ANNUAL REPORT 2021

Hybrid Software Group PLC (formerly Global Graphics PLC) annual report and financial statements for the year ending 31st December 2021.

HYBRID SOFTWARE GROUP

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HYBRID SOFTWARE GROUP

Enterprise software for industrial print manufacturing

Hybrid Software Group PLC (formerly Global Graphics PLC) is a public limited-liability company registered in England and Wales with its shares traded on Euronext Brussels under stock code HYSG. It is headquartered near Cambridge, UK.

In October 2021 Hybrid Software Group PLC changed its name from Global Graphics PLC to underline the Group's position as a software company providing innovative technology for industrial print manufacturing at a time when industry is accelerating towards mass customisation, smart factories, and Industry 4.0. The Group's solutions are hybrid because they meet the needs of analogue and digital production processes and because they integrate both software and printhead drive electronics.

With more than 275 employees worldwide and a pedigree stretching back more than 30 years, Hybrid Software Group develops enterprise software for industrial print manufacturing.

Industrial print manufacturing is when printing technology is used in broader manufacturing processes where it isn't the print itself that is being sold. Hybrid Software Group provides critical technology for manufacturing a diverse range of goods, from labels and packaging, to textiles, tiles, laminates, wall coverings, additive manufacturing and 3D printing applications.

The Group is the only full stack supplier of all the critical core technologies needed for inkjet printing. Inkjet is being widely adopted for the digital conversion of industrial printing applications. Our principal customers are Original Equipment Manufacturers ("OEMs") of digital printing equipment and end users, primarily printers who print and convert labels and packaging materials and to whom we license software technology. Our printhead driver solutions are sold directly to manufacturers of printing devices. Consequently, the Group's printing technology lies at the heart of industry leading brands of digital pre-press systems, high-speed digital production presses, professional colour proofing devices, wide format colour printers, and industrial inkjet systems for ceramic tiles, packaging, textiles and additive manufacturing.

The Group's strategic focus is to provide all critical core technologies for industrial print manufacturing and be the go-to supplier of choice for OEMs for their turnkey solutions or for individual components to enable them to build their own solutions.

A visual of STEPZ, HYBRID Software's specialised software for digital labels and packaging printing.

Our investment case

- **Inkjet adoption is increasing rapidly across multiple industry sectors.**
- **Analogue markets are converting to digital production.**
- **Hybrid Software Group PLC is the only vertically integrated supplier to this market.**
- **Group operating companies are award-winning technology leaders.**
- **Hybrid Software Group enables customers to migrate their traditional manufacturing processes to digital inkjet.**
- **Synergies between Group companies following strategic acquisitions made in 2021 will accelerate innovation and revenue growth.**

Courtesy of Creative Labels of Vermont, a HYBRID Software customer

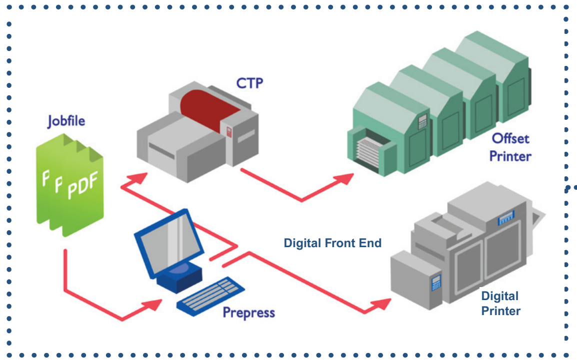
Textiles continues to be one of the biggest growth areas for digital print. Inedit is a Global Graphics Software customer. ©Nessan Cleary

THE DIGITAL REVOLUTION IN PRINT MANUFACTURING

The print manufacturing market is transitioning from the mass production of products (many thousands of identical products) to the mass customisation of products (thousands of products and each one unique) in response to consumer demand. Digital inkjet printing makes this possible because is it capable of changing what is printed in real time on every object.

It can be used at different points in the production process, for instance during product decoration, packaging and labelling. Mass customisation is a huge potential area for growth for which the inkjet process is ideally suited.

A typical labelling workflow

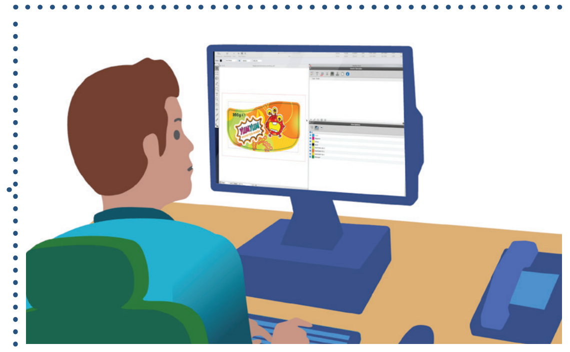


01.

Unlike a traditional analogue workflow where graphic designs are transferred to a printing plate to produce multiples of the same item, in a digital workflow a PDF file created by the designer encapsulates all the data required for printing. The PDF file is submitted to the digital printing press via a digital front end (DFE).

02.

Specialised software is used to prepare the PDF file for printing. This may include merging a data stream to generate bar codes for product identification or security purposes; colour management to achieve specific brand colours; layout tools to ensure the most economical use of raw materials; tools to proof the artwork on screen and enterprise software for workflow automation.



03.

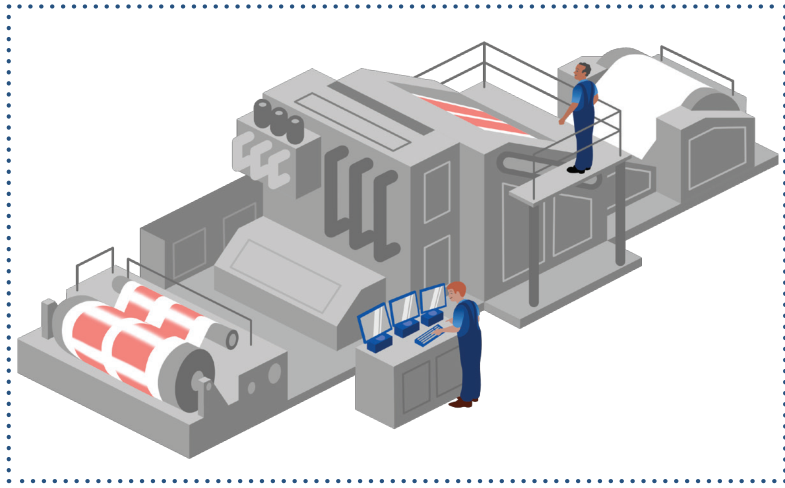
Other software embedded in the printing process ensures high-quality output through RIPping and screening depending on the specifications of the printing device. As many as 7 colours may be jetted with different sizes of ink drops, to achieve the desired output. All of these need calibrating with the printing device.

04.

The inkjet process can print on any surface such as textiles, laminates, ceramics, packaging.

THE ONLY FULL STACK SUPPLIER OF ALL THE CRITICAL CORE TECHNOLOGIES NEEDED FOR INKJET PRINTING

OUR VALUE PROPOSITION TO OEM SUPPLIERS IS TO OFFER TURNKEY SOLUTIONS AND INDIVIDUAL COMPONENTS TO ENABLE THEM TO MIGRATE ANALOGUE PROCESSES TO DIGITAL.



01. PRINTHEAD ELECTRONICS — meteor

02. OUTPUT QUALITY AND SPEED — GLOBAL GRAPHICS software, PrintFlat, ScreenPro, COLOR Logic, ColorAnt, CoPrA

03. IMAGE PROCESSING AND DEVICE CONTROL — GLOBAL GRAPHICS software, DIRECT, Fundamentals, HARLEQUIN, SmartDFE, COLOR Logic, ZePrA

01. FILE PREPARATION AND EDITING — HYBRID SOFTWARE, PACKZ, STEPZ, COLOR Logic, ColorAnt, CoPrA

02. WORKFLOW AUTOMATION — HYBRID SOFTWARE, CLOUDFLOW, COLOR Logic, ZePrA

03. RASTERIZATION AND OUTPUT — XITRON

OUR VALUE PROPOSITION TO PRINT SERVICE PROVIDERS AND CONVERTERS IS A COMPLETE SET OF SOFTWARE APPLICATIONS TO MAXIMISE EFFICIENCY IN PRODUCTION WORKFLOWS.

OUR MARKETS

In addition to growing its revenues from commercial and wide format printing, the Group is active in four other strategic growth markets: packaging, ceramics, textiles, and 3D printing or additive manufacturing. Two market trends in particular play to the Group's strengths: digital press manufacturers are asking for turnkey Digital Front Ends (DFEs) to drive their presses rather than the components to build their own DFEs, and the Group is uniquely positioned to deliver these. Secondly, new generation printing devices are faster than ever before and require more print-ready jobs to be delivered to the DFE. The Group specialises in the automation and enterprise integration required to achieve this.

Packaging

By 2030 the global packaging market is expected to reach $1.1 trillion ($876 billion in 2020)[a] and will account for almost two thirds of the global print market, making this a key strategic market for the Group's products.

Digital inkjet devices can print a wide variety of labels, folding cartons, flexibles, and corrugated board and only 3% -15% (varies by segment) had converted to digital printing as of 2021.[a]

This market requires very specialised knowledge and advanced software solutions, especially for variable data printing and serialisation.

Group companies enjoy strategic partnerships with the major players in this market and are experts in a number of key areas: variable data preparation and processing, colour management for matching brand colours accurately, and the speed and precision required for high-volume production environments.

This market is fast growing, dynamic and innovative. During the pandemic there has been a surge in digital production of labels and packaging in response to changing consumer buying patterns and the steep rise in home deliveries due to on-line purchasing.

Sustainability
Of all the different materials used for packaging – paperboard, metal, glass, rigid plastics, flexible film, paper, and foil – it is folding cartons and especially corrugated board that have benefitted from the rise in ecommerce. But sustainability is a key driver that is supporting growth here too, as brands set out their sustainability goals and underline their green credentials.

Digital printing minimises waste and the costs of storing inventory in warehouses. It also enables the incorporation of new features on product packaging or labelling that would not be possible with analogue printing. These might include personalisation or anti-counterfeit measures requiring the high-speed processing of variable data so that each item is unique and identifiable.

Industry 4.0
Group companies are experts in variable data processing and offer the full software and hardware stack that OEMs require to get their new digital presses to market on schedule. Furthermore, many consumer brands are looking to incorporate printing into their production lines. The Group has developed a SmartDFE designed to be the heart of a fully automated manufacturing system supporting Industry 4.0.

a The global print market to 2030. Smithers Pira www.smithers.com/en-gb/services/market-reports/packaging/future-packaging-long-term-strategic-forecast-2030

Our markets continued...

Ceramics

The ceramics market is the largest user of industrial inkjet equipment and components.

The global ceramic tile market is expected to reach USD 582.68 billion by 2027.[b]

90% of ceramic tile printing has converted to inkjet over a 10-year period and it is estimated that printhead design and ink formulation will increase the uptake of inkjet. Its use will also increase for tile decoration in the future as inkjet will be used not just for printing designs but also for simulating textures and highlights on ceramic tiles.

The Group's software and electronics solutions are compatible with all the leading printheads used for ceramic tile decoration and are designed to easily support ceramics printers of any size and printing speed.

Digital printing has revolutionised the decoration of ceramic tiles. Industrial inkjet systems are now considered to be the industry standard and are rapidly replacing screen printers worldwide.

Economic conditions around the world influence the ceramics market. As residential or commercial construction projects spring up around the globe there is more demand for ceramic tiles for interior and exterior decoration. China is a key producer and consumer of ceramics although there is also a dynamic industry in Europe, and growth opportunities in many other regions.

Cost and design benefits
Digital printing of ceramic tiles offers significant cost advantages over analogue screen printing. Short production runs become economically feasible due to lower set-up requirements and reduced stock of finished goods. Other manufacturing benefits include less breakage/waste due to non-contact printing and ease of colour matching for repeat orders.

Inkjet-printed ceramic tiles offer attractive design benefits including the ability to produce realistic images of marble and other natural materials and to print large quantities of tiles without repeating patterns.

Unlimited performance
The Group's drive electronics and software provide scalable, customisable solutions for systems of any size, speed, or complexity. Special features for ceramic tile printers include recirculating printheads and ink systems to prevent the sedimentation and nozzle blocking to which heavily-pigmented ceramic inks are prone. Led by Meteor Inkjet, the Group's products fully implement the control functions required of such systems.

b Ceramic Tiles Market Size, Share & Trends Analysis Report By Product (Glazed Ceramic, Porcelain Tiles), By Application (Wall, Floor), By End Use, By Region, And Segment Forecasts, 2020 - 2027. Grand View Research www.grandviewresearch.com/industry-analysis/ceramic-tiles-market

Our markets continued...

A transformation is taking place in the production of textiles for fashion, fast fashion, and home décor. The pandemic heavily impacted global supply chains and spurred the growth of digital production from around 6% to 10% in the first year alone (2020). Whilst still a small number, many believe that a systemic change to the textile supply chain has begun and that growth in digital production will climb. In any event, the adoption of digital inkjet is increasing as manufacturers witness the many benefits of print on demand.

Reducing waste

Sustainability is a key driver for digital inkjet production because it reduces water, energy usage, pollution and waste with the amount of textile production ending in landfill a particular focus for brands who are increasingly aware of their consumers' demand for environmentally and socially responsible business practices.

Shorter cycles

Digital inkjet enables brands to respond to changing consumer behaviour as fashion cycles shorten and more goods are purchased on-line with scope for personalisation. Digital production is providing more control over inventory through new technology to usurp long supply chains and inflexible production methods focused on long runs. Brands are recognising that it is the cost per item sold that is important and acknowledging the efficiencies that digital business and manufacturing processes can bring.

Textiles

The global digital textile printing market size was valued at $2.0 billion in 2020, and expected to reach $7.9 billion by 2030, at a CAGR of 14.8% from 2021 to 2030.[c]

The largest inkjet printed textile market segment, thought to be around three quarters of the total digital market, is fashion and sportswear, followed by displays and signage, and then household and technical textiles.

The global pandemic is accelerating the transition to digital inkjet textile production in what many analysts believe will be a systemic change to the supply chain.

This transition is resulting in many new digital textile printers coming to market. The Group's reputation for high-speed software, colour management technology, and expertise in inkjet electronics responds to manufacturers' demands for turnkey solutions to drive these machines.

[c] *A Digital Textile Printing Market Outlook - 2021-2030. Allied Market Research www.alliedmarketresearch.com/digital-textile-printing-market*

Our markets continued...

Inkjet 3D printing is one of the most flexible additive manufacturing technologies, from robust metal components to co-moulded parts fabricated from multiple materials, including cutting edge "functional" printing for manufacturing electronics. This ability to create radical new products is helping to drive 3D printing adoption in the traditional manufacturing space. What was an industry producing protoyopes is now shifting to volume production.

Robustness and flexibility

There are two types of inkjet additive manufacturing. Binder jetting can make robust ceramic and metal parts and even produce more complex moulds for sand-casting. The powder bed means there is less need for adding supports to overhanging structures. Materials jetting using UV cured polymers has excellent detail and accuracy and a unique capability for combining multiple materials and colours in a single print job. Materials jetting is also the only additive manufacturing technology capable of functional printing such as PCBs, embedded electronics, batteries, etc.

Inkjet additive manufacture has all the benefits of digital printing. It is Industry 4.0 compliant, makes hardware development agile, enables just-in-time manufacturing for minimal inventory cost, and is inherently low-waste with more opportunity for sustainability.

3D

The global additive manufacturing/3D printing market size was US$13.8 billion in 2020 and is expected to grow at 21.0% (CAGR) to around US$64 billion from 2021 to 2028.[d] Key drivers for growth are bio-medical/healthcare and automotive applications.

Inkjet is one of the technologies that is expected to grow fastest because it enables the most innovative forms of additive manufacturing technology.

Through its subsidiary Meteor Inkjet, the Group helps manufacturers harness the power of inkjet for additive manufacturing applications without the distraction of having to design electronics and software solutions in-house. Meteor can radically simplify the path through development to production for 3D inkjet printer manufacturers and integrators.

[d] *3D printing market size, trends and share analysis report, May 2021. Grand View Research www.grandviewresearch.com/industry-analysis/3d-printing-industry-analysis*

BUSINESS SEGMENTS

The Group's business segments are:

Enterprise Software – file preparation and workflow automation for print manufacturing

Printhead Solutions – electronics and software for industrial inkjet devices

Printing Software – graphic processing engines for fast and high-quality digital output

Enterprise Software

Under the HYBRID Software brand, we offer specialised production software designed primarily for labels and packaging including native PDF workflow and editing, variable data embellishment and imposition, enterprise cloud solutions, scalable technology with low cost of ownership, and direct integration with leading Enterprise Resource Planning (ERP) systems and output devices.

HYBRID Software's products are based on the company's extensive experience in the labels and packaging industry as well as their commitment to industry standards: no proprietary or legacy file formats are used by HYBRID Software's products, only industry standard formats like PDF and TIFF™. Our products are used by more than 1,000 customers worldwide in all areas of pre-press and printing, including labels and packaging, folding cartons, corrugated, and wide format. HYBRID Software's products are used both for conventional and digital printing processes.

Although HYBRID Software does have OEM customers who manufacture equipment for package printing, most of its customers are end users: companies who print and convert labels and packaging to support brands and consumer product companies. Selling directly to end users requires specially trained employees in all major markets worldwide to provide sales, support, training, and integration services, and these employees are critical to the success of HYBRID Software.

Key Products

- CLOUDFLOW: A modular production workflow suite for file processing, asset management, soft proofing and workflow automation. It is a flexible application platform specifically tailored for packaging graphics with support for, among other things, PDF colour separation, trapping, layout, and variable data as well as rasterisation and screening using the

HYBRID Software opened new offices in China, Spain, and Australia to provide expert sales and technical support to customers in these regions. During the year Meteor Inkjet expanded its facilities in Cambridge and so did HYBRID Software in Ghent.

Harlequin Host Renderer from HYBRID Software's sister company Global Graphics Software. CLOUDFLOW can run on physical hardware as well as in public or private cloud computing environments.

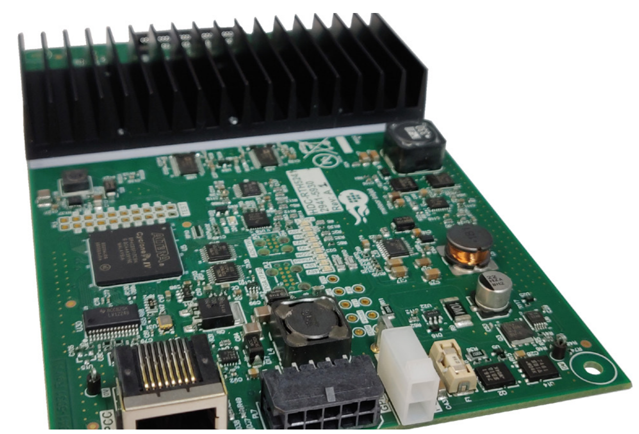
- PACKZ: A professional PDF editor for packaging and label production using any printing method: flexography, offset lithography, gravure, as well as digital printing. PACKZ operates on native PDF files and utilizes 64-bit multi-processing and multi-threading facilities for high performance. PACKZ provides a "Swiss Army Knife" containing a full set of tools for packaging pre-press, and its support for native PDF eliminates the need for file conversions or proprietary file formats.
- STEPZ: A specialised production tool derived from PACKZ but with a feature set aimed specifically at digital printing of labels and packaging. STEPZ contains the same powerful tools for layout and variable data as PACKZ but drops functionality such as trapping which is not required for digital printing.

Printhead Solutions

Under the brand of Meteor Inkjet, we develop and supply printhead drive electronics, software, tools and services for industrial inkjet systems and printing devices. The industrial inkjet market is very broad and fast growing, and includes ceramic tiles, flooring and décor, wallpaper, labels and packaging, functional and

Business segments continued...

3D printing, product decoration, and textiles. Our software and proprietary drive electronics send data to printheads inside inkjet devices to control the output produced by these printheads. Printheads are a critical component of an inkjet press and generally contain multiple nozzles for jetting ink or other fluids onto substrates.



Meteor inkjet scored a world-first in supporting the Ricoh TH5241 industrial inkjet printhead, aimed primarily at entry level scanning applications including sign graphics, textiles and labels. The head features 1280 nozzles in four separate channels so that a single head can jet up to four colours.

The major industrial printhead manufacturers are our route to identifying inkjet development projects around the world. Consequently, we work closely with all leading printhead vendors, including Xaar, FUJIFILM Dimatix, Kyocera, Konica Minolta, Memjet, Toshiba TEC, SII, Ricoh, Epson, and Xerox. We continually 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 and 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 printers. 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.

Meteor Inkjet offers application-specific Digital Front Ends for single-pass inkjet and multiple-pass inkjet devices as well as Software Development Kits to facilitate bespoke solutions.

Key Products

We support the leading printheads demanded by OEMs and print system integrators worldwide with solutions that provide high speed output, unmatched quality, and rapid time to market for new product launches. Meteor Inkjet collaborates closely with printhead manufacturers to support the launch of new printheads with custom drive electronics and software. Our products comprise:

- Electronics: powerful, flexible and scalable drive electronics for all major industrial inkjet 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 as well as the award-winning patented PrintFlat™ software for output uniformity; and
- Tools and services: DropWatcher™ for analysing and tuning ink drops in flight, as well as waveform development services for optimised output quality of any ink and substrate combination.

