ANNUAL REPORT

GLOBAL GRAPHICS PLC

2020

Annual report and financial statements for the year ending 31st December 2020

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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 our operating subsidiaries, Global Graphics is a leading developer of integrated hardware and software platforms for digital printing and industrial inkjet. Our principal customers are Original Equipment Manufacturers ("OEMs").

We are at the forefront of technology developments used for printing and manufacturing an increasingly diverse range of goods, from food labelling and packaging, to textiles, floor tiles, and wall coverings, and even additive manufacturing and 3-D printing applications. Our strategic focus is to provide technology to offer OEMs more integrated solutions for their production digital presses, to increase market share in the fast-growing inkjet market, to provide efficient and innovative enterprise software tools for packaging production, and to expand the geographical reach of our solutions.

Global Graphics PLC is headquartered near Cambridge, UK. Our operating subsidiaries are:

- Global Graphics Software: developers of software for digital printing, used by press manufacturers (OEMs);
- HYBRID Software: developers of editing and workflow automation software for labels and packaging, used by brand service companies and packaging printers & converters (acquired in January 2021, refer to note 34 to the consolidated financial statements);
- Meteor Inkjet: specialists in industrial printhead driver solutions, used by inkjet press manufacturers (OEMs); and
- Xitron: the largest distribution channel for Global Graphics Software's Harlequin® RIP and developer of production digital front ends ("DFEs") and workflow solutions.

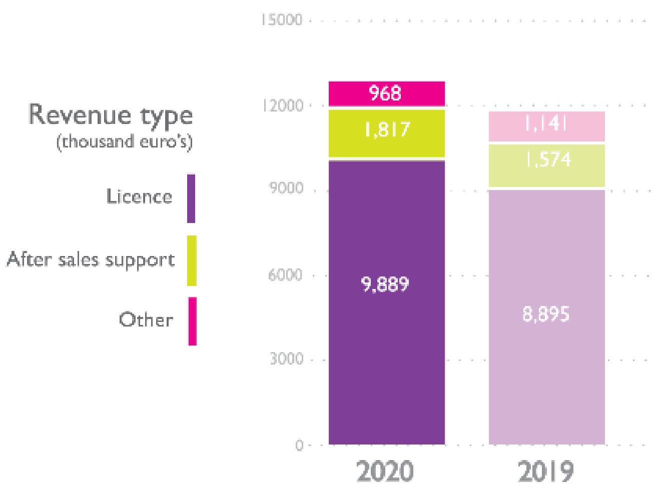
URW Type Foundry GmbH was divested during 2020 (refer to note 33 to the consolidated financial statements).

Segments

Software

Before graphic designs can be printed or displayed they must be broken down into vector data (mathematical drawing algorithms), raster data (image pixels) and/or screened data (calibrated areas of ink or pigment representing image data). Global Graphics is one of the world's foremost software developers with this expertise.

We develop software components and workflow solutions for high-speed digital printing for a variety of applications, such as photo books, labels, packaging, interior décor, textiles 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, meeting their performance requirements, adding value to their products, and getting them to market quickly.



Customers
Customers include Hewlett Packard, Mimaki, Mutoh, Canon, Durst, Roland, Agfa, Kodak, Kirk-Rudy, Postmark, Ryobi, Mitsubishi, Memjet, Presstek, Printware and Neopost.

Licensing
Solutions are typically licensed under technology agreements and reseller agreements. We are noted for our flexible approach to licensing technology and pride ourselves 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
The product range includes:

- Harlequin Host Renderer ("HHR"): A raster image processor ("RIP"). A RIP is software that converts text and image data from many file formats including PDF, TIFF™ or JPEG, into a format that a printing device such as an inkjet printhead, toner marking engine or laser plate-setter can understand. It produces unbeatable quality at very high speed, which means that with HHR at the heart of driving printing devices, they can be kept running at rated speed, even on the most complex jobs, without incurring high costs for computing hardware.
- ScreenPro™: Software that converts continuous tone image data into ready-to-print halftone (dots of varying size and spacing) in real-time with no compromise on quality.

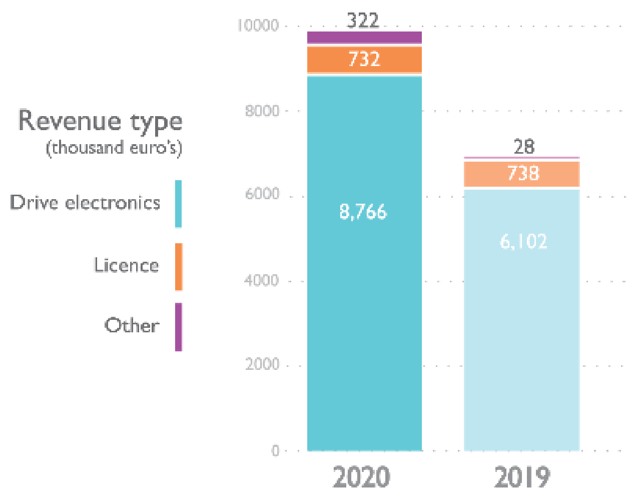
About Global Graphics (continued)

- Mako™ SDK: Software that creates, RIPs, converts, analyses and optimises many different page description languages, allowing print software developers full control over colour, fonts, text, images, vector content and metadata with precision and performance.
- Direct: Software that drives print data directly to the printer electronics instead of buffering them on mass storage devices, allowing the development of faster, wider and higher resolution printing devices.
- Fundamentals™: A bundle of PDF creation and workflow software for labels and packaging.
- Navigator Harlequin RIP and Workflow: Software that provides prepress environments with fast, predictable, and reliable interpretation of PostScript, PDF, and EPS format files.
- Navigator DFE: Software that helps prepare jobs, manage colour and the workflow to drive electronics.
- 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.

Industry standards
Global Graphics 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' Distinguished Technologist, Martin Bailey, 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 Association's PDF Technical Working Group, the international organisation promoting awareness and adoption of standards using PDF.

Printhead Solutions

Under the brand of Meteor Inkjet, we develop and supply driver electronics, software, tools and services for industrial inkjet systems. The industrial inkjet market includes ceramic tiles, packaging, functional & 3-D printing, product decoration and textiles. Our 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 our route to identifying inkjet printer development projects around the world. Consequently, we work closely with all leading printhead vendors, including Xaar, FUJIFILM Dimatix, Kyocera, Konica Minolta, Toshiba TEC, SII, Ricoh, Epson, and Xerox. We develop hardware and software drivers for new printhead models and partner with printhead manufacturers and OEMs to accelerate their route to production.

Our solutions are modular, scalable, and production-ready. They are supported by a world-class technical team, based near Cambridge, UK as well as in key markets including China and North America.

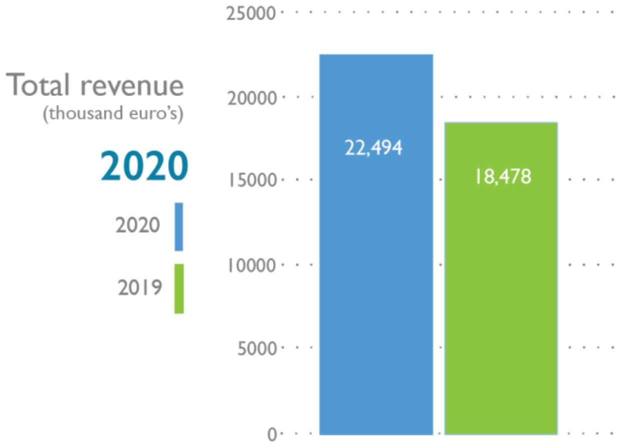
Customers
Our solutions reduce development risk and time to market for manufacturers building new industrial inkjet presses. Among our customers in this segment are Mark Andy, a leading label equipment manufacturer in the US; Hymmen, a leading printed laminate equipment manufacturer in Germany; and China's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

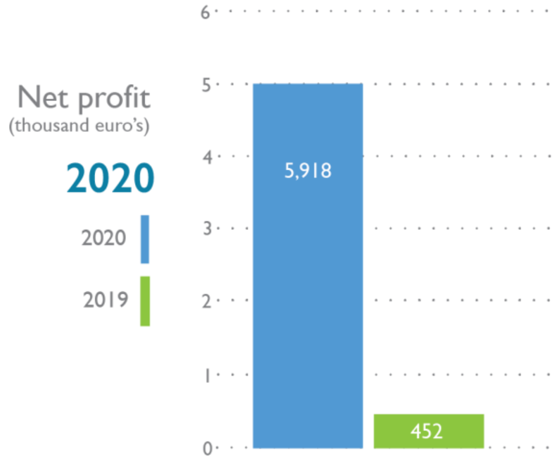
Products
We support the printheads demanded by OEMs and print system integrators worldwide. We collaborate closely with printhead manufacturers to produce the best quality product to optimize the performance of the printhead for our customers. The software interface is common across all supported printheads, but the functionality can be tailored for each customer. Our products comprise:

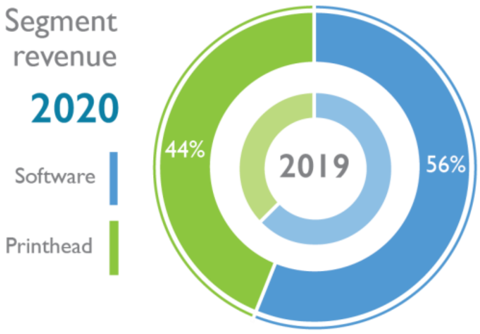
- Electronics: Powerful, flexible and scalable electronics to drive industrial printheads;
- Software: OEMs can license an application-tuned Meteor Digital Front End or develop bespoke software using a Meteor Software Development Kit. Optional integrated Harlequin RIP and ScreenPro Advanced Inkjet Screens are available, along with NozzleFix™ and NozzleMask™ to compensate for missing nozzles that cause artifacts in printed output; and
- Tools and services: DropWatcher™ for analysing and tuning ink drops in flight, with associated waveform services for ink characterisation and waveform optimisation.

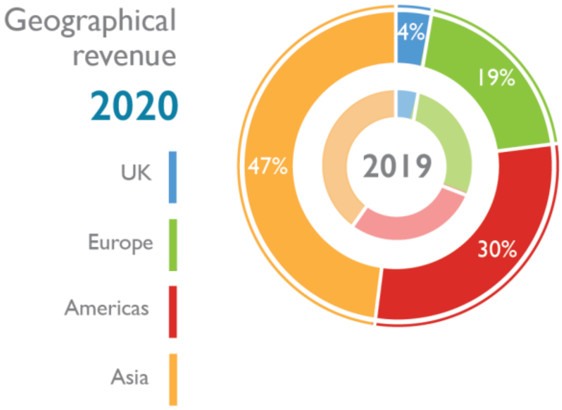
About Global Graphics (continued)

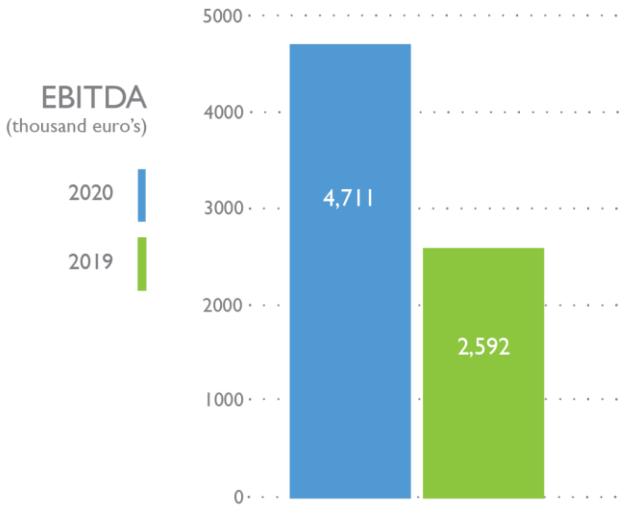
Group highlights (continuing operations)











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

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

BOARD COMMITTEES

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

RELATIONS WITH SHAREHOLDERS

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

INTERNAL FINANCIAL CONTROL

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

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

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

All significant projects require specific board approval.

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

GOING CONCERN

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements and 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 €6.86 million as at 31 December 2020 (2019: €5.00 million). Those forecasts take into account reasonably possible downsides, including the potential impact of the COVID-19 pandemic. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Refer to note 2 to the consolidated financial statements for further details.

GROUP STRATEGIC REPORT

STRATEGY AND BUSINESS MODEL

Through our operating subsidiaries, Global Graphics PLC is a leading developer of integrated hardware and software solutions for graphics and industrial inkjet printing. Customers include digital press manufacturers such as HP, Canon, Durst, Mark Andy, Roland, Hymmen, and Memjet.

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 3D printing and additive manufacturing. Our combination of software and exceptional engineering skills lets us help press manufacturers 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, while building long-term relationships with key market leaders.

Our traditional 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. Meteor's printhead driver solutions can drive all leading inkjet heads and are sold direct to the manufacturers of the printing device. Xitron's RIPs and digital front end 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.

The acquisition of HYBRID Software in January 2021 has broadened this business model in several ways:

- Much larger base of end-user customers, especially in the growing label and packaging segment;
- Entry into the enterprise software space with powerful workflow automation integrated with manufacturing systems;
- Captive margins for group products like Harlequin which are integrated into end-user products;
- New revenue models for end users and OEMs including subscriptions, SaaS, and software rental; and
- Development experience in turnkey products to augment our OEM technology development.

It is important to note that these changes are purely additive to our existing OEM business model. The acquisition of HYBRID Software brings additional capabilities to the Group, without any adverse effects on the products, channels, or markets which are already served by Global Graphics Software, Meteor Inkjet, and Xitron.

