**161**	**26**	**187**
Balance at 31 December 2018		**4,734**	**1,979**	**174**	**(631)**	**4,850**	**11,106**
Total comprehensive loss for the year							
Net loss for the year		-	-	-	-	(157)	(157)
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**(157)**	**(157)**
Transactions with owners							
Share-based payment transactions	9	-	-	-	322	(322)	-
Total transactions with owners		**-**	**-**	**-**	**322**	**(322)**	**-**
Balance at 31 December 2019		**4,734**	**1,979**	**174**	**(309)**	**4,371**	**10,949**

The notes on pages 61 to 64 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 (2018/19 Cycle) issued in July 2019 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 capitals;
- 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 2020 and 2021, 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 Group has consolidated cash valued at €5.00 million as at 31 December 2019 (2018: €5.65 million).

2. EMPLOYEES AND REMUNERATION OF DIRECTORS

The Company employed an average of nil employees (including executive directors) during the year (2018: nil). Directors' emoluments are disclosed in the directors' remuneration report on pages 15 to 20 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. INVESTMENTS

In thousands of euros	Shares in subsidiary undertakings
Cost	
At 1 January 2019 and 31 December 2019	**83,341**
Provision	
At 1 January 2019 and 31 December 2019	**57,758**
Net book value	
At 31 December 2018	25,583
At 31 December 2019	**25,583**

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

The estimated fair value of the investments has been determined by the present value of future cash flows over a 7 year period from 2020 to 2026 using the same discount rate and exchange rates that were used for the impairment review of Goodwill in the consolidated financial statements (see note 17 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

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 2019	Ownership interest 2018
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%
Xitron, LLC *	4750 Venture Drive, Suite 200A, Ann Arbor, Michigan 48108, USA	Computer software development, sales, technical support and marketing.	n/a	100%	0%

* indirectly held by the Company.

5. OTHER CURRENT ASSETS

In thousands of euros	2019	2018
VAT receivable	10	7
Total other current assets	**10**	**7**

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

In thousands of euros	2019	2018
Trade and other payables	62	-
Amounts owed to group undertakings	10,188	11,499
Accruals	30	102
Total creditors due within one year	**10,280**	**11,601**

7. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	2019	2018
Contingent consideration	2,368	3,117
Shareholder loan	2,000	-
Total other liabilities	**4,368**	**3,117**

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 2019. Based on the revised forecasts, the review concluded that there was an increase in the present value of those payments, thus increasing the liability on the balance sheet, of €0.01 million (2018: reduction of €0.02 million).

During the year, cash payments of €0.93 million (2018: €nil) 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

7. OTHER LIABILITIES (CONTINUED)

An unsecured loan of €2.5 million was granted to the Group by Congra Software Sarl to enable the acquisition of Xitron, LLC (see note 34 to the consolidated financial statements). Interest is payable on the loan at the rate of 6% per annum and €28,356 was expensed during the year. A repayment of €0.5 million was made during the year and the balance of the loan plus interest is expected to be repaid during the year ending 31 December 2020.

8. 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 2019 (2018: €nil).

9. SHARE CAPITAL

Ordinary shares allotted, called up and fully paid:

In thousands of euros, except number of shares	**Number**	**Value**
At 1 January 2019 and 31 December 2019	11,835,707	4,734

Share premium:

In thousands of euros	**2019**
As at 1 January and 31 December	**1,979**

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

	2019		**2018**	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At 1 January	222,473	631	267,091	792
Disbursement of shares to employees	(109,477)	(322)	(44,618)	(161)
As at 31 December	**112,996**	**309**	**222,473**	**631**

10. SHARE BASED PAYMENTS

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

11. RELATED PARTY TRANSACTIONS

The controlling party is Congra Software Sarl ("Congra"), which owns 50.09% of the voting rights of the Company.

The remuneration paid to the directors is detailed in the directors' remuneration report on pages 15 to 20. Other related party relationships are detailed in note 32 to the consolidated financial statements.

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

12. SUBSEQUENT EVENTS

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2019.