Business segments continued...

Printing Software

Before graphic designs can be printed or displayed on a monitor, 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). Our Global Graphics Software brand is one of the world's foremost developers of the graphic processing engines that are used for these tasks.

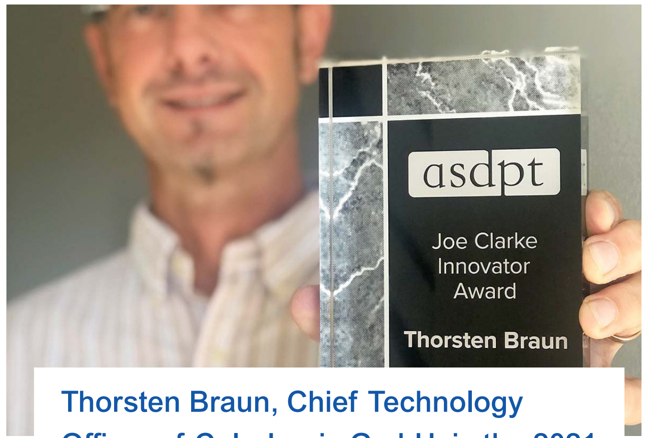
Colour management is also required for high-quality output, a task which is especially difficult for digital printing where the inks supported by the printer may not be capable of exactly matching brand-specific spot colours used for packaging and corporate branding. Our ColorLogic brand provides a full set of products for these demanding applications, as well as a Software Development Kit (SDK) which allows OEMs to produce their own customised colour management tools.

We develop software components and workflow solutions for high-speed digital printing of a wide 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 speed and quality requirements, adding value to their products, and getting them to market quickly.

ColorLogic's ZePrA 9 Smart Color Server was awarded a Pinnacle Product Award in the Software - Color Management and Quality Control category.

Customers

Customers include group companies HYBRID Software, Meteor Inkjet, and Xitron plus OEMs such as Hewlett Packard, Mimaki, Mutoh, Canon, Durst, Roland, Agfa,



Thorsten Braun, Chief Technology Officer of ColorLogic GmbH, is the 2021 recipient of the Joe Clarke Innovator Award in the category for Business Innovation and Software Technology.

Kodak, Kirk-Rudy, Postmark, Ryobi, Mitsubishi, Memjet, Presstek, Printware and Neopost, as well as many others who embed our printing software solutions into their own branded Digital Front Ends (DFEs).

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 each customer's time to market, and also by an experienced product support team.

Key Products

The product range includes:

- Harlequin Core: 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 can understand and output. It produces unmatched quality without sacrificing speed, which means that printing devices which incorporate Harlequin can be kept running at full rated speed, even on the most complex jobs, without incurring high costs for computing hardware.

Business segments continued...

- ScreenPro: Software that converts continuous tone image data into ready-to-print halftones (dots of varying size and spacing) in real-time with no compromise on quality.
- Colour management software: colour accurate matching of brand colours for digital production where more capable 7 colour printing devices require extended gamut colour management. Products include CoPrA, ColorAnt, ZePrA, as well as a full SDK for OEM licensing.
- Mako SDK: Software that creates, rasterizes, 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.

HARLEQUIN

Global Graphics Software's Harlequin RIP is the fastest RIP on the market, powering its way through data to drive the next generation of digital presses.

- 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.
- SmartDFE™: A turnkey Digital Front End (DFE) based on Harlequin Direct, CLOUDFLOW, and Meteor for digital printing of labels and packaging within Industry 4.0 automated manufacturing environments.
- 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 control digital output devices built with Memjet or any standard inkjet printhead.
- 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.

Xitron celebrated its 1,000th installation of the Navigator Digital Front End with its partner Printware.

INDUSTRY STANDARDS

Hybrid Software Group plays an active role in the development of new standards so that our 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. He is co-chair of the PDF Association's PDF Technical Working Group (TWG), the international organisation promoting awareness and adoption of standards using PDF and the PDF/VT TWG.

The Group is also active in other standards organisations including the Ghent PDF Workgroup and the PDF Association.

GROUP STRATEGIC REPORT

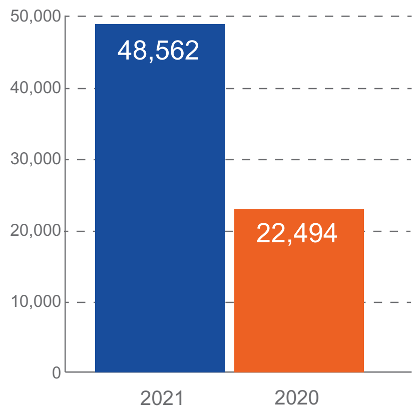
The Group ended the year on a strong financial footing. Total revenue grew to €48.6 million in 2021 (€22.5 million in 2020) largely due to the acquisition of HYBRID Software, which contributed revenue of €20.7 million. Net profit from continuing operations grew to €4.9 million (€1.8 million in 2020).

The acquisition of HYBRID Software in January 2021 strengthened the Group's coverage of the labels and packaging market significantly and followed hard on the heels of a solid performance during the previous year. In October it added a strategic technology to its portfolio with the acquisition of ColorLogic GmbH, experts in colour management for digital printing.

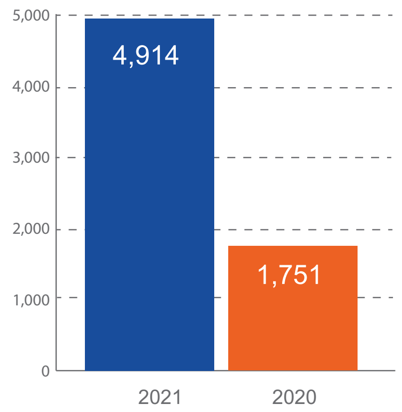
Now a developer of enterprise solutions for industrial print manufacturing, it was only natural that the Group rebrand to reflect the hybrid – analogue and digital – nature of its business. The change of name from Global Graphics PLC to Hybrid Software Group PLC was completed in October.

KEY FIGURES (continuing operations)

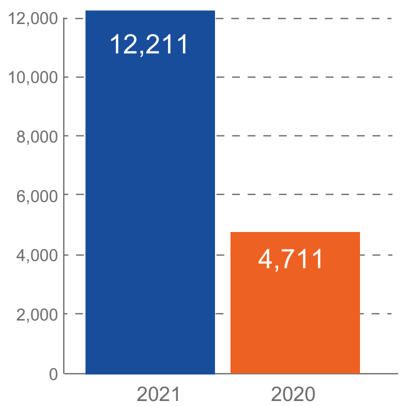
Total revenue
(thousand euros)

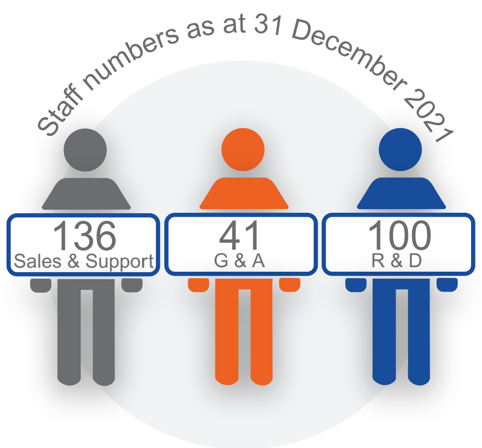


Profit after tax
(thousand euros)



EBITDA*
(thousand euros)





* *For the EBITDA calculation see page 25*

CHAIRMAN'S STATEMENT

Guido Van der Schueren, Executive Chairman

I'm pleased to announce the 2021 financial results of Hybrid Software Group to the investor community. We began 2021 with the all-stock acquisition of HYBRID Software by Global Graphics PLC. This was a critical acquisition for the Group and I was personally dedicated to its success. The HYBRID Software team quickly became a key part of the Group, broadening its focus from OEM component sales to high-margin enterprise software for both OEMs and end users.

We promised open and transparent communications with our shareholders and the investor community, and they supported the acquisition even though we were not able to publish the prospectus in 2021.This has now been rectified, and we have just completed an audit of our 2021 financial results which will finally allow the prospectus to be published in the weeks to come.

We had a very good year in 2021 despite the lingering effects of the COVID-19 pandemic, with revenues of €48.6 million and an EBITDA* of 25%. Most importantly, our earnings per share from continuing operations have remained constant even with the additional shares that were issued to purchase HYBRID Software, making the acquisition a financial success from the very beginning. We have many plans for 2022 and beyond to leverage the power of the full Group and combine our OEM products and our end user products and sales channel to achieve further growth.

The combination of HYBRID Software and Global Graphics has created a company unique in the industry: a single provider of all core technologies, both hardware and software, required to drive digital printing equipment. To reflect this new focus, we rebranded the Group as Hybrid Software Group, a decision that was well received by customers, colleagues, and the investor community.

The new year has ushered in a more challenging environment for technology investors, but Hybrid Software Group is a real company making real money while executing our growth strategy. We are committed to growth but not at the expense of profitability. In 2022 we must increase the liquidity of our shares and make it easier for investors to buy and sell HYSG shares in the open market. I would like to take this opportunity to reaffirm our commitment for open and transparent communications to all shareholders, and to announce that we will reinstate our practice of providing trading updates on a quarterly basis starting immediately.

Hybrid Software Group operates for the benefit of all our stakeholders: our customers, shareholders, employees, and the communities in which we operate. Although the inkjet manufacturing industry we support is inherently more sustainable than traditional manufacturing methods, we are also committed to operating the company in a sustainable manner. In 2021 the Board of Directors approved a partnership with Ecologi to offset our carbon emissions by planting trees, with more than 1,900 tons of carbon offset to date. And we're not stopping there; we have changed our work methods to be more sustainable, and Meteor Inkjet plans to apply for a Queen's Award for Sustainability in 2022. These are the first stages of our sustainability initiative, and I look forward to reporting more in the future.

In closing, I would like to thank all our stakeholders for supporting the significant changes we've made in 2021. Hybrid Software Group is well positioned for healthy, profitable growth for many years to come.

Guido Van der Schueren
Executive Chairman

* *For the EBITDA calculation see page 25*

CEO'S REVIEW

Mike Rottenborn, Chief Executive Officer

We started 2021 with the acquisition of HYBRID Software by Global Graphics PLC. This was a critical acquisition for two reasons. First, it brought a greater focus on the high-growth labels and packaging market, along with innovative products for enterprise workflow and packaging production. Second, it provided a sales channel for end users -- companies who print and convert labels and packaging -- which increased our profit margins and complements our traditional OEM sales channels. HYBRID Software quickly became an integral part of the group, contributing both technology and industry experience in labels and packaging, with dedicated sales and solutions teams in key markets worldwide. This drove their excellent business results, with a 20% growth in revenue over 2020, and triggered the rebranding of Global Graphics PLC to Hybrid Software Group PLC.

2021 was a remarkable year for Hybrid Software Group. Despite the shadow of the lingering COVID-19 pandemic, we were able to successfully conclude two major acquisitions, rebrand the Group to reflect our focus on software for inkjet manufacturing, reenergize the core RIP business of Global Graphics Software, and more than double our revenue from 2020, while increasing our EBITDA* to 25% and our cash position to more than €9 million. This could not have been possible without the support of our customers and directors, as well as the dedication and hard work of our 275+ employees around the world, and for that I offer my sincere gratitude.

In January Global Graphics PLC acquired HYBRID Software, signalling its intent to grow its share of the labels and packaging markets.

The Group celebrated its change of name to Hybrid Software Group PLC (Euronext: HYSG) in October by ringing the bell to open trading at the Euronext Stock Exchange in Brussels.

2021 was a challenging business climate for Global Graphics Software: none of their OEM customers had a major contract renewal coming due in 2021, and the cancellation of the drupa trade show postponed new product announcements by their OEM customers. And even though Global Graphics Software products like Mako™ and Harlequin® form the foundation for other Group products, most of their revenues are derived from OEM sales which continue to be depressed by the pandemic.

* *For the EBITDA calculation see page 25*

CEO's review continued...

In Q3, Global Graphics Software undertook a major culture change, shifting from a technology focus to a customer-driven company, with products that are easier for OEM customers to take to market and a commitment to the best customer support in the industry. This was very successful, and Global Graphics Software closed several significant contracts with key OEM customers that powered their 2021 revenues to 5% above 2020 levels, with a strong funnel of prospective business heading into 2022. This has reenergized their business and will continue to pay dividends for years to come.

Meteor Inkjet had a fantastic year, growing revenues 42% over 2020 and maintaining a high level of profitability despite the challenging supply chain for electronic components. Although sales in the Chinese ceramics market remained strong, Meteor saw growth from many other customers as they began shipping new inkjet devices in production quantities. In addition, they signed a record number of new customers in the emerging 3-D printing and additive manufacturing segment.

Xitron exceeded its revenue targets in every month of 2021 and finished the year 28% above 2020. Their strongest growth came from digital inkjet OEMs, but sales to traditional printing companies were also very strong, in part due to customers upgrading older Navigator RIPs to the newest version built on Harlequin V13.

During the year the Group has presented to investors at several events in Europe and the US to create awareness of the changing face of the company and to engage with investors either personally or virtually.

In November, we closed the acquisition of ColorLogic GmbH, a well-respected developer of colour management technology for end users and OEM suppliers. Their development team has a long history of innovation in colour management and they filled a critical need in our product line.

In a further strategic acquisition ColorLogic GmbH joined the Group adding its extended gamut colour management technology to the product mix, providing accurate brand colour matching for digital labels and packaging production.

In some segments, especially labels and packaging, the migration of analogue printing to digital has been slowed by the challenge of matching critical brand colours like company logos with the limited inks available in digital printers. (In traditional printing processes, critical colours are achieved by using specially mixed inks, but this is not possible with digital inkjet printers). ColorLogic's products have been evaluated by industry experts and quite simply, they provide the best tools for achieving fast, high-quality colour matching on inkjet presses. We have just begun to integrate ColorLogic into the Group but the potential to increase our market share in digital inkjet is tremendous.

As 2021 came to a close, we were awarded a key US patent for the technology that underpins PrintFlat™, our award-winning product to increase inkjet output uniformity and quality. PrintFlat is a key reason that OEM customers choose our solutions for their inkjet printing devices, and this patent will surely encourage more prospective OEMs to partner with Hybrid Software Group.

CEO's review continued...

The technology underlying PrintFlat™, Global Graphics Software's groundbreaking software that improves uniformity and removes unwanted banding from inkjet output, has been granted a US patent.

As I've said before, Hybrid Software Group is much more than a holding company: it's a collection of 5 interrelated businesses with a single goal: to be the leading supplier of all products and technology needed to power inkjet manufacturing.

2022 will bring challenges: building has slowed in China which will reduce the demand for Meteor's printhead electronics in China, and the short supply of critical integrated circuits continues to be a challenge in manufacturing those devices. And of course, we're now in the third year of a global pandemic that has made it hard to connect with customers in person, but we will continue to adapt as we have done from the beginning.

But 2022 will also bring opportunities, with more companies in the Group and more technology available to build turnkey products that bring more value to our OEM customers and more revenue to Hybrid Software Group. We will continue to execute our strategic plans to grow revenue both organically and through acquisitions, and I expect continued strong growth this year and for many years to come.

Michael A. Rottenborn

Mike Rottenborn
Chief Executive Officer

AWARD WINNING TECHNOLOGY

ColorLogic and Global Graphics Software were awarded 2021 Pinnacle InterTech Awards from US industry body PRINTING United Alliance.

The Group has been honoured with six such awards in the last five years. PRINTING United Alliance also recognised ColorLogic with a 2021 Sustainable Business Recognition Award

This award honours business operations that focus primarily on daily decisions that reduce a company's environmental footprint.

SmartDFE is the first product to be co-developed by all Group companies and demonstrates the growth potential of future technical and commercial collaboration. It underlines the Group's position as the only full stack supplier of all critical core technologies for inkjet.

CFO'S REVIEW

Financial highlights

For continuing operations:

Revenue for the year was	Gross profit for the year was	Pre-tax profit for the year was	EBITDA* for the year was	Cash at 31st December was
€48.56 million	€40.09 million	€4.57 million	€12.21 million	€9.23 million
(2020: €22.49 million)	(2020: €17.25 million)	(2020: €1.69 million)	(2020: €4.71 million)	(2020: €6.86 million)

During the year the Group made three acquisitions: HYBRID Software Group S.à r.l. ("HYBRID Software") on 12 January 2021, ColorLogic GmbH ("ColorLogic") on 27 October 2021 and Hybrid Iberia, S.L. ("Hybrid Iberia") on 21 December 2021. See note 35 to the consolidated financial statements for more details.

The following financial information relates to continuing operations.

Revenue

Revenue from continuing operations for the year was €48.56 million compared with €22.49 million in 2020, an increase of €26.07 million (115.9%). €20.74 million (92.2%) of this increase was due to the acquisition of HYBRID Software. Licence royalties accounted for 49.6% (2020: 47.2%) of revenue, driver electronics accounted for 26.4% (2020: 39.0%), maintenance and support accounted for 15.1% (2020: 8.2%), services accounted for 7.2% (2020: 2.9%), hardware and consumables accounted for 1.2% (2020: 2.2%) and other items accounted for 0.5% (2020: 0.5%).

Customer concentration and the dependence on a limited number of customers improved this year. In 2021, the ten largest customers represented 42.3% (2020: 52.5%) of the Group's revenue, the five largest customers represented 35.1% (2020: 45.4%) of the Group's revenue and the single largest customer represented 13.9% (2020: 22.4%) of the Group's revenue. There was 1 customer (2020: 2) during the year that represented 10% or more of total revenue. Revenue from that customer, in the Printhead Solutions segment totalled €6.74 million (2020: 2 customers totalling €7.39 million, one in the Printing 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 36.7% (2020: 2.8%) were in euros, 31.2% (2020: 38.4%) were in US dollars, 30.1% (2020: 44.6%) were in pounds sterling, 1.3% (2020: 14.2%) were in Japanese yen and 0.7% (2020: 0%) were in other currencies.

Printing Software segment (previously named Software)

Following the acquisition of HYBRID Software and the creation of a new segment, Enterprise Software (see below), the segment name has been amended to Printing Software from Software.

Revenue for the Printing Software segment included sales by ColorLogic from November 2021 and totalled €13.84 million for the year (2020: €12.67 million). During 2021 a new contract was agreed with an existing customer which resulted in €2.70 million of revenue being recognised (in 2020 a customer exercised an option in their contract which resulted in €2.30 million of revenue being recognised in that year).

Printhead Solutions segment

Revenue for the Printhead Solutions segment was €13.98 million for the year (2020: €9.82 million). This segment is very dependent on a limited number of customers for a significant portion of sales. In 2021, the top 10 customers generated 76.7% of revenue (2020: 77.6%), with the top customer generating 48.2% of revenue (2020: 51.4%).

Enterprise Software segment

This is a new segment as a result of the acquisition of HYBRID Software in January 2021, consequently there are no comparative figures for 2020.

Revenue for the Enterprise Software segment was €20.74 million for the year.

** For the EBITDA calculation see page 25*

Pre-tax result

The consolidated pre-tax result for continuing operations was a profit of €4.57 million compared with a profit of €1.69 million in 2020. The increase in profitability of €2.88 million is due to:

- an increase in revenue of €26.07 million;
- an increase in cost of sales of €3.23 million;
- an increase in selling, general and administrative expenses of €13.86 million;
- an increase in research and development expenses of €5.66 million;
- a decrease in other operating expenses of €0.03 million;
- an increase in other income of €0.03 million;
- an increase in net finance income of €0.55 million; and
- an increase in foreign exchange losses of €1.05 million.

Gross profit for the period increased to 82.5% of revenue (2020: 76.7%), primarily due to the higher mix of software related sales during the year, particularly higher margin sales to end users by HYBRID Software.

Included in selling, general and administrative expenses is amortisation of €0.84 million (2020: €0.59 million) related to intangible assets recognised as a result of acquisitions.

Research and development expenses includes the capitalisation and amortisation of internally generated intangible assets and the amortisation of certain intangible assets recognised as a result of acquisitions. During the period there was a net capitalisation of development expenditure of €2.39 million (2020: €0.72) and amortisation of acquired intangible assets of €3.93 million (2020: €1.78 million).

The net capitalisation of development expenditure was comprised of €3.40 million (2020: €1.37 million) of capitalised expenditure less €1.01 million (2020: €0.65 million) of amortisation.

The increase in amortisation of acquired intangibles is due to the intangible assets acquired from the HYBRID Software and ColorLogic acquisitions.

Graeme Huttley, Chief Financial Officer

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

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

Cashflow

Cash flow remained positive for the year with a net cash inflow of €1.91 million (2020: €2.10 million). Cash flow from operating activities was positive at €9.46 million (2020: €1.48 million).