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

CEO'S REVIEW

After my first year as CEO of Global Graphics PLC, it's a privilege to reflect on the activities of 2020 and to highlight our prospects for 2021 and beyond. What a year it's been for Global Graphics: integrating the newly-acquired Xitron business to become a key part of the group; transitioning to virtual work teams as the COVID-19 pandemic changed everything at the end of the first quarter of 2020; working with our OEM customers to weather the storm together; closing the sale of URW to Monotype in May; and concluding the year by announcing an agreement to purchase HYBRID Software from its parent company, Congra Software, ending the Congra takeover bid that began more than two years ago.

Much has been written about the COVID-19 pandemic and its impact on the world, and of course this has been extremely challenging for Global Graphics as well as our OEM customers. But we were able to deliver a strong performance in 2020, with revenue growth in both our Software and Printhead solutions segments.

Four key events helped Global Graphics power through the economic impact of the pandemic:

- Global Graphics Software began the year with a significant Harlequin sale to an OEM in Japan;
- Meteor Inkjet had their highest revenue year ever, largely due to strong business in the Chinese ceramic tile market;
- The sale of URW to Monotype was truly win-win, providing a great framework for URW's future growth as well as a profitable exit for Global Graphics, with the majority of the purchase price paid in 2020 and smaller payments coming for the next two years; and
- All of the employees of Global Graphics, as well as the group management and directors, participated in a significant reduction in working hours and salary for much of Q2 and Q3, while still launching new products on schedule and providing uninterrupted support to our customers. I cannot overemphasize the impact of their contributions to help Global Graphics emerge from the pandemic with a strong foundation for future growth.

The pandemic also accelerated the migration of labels and packaging production from traditional analog printing methods to digital printing. Even though digital printing is generally more costly than analog printing, the ability to produce packaging with shorter lead times and fewer human touchpoints has been critical during the pandemic. Although most of our OEM customers saw a reduction in business in 2020, some by 30% or more, the labels and packaging segment grew both in terms of run length and SKU count and is rapidly transitioning to automated production and digital printing, so the acquisition of HYBRID Software in January 2021 provides an opportunity for Global Graphics to increase our market share in this segment. They roughly double the

GROUP STRATEGIC REPORT (CONTINUED)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

size of Global Graphics, both in terms of headcount and sales revenue, and they bring innovative enterprise software technology and a business model based much more heavily on recurring revenue than the existing Global Graphics businesses.

HYBRID Software sells primarily to end users in major markets worldwide. These end users include brand service companies like the SGK Division of Matthews International which create print-ready files and analog printing plates and cylinders for packaging, as well as the packaging printers and converters who print packaging materials. HYBRID Software also has several key OEM customers in the label and packaging segment, including the XSYS (formerly Xeikon) division of Flint Group.

The PACKZ PDF editor is HYBRID Software's best-selling product, with more than 3,000 copies sold worldwide. It provides experienced operators with a full set of tools to make any packaging design ready for printing. HYBRID's CLOUDFLOW workflow system includes tools to automate many of these production tasks, as well as an integrated Harlequin RIP from Global Graphics Software for very high quality output. CLOUDFLOW can run in public or private clouds or on local hardware, and can interface with web-to-print portals, Management Information Systems, and Enterprise Resource Planning software to provide enterprise-level automation of packaging production. Options for Variable Data Printing as well as 3-D proofing and approval are available for both PACKZ and CLOUDFLOW. HYBRID Software's products are based on industry standard interfaces and allow modern formats like PDF to be used for high quality packaging production.

The acquisition of HYBRID Software brings an increased focus on labels and packaging and an end-user sales channel to Global Graphics, but our OEM strategy remains unchanged: to target the fast-growing market for inkjet solutions; 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. We are confident that the acquisition of HYBRID Software will allow Global Graphics to enter new segments that will increase our market share and profitability without any detrimental impact to our existing lines of business.

THE QUEEN'S AWARDS FOR ENTERPRISE: INNOVATION 2020

Continuing to highlight the innovation in the Group, Global Graphics Software was a proud recipient of a Queen's Award for Enterprise. The Company was recognised for its excellence in innovation and was one of 220 UK organisations to receive a prestigious Queen's Award for Enterprise during 2020.

Global Graphics Software's award recognises the development of ScreenPro™, screening software that corrects quality defects that occur due to the physics of jetting ink onto substrate. ScreenPro is effective in single pass and multi-pass inkjet printing using any electronics or printheads and can be applied to any workflow. It is now in use in diverse applications including wall coverings, textiles, ceramics, packaging, flooring and labels.

At this time last year we were busy preparing for drupa, the industry's largest trade show, with no idea how quickly the pandemic would force this event and so many others to be cancelled. But we found new ways to continue our mission and support our customers, and we finished 2020 on a strong footing for recovery and accelerated growth in 2021. Global Graphics will participate in the *virtual.drupa* and other online events, and we look forward to safely returning to live trade shows and customer meetings later this year. We are also committed to increasing our investor relations activity in 2021, with a higher frequency of investor communications and roadshows. Although the pandemic is not yet over and 2021 will be a challenging year for many companies, I am very excited about the prospects for Global Graphics in 2021 and for many years to come.

CFO'S REVIEW

FINANCIAL HIGHLIGHTS

For continuing operations:

- Revenue for the year was €22.49 million (2019: €18.48 million)
- Gross profit for the year was €17.25 million (2019: €15.03 million)
- Pre-tax profit for the year was €1.69 million (2019: €0.52 million loss)
- EBITDA for the year was €4.71 million (2019: €2.59 million)
- Cash at 31 December 2020 was €6.86 million (2019: €5.00 million)

In May 2020, the Group sold its entire Fonts segment following a strategic decision to focus on the industrial printing market and focus on the Group's core competencies of printing software and device electronics. As a result, URW Type Foundry GmbH ("URW") is no longer part of the Group.

The following financial information relates to continuing operations. Comparative information has been re-presented due to the discontinued operation of URW (see note 33 to the consolidated financial statements).

Revenue

Revenue from continuing operations for the year was €22.49 million compared with €18.48 million in 2019, an increase of €4.01 million (21.7%). Licence fees accounted for 47.2% (2019: 52.1%) of revenue, driver electronics accounted for 39.0% (2019: 33.0%), maintenance and support accounted for 8.2% (2019: 8.7%), engineering services accounted for 2.9% (2019: 3.4%), hardware and consumables accounted for 2.2% (2019: 2.5%) and other items accounted for 0.5% (2019: 0.3%).

GROUP STRATEGIC REPORT (CONTINUED)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

Customer concentration and the dependence on a limited number of customers worsened this year. In 2020, the ten largest customers represented 52.5% (2019: 44.1%) of the Group's revenue, the five largest customers represented 45.4% (2019: 36.2%) of the Group's revenue and the single largest customer represented 22.4% (2019: 14.7%) of the Group's revenue. There were 2 customers (2019: 3) during the year that each represented 10% or more of total revenue. Revenue from those customers totalled €7.39 million, one in the Software segment and one in the Printhead Solutions segment (2019: 3 customers totalling €6.89 million, two in the Software segment and one 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 44.6% (2019: 40.9%) were in pounds sterling, 38.4% (2019: 37.9%) were denominated in US dollars, 14.2% (2019: 15.2%) were in Japanese yen and 2.8% (2019: 6.0%) were in euros.

Software segment
Revenue for the Software segment included a full year of sales by Xitron and totalled €12.67 million for the year (2019: €11.61 million). The segment benefited from a contract amendment with an existing customer that resulted in €2.30 million of revenue being recognised, which is not expected to be recurring. In 2019 a different customer exercised an option in their contract which resulted in €2.0 million of revenue being recognised in that year.

Printhead Solutions segment
Revenue for the Printhead Solutions segment was €9.82 million for the year (2019: €6.87 million). The top three customers that declined significantly in 2019 recovered during the year and accounted for €2.75 million of the €2.95 million increase in revenue, with the largest customer accounting for €2.33 million of the increase.

Pre-tax result
The consolidated pre-tax result for continuing operations was a profit of €1.69 million compared with a loss of €0.52 million in 2019. The increase in profitability of €2.21 million is due to:

- an increase in revenue of €4.02 million;
- an increase in cost of sales of €1.80 million;
- an increase in selling, general and administrative expenses of €0.88 million;
- a decrease in research and development expenses of €0.22 million;
- an increase in other operating expenses of €0.04 million;
- an increase in net finance expenses of €0.02 million; and
- an increase in foreign exchange gains of €0.71 million.

Gross profit for the period declined to 76.7% of revenue (2019: 81.3%), primarily due to the higher proportion of driver electronics revenue which generates a lower profit margin than software sales.

Included in selling, general and administrative expenses is amortisation of €1.48 million (2019: €0.77 million) related to intangible assets recognised as a result of acquisitions for continuing operations. The increase in the year is due to a full year of amortisation of the intangible assets acquired with the Xitron acquisition. Due to the reduction in share-based awards over the previous years, the share-based payment expense reduced significantly from €152,262 in 2019 to €2,595 in 2020.

Included in research and development expenses ("R&D") is the capitalisation and amortisation of internally generated intangible assets. During the period there was a net capitalisation of €0.72 million (2019: €0.13 million net amortisation expense) related to these assets helping to reduce the R&D expense for the year. The net capitalisation (2019: expense) was comprised of €0.65 million (2019: €1.44 million) in amortisation charge offset by €1.37 million (2019: €1.31 million) in capitalisation of development expenses.

An analysis of all the items included in other operating expenses is included in note 8 to the consolidated financial statements.

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

Cashflow
Cash flow remained positive for the year with a net cash inflow of €2.10 million. Cash flow from operating activities was positive at €1.48 million (2019: €4.31 million) and net cash received from the disposal of the Fonts segment was €4.81 million. The Group repaid the shareholder loan in full (€2.0 million), leaving the Group free of any interest-bearing debt.

GROUP STRATEGIC REPORT (CONTINUED)

BUSINESS REVIEW AND FUTURE DEVELOPMENTS (CONTINUED)

Alternative performance measures

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

Revenue
To eliminate the impact of currency movements when comparing the current year to the comparative, the current year is restated at the comparative's actual exchange rates.

At constant exchange rates ("CER") (2020 restated at 2019 exchange rates):

In thousands of euros	Reported 2020	CER 2020	Reported 2019
Revenue from continuing operations	**22,494**	**22,814**	18,478

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 performance measures 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.

IFRS reported operating profit or loss from continuing operations is adjusted as follows:

In thousands of euros	2020	2019
IFRS reported operating profit/(loss) from continuing operations	1,387	(131)
Add share-based remuneration expense (see note 29)	3	153
Deduct capitalised development expense (see note 15)	(1,371)	(1,306)
Add amortisation of capitalised development	652	1,439
Add amortisation of acquired intangibles	1,478	768
Add other operating expenses (see note 8)	209	168
Deduct other income	(3)	(1)
Total adjustments to reported operating profit/(loss) from continuing operations	968	1,221
Adjusted operating profit from continuing operations	**2,355**	**1,090**

IFRS reported net profit or loss from continuing operations is adjusted as follows:

In thousands of euros	2020	2019
IFRS reported net profit/(loss) from continuing operations	1,751	(371)
Adjustments to operating result above	968	1,221
Tax effect of above-mentioned adjustments	(197)	(179)
Total adjustments to reported net profit/(loss) from continuing operations	771	1,042
Adjusted net profit from continuing operations	**2,522**	**671**
Adjusted net basic earnings per share for continuing operations	**€0.22**	€0.06
Adjusted net diluted earnings per share for continuing operations	**€0.22**	€0.06

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 from continuing operations.

EBITDA from continuing operations was €4.71 million (2019: €2.59 million) and is reconciled to IFRS reported net profit from continuing operations as follows:

In thousands of euros	2020	2019
IFRS reported net profit/(loss) from continuing operations	1,751	(371)
Interest expense	146	122
Tax benefit	(58)	(144)
Depreciation *	728	764
Amortisation *	2,144	2,221
EBITDA from continuing operations	**4,711**	**2,592**

* amounts removed in respect of discontinued operation, thus will not agree with the respective note to the consolidated financial statements

GROUP STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

The Group does not have a dedicated risk management or internal audit function, consequently the risk management review is carried out by the executive management team.

The risks and uncertainties described below are not set out in order of priority.

The COVID-19 pandemic

Since December 2019 and as of the date of this annual report, there is an ongoing pandemic of the 2019 novel coronavirus (COVID-19) which has affected countries globally.

Most of the below risks related to the Group's business activities and industry and the likelihood of their materialization are impacted by the COVID-19 pandemic. Its impact on the longer term depends on a broad range of factors including the duration and scope of the pandemic, the geographies impacted, its impact on economic activity and the nature and severity of measures adopted by governments to restrict the further spread of the virus, including restrictions on business operations and travelling, restrictions on large gatherings and orders to self-isolate.

The COVID-19 pandemic may have a significant negative impact in the medium and long term on the business of the Group. The severity of government-imposed lockdowns and their duration in different countries will have an impact on the demand for products in those countries. This may strengthen the below described risks.

In addition, disruptions because of the impact of COVID-19 on manufacturing, supply and distribution arrangements, including those of third parties as a result of forced shutdowns, or reduced supply capacity, may adversely impact the Group's operations. Such disruptions, shutdowns and any delay in the fulfilment of orders could delay or reduce revenue to the Group.

The Group is a software and hardware supplier to other manufacturers and depends on the demand from those manufacturers for its products and services to generate revenue. Any resulting reduction in demand from those manufactures will adversely affect the Group's revenue and profitability. In the medium to long-term, the Group would be able to restructure its cost base to mitigate an ongoing drop in demand.