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures and 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") (2021 restated at 2020 exchange rates):

In thousands of euros	Reported 2021	CER 2021	Reported 2020
Revenue from continuing operations	**48,562**	**48,666**	22,494

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 from continuing operations is adjusted as follows:

In thousands of euros	2021	2020
IFRS reported operating profit from continuing operations	4,770	1,387
Add share-based remuneration expense (see note 30)	15	3
Deduct capitalised development expense (see note 16)	(3,396)	(1,371)
Add amortisation of capitalised development	1,003	652
Add amortisation of acquired intangibles	4,769	1,478
Add other operating expenses (see note 8)	180	209
Deduct other income (see note 9)	(33)	(3)
Total adjustments to reported operating profit from continuing operations	2,538	968
Adjusted operating profit from continuing operations	**7,308**	**2,355**

Alternative performance measures continued...
Adjusted operating result and net profit continued...

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

In thousands of euros	2021	2020
IFRS reported net profit from continuing operations	4,914	1,751
Adjustments to operating result above	2,538	968
Tax effect of above-mentioned adjustments	(1,062)	(197)
Total adjustments to reported net profit from continuing operations	1,476	771
Adjusted net profit from continuing operations	**6,390**	**2,522**
Adjusted net basic earnings per share for continuing operations	**€0.20**	**€0.22**
Adjusted net diluted earnings per share for continuing operations	**€0.20**	**€0.22**

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 €12.21 million (2020: €4.71 million) and is reconciled to IFRS reported net profit from continuing operations as follows:

In thousands of euros	2021	2020
IFRS reported net profit from continuing operations	4,914	1,751
Net interest expense	463	146
Tax benefit	(349)	(58)
Depreciation *	1,394	728
Amortisation *	5,789	2,144
EBITDA from continuing operations	**12,211**	**4,711**
As a % of revenue from continuing operations	**25%**	**21%**

** 2020 amounts related to the discontinued operation are not included, therefore the amounts will not agree with the respective note to the consolidated financial statements.*

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 necessarily set out in order of priority or potential impact on the Group's financial statements.

Russia's invasion of Ukraine

The Group does not have any operations in Ukraine and does not generate any significant revenue from either Russia or Ukraine, thus is not directly affected by the current situation.

The political uncertainty from this situation is a concern for the board and it continues to monitor it closely.

If the situation were to worsen and spread to other countries, there could be a negative impact on the demand for the Group's products and services, which could impact the Group's revenue and profitability.

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 and depends on the demand from customers for its products and services to generate revenue. Any resulting reduction in demand from those customers 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 uncertain. With vaccinations and treatments now available the level of uncertainty on the potential impact to the Group has diminished over the previous year.

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

Risks related to the Group's financial situation

(a) ***The Group's business, results of operations and financial condition could be materially affected by global economic and political conditions***

The Group sells its products and services throughout the world and economic conditions that affect the global economy or regional economies may significantly impact the demand for printing technology and therefore for the Group's products and services.

Principal risks and uncertainties continued...

Risks related to the Group's financial situation continued

The current uncertainty from the COVID-19 pandemic regarding the strength and longevity of economic recovery, international trade and the pace of growth in the countries and industries in which the Group's existing and prospective customers and suppliers operate may negatively affect the level of demand for the Group's products and services. A reduced demand for the Group's products and services will reduce the Group's revenue and profitability.

(b) ***A significant portion of the Group's revenue comes from a small number of large customers***

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 2021, the Group's ten largest customers represented 42.3% (2020: 52.5%) of the Group's revenue, with the single largest customer representing 13.9% (2020: 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.

(c) ***Source dependency might lead to higher prices to be paid to suppliers or disruption in the production of certain of the Groups' products and therefore impacts the Group's business activities and profitability***

On 5 December 2016, the Company announced that it had acquired the entire issued share capital of TTP Meteor Limited ("Meteor"), specialists in printhead driver systems, from TTP Group PLC ("TTP") based near Cambridge, UK. Following the acquisition of Meteor in 2016, the Group supplies electronic controls to device manufacturers.

These products include some key electronic components which are subject to shortage of supply from time to time. There is a risk that some of the Group's products could not be manufactured if there is a disruption to that supply, therefore customer orders could be delayed or cancelled, which could result in a reduction in revenue and profits in the Group. Revenue for these products is reported in the Group's Printhead Solutions segment and for the year ended 31 December 2021, revenue from external customers for that segment was €13.98 million (2020: €9.82 million), which is equal to 28.8% (2020: 43.7%) of the Group's total revenue.

(d) ***Certain contractual arrangements with customers contain extended payment terms which lead to an increased credit risk on such customers***

The Group sells its products and services to a range of established customers and generally takes payments in advance for the sale of physical goods in the Printhead Solutions segment, thus minimising the credit risk. In the Printing Software and Enterprise Software segments, certain licensing arrangements allow, however for payments to be made over an extended period of time, up to five years in some instances. These extended payment terms increase the credit risk and the chance that the Group may not be paid. During the year ended 31 December 2021, €2.70 million (2020: €2.30 million) of revenue was recognised in respect of a licensing arrangement that includes extended payment terms of up to 5 years. To date, for licensing arrangements where revenue has been recognised in previous years, all contractually due payments have been received in accordance with the contractual terms.

The COVID-19 pandemic increased the likelihood of the materialization of such risk, as the liquidity position of certain customers could be affected by the consequences of the pandemic and the payment behaviour of certain customers could change.

Principal risks and uncertainties continued...

Risks related to the Group's business activities and industry

(a) The Group is dependent on the graphic arts and digital printing industries

The Group derives all 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 which could have a material adverse effect on its operational results.

(b) There is no assurance that the Group will identify and complete suitable acquisition opportunities, on which its growth strategy heavily relies, in a timely manner or at all

The Group operates in an industry where customer acquisition costs, as well as costs for such customers to switch between suppliers, are significant. Therefore, the Group significantly focusses on strategic acquisitions to achieve growth. The success of the Company's business strategy is highly dependent on its ability to identify sufficient suitable acquisition opportunities and, once identified, to complete such acquisitions. The Company cannot guarantee that it will be able to identify suitable acquisition opportunities or complete such acquisitions at all within the next 12 months. If the Company fails to complete a proposed acquisition (for example, because it has been outbid by a competitor) it may be left with substantial unrecovered transaction costs, potentially including substantial break fees, legal costs or other expenses. Furthermore, even if an agreement is reached relating to a proposed acquisition, the Company may fail to complete such acquisition for reasons beyond its control. Any such event will result in a loss to the Company of the related costs incurred, which could materially adversely affect subsequent attempts to identify and acquire another target business.

(c) Security breaches and other disruptions could compromise the Group's confidential and sensitive information and expose the Company to liability, which would cause the Company's business and reputation to suffer

The Group and certain third parties that it relies on for its operations collect and store confidential and sensitive information, and their operations are highly dependent on information technology systems, including internet-based systems, which may be vulnerable to breakdown, wrongful intrusions, data breaches and malicious attack. This information includes, among other things, intellectual property ("IP") and proprietary information, source codes and commercially sensitive data, both of the Group and of its customers.

Although the Group has appropriate measures in place (including appropriate insurance coverage) to protect its business from any potential interruptions, any attack or breach could compromise the Company's networks or those of related third parties and stored information could be accessed, publicly disclosed, lost, or stolen. For example, if the Group would as a result of such an attack be unable to access its source code needed to develop new products, it might lose customers, which will have an impact on its operational results. In addition, if IP were to be stolen from the Group, such stolen IP could be used by competitors to improve their products or produce products which could reduce the Group's competitive advantage and therefore impact the Group's operational results in the long term.

Principal risks and uncertainties continued...

Risks related to the Group's business activities and industry continued

(d) Following the acquisition of HYBRID Software, the Group directly serves, in addition to its traditional client base of original equipment manufacturers, end user customers and such customer mix needs to be carefully managed to avoid an adverse impact on its business and results of operations

46.5% of the Group's revenue for the year ending 31 December 2021 was generated by customers that are original equipment manufacturers ("OEMs"), such as industrial inkjet press manufacturers, who embed the Group's software in their own products that they sell to end users.

On 12 January 2021, the Group acquired HYBRID Software. For further information on this acquisition, please refer to note 35 to the consolidated financial statements.

Although HYBRID Software does have a limited amount of OEM customers who manufacture products for package printing, most of its customers are end users (representing 97.4% of its revenue in 2021), i.e., companies that create packaging files and packaging converting companies. Those companies purchase, in addition to the software of HYBRID Software, the systems and equipment from OEMs including those who are customers of the Group. As a result of the HYBRID Software acquisition, the Group directly serves certain clients of its own clients.

While the Board believes that this customer mix will not have an adverse effect on the newly created group, as is confirmed by the fact that no OEM or end user customers provided negative feedback on the acquisition, its customer mix needs to be carefully managed in the future to avoid an impact on either the OEM sales or end user sales and therefore on the profitability of the Group.

(e) The HYBRID Software acquisition made the environment in which the Group operates more competitive, which could have a material adverse effect on the Group's business and results of operations

Because of the highly technical nature of the products produced by both the Group and HYBRID Software, there is a high barrier for competitors to enter the market. As a result, the limited number of competitors which do exist tend to be larger companies with sufficient resources to compete in these demanding market segments

The acquisition of HYBRID Software and merging its products and services mix with the products and services of the Group, has increased the number of competitors the Group is facing, as companies that were used to be only competitors of HYBRID Software will now also be competing with the Group. In addition, companies that were traditionally only competitors of the Group might now also view the activities of HYBRID Software in a more competitive way.

Although HYBRID Software has been a long-standing partner of the Group and such relationship was already well known in the industry, it cannot be excluded that such increased competition could result in a business disruption from both customers and suppliers of the Group which could have a material adverse effect on the Group's results of operations.

Principal risks and uncertainties continued...

Risks related to the Group's business activities and industry continued

(f) *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 specialised 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.

Legal and regulatory risk

(a) *Failure to adequately protect the Group's intellectual property could substantially harm its business and operating results*

The Group's success is heavily dependent upon its proprietary technology. To protect its proprietary rights, the Group relies on a combination of patent, copyright, trade secret and trademark laws, as well as the early implementation and enforcement of non-disclosure and other contractual restrictions. As part of its confidentiality procedures, the Group enters into written non-disclosure agreements with its employees, prospective customers, OEMs and strategic partners and takes 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. Unauthorised parties may attempt to copy or otherwise obtain, distribute, or use the Group's products or technology. Monitoring unauthorised use of the Group's software products is difficult. Management cannot be certain that steps taken to prevent unauthorised use of the Group's proprietary technology, particularly in countries where the laws may not protect proprietary rights as fully as in the EU or the United States, will be effective.

The Group's source code is also protected as a trade secret. However, from time to time, the Group licenses its source code to partners, which subjects it to the risk of unauthorised use or misappropriation despite the contractual terms restricting disclosure, distribution, copying and use. In addition, it may be possible for unauthorised parties to obtain, distribute, copy or use the Group's proprietary information or to reverse engineer its trade secrets.

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

The failure to adequately protect the Group's proprietary technology may adversely affect the Group's business, financial position, result of operations and prospects.

Principal risks and uncertainties continued...

Legal and regulatory risk continued

(b) *Enforcing, acquiring and defending intellectual property rights is costly and could have a material adverse effect on the Group's financial position and result of operations*

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 may be in the future subject to claims, negotiations or protracted litigation. 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 and have a material adverse effect on the Group's financial position and results of operations.

(c) *As a result of Brexit, both Belgian and UK takeover regulations apply in their entirety to the Company, which may render a potential takeover complex and costlier*

As the Company is a public company limited by shares with its registered office in the United Kingdom, the provisions of the UK City Code on Takeovers and Mergers (the "UK City Code") apply to the Company. Simultaneously, as the Company's shares are listed on the regulated market of Euronext Brussels, a voluntary takeover bid for the Shares of the Company would also be subject to the Belgian takeover legislation. Accordingly, any voluntary takeover bid for the Company would be governed by both the UK and Belgian takeover legislation.

Contrary to what was the case before Brexit (where certain aspects were governed by UK law and certain other aspects by Belgian law based on the provisions of the European Directive 2004/25/EC of 21 April 2004 (the EU Takeover Directive)), UK and Belgian takeover legislations apply in their entirety to any potential voluntary takeover bid with respect to the Shares and it could not be excluded that these regulations might be conflicting. This may have an impact on the information the potential bidder must disclose, the envisaged timelines and the contents of the prospectus. Moreover, both the Financial Services Market Authority (the "FSMA") and the Panel on Takeovers and Mergers (the "Takeover Panel") would be competent authorities with respect to such takeover bid.

The process to make a successful bid could therefore be more complex and costlier. This could potentially discourage potential bidders from launching a takeover attempt and thus deprive shareholders of the opportunity to sell their Shares at a premium (which is typically offered in the framework of a takeover bid).

Principal risks and uncertainties continued...

Internal control risk

(a) ***The Company cannot guarantee that its disaster recovery and business continuity plans will adequately address any potential issue in the future***

The Company cannot guarantee that the Group's disaster recovery and business continuity plans will be adequate in the future for its critical business processes nor that they will adequately address every potential event. Although the Group has insured major risks, the Company can give no assurance that the Group's present insurance coverage is sufficient to meet any claims to which it may be subject, that it will in the future be able to obtain or maintain insurance on acceptable terms or at appropriate levels or that any insurance maintained will provide adequate protection against potential liabilities. Any losses that the Group incurs that are not adequately covered by insurance may decrease the Group's future operating income. In addition, defending the Group against such claims may strain management resources, affect the Group's reputation and require the Group to expend significant sums on legal costs.

The Group's business is currently operated from various locations across the UK, Europe, North America, China and Japan. Some business critical IT infrastructure is concentrated at one site in the UK with a continuous backup of those systems and data to a separate UK site. Business continuity plans are intended to ensure that business-critical processes and data are protected from disruption and will continue even after a disastrous event (such as a major fire or weather, political or war event). Without these plans, or if these plans prove to be inadequate, there is no guarantee that the Company or any of its operating subsidiaries would be able to compete effectively or even to continue in business after a disastrous event or major disruption to one or more of its operating subsidiaries. Accordingly, if critical business processes fail or are materially disrupted as a result of a disastrous event or otherwise and cannot recover quickly, this could have a material adverse effect on the Group's business, financial condition and results of operations.

KEY PERFORMANCE INDICATORS (KPI's)

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, EBITDA* 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 Company 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. The CEO and CFO communicate regularly with analysts and shareholders are encouraged to participate in an annual meeting.

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. Initiatives to ensure the well-being of employees and their dependents are regularly reviewed and enhanced.

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™,PrintFlat™ and SmartDFE in recent years and by strategic acquisitions such as Meteor, Xitron, HYBRID Software and ColorLogic.

Products are developed based on an identified market demand. In the case of ScreenPro™ and PrintFlat™, the identification of quality issues when printing with inkjet technology and in the case of SmartDFE, the evolution of smart factories and Industry 4.0.

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 are written to 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.

The Directors consider the impact of the Company's operations on the environment and consider how it can reduce any negative impact it might have. The Company's technology and products enable its customers to produce more efficient and less resource consuming products and services, thus saving energy and raw materials and the Company participates in a program to offset the carbon footprint of all its employees, in both their personal and work lives. For more information see page 43.

** For the EBITDA calculation see page 25*

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. The Group's business is to develop and market software solutions and inkjet related device electronics.

Inkjet production is inherently more sustainable than analogue, generating less waste, facilitating just-in-time production, and permitting the use of more sustainable raw materials.

The Board of Directors is very aware of its responsibilities towards the environment and to employees and believes that driving sustainability goals through the business is not only the right thing to do for future generations but also makes for good business practice. Indeed, in many of the Group's key growth markets, such as packaging and textiles, environmental factors are influencing how those markets develop.

However, in 2021 the Group partnered with Ecologi, the platform that facilitates the funding of carbon offset projects and tree planting around the world, to offset its carbon footprint.

Through this partnership the Group has been working towards compensating for the environmental footprint of every employee in their work and personal life. At work, the Group is implementing policies to reduce Scope 1 and Scope 2 footprint such as sourcing renewable energy and low-carbon travel, and is talking with supply chains to measure and push down on Scope 3 carbon footprint. The Group now offsets the carbon footprint of all Group employees, whether at home or at work.

To the 31 December 2021 the Group has achieved an offset of 982 tonnes of CO2e and contributed to environmental projects across the globe such as solar power generation in Tamil Nadu and Telangana, India, and using waste biomass to produce electricity in Chile.

More information about the projects and the positive environmental impact can be found on the Company's dashboard at: https://ecologi.com/hybridsoftwaregroup.

We've Partnered with Ecologi

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 €7,750 (2020: €3,397) 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 2021.

Company level	Number of females	Number of males	Total
Board	1	4	5
Management	4	27	31
Employees	37	206	243
Total	**42**	**237**	**279**

by order of the board

Michael A. Rottenborn

Mike Rottenborn

Chief Executive Officer

Global Graphics Software and Meteor Inkjet join forces to compete as a team in the 2021 Cambridge Half Marathon

HYBRID Software's annual sales meeting took place in Strasbourg

Team Xitron took in an afternoon baseball game, watching the Detroit Tigers whip the Texas Rangers last July. For many, it was their first professional baseball game, and the Tigers awarded certificates to welcome them

Summer parties are a long tradition at Global Graphics Software and in 2021 colleagues from Group companies joined in the fun

Meteor's expansion of their Harston office

BOARD OF DIRECTORS

The Board of Directors combines decades of industry experience with building successful technology companies.

Together with the senior management teams, they work together to deliver the Group's business strategy to the highest standard.

Guido Van der Schueren

Executive Chairman

Between 1974 and 1982 Guido Van der Schueren worked as Sales Manager 'Compugraphic' with BonteNV and for the following ten years he served as Sales and Marketing Director with DISC. In 1992 he co-founded Artwork Systems and from 1996 to 2007 served as Managing Director and Chairman of the Board of Artwork Systems Group NV and its subsidiaries. He served as Vice Chairman of the EskoArtwork Group from June 2007 until April 2011. He runs PMC Corp., a private equity vehicle that invested in mainly graphic arts software. He is also the Chairman of CONGRA Software, the holding company which owns a majority stake in Hybrid Software Group PLC.

Mike Rottenborn

Chief Executive Officer

Mike Rottenborn took up the position of Chief Executive Officer in January 2020. He was formerly the President and CEO of HYBRID Software Inc., which he founded in 2007. He has spent more than 32 years working in the graphic arts industry and began his career as an electrical engineer with DuPont Printing & Publishing. After DuPont, Mike Rottenborn joined PCC Artwork Systems to focus on prepress workflow software for packaging and commercial printing customers. Mike Rottenborn received his Bachelor of Science degree in Electrical Engineering from Virginia Tech and his Master of Science degree in Computer Science from Villanova University.

Graeme Huttley

Chief Financial Officer and Company Secretary

Graeme Huttley has over 30 years of finance experience in fast moving consumer goods, manufacturing, services and technology businesses. Graeme is a Chartered Global Management Accountant (CGMA) and serves as the Group's Chief Financial Officer (CFO) and the Company Secretary.

Graeme partners closely with the CEO and the senior leadership team to deliver on the Company's strategy, to build and enhance the Group's culture and ensure the integrity of the Group's financial reporting and controls whilst maintaining lean and efficient finance and administration teams. He is involved in all acquisitions, from initial identification and analysis, through the due diligence process, the contract negotiation and the integration into the Group.

As Company Secretary, Graeme is responsible for the Company's regulatory compliance, including corporate governance, listing rules and UK company law.

Clare Findlay

Non-executive Director

Clare Findlay was appointed an independent non-executive director of the Company in March 2019. Clare Findlay was previously a non-executive director of the Company from June 2011 until 2014 and has more than 20 years' experience at senior level positions in the computer software industry, including as managing director of the UK operations of Concentrix Corporation, the global business process outsourcing division of SYNNEX. In 2013 Clare Findlay co-founded Purple Demand, a Demand Creation Agency.

Luc De Vos

Non-executive Director

Luc De Vos was appointed an independent non-executive director in February 2021.

An engineer by training, Luc De Vos is credited with championing the early implementations of the internet in Europe and was the founding father of the first sizeable pan-European Internet Service Provider. A notable business angel during the nineties' new media and internet boom, he was a key player in KPNQwest, Stepstone, and Starlab, to, more recently, CarsOnTheWeb (now ADESA Europe).

He has also been a non-executive chairman to the first mediatech venture capital fund (Arkafund) in Belgium as well as a director to the global leasing and fleet management company Sofico, and advisor to unified threat management security provider AXS|GUARD. In all, he has worked with more than 60 companies with a strong focus on growth and corporate governance.

DIRECTORS' REPORT

Hybrid Software Group PLC (formerly Global Graphics PLC) is a public limited-liability company registered in England and Wales with its shares traded on Euronext Brussels under stock code HYSG.

The Directors present their annual report and the audited financial statements for the year ended 31 December 2021.

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 16.

DIRECTORS

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

Subject to the provisions of the Company's Articles, any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director by ordinary resolution, or by a decision of the Directors, either to fill a vacancy or as an addition to the existing board provided that the appointment does not result in the total numbers of directors exceeding any maximum number fixed in accordance with the Company's Articles.

At every annual general meeting all the Directors shall retire from office. If the Company, at the meeting at which a director retires under, does not fill the vacancy, the retiring director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy, or unless a resolution for the reappointment of the director is put to the meeting and lost.