However, to date the outbreak has not had a material adverse impact on operations, but the future impact of the outbreak is highly uncertain and cannot be predicted with any degree of certainty.

Refer to note 2 to the consolidated financial statements for further details about going concern.

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 or acquiring new 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, customers, prospective customers 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 European Union or the United States, will be effective.

GROUP STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 has robust cyber security protections in place for its own networks which are constantly reviewed and updated as necessary.

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

Costs of enforcing, acquiring and defending intellectual property rights

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

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

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

Customer concentration

The Group is dependent on a relatively small number of large customers for a significant portion of its revenue. For the year ended 31 December 2020, the Group's ten largest customers represented 52.5% of the Group's revenue, with the single largest customer representing 22.4% of the Group's revenue. If one or more of these customers choose to source the products or services supplied by the Group from an alternative vendor the effect on revenue, and therefore profitability, could be material.

Electronic component supplies

Through the Printhead solutions segment, 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, electronic engineering 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

On 1 January 2021, revised arrangements governing the UK's trading relationship with the European Union ("EU") took effect. At such time, the terms of the Treaty on the European Union and the Treaty on the Functioning of the European Union ceased to govern the UK's relationship with the EU and its member states. The UK and the EU have however agreed a new trade deal to govern the ongoing trading relationship between the UK and the EU member states. Whilst this trade deal provides a degree of certainty (not least because it avoids the implications of what was historically described as a "no-deal" scenario) it is still not possible to determine the actual approach which the UK and the EU will take to their new relationship and/or to predict the impact that any related matters may have on general economic conditions in the UK or the EU. Regardless of the form of the current trading agreement between the UK and the EU, there are likely to be changes in the legal rights and obligations of participants in the Company's industry sector going forward and relevant UK regulatory requirements once outside the EU could be subject to significant change.

This uncertainty and these changes could have an adverse impact on the ability of the Group to transact its business across the EU due to disruption to the Group's supply chain where it involves trade between the UK and EU member states. These risks

GROUP STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

could result in the Group having to make adjustments to some of its supply and distribution channels in order to continue to serve its customers and may negatively affect the level of demand for the Group's products and services. The Group will continue to adjust if the nature of the arrangements that exist between the EU and UK require operational changes. There can be no assurance that such changes will be effective and the Group's business, financial condition and results of operations and prospects may be adversely impacted as a result of these developments.

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

Significant financial risk factors

The Group's activities expose it to a variety of financial risks, notably foreign exchange risk and credit risk.

Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The primary currencies used in the Group's operating companies are US dollars and pounds sterling, generally resulting in a surplus of US dollars and a shortfall in pounds sterling (refer to note 30 for further information). Foreign exchange risk arises from future commercial transactions, recognised assets (notably trade receivables) and liabilities, as well as net investments in foreign operations.

Due to the diversity of the Group's operating currencies any exposure is usually self-hedged within the Group, however, when necessary, forward currency contracts are transacted with high-credit-quality financial institutions after review and approval by the Group's Chief Financial Officer. As of 31 December 2020, the Group had no open forward contracts (2019: none).

Credit risk
Financial instruments that potentially subject the Group to credit risk consist primarily of trade receivables. The Group sells its products and services to a broad base of customers, distributors, and system integrators, but despite the significant concentration of Group sales to a relatively small number of customers the Group has no significant concentration of credit risk. The Group's largest customer pays in advance for their orders, thus significantly reducing the level of credit risk. However, some contracts in the Software segment allow for payment of fees over a multi-year period, thus increasing the credit risk.

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, adjusted operating profit and cash. 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™ in recent years and by strategic acquisitions such as Meteor, Xitron and HYBRID Software.

Products are developed based on an identified market demand, such as 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. Commercial 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 Group'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.

GROUP STRATEGIC REPORT (CONTINUED)

ENVIRONMENTAL MATTERS (INCLUDING CLIMATE CHANGE)

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 fundraising activities for local and national charities and staff are permitted to take paid time off to participate in charitable activities.

Donations to charities amounted to €3,397 (2019: €2,705) during the year.

Human rights

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

EMPLOYEE MATTERS

Employment policies

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

The Group gives full and fair consideration to applications for employment from all persons where the candidate’s aptitudes and abilities meet the requirements of the job. In the event of any staff becoming disabled while employed by the Group, every effort is 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, management and employees of the Group as at 31 December 2020.

Company level	Number of females	Number of males	Total
Board	1	3	4
Management	3	18	21
Employees	20	75	95
Total Group	**24**	**96**	**120**

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 2020.

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 (2019: €nil).

DIVIDENDS

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

GREENHOUSE GAS EMISSIONS

The following Streamlined Energy and Carbon Report (SECR) provides environmental impact information in accordance with the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018.

Global energy use and greenhouse gas ("GHG") emissions from activities for which the Group is responsible for:

	2020	2019
Energy used (kwh)		
Electricity	260,756	295,139
Gas	153,404	161,822
Total energy used (kwh)	**414,160**	**456,961**
GHG emissions (CO_2e tonnes)		
Electricity	101.3	116.4
Gas	28.3	29.8
Total GHG emissions (CO_2e tonnes)	**129.6**	**146.2**
Intensity ratio		
Average number of employees	126	119
GHG emissions per employee (CO_2e kilogram)	**1,028**	**1,229**

Electricity and gas are used to power and heat the Group's offices, the Group does not operate any company vehicles. Where possible, primary data has been sourced (meter readings and supplier invoices), but where actual energy figures are not available a reasonable approximation has been used to estimate energy usage.

Energy efficiency action taken includes installation of LED lighting, consolidation of computer hardware to reduce the physical number of computers and adjustments to the operating times of heating and ventilation systems in offices. Staff are also encouraged to use public transport where practical when travelling on behalf of the Group.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are detailed in note 34 to the consolidated financial statements.

FINANCIAL RISK MANAGEMENT

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

RESEARCH AND DEVELOPMENT

The Group spent €5.93 million (2019: €6.15 million) on research and development during the year. Under IAS 38 Intangible Assets, €1.37 million (2019: €1.31 million) of research and development was capitalised and €0.65 million (2019: €1.44 million) of capitalised research and development was amortised. There was no impairment of capitalised research and development during the year (2019: €nil). The net effect of capitalisation, amortisation and impairment on profit in the year was a reduction in expense of €0.72 million (2019: €0.13 million increase in expense).

DIRECTORS' REPORT (CONTINUED)

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
Michael Rottenborn	Chief Executive Officer	Appointed with effect from 2 January 2020
Graeme Huttley	Chief Financial Officer	
Clare Findlay	Non-executive Director	

The Company maintains director and officers' liability insurance.

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 2020 was:

	Number of ordinary shares	% of issued share capital
Congra Software S.à r.l. *	5,872,086	49.61%
UNITED NRJ bvba	582,499	4.92%
Friberg Christian	381,732	3.23%
Company owned shares (see note 24)	112,996	0.95%
Free float	4,886,394	41.29%
Total	**11,835,707**	**100.00%**

* Congra Software S.à r.l. is controlled by Guido Van der Schueren, the Company's Chairman. Michael Rottenborn, the Group's CEO, is also a shareholder of Congra Software S.à r.l.

INVESTMENT IN OWN SHARES

The Company holds some of its own shares in treasury to meet its obligations arising from the Group's employee share programmes (see note 24 and 29).

The total number of shares held in treasury at 31 December 2020 was 112,996 (2019: 112,996). Further information can be found in note 24 to the financial statements.

During the year, the Company did not dispose of any treasury shares (2019: 109,477 transferred to employees to satisfy the Company's obligations under share schemes).

[1] Luc De Vos was appointed as a non-executive director with effect from 15 February 2021

DIRECTORS' REPORT (CONTINUED)

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 and as permitted by Euronext rules they are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirement of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and applicable law and they have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the group's 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, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirement of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- 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 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and a directors' report that complies with that law and those regulations.

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 14 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

17 March 2021

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 2020. 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 2021 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 2021 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 non-executive directors (excluding the Chairman), given that the Group has grown in size and complexity, it was decided that board fees should be increased to €20,000 per annum with effect from 1 January 2021.

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 2020:

In euros	Salary and fees	Taxable benefits	Bonus	LTIP	Pension	Total	Total fixed	Total variable
Executive directors								
Gary Fry, CEO[2]	25,544	2,975	55,425	-	1,411	85,355	29,930	55,425
Michael Rottenborn, CEO	187,999	15,798	57,977	57,977	5,455	325,206	209,252	115,954
Graeme Huttley, CFO[3]	131,149	8,898	43,647	32,562	59,633	275,889	199,680	76,209
Total executive directors	**344,692**	**27,671**	**157,049**	**90,539**	**66,499**	**686,450**	**438,862**	**247,588**
Non-executive directors								
Guido Van der Schueren	72,000	-	26,971	-	-	98,971	72,000	26,971
Clare Findlay	13,876	-	11,040	-	-	24,916	13,876	11,040
Total non-executive directors	**85,876**	**-**	**38,011**	**-**	**-**	**123,887**	**85,876**	**38,011**
Total directors	**430,568**	**27,671**	**195,060**	**90,539**	**66,499**	**810,337**	**524,738**	**285,599**

For the year ended 31 December 2019:

In euros	Salary and fees	Taxable benefits	Bonus	LTIP	Pension	Total	Total fixed	Total variable
Executive directors								
Gary Fry, CEO	222,742	30,302	161,349	88,628	19,595	522,616	272,639	249,977
Graeme Huttley, CFO[3]	146,964	9,269	26,616	17,726	35,285	235,860	191,518	44,342
Total executive directors	**369,706**	**39,571**	**187,965**	**106,354**	**54,880**	**758,476**	**464,157**	**294,319**
Non-executive directors								
Guido Van der Schueren	72,000	-	-	-	-	72,000	72,000	-
Clare Findlay	12,552	-	-	-	-	12,552	12,552	-
Total non-executive directors	**84,552**	**-**	**-**	**-**	**-**	**84,552**	**84,552**	**-**
Total directors	**454,258**	**39,571**	**187,965**	**106,354**	**54,880**	**843,028**	**548,709**	**294,319**

[2] Gary Fry resigned with effect from 24 January 2020
[3] 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 (2019: €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 25% against achieving the board approved revenue target;
- up to 25% against achieving the board approved operating expense target; and
- 50% for the successful completion of the disposal of the Fonts segment.

50% of the bonus amounts were based on the actual Group results for the year. Payments are made after approval by the board.

LTIP (long term incentive plan) is a cash award that will be payable after 3 years of continuous service from the date of award.

Contributions totalling €61,521 (2019: €49,962) were made to the personal pension schemes of three (2019: two) of the directors in accordance with their employment contracts. The Group operates a defined contribution scheme where contributions are calculated as a percentage of gross salary. There are no defined benefit schemes.

Scheme interests awarded during the financial year

There were no share-based awards during the year and there are no outstanding share options as at 31 December 2020.

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

The aggregate amount of gains made by directors on the exercise of share options during the year was €nil (2019: €205,815).

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 2020:

	Michael Rottenborn	Graeme Huttley	Guido Van der Schueren *	Clare Findlay
Shares beneficially owned	1,000	1,050	5,872,086	100
Total interest in shares	**1,000**	**1,050**	**5,872,086**	**100**

* The interests of Guido Van der Schueren are held in the name of Congra Software S.à r.l., a company controlled by Guido Van der Schueren. Michael Rottenborn is also a shareholder in Congra Software S.à r.l.

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

In thousands of euros	**2020**	2019
Matching shares awarded for participating in the Share Incentive Plan (see note 29)	1	1
Total	**1**	1

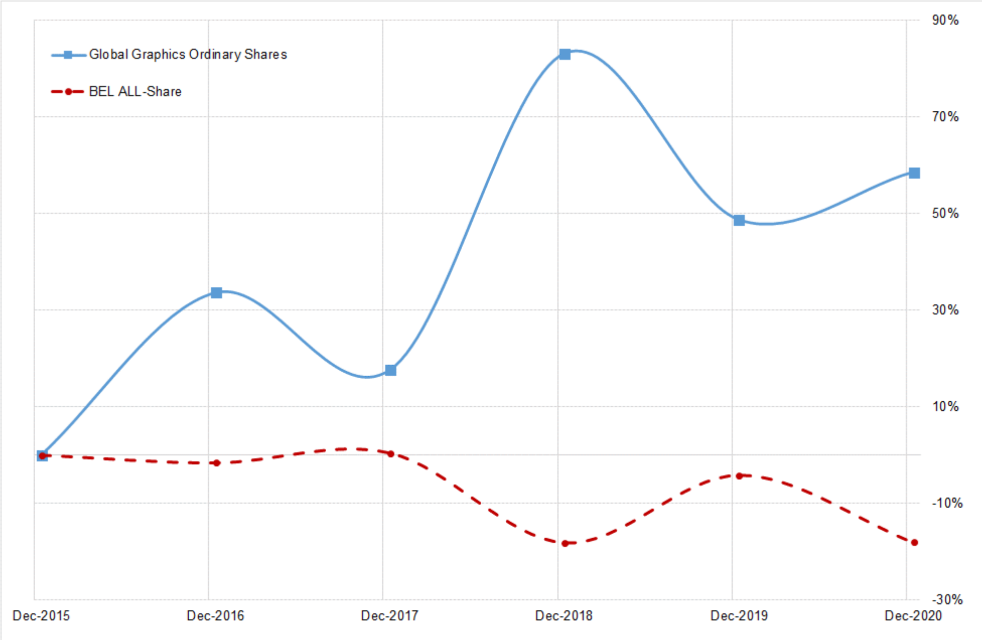
DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

The information provided in the following sub-sections of the Directors' remuneration report is not subject to audit.

Performance graph

The following graph shows the Company's ordinary share price performance compared with the performance of the BEL ALL-SHARE index from 31 December 2015 to 31 December 2020. 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 value of the share price.



Over the above 5-year period, the Company's share price has increased by 58.6% and the BEL ALL-SHARE index has decreased by 18.1%.

CEO remuneration table

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

	2016	2017	2018	2019	2020
Total CEO remuneration (in thousands of euros)	1,043	362	549	523	321
Annual bonus pay-out against maximum opportunity	100%	100%	100%	75%	87.5%
Long term incentive vesting rates against maximum opportunity	100%	n/a	100%	n/a	n/a

Percentage change in remuneration of directors

The table below shows the percentage change in the base payment currency of remuneration between the years ended 31 December 2019 and 31 December 2020 for the CEO and for all employees of the Group:

	Salary and fees	Taxable benefits	Bonus
Gary Fry *	0.00%	0.00%	(63.38)%
Michael Rottenborn *	0.00%	0.00%	0.00%
Graeme Huttley	2.00%	0.00%	74.82%
Guido Van der Schueren	0.00%	0.00%	100.00%
Clare Findlay	0.00%	0.00%	100.00%
Average pay based on all employees	3.48%	0.00%	0.00%

* Michael Rottenborn replaced Gary Fry as CEO in January 2020.

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.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

The table below shows the amounts paid to employees (for continuing operations) and the amounts distributed to shareholders.

In thousands of euros	2020	2019	% change
Staff expenses (see note 12 to the consolidated financial statements)	**12,189**	10,564,	15.4%
Repurchase of own shares (see note 24 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 next AGM to be held during 2021.

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 is 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.

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 fixed forms of remuneration or benefits.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

ANNUAL REPORT ON REMUNERATION (CONTINUED)

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.	Generally 50% to 100% of the annual bonus is achievable on meeting the revenue and expense targets as set by the board. Adjustments can be made to the plan for specific, strategic objectives.	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.

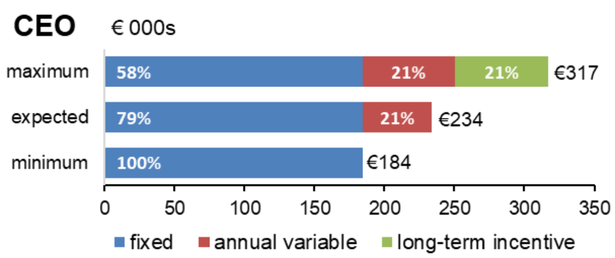
Payment for loss of office

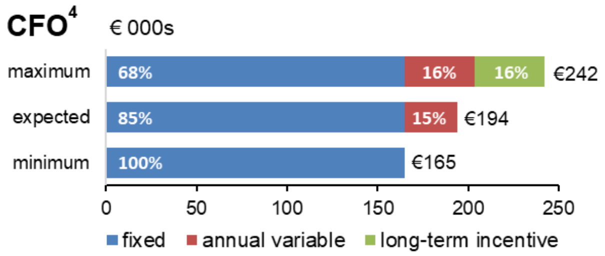
None of the directors are entitled to any specific indemnity which would be due or liable to be due on termination of their appointment. However, Michael Rottenborn and Graeme Huttley are entitled to the payment of salary for a notice period should the Group decide to terminate their employment. The 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[4] 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 17 March 2021 and signed on its behalf by:

Michael Rottenborn
CEO

[4] 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 2020 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 2020 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirement of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union);

— the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent appliable.

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 8 financial years ended 31 December 2020. 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 (2019:€170,000) 0.76% (2019: 0.75%) of group revenue	
Coverage	100% (2019:100%) of group profit before tax	
Key audit matters		**vs 2019**
Recurring risks	Recoverability of goodwill and acquisition related intangibles in the Xitron CGU and recoverability of parent company investment in Global Graphics UK Limited (2019: 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
Recoverability of goodwill and acquisition related intangibles in the Xitron CGU and recoverability of Parent Company Investment in Global Graphics UK Limited **Xitron CGU goodwill** €1,609,000; (2019: €1,773,000) **Xitron CGU intangible assets** €1,795,000; (2019: €2,490,000) **Parent company investment in Global Graphics UK Limited** *Refer to pages 35, 36 and 61 (accounting policies) and pages 46, 47, 48 ,62 and 63 (financial disclosures)*	**Subjective Estimate** The estimated recoverable amount of the Xitron CGU goodwill and intangible assets balances and parent company investment in Global Graphics UK Limited 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 level of headroom in the discounted cash flow models. 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 Xitron CGU goodwill and intangible assets balances and parent company investment in Global Graphics UK 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 materiality.	**Our procedures included:** • **Controls approach:** We performed the detailed tests below rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls; • **Historical comparisons:** We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous budgets; • **Benchmarking assumptions:** Comparing the group's assumptions to externally derived data in relation to key inputs such as 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, FY21 and FY22 revenue forecasts, revenue growth rates in subsequent periods and profit margin forecasts in the forecast period. 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 CGU carrying value 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, intangible assets and the parent company investment are appropriate. And assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill and acquisition related intangibles. **Our results** • We found the carrying amount of goodwill and intangible assets in the Xitron CGU and the parent company investment in Global Graphics UK Limited to be acceptable.

We continue to perform procedures over the recoverability of goodwill in the Printhead Solutions and the Software CGU's, recoverability of other intangible assets and recoverability of the parent company's investments in Global Graphics EBT Limited and Meteor Inkjet Limited. However, following a review of the headroom in the Company's model to support the goodwill balance in the Printhead Solutions and the Software CGU's, the other intangible assets and the investment carrying values in Global Graphics EBT Limited and Meteor Inkjet Limited, 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.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern and impairment tests however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

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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 from continuing operations of €22,494,000, of which it represents 0.76% (2019: 0.75%).

We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the group and parent company was set at 65% (2019: 75%) of materiality for the financial statements as a whole, which equates to €110,000 (2019: €127,500). We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

Materiality for the parent company financial statements as a whole was set at €51,000 (2019: €50,000), determined with reference to a benchmark of company total assets, of which it represents 0.20% (2019: 0.20%).

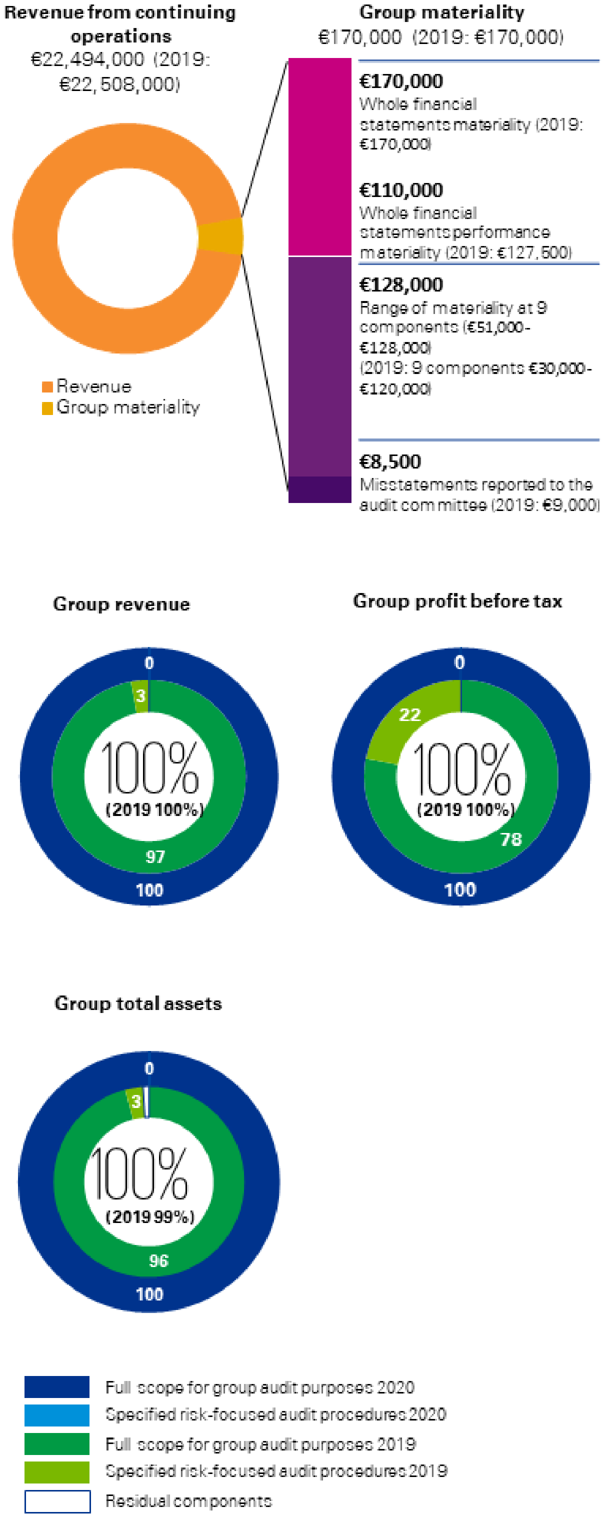
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding €8,500 (2019: €9,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 9 (2019: 9) reporting components, we subjected 6 (2019: 6) 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 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 (2019: all components) was performed by the Group team including the audit of the parent company.



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

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company'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").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its 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 were:

- The impact of COVID-19 on customer confidence in the United States of America and the Xitron CGU; and
- The impact of COVID-19 on customer confidence in other geographical locations.

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.

- We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the Directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Critically assessing assumptions in the Directors' initial downside scenarios relevant to liquidity, in particular in relation to profitability by comparing to historical trends, the potential timing of contract renewals based on order pipeline and assessing whether downside scenarios applied mutually consistent assumptions in aggregate, taking into account all reasonably plausible downsides. We also compared past budgets to actual results to assess the historical accuracy of the budgets prepared by management to support the going concern assumption.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern , including the identified risks, and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors/ sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that software, fonts and physical goods revenue streams are recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unexpected accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

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, through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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

5. Fraud and breaches of laws and regulations – ability to detect (continued)

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: GDPR compliance, health and safety, anti-bribery and corruption, employment law, and certain aspects of company legislation recognising the financial and regulated nature of the Group'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. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach

Context of the ability of the audit to detect fraud or breaches of law or regulation

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 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. 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.

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 14, 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.

KPMG

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

8. Respective responsibilities (continued)

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 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 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.

9. 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 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and the further matters we are required to state to them in accordance with the terms agreed with the Company, 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
17 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	Note	For the year ended 31 December 2020	2019 Re-presented *
Continuing operations			
Revenue	7	**22,494**	18,478
Cost of sales		**(5,245)**	(3,448)
Gross profit		**17,249**	15,030
Other income		**3**	1
Selling, general and administrative expenses		**(9,722)**	(8,845)
Research and development expenses		**(5,934)**	(6,149)
Other operating expenses	8	**(209)**	(168)
Operating profit/(loss)		**1,387**	(131)
Finance income	13	**2**	8
Finance expenses	13	**(148)**	(130)
Net finance expense		**(146)**	(122)
Foreign currency exchange gains/(losses)	13	**452**	(262)
Profit/(loss) before tax		**1,693**	(515)
Tax	18	**58**	144
Profit/(loss) from continuing operations		**1,751**	(371)
Discontinued operation			
Profit from discontinued operation, net of tax	33	**4,167**	823
Profit for the period		**5,918**	452
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**(1,823)**	916
Other comprehensive (loss)/profit for the year, net of tax		**(1,823)**	916
Total comprehensive profit for the year attributable to equity holders		**4,095**	1,368
Earnings per ordinary share			
Basic earnings per share (euro)	28	**0.50**	0.04
Diluted earnings per share (euro)	28	**0.50**	0.04
Earnings per share – Continuing operations			
Basic earnings/(loss) per share (euro)	28	**0.15**	(0.03)
Diluted earnings/(loss) per share (euro)	28	**0.15**	(0.03)

* Comparative information has been re-presented due to a discontinued operation (see note 33).