The Directors who held office during the year under review were:

Guido Van der Schueren	Chairman (non-executive)
Michael Rottenborn	Chief Executive Officer
Graeme Huttley	Chief Financial Officer
Clare Findlay	Non-executive Director
Luc De Vos*	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 2021 was:

In thousands of euros	Number of ordinary shares	% of issued share capital
Congra Software S.à r.l.**	27,117,020	82.40%
Friberg Christian	381,732	1.16%
Company owned shares	73,996	0.22%
Free float	5,336,989	16.22%
Total	**32,909,737**	**100.00%**

** Appointed with effect from 15 February 2021. **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 25 and 30 to the consolidated financial statements).

The total number of shares held in treasury at 31 December 2021 was 73,996 (2020: 112,996). Further information can be found in note 25 to the consolidated financial statements.

During the year, the Company disposed of 39,000 treasury shares (2020: nil), transferred to employees to satisfy the Company's obligations under share schemes.

CORPORATE GOVERNANCE

Details of the Group's corporate governance can be found in the Corporate governance report on page 46.

POLITICAL CONTRIBUTIONS

The Group made no political contributions during the year (2020: €nil).

DIVIDENDS

The Directors do not recommend the payment of a dividend (2020: €nil).

RESEARCH AND DEVELOPMENT

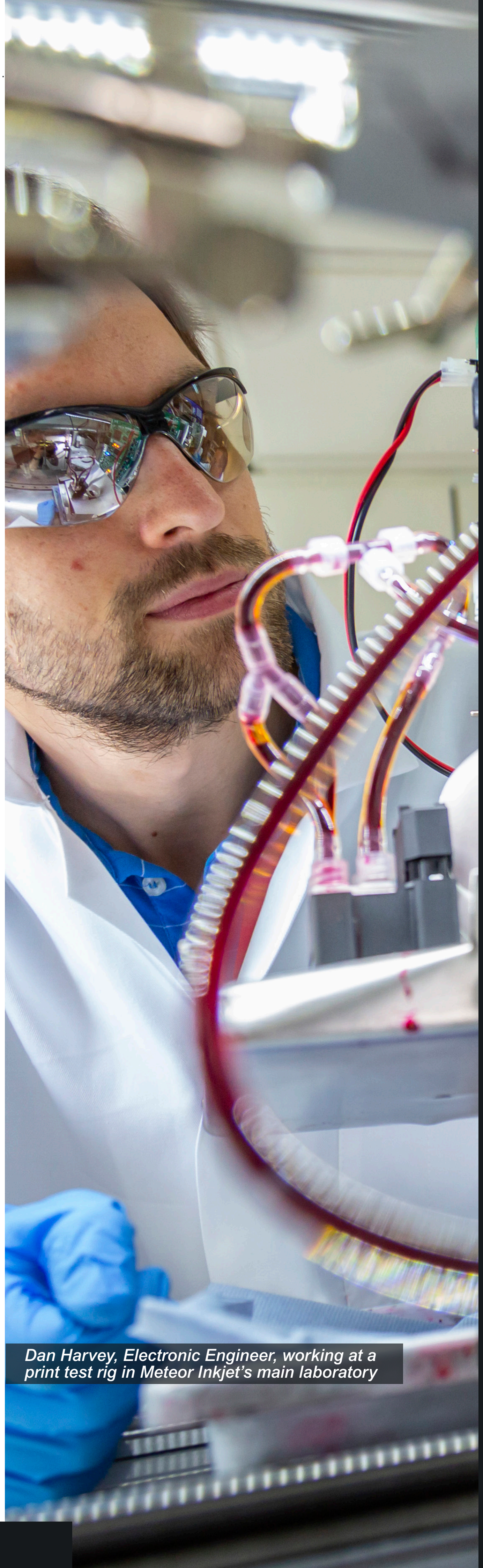
The Group spent €12.71 million (2020: €7.06 million) on research and development during the year. Under IAS 38 Intangible Assets, €3.40 million (2020: €1.37 million) of research and development was capitalised and €1.01 million (2020: €0.65 million) of capitalised research and development was amortised. There was no impairment of capitalised research and development during the year (2020: €nil). The net effect of capitalisation, amortisation and impairment on profit in the year was a decrease in expense of €2.39 million (2020: €0.72 million decrease in expense).

POST BALANCE SHEET EVENTS

Details of post balance sheet events are detailed in note 37 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 31 to the financial statements.



Dan Harvey, Electronic Engineer, working at a print test rig in Meteor Inkjet's main laboratory

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

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:

		2021	2020
Energy used (kwh)			
Electricity *(scope 2)*		356,803	260,756
Gas *(scope 1)*		156,683	153,404
Transport fuel *(scope 1)*		579,544	-
Total energy used (kwh)		**1,093,030**	**414,160**
GHG emissions (CO2e tonnes)			
Electricity *(scope 2)*		107.5	101.3
Gas *(scope 1)*		28.4	28.3
Transport fuel *(scope 1)*		137.3	-
Total GHG emissions (CO2e tonnes)	**(a)**	**273.2**	**129.6**
Intensity ratio			
Average number of employees		252	126
GHG emissions per employee (CO2e kilogram)		**1,084**	**1,028**
Effect of the carbon offset program with Ecologi (CO2e tonnes)	**(b)**	**(655.2)**	
Net GHG (offset)/emissions (CO2e tonnes)	**(a+b)**	**(382.0)**	**129.6**

Electricity and gas are used to power and heat the Group's offices and transport fuel is used by company cars provided to some employees. 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.

During the year, there have not been any new specific actions taken to improve energy efficiency. There has been a continuation of the existing strategy to reduce the physical number of computers to consolidate into more efficient servers where possible. A senior manager has been appointed to head up and implement group-wide sustainability initiatives, including to reduce energy consumption across the Group's offices.

The Company has partnered with Ecologi, the platform that facilitates the funding of carbon offset projects and tree planting around the world, to offset its carbon footprint.

Since October 2021, the Group has been working towards compensating for the environmental footprint of every employee in their work and personal life. At work, the Group is implementing policies to reduce Scope 1 and Scope 2 footprint such as sourcing renewable energy and low-carbon travel, and is talking with supply chains to measure and push down on Scope 3 carbon footprint.

Through the partnership with Ecologi, the Group now offsets the carbon footprint of all Group employees, whether at home or at work.

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 they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 requirements 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 ("IFRSs as adopted by the EU");
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement 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 STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that to the best of our 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 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,

Michael A. Rottenborn

Michael Rottenborn, Director
2030 Cambourne Business Park
Cambourne
Cambridge
CB23 6DW
21 April 2022

CORPORATE GOVERNANCE REPORT

The content of this report is unaudited.

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. See pages 38-39 for further details about the Board of Directors.

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

During the year, audit and remuneration committees have been created to provide additional review and scrutiny of the Group's activities.

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.

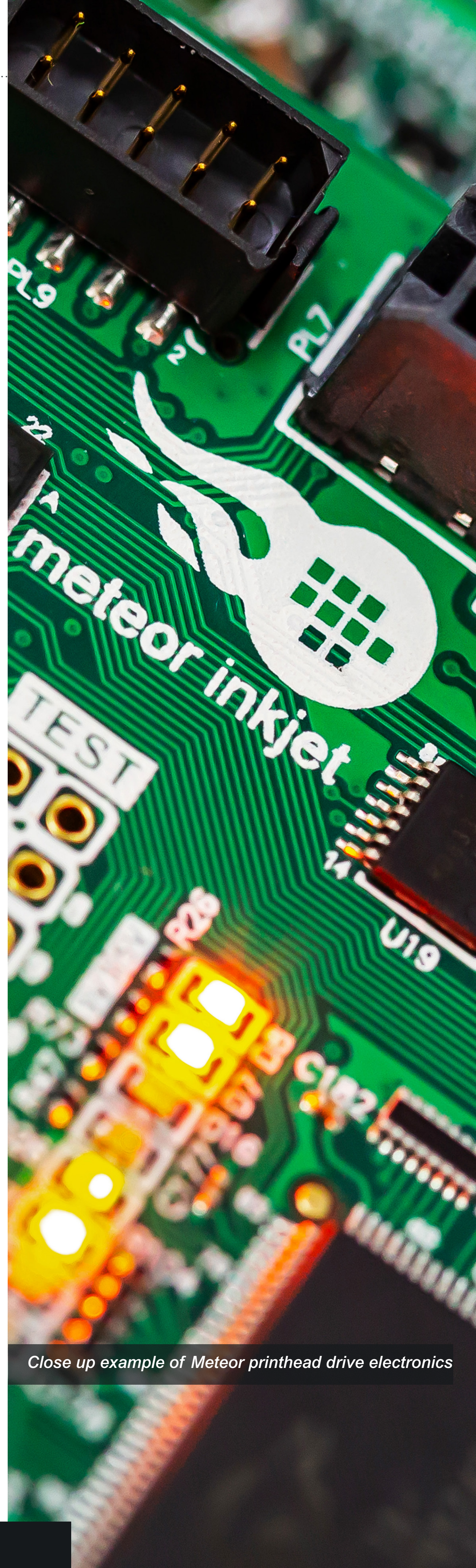
All significant projects require specific board approval.

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 €9.23 million as at 31 December 2021 (2020: €6.86 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.



Close up example of Meteor printhead drive electronics

AUDIT COMMITTEE REPORT

Luc De Vos, Non-executive Director

The Audit Committee (the "Committee") is appointed by the Board and consists wholly of the non-executive directors. The Board has delegated to the Committee responsibility for overseeing financial reporting, the review and assessment of the effectiveness of the internal control and risk management systems and maintaining an appropriate relationship with the external auditor.

The members of the Committee are Luc De Vos (Chair of the Committee) and Clare Findlay.

The Committee oversees the relationship with the Company's external auditor, monitors its effectiveness and independence and makes recommendations to the Board in respect of the external auditor's remuneration, appointment and removal. The Committee also reviews the findings from the external auditor, including discussion of significant accounting and audit judgements, levels of errors identified and overall effectiveness of the audit process.

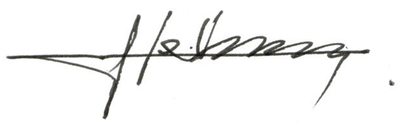
The Committee meets as required, typically at least 3 times per year; at the beginning of the financial year to agree on the audit and risk operational plan for that year, at mid-year to evaluate any matters and issues that might have arisen and at the close of the financial year to review the findings of the auditor and to ensure that the group's audit and risk objectives have been met.

The Committee also considers significant financial reporting issues, accounting policies and key areas of judgement or estimation. This review also includes consideration of the clarity and completeness of disclosures on the information presented in the financial statements.

Additionally, the Committee will:

- review the effectiveness of the Company's system of internal financial controls and internal control systems,
- advise the Board on the Company's risk strategy, risk policies and current and emerging risk exposures, including the oversight of the overall risk management framework and systems,
- assess the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and to ensure proportionate and independent investigation of such matters, and
- make recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is required.

The Committee operates with clarity, simplicity, fairness, predictability and is aligned to the culture of the organisation.



Luc De Vos, Chair of the Audit Committee

DIRECTORS' REMUNERATION REPORT

This report, prepared by the Remuneration Committee (the "Committee"), is on the activities of the board in respect of the remuneration of directors for the year ending 31 December 2021. 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 members of the Committee are the independent, non-executive directors, Clare Findlay (Chair of the Committee) and Luc De Vos.

The report is split into three main areas: the statement by the chair of the Committee, the annual report on remuneration and the policy report.

The policy report will be subject to a binding shareholder vote at the 2022 Annual General Meeting and the policy will take effect for the financial year beginning on 1 January 2022. 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 2022 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 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 remuneration committee reviewed the current level of board fees and salaries payable to the chairman, the CEO and CFO.

Clare Findlay, Non-executive Director

The chairman is also a director of HYBRID Software Group S.à r.l. ("HYBRID Software"), which was acquired by the Company in January 2021 and where he was receiving a salary, bonus and other benefits. The remuneration committee reviewed the role of the chairman, the level of the existing components of remuneration that were being received from HYBRID Software in addition to the existing components of remuneration that were being received from the Company.

For the CEO and CFO, it was decided that the current board fees 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.

A review of the existing salaries and bonuses considered:

- Additional responsibilities and increased workload due to the increased size of the Group;
- Increase in revenues under management;
- Increased management and people responsibilities;
- Increased responsibilities to the external shareholder community;
- The level of personal commitment to the Group and its objectives;
- Domain expertise and knowledge of the market;
- Increased regulatory responsibilities; and
- Comparable rates of pay.

The result of the remuneration committee review was an overall increase of 21% to the total packages, including the on-target bonus portion. Further information is shown in the annual report on remuneration below.

With the addition of HYBRID Software to the Group, the role of chairman was also deemed to have changed from a non-executive role to an executive chairman role.

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 2021:

In euros	Salary and fees	Benefits	Bonus	LTIP	Pension	Total	Total fixed	Total variable
Executive directors								
Guido Van der Schueren[1]	470,135	8,758	100,000	100,000	1,144	680,037	480,037	200,000
Michael Rottenborn, CEO	218,906	20,521	105,468	105,468	7,343	457,706	246,770	210,936
Graeme Huttley, CFO[2]	175,967	9,153	53,541	53,541	39,136	331,338	224,256	107,082
Total executive directors	**865,008**	**38,432**	**259,009**	**259,009**	**47,623**	**1,469,081**	**951,063**	**518,018**
Non-executive directors								
Clare Findlay	20,640	-	-	-	-	20,640	20,640	-
Luc De Vos[3]	17,500	-	-	-	-	17,500	17,500	-
Total non-executive directors	**38,140**	**-**	**-**	**-**	**-**	**38,140**	**38,140**	**-**
Total directors	**903,148**	**38,432**	**259,009**	**259,009**	**47,623**	**1,507,221**	**989,203**	**518,018**

For the year ended 31 December 2020:

In euros	Salary and fees	Benefits	Bonus	LTIP	Pension	Total	Total fixed	Total variable
Executive directors								
Gary Fry, CEO[4]	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[5]	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**

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 (2020: €5,000), prorated where appointed or resigned during the year.

[1] includes the director's daughter, who is also an employee of the Group. [2] includes the director's spouse, who is also an employee of the Group
[3] Luc De Vos appointed with effect from 15 February 2021. [4] Gary Fry resigned with effect from 24 January 2020
[5] includes the director's spouse, who is also an employee of the Group

Annual report on remuneration continued...

Benefits include car allowance payments, travel allowance payments, home allowance payments and private medical insurance payments.

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

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

Thus, 100% 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 €36,000 (2020: €62,000) were made to the personal pension schemes of two (2020: three) 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 2021. The aggregate amount of gains made by directors on the exercise of share options during the year was €nil (2020: €nil).

Directors and their interests in shares of the Company

Each serving director must hold a minimum of 100 shares of the Company and all directors have met that minimum requirement.

The directors held the following interests in the shares of Hybrid Software Group PLC (formerly Global Graphics PLC) as at 31 December 2021:

	Guido Van der Schueren *	Michael Rottenborn **	Graeme Huttley	Clare Findlay	Luc De Vos
Shares beneficially owned	27,117,020	1,000	3,186	100	1,000
Total interest in shares	**27,117,020**	**1,000**	**3,186**	**100**	**1,000**

* The interests of Guido Van der Schueren are held in the name of Congra Software S.à r.l.; together with his wife and children, he owns approximately 70% of the shares of Congra Software S.à. r.l..

** Michael Rottenborn is also a shareholder of Congra Software S.à r.l.; he owns approximately 0.94% of the shares of Congra Software S.à. r.l..

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

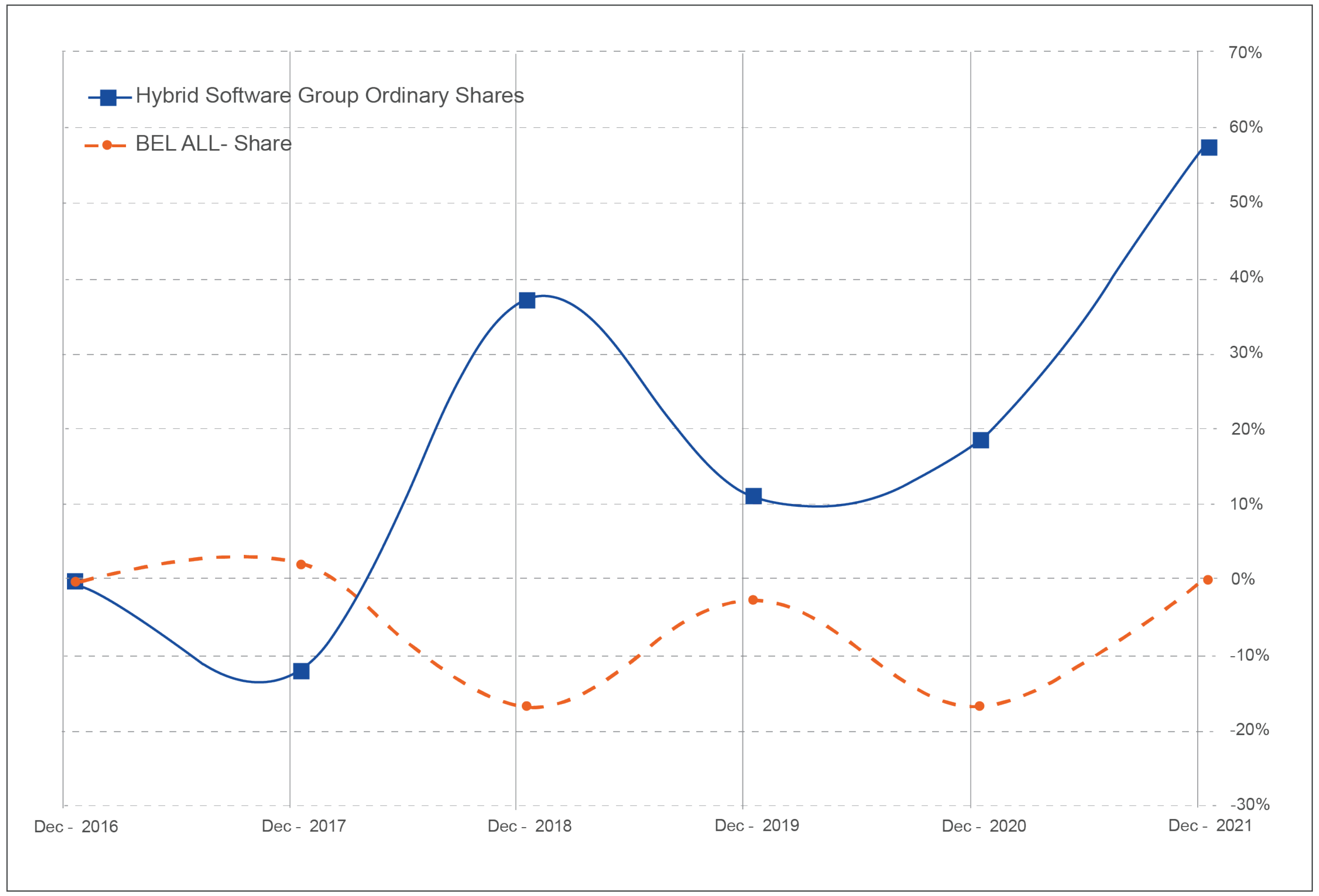
In thousands of euros	2021	2020
Matching shares awarded for participating in the Share Incentive Plan	-	1
Total	**-**	**1**

Annual report on remuneration continued...

The information provided in the following sub-sections of the Directors' remuneration report are 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 2016 to 31 December 2021. 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 58.1% and the BEL ALL-SHARE index has remained flat.

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:

	2017	2018	2019	2020	2021
Total CEO remuneration (in thousands of euros)	362	549	523	325	458
Annual bonus pay-out against maximum opportunity	100%	100%	75%	87.5%	100%
Long term incentive vesting rates against maximum opportunity	n/a	100%	n/a	n/a	n/a

Annual report on remuneration continued...

Percentage change in remuneration of directors

The table below shows the percentage change over the preceding year, in the base payment currency of remuneration for the directors and for all employees of the Group:

	Salary and fees			Benefits			Bonus		
Director	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**	**2019**	**2020**	**2021**
Guido Van der Schueren	1,340.0%	0.0%	37.1%	0.0%	0.0%	0.0%	0.0%	100.0%	128.6%
Michael Rottenborn [6]	n/a	n/a	12.0%	n/a	n/a	33.0%	n/a	n/a	47.0%
Graeme Huttley	3.0%	2.0%	19.9%	0.0%	0.0%	0.0%	0.0%	75.0%	28.5%
Clare Findlay [7]	n/a	0.0%	34.5%	n/a	0.0%	0.0%	n/a	0.0%	0.0%
Luc De Vos [8]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
All employees average	4.4%	3.5%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Approximately 50% of employees within the Group were not awarded any pay increase during 2021 and are included in the calculation of 1.8% above. Where pay increases were awarded, the average increase across those employees was 3.5%.

For further information with regards to the changes in 2019 and 2020, please refer to the annual report for the relevant financial year.

Relative importance of spend on pay

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

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

In thousands of euros	**2021**	**2020**	**% change**
Staff expenses (see note 13 to the consolidated financial statements)	26,483	12,189	117.3%
Dividends paid to shareholders	-	-	0.0%

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 2022.