The notes on pages 32 to 59 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**	**2020**	2019
ASSETS			
Non-current assets			
Property, plant and equipment	14	**574**	844
Right-of-use assets	25	**1,279**	1,838
Other intangible assets	15	**3,574**	4,827
Goodwill	16	**10,340**	12,659
Financial assets	17	**25**	45
Deferred tax assets	18	**664**	975
Trade and other receivables due after more than one year	19	**4,328**	3,701
Total non-current assets		**20,784**	24,889
Current assets			
Inventories	20	**1,191**	1,240
Current tax assets		**70**	76
Trade and other receivables	21	**6,153**	3,775
Other current assets	22	**219**	92
Prepayments		**1,055**	1,264
Cash and cash equivalents	23	**6,855**	4,995
Total current assets		**15,543**	11,442
TOTAL ASSETS		**36,327**	36,331
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital	24	**4,734**	4,734
Share premium	24	**1,979**	1,979
Treasury shares	24	**(309)**	(309)
Retained earnings		**33,891**	27,970
Foreign currency translation reserve		**(12,737)**	(10,914)
Total equity		**27,558**	23,460
Liabilities			
Deferred tax liabilities	18	**445**	1,072
Lease liabilities	25	**1,062**	1,882
Other liabilities	26	**2,214**	4,416
Total non-current liabilities		**3,721**	7,370
Current liabilities			
Current tax liabilities		**145**	605
Trade and other payables		**764**	581
Lease liabilities	25	**286**	-
Accrued liabilities		**2,284**	2,045
Contract liabilities	7, 27	**1,569**	2,270
Total current liabilities		**5,048**	5,501
Total liabilities		**8,769**	12,871
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**36,327**	36,331

The notes on pages 32 to 59 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 17 March 2021 and were signed on its behalf by:

Michael Rottenborn
Director, Company registered number: 10872426

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	Note	For the year ended 31 December 2020	2019
Cash flows from operating activities			
Net profit for the year		**5,918**	452
Adjustments to reconcile net profit to net cash:			
- Depreciation of property, plant, equipment and right-of-use assets	14, 25	**757**	835
- Amortisation and impairment of other intangible assets	15	**2,381**	2,692
- Share-based remuneration expenses	29	**3**	152
- Gain on sale of discontinued operation, net of tax	33	**(4,370)**	-
- Net interest expense		**148**	129
- Net foreign currency exchange (gains)/losses		**(511)**	133
- Tax (benefit)/expense		**(88)**	269
- Change in fair value of contingent consideration	26	**52**	14
- Other items		**493**	126
Total adjustments to net profit		**(1,135)**	4,350
Change in operating assets and liabilities:			
- Financial assets	17	**20**	21
- Inventories	20	**49**	1
- Trade and other receivables	19,21	**(3,005)**	(573)
- Other current assets	22	**(127)**	113
- Prepayments		**209**	(186)
- Trade and other payables		**183**	292
- Accrued liabilities		**239**	(740)
- Contract liabilities	27	**(701)**	1,254
Total change in operating assets and liabilities		**(3,133)**	182
Cash generated from operating activities		**1,650**	4,984
Interest received	13	**2**	8
Interest paid	13,25	**(150)**	(109)
Cash paid during the year for tax		**(27)**	(577)
Net cash flow from operating activities		**1,475**	4,306
Cash flows from investing activities			
Capital expenditures on property, plant & equipment	14	**(195)**	(581)
Capital expenditures on other intangible assets	15	**(134)**	-
Capitalisation of development expenses	15	**(1,371)**	(1,306)
Disposal of discontinued operation, net of cash disposed of	33	**4,806**	-
Acquisition of subsidiary, net of cash acquired		**-**	(3,941)
Net cash flow from/(used) in investing activities		**3,106**	(5,828)
Cash flows from financing activities			
Proceeds from loans and borrowings	26	**433**	2,500
Repayment against loans and borrowings	26	**(2,000)**	(500)
Contingent consideration paid	26	**(529)**	(932)
Principal payments on lease liabilities	25	**(383)**	(411)
Net cash flow (used)/from financing activities		**(2,479)**	657
Net increase/(decrease) in cash		**2,102**	(865)
Cash and cash equivalents at 1 January		**4,995**	5,650
Effect of exchange rate fluctuations on cash at 1 January		**(242)**	210
Cash and cash equivalents at 31 December		**6,855**	4,995

The notes on pages 32 to 59 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 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	29	-	-	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**
Total comprehensive income for the year							
Net profit for the year		-	-	-	5,918	-	5,918
Foreign currency translation differences		-	-	-	-	(1,823)	(1,823)
Total comprehensive income for the year		**-**	**-**	**-**	**5,918**	**(1,823)**	**4,095**
Transactions with owners							
Share-based payment transactions	29	-	-	-	3	-	3
Total transactions with owners		**-**	**-**	**-**	**3**	**-**	**3**
Balance at 31 December 2020		**4,734**	**1,979**	**(309)**	**33,891**	**(12,737)**	**27,558**

The notes on pages 32 to 59 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.

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 accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

These consolidated financial statements were authorised for issue by the Company's board of directors on 17 March 2021.

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

The amounts included in the financial statements for each of the Group's entities are measured using their respective functional currency, which is then translated to euro using appropriate exchange rates. The functional currency is determined for each of the Group's entities based on the primary economic environment in which each of the Group's entities operates and the primary currency used for transactions in those entities. The functional currency for each of the entities in the Group is shown in the table below.

Company name	Functional currency
Global Graphics PLC	Euro (EUR)
Global Graphics (UK) Limited	Pound sterling (GBP)
Global Graphics Software Limited	Pound sterling (GBP)
Global Graphics Software Incorporated	United States dollar (USD)
Global Graphics Kabushiki Kaisha	Japanese yen (JPY)
Global Graphics EBT Limited	Pound sterling (GBP)
Meteor Inkjet Limited	Pound sterling (GBP)
Xitron, LLC	United States dollar (USD)

These consolidated financial statements are presented in euros and 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

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the Group; its cash flows and liquidity position; the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

As a result of the COVID-19 pandemic there is more uncertainty over whether the Group is a going concern. The Group has considerable financial resources, together with long-standing relationships with customers through its licence and support sales model. The Group's forecasts and projections, taking account of potential and realistic changes in trading performance, and also including worst case, severe, yet plausible downside scenarios, continue to indicate that the Group is able to operate within the level of existing cash resources.

The directors have prepared Group cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

The impact of the COVID-19 pandemic has been considered in the Group's forecasts. So far, the impact of the pandemic has been approximately neutral, although it is accepted that it introduces inherent uncertainty risk into forecasts.

The Group is diversified in terms of products, customers and geographies served. Any reductions in revenue in one segment have generally been offset by increased revenue in another segment. Across the Group, there have been no contract cancellations and to the directors' knowledge none of the Group's customers have failed.

Nevertheless, the directors have considered the impact of a severe reduction in sales against forecasts, which may arise if there are further waves of the pandemic resulting in further lockdowns in the company's main markets, being Asia, Europe and the United States.

A severe yet plausible downside scenario has been considered where certain geographical locations sales are 25% below the performance in 2020, sales to certain customers are below 50% of forecast, both of which are significantly worse than the actual results during the height of the pandemic in 2020 and no change to staff costs. Under this scenario, the Group would stay in operation for at least 12 months from the date of approval of these financial statements, continuing to operate without requiring any external funding.

The directors acknowledge that subsequent to the year end that the company has acquired Hybrid Software Group S.à r.l. They have factored in the considerations of the newly acquired Hybrid Software Group S.à r.l. into these forecasts and applied similar assumptions to Hybrid Software Group S.à r.l., as they have done to the previously existing Global Graphics PLC group.

In assessing this conclusion, the directors have also considered the:

- existing level of cash resources available and net funds at 31 December 2020, and at the date of these financial statements;
- ability of the Group and its employees to continue with remote working arrangements and safe working practices for the duration of the COVID-19 pandemic;
- potential counterparty risks on trade debtors and future turnover; and
- ability of the Group to constrain significant future cash outflows, such as the payment of dividends, where necessary.

Consequently, the directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these financial statements and therefore have prepared these financial statements on a going concern basis.

Alternative performance measures

The Strategic Report includes IFRS revenue and profit, constant exchange rate (CER) revenue, adjusted profit and EBITDA.

CER revenue eliminates the impact of currency movements when comparing the current year to the comparative year. The current year is restated at the comparative year's actual exchange rates.

Adjusted profit, in management's view, reflects the underlying operating 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 60 to 65.

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. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the comparative income statement has been re-presented so that the disclosures in relation to discontinued operations relate to all operations that have been discontinued by the balance sheet date (see note 33).

There are no other new or amended interpretations or standards effective for the financial year commencing 1 January 2020 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.

Derivative financial instruments
The Group only uses derivative financial instruments (notably foreign currency forward and option contracts) to manage 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 2020 the Group had no derivative financial instrument contracts in place (2019: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

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

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

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

Right-of-use assets

Right-of-use assets are stated at cost, net of depreciation, any provision for impairment in value and any remeasurement of the associated lease liability. Depreciation is provided on all right-of-use assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over the earlier of its expected useful life or the term of the lease. Depreciation is recognised within operating expenses within the consolidated income statement.

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.

Driver electronics

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Capitalised development costs recognised as intangible assets are amortised from the point the asset is ready for use on a straight-line basis over its estimated useful life. Currently, the maximum estimated useful life is set at 3 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

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

Royalties 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 if there is an ongoing performance obligation for that license on the Group during that license period. If there are no ongoing performance obligations, the license revenue is recognised when the Group's performance obligation to deliver the software 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

The Fonts segment was disposed of during the year (see note 33).

Fonts were 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.

Physical goods

The Group's performance obligations with respect to physical goods (principally the Printhead solutions segment) is to deliver a finished product to a customer. Control of the goods transfers to the customer at the point of despatch and revenue is recognised at that point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Contract assets and contract liabilities
Contract assets and liabilities will arise from scheduled payments specified in the contracts when 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 they 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.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

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 2020.

New standards which were not adopted by the Group in 2020
A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2021 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 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (early application permitted only for those that companies that apply IFRS 9 Financial Instruments)

4. DETERMINATION OF FAIR VALUES

Several 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 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 goodwill and acquisition-related intangibles have been impaired
The Group tests annually whether the goodwill has been impaired and assesses acquisition-related intangible assets for indicators of impairment by reference to expected future generation of cash from the relevant intangible assets. In estimating the cash flow, the directors make estimates, based on forecasts, about the amount of future profits from the relevant products that will be generated and the timing of when these will be realised.

Contingent consideration valuation
Contingent consideration for acquisitions is valued at each reporting date by reference to the terms of the sale and purchase agreement and the present value of the expected future cash outflows. In estimating the cash flow, the directors make estimates based on forecasts for the relevant metric used to determine the contingent consideration payable and the expected timing of those payments.

Deferred tax recognition
Deferred tax assets are reviewed at each reporting date and are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The directors make estimates about future sales and expenses, and the timing of their realisation, to derive an estimate of the future profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Provisions for obsolete inventory
Inventory items are reviewed at each reporting date for possible obsolescence. Estimates are made in respect of the future demand and net realisable value of items that are deemed to be slow moving. The estimates of demand are based on a variety of factors, including the number of customers for that have purchased that item and historical transactions.

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.

Allocation of value to performance obligations in contracts with customers
The Group enters into contracts with customers, some of which include multiple performance obligations. The allocation of the transaction price to the performance obligations is subject to management’s judgement of the performance obligations that are both explicit and implied in the contract and the subsequent stand-alone selling price of each of those performance obligations.

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 (now discontinued, see note 33).

Measurement of the operating segments’ profit is assessed against revenue forecasts and expense budgets, excluding non-operating 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, operating 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 2019 and 31 December 2020. 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.

Year ended 31 December 2020:

In thousands of euros	**Software**	**Printhead Solutions**	**Fonts** (Discontinued) *	**Unallocated**	**Total**
Revenue from external customers	12,674	9,820	615	-	23,109
Inter-segment revenue	35	-	-	-	35
Segment revenue	**12,709**	**9,820**	**615**	**-**	**23,144**
Segment operating profit/(loss) after tax	**1,525**	**1,321**	**(74)**	**(479)**	**2,293**
Included in the operating profit/(loss) are:					
Interest income	1	1	-	-	2
Interest expense	(78)	(5)	(2)	(65)	(150)
Depreciation and amortisation	(568)	(174)	(29)	-	(771)
Tax expense	(139)	-	(24)	-	(163)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. OPERATING SEGMENTS (CONTINUED)

Year ended 31 December 2019:

In thousands of euros	Software	Printhead Solutions	Fonts (Discontinued) *	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)

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

In thousands of euros	2020	2019
Segment total operating profit after tax	2,293	1,666
Share-based payments expense	(3)	(152)
Net capitalisation/(amortisation) of internally generated intangible assets	719	(132)
Amortisation of acquired intangible assets – continuing operations	(1,478)	(770)
Amortisation of acquired intangible assets – discontinued operations	(183)	(462)
Disposal of subsidiary *	4,370	-
Other items	(51)	(14)
Tax effect of above-mentioned items	251	316
Consolidated profit after tax	**5,918**	**452**

* see note 33

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.

Fonts segment (discontinued)
The Group typically sold its font technology through multi-year license and distribution agreements which provide for the periodic payment of license royalties, the unit value of which had been contractually agreed at the outset of the agreement, and which was typically based upon the volume sold by the customer. In addition to licensing font technology, the Group also provided font design services for corporate clients. A price for the design service was agreed in advance of the work being undertaken.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. REVENUE (CONTINUED)

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 (Discontinued) *		Total	
In thousands of euros	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Revenue type								
Licence royalties	**9,889**	8,895	**732**	738	**547**	3,020	**11,168**	12,653
Maintenance and after-sale support services	**1,817**	1,574	**31**	28	**15**	16	**1,863**	1,618
Engineering/design services	**366**	634	**291**	-	**53**	994	**710**	1,628
Printer hardware and consumables	**500**	470	**-**	-	**-**	-	**500**	470
Driver electronics	**-**	-	**8,766**	6,102	**-**	-	**8,766**	6,102
Other items	**102**	37	**-**	-	**-**	-	**102**	37
Total sales	**12,674**	11,610	**9,820**	6,868	**615**	4,030	**23,109**	22,508
Primary geographical markets								
United Kingdom	**644**	584	**135**	199	**19**	400	**798**	1,183
Europe, excluding United Kingdom	**2,912**	3,502	**1,438**	1,454	**207**	1,323	**4,557**	6,279
North & South America	**5,198**	4,299	**1,542**	1,028	**317**	1,653	**7,057**	6,980
Asia	**3,920**	3,225	**6,705**	4,187	**72**	654	**10,697**	8,066
Total sales	**12,674**	11,610	**9,820**	6,868	**615**	4,030	**23,109**	22,508
Timing of revenue recognition								
Products transferred at a point in time	**10,491**	9,402	**9,498**	6,840	**547**	3,020	**20,536**	19,262
Products and services transferred over time	**2,183**	2,208	**322**	28	**68**	1,010	**2,573**	3,246
Total sales	**12,674**	11,610	**9,820**	6,868	**615**	4,030	**23,109**	22,508

* see note 33

For continuing operations, the ten largest customers represented 52.5% (2019: 44.1%) of the Group's revenue, the five largest customers represented 45.4% (2019: 36.2%) of the Group's revenue and the single largest customer represented 22.4% (2019: 14.7%) of the Group's revenue. There were 2 customers (2019: 3) during the year that each represented 10% or more of total revenue. Revenue from those customers totalled €7.39 million, one in the Software segment and one in the Printhead Solutions segment (2019: 3 customers totalling €6.89 million, two in the Software segment and on in the Printhead Solutions segment).