[6] Michael Rottenborn joined the Group in January 2020. [7] Clare Findlay joined the Group in March 2019. [8] Luc de Vos joined the Group in February 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 Executive Chairman, 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 EBITDA* 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.

* For the EBITDA calculation see page 25

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:

Salary and fees	
Purpose	Rewards skills and experience and provides the basis for a competitive remuneration package.
Operation	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.
Opportunity	100% of contractual salary and fees are paid for services rendered to the Group.
Performance measures	Reviewed annually and executive directors' salaries are generally increased in line with company-wide pay increases. Exceptional changes are tied to significant changes in the Group or exceptional performance.
Recovery	No provision for recovery or withholding of payments unless breach of contract.
Taxable benefits	
Purpose	Protects against risks and provides other benefits.
Operation	The provision of benefits to executive directors includes private medical cover, life insurance and ill-health income protection.
Opportunity	100% of the premiums due are paid on behalf of the executive director.
Performance measures	There are no performance measures associated with the benefits other than being a current executive director.
Recovery	No provision for recovery or withholding of payments unless breach of contract.
Bonuses	
Purpose	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.
Operation	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.
Opportunity	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.
Performance measures	The performance objectives include only financial measures. The financial measures are generally related to revenue and controlling expenses.
Recovery	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.

Future policy table continued...

Share plans	
Purpose	Rewards execution of the Group's strategy and incentivises growth in shareholder value over a multi-year period.
Operation	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.
Opportunity	Subject to achieving the vesting conditions,100% of the options granted are achievable.
Performance measures	Vesting conditions will be determined at the time the options are granted by the board to meet the current strategic objectives of the Group.
Recovery	No provision for recovery or withholding of payments unless breach of contract.

Pension	
Purpose	Enables executive directors to build long term retirement savings.
Operation	The Group pays defined contributions into a pension plan on behalf of the executive director.
Opportunity	100% of the contributions due are paid directly to the pension company on behalf of the executive director.
Performance measures	There are no performance measures associated with the benefits other than being a current executive director.
Recovery	No provision for recovery or withholding of payments unless breach of contract.

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

Board fees	
Purpose	Attract and retain individuals with the required skills, experience and knowledge so that the board is able to effectively carry out its duties.
Operation	Fees are paid monthly or quarterly.
Opportunity	100% of contractual fees are paid for services rendered to the Group.
Performance measures	Reviewed annually and increased only in exceptional circumstances.
Recovery	No provision for recovery or withholding of payments if performance obligations have been fulfilled.

Recruitment remuneration

For the appointment of a new director, the aforementioned components will 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.

Pay policy for other employees

The Company values its total workforce and aims to provide remuneration packages that are geographically competitive, comply with any local statutory requirements and are applied fairly and equitably across the Group.

Where remuneration is not determined by statutory regulation, the following key principles are applied:

- to reward in a manner that allows for stability in the business and for sustainable long-term growth
- to reward fairly and consistently for each role with due regard to peers, the economy, the marketplace and the technical skills required

Service contracts

It is the Group's policy that executive directors should have contracts with an indefinite term. Non-executive directors are appointed for an initial six-year term, with provisions for extension, subject to mutual agreement.

All directors offer themselves for annual re-election at each AGM in accordance with the UK Corporate Governance Code. Service agreements and letters of appointment are available for inspection at the registered office address of the Company. None of the directors are entitled to any specific indemnity which would be due or liable to be due on termination of their appointment.

	Date of contract	Date of appointment	Notice from the Company	Notice from the director	Unexpired term on 31 December 2021
Guido Van der Schueren	4 April 2017	16 May 2014	12 months	12 months	-
Michael Rottenborn	1 January 2020	2 January 2020	6 months	3 months	-
Graeme Huttley	1 January 2005	19 April 2016	6 months	6 weeks	-
Clare Findlay	1 March 2019	1 March 2019	-	-	38 months
Luc De Vos	4 February 2021	15 February 2021	-	-	62 months

Application of the policy

The table below shows the level of remuneration that would be received by the directors[9] in accordance with the directors' remuneration policy in the first year to which the policy applies.

Euro 000s	Minimum performance	Medium performance	Maximum performance	2021 actual
Guido Van der Schueren	504	604	704	680
Michael Rottenborn	262	367	473	458
Graeme Huttley	227	280	334	331
Clare Findlay	21	21	21	21
Luc De Vos	21	21	21	18

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

Minimum performance	• Base salary/fee increase by 5%, taxable benefits and pension • No bonus pay-out • No long term incentive plan
Medium performance:	• Base salary/fee increase by 5%, taxable benefits and pension • 50% bonus pay-out • 50% long term incentive plan
Maximum performance:	• Base salary/fee increase by 5%, taxable benefits and pension • 100% bonus pay-out • 100% long term incentive plan

The report was approved by the board of directors on 21 April 2022 and signed on its behalf by:

C. Findlay

Clare Findlay, Chair of the Remuneration Committee

[9] *including the chairman's daughter and CFO's spouse, who are also employees of the Group*

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Hybrid Software Group PLC (formerly Global Graphics PLC)

Report on the Audit of the Digital Consolidated Financial Statements

Introduction

We, KPMG LLP, in capacity of statutory auditor and KPMG Bedrijfsrevisoren BV were appointed as Independent Auditor by the general meeting, in accordance with the proposal of the Directors.

Opinion

We have audited the consolidated financial statements in the form of an electronic file in the European Single Electronic Format ("ESEF") (hereafter "digital consolidated financial statements") of Hybrid Software Group PLC and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

The total of the consolidated statement of financial position amounts to EUR 146,513,000 and the consolidated statement of profit or loss shows a profit for the year of EUR 4,914,000.

In our opinion, the accompanying digital consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Additionally, in our opinion the format of and the tagging of information in the official English version of the digital consolidated financial statements as per 31 December 2021 of Hybrid Software Group PLC, are, in all material respects, prepared in compliance with the ESEF requirements under the regulatory technical standards as laid down in the EU Delegated Regulation nr. 2019/815 of 17 December 2018 (hereafter "Delegated Regulation").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the draft standard on the audit of compliance of the Financial Statements with ESEF as issued by the Belgian institute of Independent Auditors ("IBR/IRE") on 26 November 2021 ("the draft standard on the audit of compliance of the Financial Statements with ESEF"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Digital Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the digital consolidated financial statements in Belgium, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the digital consolidated financial statements of the current period. These matters were addressed in the context of our audit of the digital consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of separately identifiable intangibles associated with the acquisition of Hybrid Software Group SARL

We refer to pages 73,74 and 78 (accounting policy) and pages 101 and 102 (financial disclosures)

Description

During the year, the Group acquired 100% of the issued share capital of Hybrid Software Group SARL for total consideration of €75,445,000. Consideration was in the form of new shares issued and has been determined to be a common control transaction. This is considered to be a significant unusual transaction for the business.

The preparation of the fair value estimate for the valuation of the separately identifiable intangible assets involves subjective estimates or uncertainties, which requires special audit consideration because of the likelihood and potential magnitude of misstatements relating to the valuation of intangible assets.

Accounting for the transaction involves estimating the fair value, at acquisition date, of the assets and liabilities, including the identification and valuation, where appropriate, of intangible assets. This is a particularly complex and challenging area and requires skilled expertise in making these determinations and thus results in a heightened risk of error in determining the fair value of the intangible assets and the resultant goodwill being recognised.

Our audit procedures

Our audit procedures included the following:

- **Inspection:** We inspected the purchase agreement for the transaction and assessed the consideration amount for this transaction, including whether there are any contingent or deferred considerations arising from this;
- **Assessing the assumptions:** With assistance from our corporate finance valuation specialists, we assessed the valuation of the intangibles acquired and challenged the appropriateness of key assumptions and the reasonableness of VIU models used in calculating the fair value of the intangibles identified by management;
- **Sensitivity analysis:** We performed sensitivity analysis on the key assumptions within the cash flow forecasts used to support the intangibles recognised. This included sensitising the growth rates and profit margin forecasts in the model. We critically assessed the extent to which a change in these assumptions both individually or in aggregate would result in an adjustment to fair values impairment and considered the likelihood of such events occurring;
- **Assessing the accounting treatment:** We assessed the acquisition accounting for this transaction and the separately identifiable intangible assets being recognized; and
- **Assessing transparency:** Assessing whether the group’s disclosures in relation to the acquisition and associated balances are appropriate.

Capitalisation of development costs in FY21 – Hybrid Software CGU

We refer to pages 74 and 79 (accounting policies) and pages 85 and 86 (financial disclosures)

Description

Eligible costs in respect of software developers and contractors working to develop new software products are capitalised if the projects to which they relate meet the relevant criteria, which materially affects the Group’s profitability.

Within the Hybrid Software CGU there is judgement involved in determining whether projects meet the criteria for capitalisation and in determining the amount of costs that meet the qualifying criteria.

The risk has increased in the current year due to the acquisition of Hybrid Software in January 2021, as this CGU does not have the same processes and controls in place to track the time spent on qualifying projects, compared to the other CGU’s within the group.

Our audit procedures

Our audit procedures included the following:

- **Test of detail:** Within the Hybrid Software CGU, we selected a sample of capitalised costs in the year based on the magnitude of development spend capitalised. For the capitalised costs selected:
  (i) We critically assessed the judgement made as to whether the development constitutes a substantial enhancement to the underlying assets by challenging management on the functionality being developed;
  (ii) We critically assessed the time spent on these developments by performing inquiries with a sample of individual developers and contractors to independently corroborate the Group’s quantification of time spent, and challenged the job title and role of these individuals to ascertain whether development would be expected from that role;
  (iii) We created our own independent range of development spend capitalised to critically assess the judgements made by the Group.
- **Assessing transparency:** We assessed the adequacy of the disclosures in respect of the judgement and estimates made in relation to capitalising development costs.
- **Assessing management’s estimate:** Having found management’s estimate of capitalizable development spend to be at the high end of the range we consider to be acceptable, we exercised judgement, based on our assessment of reasonably possible assumptions, as to whether the magnitude of development spend capitalised was acceptable, and we exercised judgement to determine the appropriateness of disclosures of the risk that a reasonable change in assumptions could lead to a different level of capitalised cost, based on our inquiries with developers and contractors, inspection of job roles and responsibilities, and comparison of the level of qualifying cost capitalised based on our knowledge of the industry.

Recoverability of goodwill in the Global Graphics Software CGU

We refer to pages 73 and 74 (accounting policies) and pages 86, 87 and 88 (financial disclosures)

Description

The estimated recoverable amount of the Global Graphics Software CGU goodwill balance 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 historic performance compared to forecast figures and the size of the balances. The estimation uncertainty is driven by the assumptions in relation to revenue growth rate and cost growth rate.

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 Global Graphics Software CGU goodwill balance 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 audit procedures

Our audit procedures included the following:

- **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, revenue growth rates 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 discounted cash flows to the Group’s market capitalisation to assess the reasonableness of those cash flows; and
- **Assessing transparency:** Assessing whether the Group’s disclosures on goodwill 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.

Other matter

These digital consolidated financial statements as at 31 December 2021 and for the year the ended are not the Company’s statutory financial statements under UK Companies Act 2006. Reference is made to note 1 which sets out the requirements in connection with the publication of non-statutory accounts under section 435 of the UK Companies Act.

KPMG LLP has performed the statutory audit of the statutory financial statements of the Company for 9 consecutive financial years and has separately issued an audit report on those statutory financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the;

- Hybrid Software Group
- Our markets
- Group strategic report
- Board of directors
- Directors’ report
- Corporate governance report
- Audit committee report
- Directors’ remuneration report

but does not include the digital consolidated financial statements and our auditors’ report thereon.

Our opinion on the digital consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the digital consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the digital consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Those Charged with Governance for the Digital Consolidated Financial Statements

The Directors are responsible for the preparation of these digital consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Directors are also responsible for the preparation of these digital consolidated financial statements in accordance with the ESEF requirements in the form of an electronic file in ESEF format and for such internal control as the Directors determine is necessary to enable the preparation of digital consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the digital consolidated financial statements, the Directors are responsible for assessing the Group’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 the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Digital Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the digital consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the draft standard on the audit of compliance of the Financial Statements with ESEF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these digital consolidated financial statements.

As part of an audit in accordance with ISAs and the draft standard on the audit of compliance of the Financial Statements with ESEF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the digital consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the digital consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the digital consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate information to conclude whether the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements under the Delegated Regulation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the digital consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the digital consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Information about the independence

- Our audit firms and our network have not performed any engagement which is incompatible with the audit of the digital consolidated financial statements or the statutory audit of the statutory financial statements accounts and our audit firms remained independent of the Group during the term of our mandate.

Other aspect

- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

KPMG BE – KPMG UK

Zaventem, 21 April 2022

KPMG Bedrijfsrevisoren - Réviseurs d’Entreprises
Independent Auditor
represented by

Patrick De Schutter

Bedrijfsrevisor / Réviseur d’Entreprises

M. Radwell

Matthew Radwell

For and on behalf of KPMG LLP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	Note	For the year ended 31 December 2021	2020 (restated*)
Continuing operations			
Revenue	7	**48,562**	22,494
Cost of sales		**(8,475)**	(5,245)
Gross profit		**40,087**	17,249
Selling, general and administrative expenses		**(22,457)**	(8,599)
Research and development expenses		**(12,713)**	(7,057)
Other operating expenses	8	**(180)**	(209)
Other income	9	**33**	3
Operating profit		**4,770**	1,387
Finance income	14	**870**	2
Finance expenses	14	**(466)**	(148)
Net finance income/(expenses)		**404**	(146)
Foreign currency exchange (losses)/gains		**(609)**	452
Profit before tax		**4,565**	1,693
Tax benefit	19	**349**	58
Profit from continuing operations		**4,914**	1,751
Discontinued operation			
Profit from discontinued operation, net of tax	34	**-**	4,167
Profit for the year		**4,914**	5,918
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**2,108**	(1,823)
Other comprehensive income/(loss) for the year, net of tax		**2,108**	(1,823)
Total comprehensive income attributable to equity holders		**7,022**	4,095
Earnings per ordinary share			
Basic earnings per share (euro)	29	**0.15**	0.50
Diluted earnings per share (euro)	29	**0.15**	0.50
Earnings per share – Continuing operations			
Basic earnings per share (euro)	29	**0.15**	0.15
Diluted earnings per share (euro)	29	**0.15**	0.15

* see Note 16 to the consolidated financial statements for the details of the restatement.

The notes on pages 70 to 105 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros	Note	For the year ended 31 December 2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,662**	574
Right-of-use assets	26	**3,606**	1,279
Other intangible assets	16	**45,205**	3,574
Goodwill	17	**64,678**	10,340
Financial assets	18	**935**	25
Deferred tax assets	19	**2,236**	664
Trade and other receivables due after more than one year	20	**3,682**	4,328
Total non-current assets		**122,004**	20,784
Current assets			
Inventories	21	**2,308**	1,191
Current tax assets		**71**	70
Trade and other receivables	22	**10,915**	6,153
Other current assets	23	**297**	219
Prepayments		**1,684**	1,055
Cash and cash equivalents	24	**9,234**	6,855
Total current assets		**24,509**	15,543
TOTAL ASSETS		**146,513**	36,327
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital	25	**13,164**	4,734
Share premium	25	**1,979**	1,979
Merger reserve	25	**67,015**	-
Treasury shares	25	**(202)**	(309)
Retained earnings		**38,624**	33,891
Foreign currency translation reserve		**(10,629)**	(12,737)
Total equity		**109,951**	27,558
Non-current liabilities			
Deferred tax liabilities	19	**9,646**	445
Lease liabilities	26	**3,060**	1,062
Accrued liabilities		**1,316**	-
Other liabilities	27	**7,407**	1,733
Contract liabilities	7,28	**427**	23
Total non-current liabilities		**21,856**	3,263
Current liabilities			
Current tax liabilities		**821**	145
Trade and other payables		**1,931**	764
Lease liabilities	26	**761**	286
Accrued liabilities		**4,261**	2,284
Other liabilities	27	**3,767**	481
Contract liabilities	7,28	**3,165**	1,546
Total current liabilities		**14,706**	5,506
Total liabilities		**36,562**	8,769
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**146,513**	36,327

The notes on pages 70 to 105 are an integral part of these consolidated financial statements.

These financial statements on pages 66 to 69 were approved and authorised for issue by the Board of Directors on 21 April 2022 and were signed on its behalf by:

Michael A. Rottenborn

Michael Rottenborn
Director
Company registered number: 10872426

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of euros	Note	Share capital	Share premium	Merger reserve	Treasury shares	Retained earnings	Foreign currency translation reserve	Total equity
Balance at 31 December 2019		**4,734**	**1,979**	**-**	**(309)**	**27,970**	**(10,914)**	**23,460**
Total comprehensive income/(loss) for the year								
Net profit for the year		-	-	-	-	5,918	-	5,918
Foreign currency translation differences		-	-	-	-	-	(1,823)	(1,823)
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**5,918**	**(1,823)**	**4,095**
Transactions with owners								
Share-based payment transactions	30	-	-	-	-	3	-	3
Total transactions with owners		**-**	**-**	**-**	**-**	**3**	**-**	**3**
Balance at 31 December 2020		**4,734**	**1,979**	**-**	**(309)**	**33,891**	**(12,737)**	**27,558**
Total comprehensive income for the year								
Net profit for the year		-	-	-	-	4,914	-	4,914
Foreign currency translation differences		-	-	-	-	-	2,108	2,108
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**4,914**	**2,108**	**7,022**
Transactions with owners								
Share-based payment transactions	25,30	-	-	-	107	(92)	-	15
Acquisition – newly issued shares	25,35	8,430	-	67,015	-	(89)	-	75,356
Total transactions with owners		**8,430**	**-**	**67,015**	**107**	**(181)**	**-**	**75,371**
Balance at 31 December 2021		**13,164**	**1,979**	**67,015**	**(202)**	**38,624**	**(10,629)**	**109,951**

The notes on pages 70 to 105 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	Note	For the year ended 31 December 2021	2020
Cash flows from operating activities:			
Net profit for the year		**4,914**	5,918
Adjustments to reconcile net profit to net cash:			
- Depreciation of property, plant, equipment and right-of-use assets	15,26	**1,394**	757
- Amortisation and impairment of other intangible assets	16	**5,789**	2,381
- Share-based remuneration expenses	30	**15**	3
- Gain on sale of discontinued operation, net of tax	34	**-**	(4,370)
- Net finance expense, net of loan forgiveness	14	**463**	148
- Net foreign currency exchange losses/(gains)		**609**	(511)
- Tax benefit	19	**(349)**	(88)
- Change in fair value of contingent consideration	9,27	**(3)**	52
- Other items		**(439)**	493
Total adjustments to net profit		**7,479**	(1,135)
Change in operating assets and liabilities:			
- Financial assets	18	**(910)**	20
- Inventories	21	**(1,117)**	49
- Trade and other receivables	20,22	**(6,116)**	(3,005)
- Other current assets	23	**(78)**	(127)
- Prepayments		**(629)**	209
- Trade and other payables		**1,167**	183
- Accrued liabilities		**3,293**	239
- Contract liabilities	28	**2,023**	(701)
Total change in operating assets and liabilities		**(2,367)**	(3,133)
Cash generated from operating activities		**10,026**	1,650
Interest received	14	**3**	2
Interest paid	14	**(466)**	(150)
Taxes paid		**(107)**	(27)
Net cash flow from operating activities		**9,456**	1,475
Cash flows from investing activities:			
Capital expenditures on property, plant & equipment	15	**(1,254)**	(195)
Capital expenditures on other intangible assets	16	**(77)**	(134)
Capitalisation of development expenses	16	**(3,396)**	(1,371)
Disposal of discontinued operation, net of cash disposed of	34	**2,000**	4,806
Acquisition, net of cash acquired	35	**(780)**	-
Net cash flow (used in)/from investing activities		**(3,507)**	3,106
Cash flows from financing activities:			
Proceeds from loans and borrowings		**-**	433
Repayment against loans and borrowings	27	**(2,700)**	(2,000)
Contingent consideration paid	27	**(492)**	(529)
Principal payments on lease liabilities	26	**(849)**	(383)
Net cash flow used in financing activities		**(4,041)**	(2,479)
Net increase in cash		**1,908**	2,102
Cash and cash equivalents at 1 January		**6,855**	4,995
Effect of exchange rate fluctuations on cash at 1 January		**471**	(242)
Cash and cash equivalents at 31 December		**9,234**	6,855

The notes on pages 70 to 105 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

Hybrid Software Group PLC (formerly 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.

Requirements in connection with article section 435 of UK Companies Act 2006: publication of non–statutory accounts

These digital consolidated financial statements are not the Company's UK statutory accounts for the years ended 31 December 2021 or 2020. The Company's statutory accounts for the year ended 31 December 2020 have been delivered to the UK registrar of companies, and the Company's statutory accounts for the year ended 31 December 2021 will be delivered to the registrar in due course.

Unqualified auditor's reports were made on those statutory accounts. Their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the UK Companies Act 2006.

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 21 April 2022.

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 'Determination of fair values'.