During the year a customer in the Software segment exercised an option in their contract, which extended the term of the contract and resulted in €2.30 million of revenue being recognised in the year. In 2019 a different customer exercised an option in their contract which resulted in €2.0 million of revenue being recognised in that year.

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 2020.

In thousands of euros	next 12 months	12-24 months	after 24 months	Total
After-sale support services	963	20	3	986
Product and consultancy	583	-	-	583
Total	**1,546**	**20**	**3**	**1,569**

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	2020	2019
Acquisition related expenses (see note 34)	152	99
Share option exercise payroll taxes	-	55
Fair value adjustment to contingent consideration (see note 26)	52	14
Redundancy expenses	5	-
Total other operating expenses	**209**	**168**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. OPERATING EXPENSES BY NATURE

In thousands of euros	2020	2019
Employee benefit expense (see note 12)	12,189	10,564
Depreciation expenses (see note 14 and 25)	758	835
Capitalisation of R&D expenses (see note 15)	(1,371)	(1,306)
Amortisation of capitalised R&D expenses	652	1,439
Amortisation of acquired intangibles	1,478	768
Other operating expenses, net of other operating income	2,154	2,854
Total operating expenses, net of other operating income	**15,860**	**15,154**

10. SERVICES PROVIDED BY THE GROUP'S AUDITOR

In thousands of euros	2020	2019
For the audit of Parent and Consolidated Financial Statements	**62**	**55**
For other services provided:		
- audit of financial statements of subsidiaries of the company	**82**	**65**
- audit-related assurance services	**-**	**7**
- all other services	**-**	**16**
Total fees payable to the Group's auditor and its associates	**144**	**143**

Fees for all other services provided by the Group's auditor in the prior year were in relation to tax compliance in the United States of America and the independent verification of financial results of Global Graphics Software 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 €810,337 (2019: €843,028).

The aggregate value of gains made by directors during the year on the exercise of share options was €nil (2019: €205,815).

The Group only operates defined contribution pension schemes. During the year, for three directors (2019: two), €61,521 (2019: €49,962) of pension contributions were paid.

Further information is available in the Directors' remuneration report on pages 16 to 21.

12. EMPLOYEE INFORMATION

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

	2020	2019
By activity		
Research and development	61	61
Sales and support	45	39
General and administrative	20	19
Total average number of people employed	**126**	**119**

Employee benefit expenses were made up of:

In thousands of euros	2020	2019
Wages and salaries	10,021	8,344
Compulsory social security contributions	929	886
Medical insurance contributions	345	320
Pension contributions to defined contribution plans	766	742
Share-based payments (see note 29)	3	153
Other employee related expenses	125	119
Total employee benefit expenses	**12,189**	**10,564**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. FINANCE INCOME AND FINANCE COSTS

In thousands of euros	2020	2019
Interest income	2	8
Interest expense	(66)	(28)
Lease liability interest	(82)	(102)
Net finance expense	**(146)**	**(122)**
Foreign exchange gains/(losses)	452	(262)
Total foreign exchange gain/(loss)	**452**	**(262)**
Total finance income/(expense)	**306**	**(384)**

14. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Leasehold improvements	Computer equipment	Office equipment	Office furniture	Other items	Total
Cost						
At 31 December 2018	716	1,149	70	253	546	2,734
Additions	-	459	20	26	76	581
Additions – business combinations	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**
Additions	2	135	13	6	39	195
Disposals – discontinued operation (see note 33)	-	(23)	-	(84)	-	(107)
Effect of movement in exchange rates	(48)	(103)	(7)	(13)	(43)	(214)
At 31 December 2020	**719**	**1,715**	**110**	**200**	**658**	**3,402**
Depreciation						
At 31 December 2018	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**
Charge for the year	43	216	28	17	44	348
Disposals - discontinued operation (see note 33)	-	(19)	-	(18)	-	(37)
Effect of movement in exchange rates	(41)	(73)	(4)	(11)	(38)	(167)
At 31 December 2020	**652**	**1,325**	**77**	**181**	**593**	**2,828**
Net book value						
At 31 December 2019	115	505	51	98	75	844
At 31 December 2020	**67**	**390**	**33**	**19**	**65**	**574**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer contracts	Patents	Trade-marks	Know-how	Font library	Driver electronics	Total
Cost								
At 31 December 2018	35,807	13,535	2,700	577	908	2,465	3,296	59,288
Additions – internally developed	1,306	-	-	-	-	-	-	1,306
Additions – business combinations	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**
Additions – purchased	134	-	-	-	-	-	-	134
Additions – internally developed	1,371	-	-	-	-	-	-	1,371
Disposals – discontinued operation (see note 33)	(211)	-	-	-	(388)	(2,465)	-	(3,064)
Effect of movement in exchange rates	(2,658)	(916)	(177)	(38)	(65)	-	(241)	(4,095)
At 31 December 2020	**40,314**	**13,710**	**2,689**	**575**	**764**	**-**	**3,055**	**61,107**
Amortisation and impairment								
At 31 December 2018	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**
Charge for the year	1,192	58	13	-	324	183	611	2,381
Disposals – discontinued operation (see note 33)	(211)	-	-	-	(388)	(2,319)	-	(2,918)
Effect of movement in exchange rates	(2,502)	(905)	(171)	(38)	(99)	-	(149)	(3,864)
At 31 December 2020	**37,633**	**13,530**	**2,537**	**575**	**764**	**-**	**2,494**	**57,533**
Net book value								
At 31 December 2019	2,524	249	171	-	290	329	1,264	4,827
At 31 December 2020	**2,681**	**180**	**152**	**-**	**-**	**-**	**561**	**3,574**

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 indicators of impairment or whenever events or changes in accounting estimates indicate that the carrying amount may not be recoverable. If an indicator of impairment is identified, a full impairment review is performed with the calculations being based on the discounted cash flows over the remaining period of amortisation of the capitalised development expense and use the same discount rate and exchange rates that were used for the impairment review of Goodwill (see note 16). These intangible assets are also allocated to a CGU containing goodwill and are tested annually for impairment as part of the goodwill impairment review (see note 16).

There was no significant change during the year to the indicators that were used at 31 December 2019 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 2020 (2019: €nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. OTHER INTANGIBLE ASSETS (CONTINUED)

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

In thousands of euros	Remaining amortisation period	2020	2019
Harlequin RIP	2 to 3 years	686	153
EDL	2 years	257	99
Other software	1.75 to 9.5 years	123	40
Xitron	3.8 years	1,615	2,232
Total software technology		**2,681**	**2,524**
Customer contracts	3.8 years	**180**	**249**
Driver Electronics	0.90 years	**561**	**1,264**

16. GOODWILL

In thousands of euros	Total Goodwill
Cost	
At 31 December 2018	16,152
Additions – business combinations	1,773
Effect of movement in exchange rates	745
At 31 December 2019	**18,670**
Effect of discontinued operations (see note 33)	(1,555)
Effect of movement in exchange rates	(1,137)
At 31 December 2020	**15,978**
Amortisation or impairment	
At 31 December 2018	5,662
Effect of movement in exchange rates	349
At 31 December 2019	**6,011**
Effect of movement in exchange rates	(373)
At 31 December 2020	**5,638**
Net book value	
At 31 December 2019	12,659
At 31 December 2020	**10,340**

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	2020	2019
Software	6,579	7,009
Fonts	-	1,555
Printhead Solutions	2,152	2,322
Xitron	1,609	1,773
Total goodwill	**10,340**	**12,659**

The recoverable amount of the CGUs has been determined using an estimate of their value in use as at 31 December 2020. These calculations employed cash flow projections based on financial forecasts approved by management covering a seven-year period ending 31 December 2027. 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. 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 2020. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. GOODWILL (CONTINUED)

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. 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.

Key assumptions

The following key assumptions have been adopted in the calculations.

Discount rate
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.

	2020	2019
Risk free rate (UK Treasury Gilts)	0.07%	0.38%
Equity risk premium	6.40%	6.02%
Equity risk premium for micro caps	3.74%	3.74%
Cost of capital	**%**	**%**
Industry average debt level	Nil	Nil
Estimated net debt cost	Not applicable	Not applicable
Weighted average cost of capital	**10.21%**	**10.14%**

Software CGU

- The revenue growth rate used was 5% (2019: average of 9%);
- Gross margin was aligned with historical gross margins of 98% (2019: 98%);
- The staff costs growth rate used was 3% (2019: 3%); and
- The terminal growth rate used was 0% (2019: 0%) to take a conservative approach.

Fonts CGU
This CGU was disposed of during the year (see note 33).

Printhead solutions

- The revenue growth rate used was 5% (2019: average of 8.3%);
- Gross margin was aligned with recent actual gross margins of 58% (2019: 63%);
- The staff costs growth rate used was 5% (2019: 5%); and
- The terminal growth rate used was 0% (2019: 0%) to take a conservative approach.

Xitron CGU

- The revenue growth rate used was 5% (2019: 5%) from a revised lower base due to the impact of COVID-19 on this CGU's revenue during the year ending 31 December 2020;
- Gross margin was aligned with recent actual gross margins of 63.3% (2019: 64.2%);
- The staff costs growth rate used was 3% (2019: 3%); and
- The terminal growth rate used was 0% (2019: 0%) to take a conservative approach.

Sensitivity to changes in assumptions
Sensitivity analysis was carried out for the Software and Printhead solutions CGUs. The anticipated revenue growth rates for each CGU were halved and the discount rate for each cash generating unit was increased by 1%. In all cases, the value in use exceeded the carrying value. Following the sensitivity analysis that has been carried out for these CGUs, there were no areas that were identified as being particularly sensitive for either 2020 or 2019.

In order to assess the impact of reasonable possible changes to the assumptions for the Xitron CGU, the anticipated revenue growth rate was halved and the staff costs growth rate was reduced by 1% to 2%. The reduction in the revenue growth rate would result in an impairment of €689,000, however, the reduction in the staff cost growth rate would offset the reduction in the revenue growth rate and result in headroom of €299,000. Adding in an increase of 1% to the discount rate used would result in a reduction of the headroom and an impairment of €95,000, however, a change to the discount rate in isolation does not result in an impairment. If the forecast assumed for 2021 and future periods did not materialise then an impairment could result.

As a result of these projections, no impairment was required for goodwill for the year ended 31 December 2020 (2019: €nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL ASSETS

Financial assets measured at amortised cost.

In thousands of euros	2020	2019
Rent deposits	25	45
Total financial assets	**25**	**45**

18. TAX

Corporation tax

Analysis of the tax benefit in the year:

In thousands of euros	2020	2019
Current tax		
Current year charge	(134)	(35)
Withholding tax	(5)	-
Total current tax	**(139)**	**(35)**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	(137)	26
Impact of rate change	(26)	-
Origination and reversal of temporary differences	360	153
Total deferred tax	**197**	**179**
Total tax benefit	**58**	**144**

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	2020	2019
Profit/(loss) before tax	1,693	(515)
Expected tax (expense)/benefit at the Company's tax rate of 19% (2019: 19%)	(322)	98
Effect of differences in tax rates in foreign jurisdictions	(109)	(8)
Effect of share-based payments	-	(29)
Effect of expenses not deductible and items not taxable	(168)	(57)
Effect of deferred tax not being recognised	118	(493)
Effect of other items	-	37
Impact of rate change	(26)	-
Effect of R&D enhanced expenditure	570	596
Effect of withholding tax	(5)	-
Total tax benefit recognised	**58**	**144**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This was reversed and the reinstatement of the 19% rate was substantively enacted on 17 March 2020.

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	2020	2019
Deferred tax assets		
Capital allowances	942	1,004
Other items	17	19
Capitalised development expenses	(179)	(48)
Total recognised deferred tax assets	**780**	**975**
Deferred tax liabilities		
As a result of business combinations	561	1,072
Total recognised deferred tax liabilities	**561**	**1,072**

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. In the 3 March 2021 Budget it was announced that the UK tax rate will increase from 19% to 25% from 1 April 2023. This will have a consequential effect on the group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date the deferred tax asset would have increased by €0.21 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. TAX (CONTINUED)

The deferred tax asset at 31 December 2020 has been calculated based on the rate of 19%. The deferred tax liability at 31 December 2020 has been recognised from the acquisitions of TTP Meteor Limited ("Meteor"), Cambridge Grey Bit Limited ("CGB") and Xitron, LLC (Xitron). For Meteor and CGB it has been calculated based on the enacted tax rate of 19% and for Xitron it has been calculated on the expected combined United States federal and Michigan state tax rate of 27%. Deferred tax assets on trading losses of €9.90 million and fixed asset temporary differences of €1.00 million have not been recognised.

The movement in deferred tax is as follows:

In thousands of euros	
Deferred tax assets	
Balance as at 1 January 2020	975
Movement in deferred tax liabilities offset against deferred tax assets	(137)
Set-off of tax	(116)
Amounts recognised in other comprehensive income	(58)
Total deferred tax assets as at 31 December 2020	**664**
Deferred tax liabilities	
Balance as at 1 January 2020	1,072
Amounts charged to profit & loss	(431)
Set-off of tax	(116)
Amounts recognised in other comprehensive income	(80)
Total deferred tax liabilities as at 31 December 2020	**445**

19. TRADE AND OTHER RECEIVABLES DUE AFTER MORE THAN ONE YEAR

In thousands of euros	2020	2019
Trade receivables	167	-
Accrued revenue	3,661	3,701
Deferred consideration receivable (see note 33)	500	-
Total trade and other receivables due after more than one year	**4,328**	**3,701**

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

20. INVENTORIES

In thousands of euros	2020	2019
Finished goods	1,191	1,240
Total inventories	**1,191**	**1,240**

21. TRADE AND OTHER RECEIVABLES

In thousands of euros	2020	2019
Trade receivables	2,842	3,788
Accrued revenue	1,326	-
Deferred consideration receivable (see note 33)	2,000	-
Allowance for doubtful debts	(15)	(13)
Total trade and other receivables	**6,153**	**3,775**

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	2020	2019
Under 90 days	2,334	3,416
Over 90 days and provided for	15	13
Over 90 days but not provided for	493	359
Total trade receivables	**2,842**	**3,788**

Impairment losses during the year were €nil (2019: €nil).

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

In thousands of euros	2020	2019
At 1 January	13	7
Additions	2	6
At 31 December	15	13

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. OTHER CURRENT ASSETS

In thousands of euros	2020	2019
VAT receivable	217	90
Other items	2	2
Total other current assets	**219**	**92**

23. CASH AND CASH EQUIVALENTS

In thousands of euros	2020	2019
Cash at bank and in hand	6,855	4,995
Total cash and cash equivalents	**6,855**	**4,995**

24. CAPITAL AND RESERVES

Ordinary shares allotted, called up and fully paid:

	2020		2019	
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	2020	2019
As at 1 January and 31 December	**1,979**	**1,979**

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

	2020		2019	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At 1 January	112,996	309	222,473	631
Disbursement of shares to employees	-	-	(109,477)	(322)
As at 31 December	**112,996**	**309**	**112,996**	**309**

25. LEASES

Leases as a lessee

The Group leases office facilities. The leases typically run for a period of 10 years with an option to renew the lease at the end of the term. Lease payments are negotiated at the inception of the lease and at any subsequent renewal.

Right-of-use assets

	Land and buildings	
In thousands of euros	**2020**	**2019**
Balance at 1 January	1,838	-
Additions – IFRS 16 adoption	-	2,142
Additions – business combinations	-	150
Disposal – discontinued operation (see note 33)	(150)	-
Depreciation charge for the year	(409)	(454)
Balance at 31 December 2020	**1,279**	**1,838**

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.

Lease liabilities

In thousands of euros	2020	2019
Current portion of lease liabilities	286	-
Lease liabilities	1,062	1,882
Total lease liabilities	**1,348**	**1,882**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. LEASES (CONTINUED)

Amounts recognised in profit or loss:

In thousands of euros	2020	2019
Interest on lease liabilities – continuing operations	82	102
Interest on lease liabilities – discontinued operations (see note 33)	3	7
Expenses relating to short-term leases	26	-
Total recognised in profit or loss	**111**	**109**

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less. The Group has elected to apply the recognition exemption under paragraph 5 of IFRS 16 and recognise the associated payments in profit or loss. The short-term leases are leases for office space with a duration of 12 months or less.

Cash out flow for leases:

In thousands of euros	2020	2019
Lease liability interest	85	109
Principal payments	383	411
Total cash outflow for leases	**468**	**520**

Maturity analysis of contractual undiscounted cash flows for lease payments:

In thousands of euros	
Less than one year	351
One to two years	260
Two to three years	260
Three to four years	260
Four to five years	260
More than five years	130
Total undiscounted lease liabilities at 31 December 2020	**1,521**

26. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	2020	2019
Contingent consideration	1,823	2,416
Shareholder loan	-	2,000
Government-backed COVID support loans	391	-
Total other liabilities	**2,214**	**4,416**

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 2020. 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 €0.05 million (2019: increase of €0.01 million).

During the year, cash payments of £445,279 (2019: £812,838) 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 2019 an unsecured loan of €2.5 million, with an interest rate of 6% per annum, was granted to the Group by Congra Software S.à r.l. (see note 31) to enable the acquisition of Xitron, LLC. Capital repayments of €2.0 million were made during the year (2019: €0.5 million).

Government-backed COVID support loans are loans that were granted to the two group entities located in the United States under the Small Business Administration (SBA) Paycheck Protection Program. Interest and capital payments in respect of these loans are deferred until the company has applied for forgiveness of the loans and the SBA declares the loans forgiven or not. If the loans are forgiven (reimbursed in full by the SBA), no interest or capital repayments are required. If the loans are not forgiven, the interest rate is capped at 1% per annum and loan repayments will be made over a period of up to 24 months from the original funding date.

27. CONTRACT LIABILITIES

In thousands of euros	2020	2019
Customer advances	583	724
Deferred revenue	986	1,546
Total contract liabilities	**1,569**	**2,270**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. CONTRACT LIABILITIES (CONTINUED)

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 driven by individual contracts and are not expected to necessarily be consistent year on year. Revenue recognised in the period that was included in the contract liability balance at the beginning of the period was €1.41 million (2019: €0.71 million).

28. EARNINGS PER SHARE

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

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

In thousands of euros unless otherwise stated	**2020**	**2019**
Weighted average number of shares (basic), in thousands of shares	11,723	11,707
Add the effect of dilutive potential ordinary shares	-	-
Weighted average number of shares (diluted), in thousands of shares	11,723	11,707
Profit attributable to ordinary shareholders	5,918	452
Basic earnings per share, in euros	**0.50**	0.04
Diluted earnings per share, in euros	**0.50**	0.04
Earnings per share – Continuing operations		
Basic earnings/(loss) per share, in euros	**0.15**	(0.03)
Diluted earnings/(loss) per share, in euros	**0.15**	(0.03)
Earnings per share – Discontinued operations		
Basic earnings per share, in euros	**0.35**	0.07
Diluted earnings per share, in euros	**0.35**	0.07

On 12 January 2021, pursuant to the completion of an acquisition (see note 34) 21,074,030 new shares were issued, taking the total issued share capital to 32,909,737, of which 112,996 were held in treasury.

29. SHARE BASED PAYMENTS

At 31 December 2020, the Group has the following shared based payment arrangements.

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 2019 Number	**Granted Number**	**Exercised Number**	**Withdrawn Number**	**Lapsed Number**	**As at 31 December 2020 Number**
SIP matching shares	6,474	-	-	-	(54)	6,420
Free shares granted	126,434	-	-	-	(27,684)	98,750
	132,908	**-**	**-**	**-**	**(27,738)**	**105,170**

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. SHARE BASED PAYMENTS (CONTINUED)

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 €2,595 (2019: €152,562) of share-based payment expense in these financial statements.

30. FINANCIAL RISK MANAGEMENT

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

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

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

To help manage these foreign exchange risks the Group may utilise foreign currency option or forward contracts transacted with high-credit-quality financial institutions, after review and approval by the Group's CFO. There were no such contracts outstanding as at 31 December 2020 (2019: none).

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

In thousands of euros	Euros	US dollars	Pounds sterling	Japanese yen
At 31 December 2020				
Trade and other receivables	2,921	1,514	1,162	556
Other current assets	-	-	206	13
Trade and other payables	(4)	(202)	(549)	(9)
Accrued liabilities	(233)	(307)	(1,733)	(11)
Net exposure	**2,684**	**1,005**	**(914)**	**549**
At 31 December 2019				
Trade and other receivables	1,298	1,414	919	144
Other current assets	10	-	72	10
Trade and other payables	(113)	(208)	(250)	(10)
Accrued liabilities	(225)	(192)	(1,617)	(11)
Net exposure	**970**	**1,014**	**(876)**	**133**

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 2020				
Trade and other receivables	1,115	422	35	2,756
Other liabilities	-	(391)	(1,823)	-
Net exposure	**1,115**	**31**	**(1,788)**	**2,756**
At 31 December 2019				
Trade and other receivables	698	432	45	2,526
Other liabilities	(2,000)	-	(2,416)	-
Net exposure	**(1,302)**	**432**	**(2,371)**	**2,526**

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	
	2020	**2019**	**2020**	**2019**
US dollar	0.8777	0.8933	0.8130	0.8907
Pound sterling	1.1255	1.1404	1.1085	1.1817
Japanese yen	0.0082	0.0082	0.0079	0.0082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

If sales and results for the year had been converted using the exchange rates prevailing in the prior year, the Group's 2020 sales would have been higher by approximately €0.32 million and the operating profit for the year would have reduced by approximately €0.28 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 and HSBC) and Japan (Sumitomo Mitsui Banking Corporation). The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. These are summarised within note 21 (Trade and other receivables) and note 23 (Cash and cash equivalents). The Group's management considers that all the above financial assets that are not impaired at the balance sheet date under review are of good credit quality, including those that are past due.

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

In thousands of euros	2020	2019
Equipment manufacturers	2,628	2,743
Resellers and end users	3,525	1,032
Total trade receivables	**6,153**	**3,775**

At 31 December 2020, the ten largest accounts receivable represented 32.1% (2019: 45.7%) of the Group's accounts receivables and the single largest accounts receivable represented 9.1% (2019: 12.3%) of the Group's accounts receivables.

The Group's calculated allowance for expected credit losses, based on historic credit losses, at 31 December 2020 under IFRS 9 was €15,000 (2019: €13,000). Given this was not material the Group have not disclosed the inputs, assumptions, estimation techniques.

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 2020			
Trade payables	764	-	764
Accrued liabilities	1,884	400	2,284
Other non-current liabilities	481	1,733	2,214
Total	**3,129**	**2,133**	**5,262**
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**

Interest rate risk
The Group has no variable interest rate debt, therefore the Group currently has no interest rate risk.

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 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

In thousands of euros	2020	2019
Capital		
Total equity	27,558	23,460
Less cash and cash equivalents	6,855	4,995
	20,703	**18,465**
Overall financing		
Total equity	27,558	23,460
Plus borrowings	391	2,000
	27,949	**25,460**
Capital to overall financing ratio	**1:1.35**	**1:1.38**

31. RELATED PARTIES

The controlling party is Congra Software S.à r.l. ("Congra"), which owns the majority 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 16 to 21.

Key personnel

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.

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.

During the year Michael Rottenborn acquired 1,000 shares in the Company on the open market to comply with the Directors' minimum holding requirements.

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 €51,219 (2019: €171,009) with Congra and recognised €134,623 (2019: €243,906) in revenue from them.

Additionally, in 2019 an unsecured loan of €2.5 million was granted to the Group by Congra to enable the acquisition of Xitron, LLC. Interest is payable on the loan at the rate of 6% per annum and €65,022 (2019: €28,356) was expensed during the year. Repayments of €2.0 million (2019: €0.5 million) plus interest were made during the year to clear the loan in full.

At the date of these financial statements €42,176 was owed to the Group by Congra (2019: €2.02 million was owed by the Group to Congra).

On 12 January 2021, the Group acquired the entire issued share capital of HYBRID Software S.à r.l. from Congra. Further information can be found in note 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. GROUP ENTITIES

Company name	Registered office address	Country of incorporation	Ownership interest % 2020	Ownership interest % 2019
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%
Xitron, LLC *	4750 Venture Drive, Suite 200A, Ann Arbor, Michigan 48108, USA	United States of America	100%	100%

* indirectly held by the Company.

33. DISCONTINUED OPERATION

In May 2020, the Group sold its entire Fonts segment following a strategic decision to focus on the industrial printing market and focus on the Group's core competencies of printing software and device electronics.

Consideration of €7.5 million plus/minus an adjustment for retained cash and working capital at closing is payable in cash in instalments. €5.4 million was received during the year, €2.0 million is payable 12 months after closing and €0.5 million is payable 24 months after closing.

The Fonts segment was not previously classified as held-for-sale or as a discontinued operation. The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Results of discontinued operation

In thousands of euros		2020	2019
Revenue		**615**	4,070
Elimination of inter-segment revenue		**-**	(40)
External revenue		**615**	4,030
External expenses		**(665)**	(2,332)
Amortisation		**(183)**	(462)
Results from operating activities		**(233)**	1,236
Tax		**30**	(413)
Results from operating activities, net of tax		**(203)**	823
Gain on sale of discontinued operation		**4,370**	-
Profit from discontinued operation for the period, net of tax		**4,167**	823
Earnings per share			
Basic earnings per share (euro)	28	**0.35**	0.07
Diluted earnings per share (euro)	28	**0.35**	0.07

All of the profit from the discontinued operation and continuing operations was attributable entirely to the owners of the Company.

Cash flows from (used in) discontinued operation

In thousands of euros	2020	2019
Net cash used for operating activities	**(705)**	(288)
Net cash from/(used) in investing activities	**4,806**	(3)
Net cash flow for the period	**4,101**	**(291)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. DISCONTINUED OPERATION (CONTINUED)

Effect of disposal on the financial position of the Group

In thousands of euros	2020
Property, plant and equipment	(70)
Right-of-use assets	(150)
Other intangible assets	(146)
Financial assets	(21)
Trade and other receivables	(377)
Other current assets	(49)
Prepayments	(42)
Cash and cash equivalents	(594)
Trade and other payables	225
Contract liabilities	92
Deferred tax liabilities	43
Lease liabilities	150
Net assets and liabilities	**(939)**
Consideration received in cash	5,400
Cash and cash equivalents disposed of	(594)
Net cash inflow	**4,806**

34. SUBSEQUENT EVENTS

Acquisition of HYBRID Software Group S.à r.l.