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
Hybrid Software Group PLC (formerly 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)
HYBRID Software Group S.à r.l.	Euro (EUR)
eXplio NV	Euro (EUR)
HYBRID Software Development NV	Euro (EUR)
HYBRID Integration LLC	United States dollar (USD)
HYBRID Software NV	Euro (EUR)
HYBRID Software China Co. Limited	Chinese yuan (CNY)
HYBRID Software GmbH	Euro (EUR)
HYBRID Software Italy SRL	Euro (EUR)
HYBRID Software France SAS	Euro (EUR)
HYBRID Software UK Limited	Pound sterling (GBP)
HYBRID Software Australia Pty Limited	Australian dollar (AUD)
HYRBID Software Iberia S.L.U.	Euro (EUR)
ColorLogic GmbH	Euro (EUR)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

Use of accounting estimates (continued)

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 'Critical accounting estimates and judgements'.

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.

As a result of the COVID-19 pandemic there is more uncertainty across the global economy. 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 significant 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 revenue in certain geographical locations has been reduced by up to 20% and new business revenue reduced by 50%, with no reduction in staff. This scenario is slightly better than actual results during the height of the pandemic and is worse than the actual results for 2021. 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.

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

- existing level of cash resources available and net funds at 31 December 2021, 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 from year to year 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 comparatively evaluate the 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. The Board 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 Board 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 Board believes to be its underlying business operations. The Board believes that the inclusion of adjusted financial results provides consistency and comparability with past reports.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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 106 to 112.

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.

There are no other new or amended interpretations or standards effective for the financial year commencing 1 January 2021 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 and other receivables (including accrued revenue), other current assets, cash, trade payables, and other 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 2021 the Group had no derivative financial instrument contracts in place (2020: 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 equipment and office equipment	3 to 5 years
• motor vehicles	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.

Group as lessor
The Group only acts as a lessor in the context of sub-lease arrangements. When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease as being either a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. To classify each sub-lease, an overall assessment is made as to whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the right-of-use asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of selling, general and administrative 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, thus giving rise to negative goodwill (a bargain purchase), the difference is recognised directly in the income statement within other income. 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. The amortisation of patents is included in cost of sales, the amortisation charge for software technology and driver electronics is included in research and development expenses and amortisation charges related to any other intangible assets acquired through business combinations are included in selling, general and administrative expenses.

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 relationships
Customer relationships are carried at historical cost (which was estimated to be their fair value on the acquisition date by the Group) less accumulated amortisation. Amortisation is calculated over the estimated useful lives of the respective relationships, over periods ranging from five to ten 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 twelve years. Costs associated with maintaining existing computer software technology and programmes are recognised as an expense when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Capitalised development costs recognised as intangible assets are amortised from the point the asset is ready for use on a straight-line basis over its estimated useful life, over periods ranging from three (Printing Software segment) to twelve (Enterprise Software segment) years. Printing Software technology has existed for a longer period of time than Enterprise Software technology, therefore any development costs are deemed to have a shorter useful life. 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. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. A financial asset is 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 the acquisition of a business) are recognised as a deduction from equity, net of any tax effects.

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.

As a result of the acquisition of ColorLogic GmbH (see Note 35 'Acquisitions') a pension liability and an associated asset have been acquired. The associated asset does not qualify as a plan asset and it is included as "Financial assets not classified as cash or cash equivalent" in financial assets in the Consolidated Statement of Financial Position (see Note 18 'Financial assets'). The pension obligation is for a one-time amount or the value of the associated asset, whichever is the higher and is included in accrued liabilities in the Consolidated Statement of Financial Position. Any fair value adjustments to the financial asset or the accrued liability is adjusted through the Consolidated Statement of Comprehensive Income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 licenses its software to equipment manufacturers through multi-year license and distribution agreements, or direct to end users by a mix of perpetual and subscription-based licences.

Multi-year license and distribution agreements generally provide for the periodic payment of licence 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.

End user licences are typically accompanied by annual support and maintenance agreements, which are usually renewed annually by customers. The annual support and maintenance agreements provide technical support and bug fixes.

Fees from arrangements involving licences, after-sale 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. Where there is no stand-alone selling price, a % estimation of the total licence value is performed to identify the stand-alone price.

The Group's performance obligations under software contracts with customers are to deliver a distribution licence, deliver a master copy of the software, at times provide licence 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 licences 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

Fees from perpetual licences relating to software 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 licences to use the software is recognised rateably over the period of the licence only if there is an ongoing performance obligation for that licence on the Group during the licence period. If there are no ongoing performance obligations, the licence revenue is recognised when the Group's performance obligation to deliver the software has been fulfilled. All licence 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. 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 in the year ended 31 December 2020 (see Note 34 'Discontinued operations').

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Contract assets and contract liabilities

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

Cost of sales

Cost of sales includes the costs of goods sold and services rendered. This includes finished goods, product packaging, royalties paid to third parties, excess and obsolete inventory, amortisation of patents acquired through acquisition, amortisation of purchased software, and employee costs associated with the direct manufacturing and shipping of the Group's products or rendering of services provided.

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.

Due to the acquisition of HYBRID Software Group S.à r.l. during the year ended 31 December 2021 (see Note 35 'Acquisitions'), the names of the reportable segments have been changed.

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.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. All such grants relate to expense items. The grant is recognised as other income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The grant income is disclosed in Other Income in the Consolidated Statement of Comprehensive Income.

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 2021.

New standards which were not adopted by the Group in 2021

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2022 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 2021 and they are not expected to have a significant impact on the Group's consolidated financial statements:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards which were not adopted by the Group in 2021 (continued)

- 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
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

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 either the discounted cash flows expected to be derived from the use of these intangible assets, or the average of the discounted cash flows and the total replacement cost 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 and other receivables (including accrued revenue), 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 are granted are 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

Identification and valuation of separately identifiable intangibles related to acquisitions
Where a business combination is considered significant, the Group commissions and relies upon independent valuation reports to identify and value the intangible assets related to that acquisition. For less significant business combinations, internal estimates are determined by the Directors to apply a consistent approach with previous acquisitions. The acquisition of HYBRID Software Group S.à r.l. in the year ended 31 December 2021 was the only business combination considered as significant in this respect. The useful economic life of these acquired intangibles was 12 years. See Note 35 'Acquisitions' for further details.

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.

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. The Directors have recognised an amount that they expect to recover in the foreseeable future of €2.24 million and if there was a reduction in this period by 2 years the impact would be to reduce the asset by €0.33 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates (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. As at 31 December the total gross inventory balance is €2,308,000 (2020: €1,191,000) and the provision against slow moving and obsolete inventory is €225,000 (2020: €171,000).

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, that the asset will probably generate future economic benefit, the intention to complete the asset and that the expenditure can be reliably measured.

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.

The Directors have made a judgement that €3,396,000 (2020: €1,371,000) has been capitalised as eligible, qualifying expenditure for the purposes of IAS 38. There is judgement in determining whether development activity constitutes a substantial enhancement to the underlying assets, and in quantifying the time spent on these substantial enhancements. Within the Printing Software and Printhead Solutions operating segments, the Group utilise a timesheet tracking system to monitor the nature of development being undertaken and the time spent on this activity. As the Enterprise Software segment was acquired during the year, the Group have not yet implemented this formal timesheet tracking system in the newly acquired components of the Group. As such, the judgement around whether the activity in the Enterprise Software segment is eligible, qualifying expenditure, is greater than in the other segments. Specifically, within the Enterprise Software segment, the Directors have made a judgement that 44% of expenditure was eligible, qualifying expenditure for the purposes of IAS 38. Had this judgement differed by 13% with 57% being capitalised, this would have resulted in an additional €403,000 being capitalised.

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").

Due to the acquisition of HYBRID Software Group S.à r.l. during the year ended 31 December 2021 (see Note 35 'Acquisitions'), the names of the reportable segments have been changed.

The Group's segments are:

- Printing Software (previously named Software), for digital printing and colour management software (includes ColorLogic GmbH, see Note 35 'Acquisitions');
- Printhead Solutions, for electronics and software developed for industrial inkjet printing;
- Enterprise Software, for enterprise workflow software used primarily for the production of labels & packaging (new segment in the year, includes HYBRID Software Group S.à r.l. and Hybrid Iberia, S.L., see Note 35 'Acquisitions'); and
- Group (previously named Unallocated), for group related expenses that are not allocated to another segment.

Measurement of the operating segments' profit is assessed against revenue forecasts and expense budgets, excluding non-operating IFRS items such as the 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 2020 and 31 December 2021. The Group has disclosed these amounts for each reportable segment because they are regularly provided to the CODM or are required to be disclosed by IFRS 8. Assets and liabilities by segment are not regularly reported to the CODM.

Inter-segment revenues are included in cost of sales for the reciprocal segment and are eliminated on consolidation. Unallocated amounts relate to expenses incurred by the Group's parent company (HYBRID Software Group PLC) and exchange gains and losses that are not attributable to a particular operating segment.

Segment EBITDA is calculated by adding back interest, depreciation, amortisation and tax to segment operating profit/(loss) after tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. OPERATING SEGMENTS (CONTINUED)

Year ended 31 December 2021:

In thousands of euros	Printing Software	Printhead Solutions	Enterprise Software	Group	Total
Revenue from external customers	13,839	13,984	20,739	-	48,562
Inter-segment revenue	158	-	124	-	282
Segment revenue	**13,997**	**13,984**	**20,863**	**-**	**48,844**
Segment operating profit/(loss) after tax	**1,374**	**3,210**	**5,313**	**(1,328)**	**8,569**
Included in the operating profit/(loss) after tax are:					
Interest income	3	-	-	-	3
Interest expense	(87)	(31)	(342)	(6)	(466)
Depreciation and amortisation	(1,533)	(350)	(583)	-	(2,466)
Tax benefit/(expense)	149	1	(863)	-	(713)
Segment EBITDA	**2,842**	**3,590**	**7,101**	**(1,322)**	**12,211**

Year ended 31 December 2020:

In thousands of euros	Printing Software	Printhead Solutions	Fonts (Discontinued)*	Group	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^	**2,239**	**1,272**	**(74)**	**(479)**	**2,958**
Included in the operating profit/(loss) after tax are:					
Interest income	1	1	-	-	2
Interest expense	(78)	(5)	(2)	(65)	(150)
Depreciation and amortisation	(1,220)	(174)	(29)	-	(1,423)
Tax expense	(139)	-	(24)	-	(163)
Segment EBITDA	**3,675**	**1,450**	**(19)**	**(414)**	**4,692**

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

In thousands of euros	2021	2020^
Segment total operating profit after tax	8,569	2,958
Amortisation of acquired intangible assets – continuing operations	(4,717)	(1,478)
Amortisation of acquired intangible assets – discontinued operations	-	(183)
Disposal of subsidiary*	-	4,370
Tax effect of above-mentioned items	1,062	251
Consolidated profit after tax	**4,914**	**5,918**

* See Note 34 'Discontinued operations' for further details.
^The year ended 31 December 2020 has been re-presented to include share-based payments expense, net capitalisation of internally generated intangible assets and other items within the segment operating profit/(loss) after tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. REVENUE

Printing Software segment
The segment licenses its software directly to end users as a standalone software licence and directly to equipment manufacturers 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 multi-year 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 Printing Software segment also has revenue from related printing hardware and consumables sales.

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

Enterprise Software segment
Enterprise workflow software is licensed primarily to end users by way of a perpetual software licence. Accompanying training and implementation services are often sold with the licences and customers increasingly purchase ongoing after-sale support services. Training and implementation services are rendered against the payment of a fixed fee, which has been contractually agreed in advance. On-going support and maintenance agreements are annual agreements that renew automatically unless cancelled by the customer within the terms of the cancellation provisions.

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.

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.

	Printing Software		Printhead Solutions		Enterprise Software		Fonts (Discontinued) *		Total	
In thousands of euros	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue type										
Licence royalties	**10,977**	9,889	**862**	732	**12,236**	-	**-**	547	**24,075**	11,168
Maintenance and after-sale support	**1,858**	1,817	**52**	31	**5,431**	-	**-**	15	**7,341**	1,863
Services	**339**	366	**226**	291	**2,934**	-	**-**	53	**3,499**	710
Printer hardware and consumables	**495**	500	**-**	-	**71**	-	**-**	-	**566**	500
Driver electronics	**-**	-	**12,844**	8,766	**-**	-	**-**	-	**12,844**	8,766
Other items	**170**	102	**-**	-	**67**	-	**-**	-	**237**	102
Total sales	**13,839**	12,674	**13,984**	9,820	**20,739**	-	**-**	615	**48,562**	23,109
Primary geographical markets										
United Kingdom	**478**	644	**356**	135	**1,175**	-	**-**	19	**2,009**	798
Europe, excluding United Kingdom	**6,170**	2,912	**2,015**	1,438	**8,940**	-	**-**	207	**17,125**	4,557
North & South America	**5,869**	5,198	**2,656**	1,542	**9,447**	-	**-**	317	**17,972**	7,057
Asia	**1,322**	3,920	**8,957**	6,705	**1,177**	-	**-**	72	**11,456**	10,697
Total sales	**13,839**	12,674	**13,984**	9,820	**20,739**	-	**-**	615	**48,562**	23,109
Timing of revenue recognition										
Recognised at a point in time	**11,642**	10,491	**13,706**	9,498	**12,242**	-	**-**	547	**37,590**	20,536
Recognised over time	**2,197**	2,183	**278**	322	**8,497**	-	**-**	68	**10,972**	2,573
Total sales	**13,839**	12,674	**13,984**	9,820	**20,739**	-	**-**	615	**48,562**	23,109

* See Note 34 'Discontinued operations' for further details.

Revenue recognised over time is for performance obligations that are performed over time and include maintenance and after-sale support, some services and some licence royalties that are not perpetual licences. All other revenue is recognised as a point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. REVENUE (CONTINUED)

For continuing operations, the ten largest customers represented 42.3% (2020: 52.5%) of the Group's revenue, the five largest customers represented 35.1% (2020: 45.4%) of the Group's revenue and the single largest customer represented 13.9% (2020: 22.4%) of the Group's revenue. There was 1 customer (2020: 2) during the year that represented 10% or more of total revenue. Revenue from that customer, in the Printhead Solutions segment, totalled €6.74 million, (2020: 2 customers totalling €7.39 million, one in the Printing Software segment and one in the Printhead Solutions segment).

Within the North & South America geographical market, €16.98 million of revenue was generated in the United States of America (2020: €6.98 million).

During the year a customer in the Printing Software segment exercised an option in their contract, which extended the term of the contract and resulted in €2.70 million of revenue being recognised in the year. In 2020 a different customer exercised an option in their contract which resulted in €2.30 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 2021.

In thousands of euros	next 12 months	12-24 months	after 24 months	Total
Products and services	1,600	17	-	1,617
After-sale support	1,565	166	244	1,975
Total	**3,165**	**183**	**244**	**3,592**

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.

Contract balances
The following table provides information about receivables, accrued revenue and contract liabilities from contracts with customers.

In thousands of euros	2021	2020
Trade receivables (see notes 20 and 22)	7,050	3,009
Accrued revenue (see notes 20 and 22)	7,181	4,987
Contract liabilities (see note 28)	(3,592)	(1,569)

No impairment charge was recognised against trade receivables and accrued revenue (2020: €nil).

Revenue recognised in the year that was included in the contract liability balance at the beginning of the year was €1.55 million (2020: €1.41 million).

Significant changes in the contract assets and the contract liabilities balances during the year relate to acquisitions. The figures below relate solely to the acquisition of HYBRID Software Group S.à r.l., which the Directors consider to be significant.

In thousands of euros	2021	2020
Accrued revenue		
Acquired through business combinations	851	-
Contract liabilities		
Acquired through business combinations (see note 35)	2,183	-

8. OTHER OPERATING EXPENSES

Other operating expenses incurred during the year were:

In thousands of euros	2021	2020
Acquisition related expenses (see note 35)	180	152
Fair value adjustment to contingent consideration (see note 27)	-	52
Redundancy expenses	-	5
Total other operating expenses	**180**	**209**

9. OTHER INCOME

In thousands of euros	2021	2020
Fair value adjustment to contingent consideration (see note 27)	3	-
Government grant	30	-
Disposal of assets	-	3
Total other income	**33**	**3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. OPERATING EXPENSES BY NATURE

In thousands of euros	2021	2020
Employee benefit expense (see note 13)	25,499	12,189
Depreciation expenses (see note 15 and 26)	1,394	757
Capitalisation of R&D expenses (see note 16)	(3,396)	(1,371)
Amortisation of intangible assets (see note 16)	5,779	2,368
Other operating expenses, net of other operating income	6,041	1,919
Total operating expenses, net of other operating income	**35,317**	**15,862**

11. SERVICES PROVIDED BY THE GROUP'S AUDITOR

In thousands of euros	2021	2020
For the audit of Parent and Consolidated Financial Statements	391	108
For other services provided:		
- audit of financial statements of subsidiaries of the company	93	36
Total fees payable to the Group's auditor and its associates	**484**	**144**

12. REMUNERATION OF DIRECTORS

The aggregate amount of remuneration (all salary, fees and bonuses, sums paid by way of expense allowance and money value of other non-cash benefits) paid or receivable by Directors for the year was €1,507,000 (2020: €810,000).

The aggregate value of gains made by Directors during the year on the exercise of share options was €nil (2020: €nil).

The Group only operates defined contribution pension schemes for the Directors. During the year, for two Directors (2020: three), €36,000 (2020: €62,000) of pension contributions were paid.

Further information is available in the Directors' remuneration report on pages 49 to 57.

13. EMPLOYEE INFORMATION

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

	2021	2020
By activity		
Research and development	89	61
Sales and support	126	45
General and administrative	37	20
Total average number of people employed	**252**	**126**

Employee benefit expenses were made up of:

In thousands of euros	2021	2020
Wages and salaries	22,137	10,021
Social security contributions	2,373	929
Medical insurance contributions	562	345
Pension contributions to defined contribution plans	867	766
Share-based payments (see note 30)	15	3
Other employee related expenses	529	125
Total employee benefit expenses	**26,483**	**12,189**

Of the total employee benefit expenses, €984,000 (2020: €nil) was recognised in cost of sales and €25,499,000 (2020: €12,189,000) was recognised in operating expenses within Selling, general and administrative expenses and Research and development expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. FINANCE INCOME AND FINANCE EXPENSES

In thousands of euros	2021	2020
Interest income	1	2
Finance income on net investment in leases	2	-
Total interest income	**3**	**2**
Forgiveness of government-backed COVID support loans in the United States	867	-
Total finance income	**870**	**2**
Interest expense	(17)	(66)
Interest expense on loan from related undertaking (see note 32)	(286)	-
Interest on lease liabilities (see note 26)	(163)	(82)
Total finance expenses	**(466)**	**(148)**
Net finance income/(expenses)	**404**	**(146)**

Net finance expense, net of loan forgiveness of €463,000 (2020: €148,000) has been disclosed within cash generated from operating activities in the consolidated statement of cash flows.

15. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Leasehold improvements	Computer equipment	Office equipment*	Motor vehicles	Total
Cost					
At 31 December 2019	765	1,706	1,057	-	3,528
Additions	2	135	58	-	195
Disposals – discontinued operation (see note 34)	-	(23)	(84)	-	(107)
Effect of movement in exchange rates	(48)	(103)	(63)	-	(214)
At 31 December 2020	**719**	**1,715**	**968**	**-**	**3,402**
Additions	224	280	379	371	1,254
Additions – business combinations (see note 35)	26	36	118	187	367
Disposals	-	(170)	(27)	(75)	(272)
Effect of movement in exchange rates	56	122	77	-	255
At 31 December 2021	**1,025**	**1,983**	**1,515**	**483**	**5,006**
Depreciation					
At 31 December 2019	650	1,201	833	-	2,684
Charge for the year	43	216	89	-	348
Disposals – discontinued operation (see note 34)	-	(19)	(18)	-	(37)
Effect of movement in exchange rates	(41)	(73)	(53)	-	(167)
At 31 December 2020	**652**	**1,325**	**851**	**-**	**2,828**
Charge for the year	61	235	191	83	570
Disposals	-	(169)	(27)	(65)	(261)
Effect of movement in exchange rates	49	92	66	-	207
At 31 December 2021	**762**	**1,483**	**1,081**	**18**	**3,344**
Net book value					
At 31 December 2020	67	390	117	-	574
At 31 December 2021	**263**	**500**	**434**	**465**	**1,662**

* Office equipment, office furniture and other items columns have been combined in the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer relationships	Patents	Trade-marks	Know-how	Font library	Driver electronics	Total
Cost								
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 34)	(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**
Additions – purchased	77	-	-	-	-	-	-	77
Additions – internally developed	2,963	-	-	-	-	-	433	3,396
Additions – business combinations (see note 35)	36,701	6,758	-	-	210	-	-	43,669
Effect of movement in exchange rates	3,034	1,008	190	42	58	-	224	4,556
At 31 December 2021	**83,089**	**21,476**	**2,879**	**617**	**1,032**	**-**	**3,712**	**112,805**
Amortisation and impairment								
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 34)	(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**
Charge for the year	4,289	807	10	-	35	-	648	5,789
Effect of movement in exchange rates	2,796	996	188	42	58	-	198	4,278
At 31 December 2021	**44,718**	**15,333**	**2,735**	**617**	**857**	**-**	**3,340**	**67,600**
Net book value								
At 31 December 2020	2,681	180	152	-	-	-	561	3,574
At 31 December 2021	**38,371**	**6,143**	**144**	**-**	**175**	**-**	**372**	**45,205**

The amortisation of patents is included in cost of sales, the amortisation charge for software technology and driver electronics is included in research and development expenses and amortisation charges related to any other intangible assets acquired through business combinations are included in selling, general and administrative expenses. In accordance with IAS 1 paragraph 41, the Directors have elected to change the presentation of amortisation on software technology and driver electronics during the current year. In 2020, these amortisation charges of €1,123,000 were recorded within selling, general and administrative expenses, but these are now presented within research and development expenses. This has resulted in selling, general and administrative expenses in 2020 reducing from €9,722,000 to €8,599,000 and research and development expenses increasing from €5,934,000 to €7,057,000. The Directors have determined that this provides a more relevant and reliable presentation of the nature of the expense, in accordance with IAS 1.