On 12 January 2021, the Group acquired the entire issued share capital of HYBRID Software Group S.à r.l. ("Hybrid") from Congra Software S.à r.l. ("Congra"). The consideration of €80 million was satisfied in full by issuing 21,074,030 ordinary shares in the Company to Congra. An independent valuation report was commissioned by the directors to enable them to negotiate the acquisition price.

Founded in 2007, headquartered in Luxembourg and with subsidiaries in Belgium, Germany, Italy, France, and the USA, Hybrid is a software development company focused on innovative productivity tools for the graphic arts industry, predominantly print service providers and converters in the labels and packaging segments. Hybrid's workflow software, editing software, and integration products offer a unique set of advantages that include native PDF workflows, vendor-independent solutions based on industry standards, scalable technology and low total cost of ownership. These products are used worldwide by customers in all areas of pre-press and printing, including labels and packaging, folding cartons, corrugated, wide format and digital printing.

This acquisition is strategically important for Global Graphics because Hybrid has a large end-user customer base in the growing labels and packaging market and brings enterprise software technology and solutions to the Group. The acquisition allows the Group to further develop its digital print strategy with a more complete offering of products to open up new markets and potential customers.

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

Hybrid was acquired post-year end, therefore the acquisition has no effect on the financial results for the year ending 31 December 2020.

Due to the time period between issuing these financial statements and the completion of the acquisition, the initial accounting for the business combination (under IFRS 3) has not been completed. The following disclosures could therefore not be made in respect of:

- the acquisition date fair value of the consideration;
- the identifiable assets acquired, the liabilities assumed and the associated disclosures;
- the intangible assets and their value; and
- the goodwill, its value and the amount that is expected to be deductible for tax purposes.

Some regulatory work is still to be completed (notably the publication of a prospectus for the new shares issued), so it is not possible to establish the total acquisition-related costs until that process is complete. Included in these financial statements are costs of €152,000 that have been incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. SUBSEQUENT EVENTS (CONTINUED)

Issued share capital

On 12 January 2021, pursuant to the above acquisition, 21,074,030 new shares were issued, taking the total issued share capital to 32,909,737, of which 112,996 were held in treasury.

Loan forgiveness

On 2 February 2021, the Group received notification that one of the two loans granted under the United States' Paycheck Protection Program had been forgiven in full (see note 26). It is expected that the financial effect on the Group will be to reduce its other liabilities by approximately €179,000, with a corresponding increase in other income.

35. MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

In thousands of euros	Lease liabilities	Other liabilities	Total
Balance at 31 December 2019	**1,882**	**4,416**	**6,298**
Proceeds from loans and borrowings	**-**	**433**	**433**
Loan repayment	**-**	**(2,000)**	**(2,000)**
Contingent consideration paid	**-**	**(529)**	**(529)**
Contingent consideration fair value adjustment	**-**	**52**	**52**
Principal payments of lease liabilities	**(383)**	**-**	**(383)**
Effect of discontinued operation on lease liabilities	**(150)**	**-**	**(150)**
Exchange rate effects	**(1)**	**(158)**	**(159)**
Balance at 31 December 2020	**1,348**	**2,214**	**3,562**

In thousands of euros	Lease liabilities	Other liabilities	Total
Balance at 31 December 2018	-	3,206	3,206
Proceeds from loans and borrowings	-	2,500	2,500
Loan repayment	-	(500)	(500)
Contingent consideration paid	-	(932)	(932)
Contingent consideration fair value adjustment	-	14	14
Recognition of lease liabilities	2,292	-	2,292
Principal payments of lease liabilities	(411)	-	(411)
Exchange rate effects	1	126	129
Balance at 31 December 2019	**1,882**	**4,416**	**6,298**

COMPANY BALANCE SHEET

		For the year ended 31 December	
In thousands of euros	**Note**	**2020**	**2019**
Non-current assets			
Investments	4	**21,295**	25,583
Trade and other receivables due after more than one year	5	**500**	-
Total non-current assets		**21,795**	25,583
Current assets			
Trade and other receivables	5	**3,529**	10
Cash and cash equivalents		**75**	4
Total current assets		**3,604**	14
Current Liabilities			
Creditors: Amounts falling due within one year	6	**(8,071)**	(10,280)
Net current liabilities		**(4,467)**	(10,266)
Creditors due in more than one year	7	**(1,776)**	(4,368)
Net assets		**15,552**	10,949
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)**	(309)
Profit and loss account		**8,974**	4,371
Total shareholders' funds		**15,552**	10,949

The notes on pages 62 to 65 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 2020 was a profit of €4,602,516 (2019: €156,603 loss).

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

These financial statements were approved and authorised for issue by the board of directors on 17 March 2021 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 31 December 2018		**4,734**	**1,979**	**174**	**(631)**	**4,850**	**11,106**
Total comprehensive income 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	10	-	-	-	322	(322)	-
Total transactions with owners		**-**	**-**	**-**	**322**	**(322)**	**-**
Balance at 31 December 2019		**4,734**	**1,979**	**174**	**(309)**	**4,371**	**10,949**
Total comprehensive loss for the year							
Net profit for the year		-	-	-	-	4,603	4,603
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**4,603**	**4,603**
Balance at 31 December 2020		**4,734**	**1,979**	**174**	**(309)**	**8,974**	**15,552**

The notes on pages 62 to 65 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 (2019/20 Cycle) issued in May 2020 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union but makes amendments where necessary 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.

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

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements and 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 €6.86 million as at 31 December 2020 (2019: €5.00 million). Those forecasts take into account reasonably possible downsides, including the potential impact of the COVID-19 pandemic. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Refer to note 2 to the consolidated financial statements for further details.

2. EMPLOYEES AND REMUNERATION OF DIRECTORS

The Company employed an average of nil employees (including executive directors) during the year (2019: nil). Directors' emoluments are disclosed in the directors' remuneration report on pages 16 to 21 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 31 December 2018 and 31 December 2019	83,341
Disposal (see note 33 to the consolidated financial statements)	(4,288)
At 31 December 2020	**79,053**
Provision	
At 31 December 2019 and 31 December 2020	**57,758**
Net book value	
At 31 December 2019	25,583
At 31 December 2020	**21,295**

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 2027 using the same discount rate and exchange rates that were used for the impairment review of Goodwill in the consolidated financial statements (see note 16 to the consolidated financial statements). Management considers the use of a 7 year period is justified because the underlying businesses have been established for over 25 years, have recurring revenues and continue to develop new products and gain new customers.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. INVESTMENTS (CONTINUED)

At 31 December 2020 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 2020	2019
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%
Xitron, LLC *	4750 Venture Drive, Suite 200A, Ann Arbor, Michigan 48108, USA	Computer software development, sales, technical support and marketing.	n/a	100%	100%

* indirectly held by the Company.

5. TRADE AND OTHER RECEIVABLES

Due after more than one year:

In thousands of euros	2020	2019
Deferred consideration receivable	500	-
Total trade receivables due after more than one year	**500**	**-**

Due within one year:

In thousands of euros	2020	2019
Deferred consideration receivable	2,000	-
Amounts owed by group undertakings	1,065	-
Other receivables	464	10
Total trade and other receivables	**3,529**	**10**

There are no formal intercompany agreements. Amounts owed by group undertakings are interest free and would be repayable on demand.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

In thousands of euros	2020	2019
Trade and other payables	4	62
Amounts owed to group undertakings	7,834	10,188
Accruals	233	30
Total creditors due within one year	**8,071**	**10,280**

There are no formal intercompany agreements. Amounts owed to group undertakings are interest free and would be repayable on demand.

7. CREDITORS DUE IN MORE THAN ONE YEAR

In thousands of euros	2020	2019
Contingent consideration	1,776	2,368
Shareholder loan	-	2,000
Total other liabilities	**1,776**	**4,368**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

7. CREDITORS DUE IN MORE THAN ONE YEAR (CONTINUED)

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 2020. 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 €0.05 million (2019: €0.01 million).

During the year, cash payments of £445,279 (2019: £812,838) 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 2019 an unsecured loan of €2.5 million, with an interest rate of 6% per annum, was granted to the Group by Congra Software S.à r.l. (see note 31 to the consolidated financial statements) to enable the acquisition of Xitron, LLC. Capital repayments of €2.0 million were made during the year (2019: €0.5 million).

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 2020 (2019: €nil).

9. SHARE CAPITAL

Ordinary shares allotted, called up and fully paid:

In thousands of euros, except number of shares	Number	Value
At 31 December 2019 and 31 December 2020	11,835,707	4,734

Share premium:

In thousands of euros	
As at 31 December 2019 and 31 December 2020	**1,979**

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

	2020		2019	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
At 1 January	112,996	309	222,473	631
Disbursement of shares to employees	-	-	(109,477)	(322)
As at 31 December	**112,996**	**309**	**112,996**	**309**

10. SHARE BASED PAYMENTS

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

11. RELATED PARTY TRANSACTIONS

The controlling party is Congra Software S.à r.l. ("Congra"), which owns the majority of the voting rights of the Company.

The remuneration paid to the directors is detailed in the directors' remuneration report on pages 16 to 21. Other related party relationships are detailed in note 31 to the consolidated financial statements.

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

12. SUBSEQUENT EVENTS

Details of post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2020 are in note 34 to the consolidated financial statements.

Operating company headquarters

GLOBAL GRAPHICS software

Global Graphics Software's Cambridge UK office

2030 Cambourne Business Park
Cambourne, Cambridge
CB23 6DW
UK

HYBRID

HYBRID Software's Gent office

Guldensporenpark 18, Block B
9820 Merelbeke
Belgium

meteor

Meteor Inkjet's Cambridge UK office

Harston Mill
Royston Road
Cambridge, CB22 7GG
UK

XITRON

Xitron's Michigan office

4750 Venture Drive
Suite 200A
Ann Arbor, MI 48108
United States

CONTACT US:

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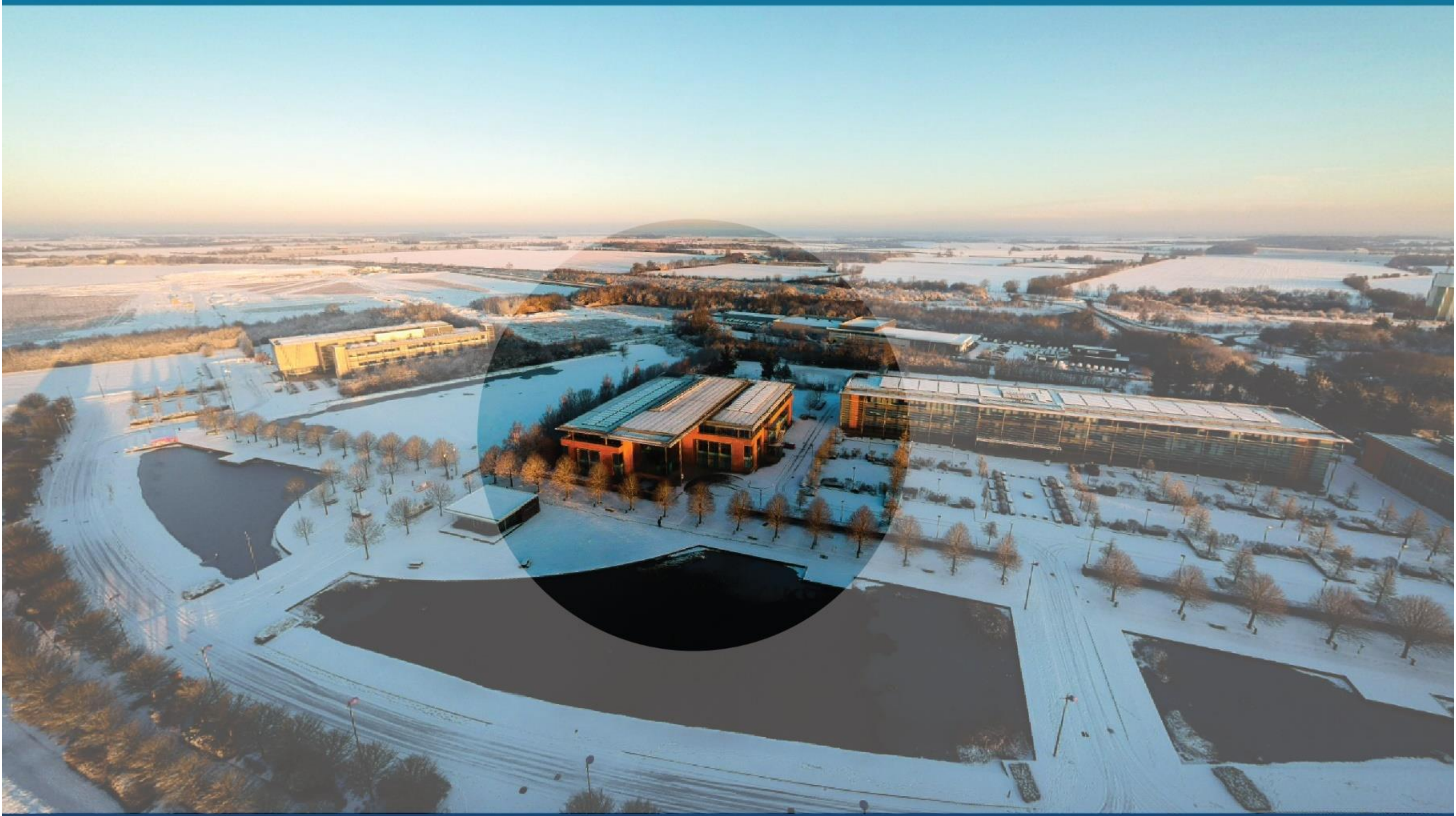
investor-relations@globalgraphics.com

Global Graphics PLC's registered office in Cambridge, UK, photographed on 25th January 2021 by Leathon Lagerwall, Software Test Engineer.



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