The amortisation charge is recognised in the following line items in the consolidated statement of comprehensive income:

In thousands of euros	2021	2020
Cost of sales	10	13
Selling, general and administrative expenses	842	593
Research and development expenses	4,937	1,775
Total amortisation charge	**5,789**	**2,381**

Intangible assets that are subject to amortisation 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 17 'Goodwill'). 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 17 'Goodwill').

There was no significant change during the year to the indicators that were used at 31 December 2020 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 2021 (2020: €nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. OTHER INTANGIBLE ASSETS (CONTINUED)

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

In thousands of euros	Remaining amortisation period	2021	2020
Cloudflow	11 years	18,555	-
ColorLogic	9.8 years	2,909	-
EDL	1.9 years	483	257
Harlequin RIP	2 years	1,304	686
Other software	0.8 to 1.8 years	166	123
Packz	11 years	13,412	-
Xitron	2.4 to 2.8 years	1,542	1,615
Total software technology		**38,371**	**2,681**
Customer relationships	2.8 to 9.8 years	**6,143**	**180**
Patents	13 years	**144**	**152**
Know-how	1 year	**175**	**-**
Driver electronics	2.25 to 4.75 years	**372**	**561**

17. GOODWILL

In thousands of euros	Total Goodwill
Cost	
At 31 December 2019	18,670
Effect of discontinued operations (see note 34)	(1,555)
Effect of movement in exchange rates	(1,137)
At 31 December 2020	**15,978**
Additions – business combinations (see note 35)	53,576
Effect of movement in exchange rates	1,175
At 31 December 2021	**70,729**
Amortisation or impairment	
At 31 December 2019	6,011
Effect of movement in exchange rates	(373)
At 31 December 2020	**5,638**
Effect of movement in exchange rates	413
At 31 December 2021	**6,051**
Net book value	
At 31 December 2020	10,340
At 31 December 2021	**64,678**

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 'Significant accounting policies'.

Goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment testing. The CGUs identified were Global Graphics Software, Meteor Inkjet, Xitron, HYBRID Software and ColorLogic. HYBRID Software and ColorLogic are new in the year because of the acquisitions of HYBRID Software Group S.à r.l. and ColorLogic GmbH (see Note 35 'Acquisitions').

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. GOODWILL (CONTINUED)

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

In thousands of euros	2021	2020
Global Graphics Software	7,052	6,579
Meteor Inkjet	2,310	2,152
Xitron	1,740	1,609
HYBRID Software	52,374	-
ColorLogic	1,202	-
Total goodwill	**64,678**	**10,340**

The recoverable amount of the CGUs has been determined using an estimate of their value in use as at 31 December 2021. These calculations employed cash flow projections based on financial forecasts approved by management covering a seven-year period ending 31 December 2028. 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 2021. The exchange rates were determined with reference to market forecasts and were 1.1600 euros for 1 pound sterling, 1.1800 US dollars for 1 euro, and 118 Japanese yen for 1 euro.

Management considers the use of a seven-year forecast is justified because the core of the products and technology that make up the CGUs have been generating revenue for between 10 and 25 years. 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. Country specific elements were considered, but were not deemed to be significant so were not factored into the discount rate calculation.

	2021	2020
Risk free rate (UK Treasury Gilts)	1.29%	0.07%
Equity risk premium	6.40%	6.40%
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	**11.43%**	**10.21%**

Global Graphics Software CGU

- The revenue growth rate used was 5% (2020: 5%);
- Gross margin was aligned with historical gross margins of 98% (2020: 98%);
- The staff costs growth rate used was 5% (2020: 3%); and
- The terminal growth rate used was 0% (2020: 0%) to take a conservative approach.

Meteor Inkjet CGU

- The revenue growth rate used was 5% (2020: average of 5%);
- Gross margin was aligned with recent actual gross margins of 58% (2020: 58%);
- The staff costs growth rate used was 5% (2020: 5%); and
- The terminal growth rate used was 0% (2020: 0%) to take a conservative approach.

Xitron CGU

- The revenue growth rate used was 5% (2020: 5%);
- Gross margin was aligned with recent actual gross margins of 66.9% (2020: 63.3%);
- The staff costs growth rate used was 5% (2020: 3%); and
- The terminal growth rate used was 0% (2020: 0%) to take a conservative approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. GOODWILL (CONTINUED)

HYBRID Software CGU

- The revenue growth rate used was 10% (2020: n/a);
- Gross margin was aligned with recent actual gross margins of 96.9% (2020: n/a);
- The staff costs growth rate used was 7.5% (2020: n/a); and
- The terminal growth rate used was 0% (2020: n/a) to take a conservative approach.

ColorLogic CGU

- The revenue growth rate used was an average 10.6% (2020: n/a);
- Gross margin was aligned with recent actual gross margins of 86.1% (2020: n/a);
- The staff costs growth rate used was 5% (2020: n/a); and
- The terminal growth rate used was 0% (2020: n/a) to take a conservative approach.

Sensitivity to changes in assumptions
Sensitivity analysis was carried out on the projected future cashflows for the Global Graphics Software CGU. The anticipated revenue growth rate was reduced by 25%, staff costs growth rate was reduced to 2% and the discount rate was increased by 1%. In all cases, the projected future cashflows exceeded the carrying value. Following the sensitivity analysis that has been carried out for this CGU, there were no areas that were identified as being particularly sensitive for either 2021 or 2020.

For the Meteor Inkjet and Xitron CGUs, no reasonable change in assumptions would cause a material impairment and therefore no sensitivity analysis has been disclosed.

For the HYBRID Software and ColoLogic CGUs, the forecasts remain in line with the forecasts used for the initial purchase price allocation, thus the headroom is minimal as to be expected. Given the timing of the acquisition of these CGUs during the year and the forecasts being consistent with those used during the acquisition accounting exercise, small changes in assumptions could lead to an impairment, however the CGUs are performing in line with forecasts made at the date of acquisition and therefore no impairment has been identified.

As a result of these projections, no impairment was required for goodwill for the year ended 31 December 2021 (2020: €nil).

18. FINANCIAL ASSETS

Financial assets measured at amortised cost.

In thousands of euros	2021	2020
Rent and other deposits	50	25
Financial assets not classified as cash or cash equivalent	863	-
Non-current finance lease receivables (see note 26)	22	-
Total financial assets	**935**	**25**

19. TAX

Corporation tax

Analysis of the tax benefit in the year:

In thousands of euros	2021	2020
Current tax		
Current year charge	(657)	(134)
Withholding tax	-	(5)
Total current tax	**(657)**	**(139)**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	(264)	(137)
Impact of rate change	(107)	(26)
Recognition of previously unrecognised tax losses	970	-
Origination and reversal of temporary differences	407	360
Total deferred tax	**1,006**	**197**
Total tax benefit	**349**	**58**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. TAX (CONTINUED)

The tax benefit 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	2021	2020
Profit before tax	4,565	1,693
Expected tax expense at the Company's tax rate of 19% (2020: 19%)	(867)	(322)
Effect of differences in tax rates in foreign jurisdictions	(373)	(109)
Effect of share-based payments	(3)	-
Effect of expenses not deductible and items not taxable	327	(168)
Effect of deferred tax not being recognised	(509)	118
Impact of rate change	204	(26)
Effect of R&D enhanced expenditure	605	570
Effect of withholding tax	(5)	(5)
Recognition of previously unrecognised tax asset	970	-
Total tax benefit recognised	**349**	**58**

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	2021	2020
Deferred tax assets		
Capital allowances	1,529	942
Unused tax losses	1,227	17
Total recognised deferred tax assets before set-off	**2,756**	**959**
Set-off of tax	(520)	(295)
Net deferred tax assets	**2,236**	**664**
Deferred tax liabilities		
Capitalised development expenses	571	179
As a result of business combinations	9,595	561
Total recognised deferred tax liabilities before set-off	**10,166**	**740**
Set-off of tax	(520)	(295)
Net deferred tax liabilities	**9,646**	**445**

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. On 24 May 2021 the UK tax rate increase from 19% to 25% from 1 April 2023 was substantively enacted. This will have a consequential effect on the group's future tax charge, but no estimates of the potential effect have been made.

The deferred tax asset at 31 December 2021 has been calculated based on the rates expected to be in force at the time of utilisation. The deferred tax liability at 31 December 2021 has been recognised as a result of acquisitions in different tax jurisdictions at the rates prevailing in those jurisdictions. The rates range from 17% to 30%.

Deferred tax assets on trading losses of €17.50 million (2020: €9.90 million) and fixed asset temporary differences of €1.61 million (2020: €1.0 million) have not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. TAX (CONTINUED)

The movement in deferred tax is as follows:

In thousands of euros	2021	2020
Deferred tax assets		
Balance as at 1 January	959	1,023
Amounts credited to profit & loss	315	-
As a result of business combinations (see note 35)	1,430	-
Foreign currency translation differences recognised in other comprehensive income	52	(64)
Total recognised deferred tax assets before set-off as at 31 December	**2,756**	**959**
Deferred tax liabilities		
Balance as at 1 January	740	1,120
Amounts credited to profit & loss	(691)	(295)
As a result of business combinations (see note 35)	10,035	-
Foreign currency translation differences recognised in other comprehensive income	82	(85)
Total recognised deferred tax liabilities before set-off as at 31 December	**10,166**	**740**

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

In thousands of euros	2021	2020
Trade receivables	216	167
Accrued revenue	3,466	3,661
Deferred consideration receivable (see note 34)	-	500
Total trade and other receivables due after more than one year	**3,682**	**4,328**

Under some licensing arrangements, the Group recognises revenue at the commencement of the contract and payments become due during the term of the agreement.

21. INVENTORIES

In thousands of euros	2021	2020
Finished goods	1,930	1,191
Components	378	-
Total inventories	**2,308**	**1,191**

22. TRADE AND OTHER RECEIVABLES

In thousands of euros	2021	2020
Trade receivables	6,834	2,842
Accrued revenue	3,715	1,326
Deferred consideration receivable (see note 34)	500	2,000
Allowance for doubtful debts	(134)	(15)
Total trade and other receivables	**10,915**	**6,153**

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	2021	2020
Under 90 days	6,067	2,334
Over 90 days and provided for	134	15
Over 90 days but not provided for	633	493
Total trade receivables	**6,834**	**2,842**

Impairment losses during the year were €nil (2020: €nil).

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

In thousands of euros	2021	2020
At 1 January	15	13
Additions	119	2
At 31 December	**134**	**15**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Directors have considered the nature of the customers, the historic levels of bad debts and the payment profile of customer contracts in reaching the value of the expected credit losses above. See Note 31 'Financial risk management' for further disclosure regarding the credit quality of the Group's trade debtors.

23. OTHER CURRENT ASSETS

In thousands of euros	2021	2020
VAT receivable	254	217
Current finance lease receivables (see note 26)	25	-
Other items	18	2
Total other current assets	**297**	**219**

24. CASH AND CASH EQUIVALENTS

In thousands of euros	2021	2020
Cash at bank and in hand	9,234	6,855
Total cash and cash equivalents	**9,234**	**6,855**

25. CAPITAL AND RESERVES

Ordinary shares of €0.40 allotted, called up and fully paid:

	2021		2020	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
As at 1 January	11,835,707	4,734	11,835,707	4,734
Issued in business combination (see note 35)	21,074,030	8,430	-	-
As at 31 December	**32,909,737**	**13,164**	**11,835,707**	**4,734**

Share premium:

In thousands of euros	2021	2020
As at 1 January and 31 December	**1,979**	**1,979**

Merger reserve:

The acquisition of HYBRID Software Group S.à r.l. ("HYBRID Software") (see Note 35 'Acquisitions') was a common control transaction due to the fact that both the Company and HYBRID Software were under the same parent company control.

In accordance with section 612 of the Companies Act 2006, the premium over the par value of the consideration shares issued in exchange for 100% of the issued share capital of HYBRID Software has been credited to a merger reserve instead of share premium.

The premium over par value is calculated as follows:

In thousands of euros	
Contractual consideration (see note 35)	80,000
Fair value adjustment for consideration shares	(4,555)
Acquisition date market value of new shares issued as consideration (see note 35)	**75,445**
Par value of 21,074,030 shares issued	(8,430)
Premium over par value credited to merger reserve	**67,015**

The movement during the year is as follows:

In thousands of euros	2021
As at 1 January	-
Premium over par value of 21,074,030 newly issued shares	67,015
As at 31 December	**67,015**

The fair value adjustment for the consideration shares is an adjustment to reflect the acquisition date fair value of the shares (see Note 35 'Acquisitions').

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. CAPITAL AND RESERVES (CONTINUED)

Treasury shares:

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

	2021		2020	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
As at 1 January	112,996	309	112,996	309
Disbursement of shares to employees	(39,000)	(107)	-	-
As at 31 December	**73,996**	**202**	**112,996**	**309**

26. LEASES

Group as lessee

The Group leases office facilities and motor vehicles. The office leases typically run for a period of 6 years with an option to renew the lease at the end of the term and motor vehicle leases typically run for 3 years. Lease payments are agreed at the inception of the lease and at any subsequent renewal.

Right-of-use assets

In thousands of euros	Land and buildings	Motor vehicles	Total
Balance at 31 December 2019	1,838	-	1,838
Disposal – discontinued operation (see note 34)	(150)	-	(150)
Depreciation charge for the year	(409)	-	(409)
Balance at 31 December 2020	**1,279**	**-**	**1,279**
Additions	90	114	204
Additions – business combinations (see note 35)	1,303	119	1,422
Remeasurements	1,438	-	1,438
Depreciation charge for the year	(718)	(106)	(824)
Effect of movement in exchange rates	77	10	87
Balance at 31 December 2021	**3,469**	**137**	**3,606**

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 4 months to 8 years. Remeasurements are the result of an extension to the term of an existing lease.

Lease liabilities

In thousands of euros	2021	2020
Current	761	286
Non-current	3,060	1,062
Total lease liabilities	**3,821**	**1,348**

It is expected that as a lease matures it will either be extended or replaced by a new lease on similar terms. There are no variable lease payments, all lease payments are for fixed amounts agreed at the outset of the lease.

Amounts recognised in the Consolidated Statement of Comprehensive Income:

In thousands of euros	2021	2020
Interest on lease liabilities – continuing operations	163	82
Interest on lease liabilities – discontinued operations (see note 34)	-	3
Expenses relating to short-term leases	77	26
Total recognised in profit or loss	**240**	**111**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. LEASES (CONTINUED)

Cash out flow for leases:

In thousands of euros	2021	2020
Lease liability interest	163	85
Principal payments	849	383
Total cash outflow for leases	**1,012**	**468**

Maturity analysis of contractual undiscounted cash flows for lease payments:

In thousands of euros	2021	2020
Within 1 year	907	351
Between 1 and 2 years	853	260
Between 2 and 3 years	804	260
Between 3 and 4 years	781	260
Between 4 and 5 years	463	260
After 5 years	479	130
Total undiscounted lease liabilities at 31 December	**4,287**	**1,521**

Group as lessor – finance leases

The Group has cancellable leases, as intermediate lessor, of motor vehicles. The terms of these leases vary. The following amounts are recognised in the Consolidated Statement of Comprehensive Income:

In thousands of euros	2021	2020
Income received from subleasing right-of-use assets	4	-
Finance income on net investment in leases	(2)	-
Total amount recognised in profit or loss	**2**	**-**

Future minimum lease payments receivable for motor vehicles under cancellable finance leases are set out below:

In thousands of euros	2021	2020
Within 1 year	27	-
Between 1 and 2 years	23	-
Between 2 and 3 years	-	-
Between 3 and 4 years	-	-
Between 4 and 5 years	-	-
After 5 years	-	-
Total undiscounted lease payments receivable	50	-
Unearned finance income	(3)	-
Net investment in the lease	**47**	**-**

In thousands of euros	2021	2020
Current (see note 23)	25	-
Non-current (see note 18)	22	-
Total finance lease receivable	**47**	**-**

27. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	2021	2020
Contingent consideration	1,434	1,823
Deferred consideration	1,157	-
Other liabilities	183	-
Government-backed COVID support loans	-	391
Unsecured loan from related party (see note 32)	8,400	-
Total other liabilities	**11,174**	**2,214**

In thousands of euros	2021	2020
Current	3,767	481
Non-current	7,407	1,733
Total other liabilities	**11,174**	**2,214**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. OTHER LIABILITIES (CONTINUED)

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 2021. Based on the revised forecasts, the review concluded that there was an increase in the present value of those payments, thus decreasing the liability on the balance sheet, of €3,000 (2020: increase of €52,000).

During the year, cash payments of €492,000 (2020: €529,000) were paid against the contingent consideration due for the acquisition of Meteor Inkjet Limited. The underlying liability is denominated in pounds sterling, thus there is a movement due to changes in exchange rates used to convert to Euros at the reporting date.

Deferred consideration
Deferred consideration primarily relates to the acquisition of ColorLogic GmbH (see Note 35 ‘Acquisitions’).

Government-backed COVID support loans
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. The loans were forgiven in full during the year ending 31 December 2021.

Unsecured loan from related party
An unsecured loan has been granted by Congra Software S.à r.l. (“Congra”) to HYBRID Software Group S.à r.l.. During the year, payments totalling €2,986,000 have been made to Congra in respect of the loan. €2,700,000 has been paid as a repayment against the principal and €286,000 has been paid for interest. Interest is calculated and payable at a fixed rate of 3% per annum on the outstanding balance and, as per the loan agreement, capital repayments of €2,800,000 are payable per annum.

28. CONTRACT LIABILITIES

In thousands of euros	2021	2020
Customer advances	1,617	583
Deferred revenue	1,975	986
Total contract liabilities	**3,592**	**1,569**

In thousands of euros	2021	2020
Current	3,165	1,546
Non-current	427	23
Total contract liabilities	**3,592**	**1,569**

The contract liabilities 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.

29. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding those held in treasury. For diluted earnings per share, the weighted average number of ordinary shares in issue during the year, excluding those held in treasury, is adjusted to assume conversion of all dilutive potential ordinary shares. At the year end, those share options where the exercise price is less than the average market price of the Company’s ordinary shares were the only dilutive potential ordinary shares.

In thousands of euros unless otherwise stated	2021	2020
Weighted average number of shares (basic), in thousands of shares	32,198	11,723
Add the effect of dilutive potential ordinary shares	-	-
Weighted average number of shares (diluted), in thousands of shares	32,198	11,723
Profit attributable to ordinary shareholders	4,914	5,918
Basic earnings per share, in euros	**0.15**	**0.50**
Diluted earnings per share, in euros	**0.15**	**0.50**
Earnings per share – Continuing operations		
Basic earnings/(loss) per share, in euros	**0.15**	**0.15**
Diluted earnings/(loss) per share, in euros	**0.15**	**0.15**
Earnings per share – Discontinued operations		
Basic earnings per share, in euros	**-**	**0.35**
Diluted earnings per share, in euros	**-**	**0.35**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. EARNINGS PER SHARE (CONTINUED)

On 12 January 2021, pursuant to the completion of an acquisition (see Notes 25 ‘Capital and reserves’ and 35 ‘Acquisitions’) 21,074,030 new shares were issued, taking the total issued share capital to 32,909,737, of which 73,996 were held in treasury on 31 December 2021.

30. SHARE BASED PAYMENTS

At 31 December 2021, 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 2020 Number	Granted Number	Exercised Number	Withdrawn Number	Lapsed Number	As at 31 December 2021 Number
SIP matching shares	6,420	-	-	-	(615)	5,805
Free shares granted	98,750	-	(39,000)	-	-	59,750
	105,170	**-**	**(39,000)**	**-**	**(615)**	**65,555**

Measurement of fair value
The fair value of free shares granted as matching shares under the SIP was assumed to be equal to the purchase price of corresponding partnership shares which were acquired by participants in the SIP.

The fair value of free shares granted was assumed to be the closing price reported for the Company’s shares on the last trading day immediately preceding the date when the shares were granted. It was also considered that all of the grantees would be in employment at the date of vesting.

During the year the Group recognised €15,000 (2020: €3,000) of share-based payment expense in these financial statements.

31. FINANCIAL RISK MANAGEMENT

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

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

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters. 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 2021 (2020: none).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

In thousands of euros	Euros	US dollars	Pounds sterling	Japanese yen	Canadian dollars	Chinese yuan	Australian dollars
At 31 December 2021							
Trade and other receivables	4,729	3,278	1,378	1,481	15	5	29
Other current assets	89	-	177	11	-	20	-
Trade and other payables	(1,009)	(409)	(469)	(11)	-	(33)	-
Accrued liabilities	(1,870)	(316)	(2,064)	(11)	-	-	-
Other liabilities	(3,055)	-	(712)	-	-	-	-
Net exposure	**(1,116)**	**2,553**	**(1,690)**	**1,470**	**15**	**(8)**	**29**
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**	**-**	**-**	**-**

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

In thousands of euros	Euros	US dollars	Pounds sterling	Japanese yen	Canadian dollars	Chinese yuan	Australian dollars
At 31 December 2021							
Trade and other receivables	2,694	404	14	527	43	-	-
Accrued liabilities	(870)	(168)	(278)	-	-	-	-
Other liabilities	(6,734)	-	(673)	-	-	-	-
Net exposure	**(4,910)**	**236**	**(937)**	**527**	**43**	**-**	**-**
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**	**-**	**-**	**-**

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	
	2021	**2020**	**2021**	**2020**
US dollar	0.8454	0.8777	0.8789	0.8130
Pound sterling	1.1628	1.1255	1.1898	1.1085
Japanese yen	0.0077	0.0082	0.0077	0.0079
Canadian dollar	0.6757	n/a	0.6935	n/a
Chinese yuan	0.1362	n/a	0.1386	n/a
Australian dollar	0.6337	n/a	0.6411	n/a

If sales and results for the year had been converted using the exchange rates prevailing in the prior year, the Group's 2021 sales would have reduced by approximately €0.60 million and the operating profit for the year would have increased by approximately €0.02 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 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. Historically, bad debts across the Group have been extremely low and full or part payment in advance by some customers helps to reduce the overall risk.

Credit risk also arises from cash deposits held at banks. At the year-end, the Group's cash deposits were held with major banks such as HSBC (UK and United States), Sumitomo Mitsui Banking Corporation (Japan), KBC Bank (Europe) and The PNC Financial Services Group (United States).

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. These are summarised within Note 22 'Trade and other receivables' and Note 24 'Cash and cash equivalents'. The Group's management considers that all the above financial assets that are not impaired at the balance sheet date under review are of good credit quality, including those that are past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

In thousands of euros	2021	2020
Equipment manufacturers	4,895	2,628
Resellers and end users	6,020	3,525
Total trade receivables	**10,915**	**6,153**

At 31 December 2021, the ten largest accounts receivable represented 26.7% (2020: 32.1%) of the Group's accounts receivables and the single largest accounts receivable represented 5.3% (2020: 9.1%) of the Group's accounts receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and adjusted for factors that are specific to the debtor and general economic conditions of the industry in which the Group operates.

The Group has recognised a loss allowance of €134,000 (2020: €15,000) against trade receivables. The loss allowance applies to debt over 120 days and relates to a small number of customers where none of the debt is expected to be recovered through normal trading. A provision is made against trade receivables until such time as the Group believes the amount to be irrecoverable, after which the trade receivable balance is written off. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

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 2021			
Trade payables	1,931	-	1,931
Accrued liabilities	4,261	1,316	5,577
Other liabilities	3,165	7,407	10,572
Total	**9,357**	**8,723**	**18,080**
At 31 December 2020			
Trade payables	764	-	764
Accrued liabilities	1,884	400	2,284
Other liabilities	481	1,733	2,214
Total	**3,129**	**2,133**	**5,262**

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 2021.

In thousands of euros	2021	2020
Capital		
Total equity	109,951	27,558
Less cash and cash equivalents	9,234	6,855
	100,717	**20,703**
Overall financing		
Total equity	109,951	27,558
Plus borrowings	8,400	391
	118,351	**27,949**
Capital to overall financing ratio	**1:1.18**	**1:1.35**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. RELATED PARTIES

The controlling party is Congra Software S.à r.l. ("Congra"), which owns the majority of the voting rights of the Company. Congra is controlled by Powergraph BV "(Powergraph") and Powergraph BV is controlled by the Group's chairman, Guido Van der Schueren. Congra and Powergraph do not produce consolidated financial statements that are publicly available.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Remuneration of key management personnel
The remuneration paid to the Directors, who are key management personnel of the Group, is detailed in the Directors' remuneration report on pages 49 to 57.

A service agreement between HYBRID Software Development NV and Powergraph BV provides an arrangement for the remuneration of Guido Van der Schueren.

Michael Rottenborn and Graeme Huttley have employment contracts with Global Graphics Software that entitles them to salary, bonus and other benefits in addition to the board fees.

Remuneration of key management personnel, including the Directors was as follows:

In thousands of euros	2021	2020
Short-term employee benefits	3,279	1,476
Post-employment benefits	289	189
Other long-term benefits	386	186
Share-based payments	4	7
Total key management personnel expenses	**3,958**	**1,858**

Congra
An unsecured loan has been granted by Congra to HYBRID Software Group S.à r.l. ("HYBRID"). During the year, payments totalling €2,986,000 have been made to Congra in respect of the loan. €2,700,000 has been paid as a repayment against the principal and €286,000 has been paid for interest. Interest is calculated and payable at a fixed rate of 3% per annum on the outstanding balance and, as per the loan agreement, capital repayments of €2,800,000 are payable per annum. The balance of the loan outstanding at 31 December 2021 was €8,400,000.

Additionally, Congra recharges some minor expenses to HYBRID and HYBRID was liable for some additional consideration that was payable in respect of a transfer of intangible assets prior to joining the Group. The minor expenses totalled €12,000 and the additional consideration was €77,000. At 31 December 2021, €90,000 was owed to Congra in respect of these items.

Powergraph
A total of €221,000 was paid during the year by HYBRID to Powergraph in respect of the aforementioned service agreement for Guido Van der Schueren. This amount is included in the amounts presented in the Directors' remuneration report on pages 49 to 57. No amounts were owed at the 31 December 2021.

Other related parties
Powergraph and Congra have interests in other businesses. During the year, HYBRID Software NV made sales of €154,000 to those entities and at 31 December 2021 €42,000 was owed to HYBRID Software NV by them, all of which is considered as recoverable in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. GROUP ENTITIES

Company name	Registered office address	Country of incorporation	Ownership interest % 2021	2020
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%
HYBRID Software Group S.à r.l.^	19-21 route d'Arlon, LU-8009 Strassen, Luxembourg	Luxembourg	100%	-
eXplio NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Belgium	99.93%	-
HYBRID Software Development NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Belgium	100%	-
HYBRID Integration LLC*	Eight Neshaminy Interplex, Suite 111, Trevose, Pennsylvania 19053, USA	United States of America	100%	-
HYBRID Software NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Belgium	100%	-
HYBRID Software China Co. Limited*	Room 2504, 25th Floor, Building 2, No. 900 Yishan Road, Xuhui District, Shanghai, China	China	100%	-
HYBRID Software GmbH*	Uhlandstrabe 9, 79102 Freiburg, Germany	Germany	100%	-
HYBRID Software Italy SRL*	Viale Sondrio 2, IT-20124 Milano, Italy	Italy	100%	-
HYBRID Software France SAS*	15 Rue Marsollier, F-75002 Paris, France	France	100%	-
HYBRID Software UK Limited*	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	-
HYBRID Software Australia Pty Limited*	Suite 2, Level 14, 9 Castlereagh Street, Sydney, NSW 2000, Australia	Australia	100%	-
HYBRID Software Iberia S.L.U.*+	Riera dels Frares, 8 – E08907 L'Hospitalet, Barcelona, Spain	Spain	100%	-
ColorLogic GmbH #	Landersumer Weg 40, D-48431 Rheine	Germany	100%	-

* indirectly held by the Company.
^ HYBRID Software Group S.à r.l was acquired on 12 January 2021.
# ColorLogic GmbH was acquired on 27 October 2021.
+ HYBRID Software Iberia S.L.U. was acquired on 21 December 2021.

See Note 35 'Acquisitions' for further details of these three acquisitions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. 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 is payable in instalments and the second instalment of €2.0 million was received during the year, leaving a balance of €0.5 million, which is receivable in May 2022.

Results of discontinued operation

In thousands of euros	Note	2021	2020
Revenue		-	615
Elimination of inter-segment revenue		-	-
External revenue		-	615
External expenses		-	(665)
Amortisation		-	(183)
Results from operating activities		-	**(233)**
Tax		-	30
Results from operating activities, net of tax		-	**(203)**
Gain on sale of discontinued operation		-	4,370
Profit from discontinued operation for the period, net of tax		-	**4,167**
Earnings per share			
Basic earnings per share (euro)	29	-	**0.35**
Diluted earnings per share (euro)	29	-	**0.35**

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	2021	2020
Net cash used for operating activities	-	(705)
Net cash from/(used) in investing activities	-	4,806
Net cash flow for the period	-	**4,101**

Effect of disposal on the financial position of the Group

In thousands of euros	2021	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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. ACQUISITIONS

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 Software") from Congra Software S.à r.l. ("Congra").

The acquisition was a common control transaction due to the fact that both the Company and HYBRID Software were under the same parent company control (see Note 32 'Related parties').

An independent valuation report was commissioned by the Directors to enable them to negotiate the contractual acquisition price of €80 million. The consideration was satisfied in full by issuing 21,074,030 ordinary shares in the Company to Congra. The number of shares was calculated by reference to a trailing 30 trading-day volume weighted average price of the Company's shares as traded on Euronext Brussels.

Founded in 2007, headquartered in Luxembourg and with subsidiaries in Belgium, Germany, Italy, France, the UK and the USA, HYBRID Software 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 Software'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 the Group because HYBRID Software has a large end-user customer base supported by a worldwide sales and service organisation 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 Software adds to this capability, making a very compelling proposition in the market.

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

In thousands of euros	
Acquisition date market value of new shares issued as consideration	75,445
Total consideration	**75,445**

The Directors have considered the facts concerning a potential marketability discount and the relevant criteria in IFRS 13 and concluded that a fair value adjustment for marketability is not appropriate in this situation. This judgement is highly sensitive; a 0.5% discount would equate to a discount of €377,000 and a material reduction in the goodwill at the acquisition date.

The identifiable assets acquired and liabilities assumed were:

In thousands of euros	Book value	Fair value adjustment	Total
Property, plant and equipment	363	-	363
Right-of-use assets	1,375	-	1,375
Other intangible assets	5,114	34,485	39,599
Financial assets	6	-	6
Deferred tax assets	1,430	-	1,430
Inventories	5	-	5
Trade and other receivables	4,160	-	4,160
Prepayments	110	-	110
Cash and cash equivalents	2,142	-	2,142
Deferred tax liabilities	-	(8,824)	(8,824)
Trade and other payables	(1,720)	-	(1,720)
Accrued liabilities	(665)	-	(665)
Lease liabilities	(1,375)	-	(1,375)
Contract liabilities	(2,183)	-	(2,183)
Other liabilities	(11,204)	-	(11,204)
Total identifiable net (liabilities)/assets acquired	**(2,442)**	**25,661**	**23,219**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. ACQUISITIONS (CONTINUED)

Acquisition of HYBRID Software Group S.à r.l. (continued)

The intangible assets recognised have been valued as follows:

Intangible asset	Valuation method
Technology	The average of the present value of cashflows from operating activities in relation to owned technology over a 12 year period (using a discount rate of 9%, an historical profit % level, an assumption that revenue will grow year-on-year during the valuation period and an obsolescence factor) and an estimate of the replacement cost (based on estimates of the number of employees and man years required to design and develop the software).
Customer relationships	The present value of cashflows from operating activities in relation to customer relationships existing at acquisition date over an 8 year period, using a discount rate of 9%, an historical profit % level and an historical annual attrition rate of those relationships.

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

In thousands of euros	
Total consideration payable	75,445
Fair value of identifiable net assets	(23,219)
Total Goodwill	**52,226**

The goodwill represents the ability to develop new technology, opportunities expected from access to potential new customers, any value of intangible assets into perpetuity over their limited useful lives and the assembled workforce that does not meet separate recognition criteria. None of the goodwill recognised is expected to be deductible for tax purposes.

During the year, the Group incurred acquisition-related costs of €43,000 in respect of this acquisition, which have been included in 'Other operating expenses' in the consolidated statement of comprehensive income.

Costs of €89,000 related to the issue of the new shares were recognised directly in retained earnings. The costs incurred are in respect of a prospectus that is required to admit the new shares to trading on Euronext. It is expected that additional costs will be incurred until the prospectus is published.

For the period from acquisition to 31 December 2021, the revenues and the profit before tax generated by this acquisition were €20,739,000 and €6,481,000 respectively.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2021), on a pro forma basis, revenue of the combined Group for the year ended 31 December 2021 would have been increased by €644,000 and profit before tax would have increased by €201,000.

Acquisition of ColorLogic GmbH

On 27 October 2021, the Group acquired the entire issued share capital of ColorLogic GmbH ("ColorLogic"), a company with its registered office in Rheine, Germany.

Founded in 2002, ColorLogic has developed an extensive portfolio of colour profiling and conversion software. Its products are sold worldwide to both end users with demanding requirements for colour quality, as well as to Original Equipment Manufacturers (OEMs) of printing equipment.

This acquisition is strategically important for the Group because ColorLogic has long been respected as an industry leader in extended gamut colour management, and their tools provide the perfect combination of speed and quality for these demanding applications.

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

In thousands of euros	
Cash	4,381
Total consideration	**4,381**

The consideration is payable in instalments; €3,224,000 was paid on closing and €1,157,000 will be paid in 5 equal instalments on the anniversary of the closing date, starting in October 2022.

A condition of the acquisition was that the seller, using a portion of the consideration received on closing, would procure €500,000 of the Company's shares from an existing shareholder, Congra Software S.à r.l. ("Congra"). That condition was fulfilled by the seller and they acquired 101,176 shares of the Company from Congra on 21 January 2022. Under the terms of the acquisition, the seller requires the agreement of the Company to sell, transfer or otherwise dispose of any of those shares for a period of 12 months after the acquisition date of those shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. ACQUISITIONS (CONTINUED)

Acquisition of ColorLogic GmbH (continued)

The identifiable assets acquired and liabilities assumed were:

In thousands of euros	Book value	Fair value adjustment	Total
Property, plant and equipment	1	-	1
Right-of-use assets	47	-	47
Other intangible assets	-	3,852	3,852
Financial assets	852	-	852
Trade and other receivables	406	-	406
Prepayments	11	-	11
Cash and cash equivalents	331	-	331
Deferred tax liabilities	-	(1,156)	(1,156)
Trade and other payables	(12)	(22)	(34)
Accrued liabilities	(1,084)	-	(1,084)
Lease liabilities	(47)	-	(47)
Total identifiable net assets acquired	**505**	**2,674**	**3,179**

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

The intangible assets recognised have been valued as follows:

Intangible asset	Valuation method
Technology	The present value of cashflows from operating activities in relation to owned technology over a 10 year period, using a discount rate of 11.43%, an historical profit % level and an assumption that revenue will grow year-on-year during the valuation period.
Customer relationships	The present value of cashflows from operating activities in relation to established long-term contracts existing at acquisition date over a 10 year period, using a discount rate of 11.43%, an historical profit % level and an assumption that revenue will conservatively grow year-on-year during the valuation period.

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

In thousands of euros	
Total consideration payable	4,381
Fair value of identifiable net assets	(3,179)
Total Goodwill	**1,202**

The goodwill represents the ability to develop new technology, opportunities expected from access to potential new customers, any value of intangible assets into perpetuity over their limited useful lives and the assembled workforce that does not meet separate recognition criteria. None of the goodwill recognised is expected to be deductible for tax purposes.

During the year, the Group incurred acquisition-related costs of €135,000 in respect of this acquisition, which have been included in 'Other operating expenses' in the consolidated statement of comprehensive income.

For the period from acquisition to 31 December 2021, the revenues and the loss before tax generated by this acquisition were immaterial in the context of the Group's revenues and profit before tax.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2021), on a pro forma basis, revenue of the combined Group for the year ended 31 December 2021 would have been increased by €1,288,000 and profit before tax would have increased by €388,000.

Acquisition of HYBRID Iberia, S.L.U.

On 21 December 2021, the Group acquired the entire issued share capital of HYBRID Iberia, S.L.U. ("HYBRID Iberia") a company with its registered office in Barcelona, Spain.

HYBRID Iberia is a reseller of the Group's products and has many customer relationships in Spain.

This acquisition allows the Group to expand its distribution channel geographically under its own control and benefit from the existing relationships that have been built up over the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. ACQUISITIONS (CONTINUED)

Acquisition of HYBRID Iberia, S.L.U. (continued)

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

In thousands of euros	
Cash	175
Pre-existing relationship	288
Total consideration	**463**

The cash consideration is payable in instalments; €135,000 was paid on closing and €40,000 will be payable in instalments over the next five years. The pre-existing relationship was a trade payable owed to the Group by HYBRID Iberia.

The identifiable assets acquired and liabilities assumed were:

In thousands of euros	Book value	Fair value adjustment	Total
Property, plant and equipment	3	-	3
Other intangible assets	-	218	218
Trade and other receivables	93	-	93
Prepayments	14	-	14
Cash and cash equivalents	106	-	106
Deferred tax liabilities	-	(55)	(55)
Trade and other payables	(57)	-	(57)
Other liabilities	(7)	-	(7)
Total identifiable net assets acquired	**152**	**163**	**315**

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

The intangible assets recognised have been valued as follows:

Intangible asset	Valuation method
Customer relationships	The present value of cashflows resulting from sales to existing customers at acquisition date over a 7 year period, using an historical profit % level and an assumption attrition of those customers during the valuation period.

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

In thousands of euros	
Total consideration payable	463
Fair value of identifiable net assets	315
Total Goodwill	**148**

During the year, the Group incurred acquisition-related costs of €2,000 in respect of this acquisition, which have been included in 'Other operating expenses' in the consolidated statement of comprehensive income.

For the period from acquisition to 31 December 2021, the revenues and the loss before tax generated by this acquisition were immaterial in the context of the Group's revenues and profit before tax.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2021), on a pro forma basis, revenue of the combined Group for the year ended 31 December 2021 would have been increased by €434,000 and profit before tax would have decreased by €17,000.

Cash flows from investing activities

Acquisition, net of cash acquired per the consolidated statement of cash flows:

In thousands of euros	Cash acquired	Cash outflow	Net cash outflow
HYBRID Software Group S.à r.l.	2,142	-	2,142
ColorLogic GmbH	331	(3,224)	(2,893)
HYBRID Iberia, S.L.	106	(135)	(29)
Total acquisition, net of cash acquired	**2,579**	**(3,359)**	**(780)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

In thousands of euros	Lease liabilities	Other liabilities	Total
Balance at 31 December 2020	**1,348**	**2,214**	**3,562**
Loan repayment	-	(2,700)	**(2,700)**
Contingent consideration paid	-	(492)	**(492)**
Principal payments of lease liabilities	(849)	-	**(849)**
Total cashflows	**(849)**	**(3,192)**	**(4,041)**
Contingent consideration fair value adjustment	-	(3)	**(3)**
Recognition of new lease liabilities	1,674	-	**1,674**
Remeasurement of existing lease liabilities	1,438	-	**1,438**
Loans and borrowings acquired through business combinations	-	11,105	**11,105**
Recognition of deferred consideration	-	1,157	**1,157**
Other non-cash items*	164	(107)	**57**
Exchange rate effects	46	-	**46**
Total non-cash items	**3,322**	**12,152**	**15,474**
Balance at 31 December 2021	**3,821**	**11,174**	**14,995**

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)
Principal payments of lease liabilities	(383)	-	(383)
Total cashflows	**(383)**	**(2,096)**	**(2,479)**
Contingent consideration fair value adjustment	-	52	52
Recognition of lease liabilities	(150)	-	(150)
Exchange rate effects	(1)	(158)	(159)
Total non-cash items	**(151)**	**(106)**	**(257)**
Balance at 31 December 2020	**1,348**	**2,214**	**3,562**

*Other non-cash items include remeasurements to existing lease liabilities as well as the unwinding of discounts on lease liabilities.

37. SUBSEQUENT EVENTS

The Group acquired the business and assets of a software product called iC3D from Creative Edge LLC for USD 4 million, paid in full in cash on 14 March 2022. The acquisition accounting has not been completed as of the date of these financial statements.

COMPANY BALANCE SHEET

In thousands of euros	Note	For the year ended 31 December 2021	2020
Non-current assets			
Investments	4	**101,121**	21,295
Total non-current assets		**101,121**	21,295
Current assets			
Trade and other receivables (including €597,000 (2020: €1,565,000) due after more than one year)	5	**1,621**	4,029
Cash and cash equivalents		**19**	75
Total current assets		**1,640**	4,104
Current Liabilities			
Creditors: Amounts falling due within one year	6	**(9,811)**	(8,071)
Net current liabilities		**(8,171)**	(3,967)
Creditors: Amounts falling due in more than one year	7	**(2,260)**	(1,776)
Net assets		**90,690**	15,552
Capital and reserves			
Called up share capital	9	**13,164**	4,734
Share premium account	9	**1,979**	1,979
Merger reserve	9	**67,015**	-
Treasury shares	9	**(202)**	(309)
Profit and loss account		**8,734**	9,148
Total shareholders' funds		**90,690**	15,552

The notes on pages 108 to 112 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 2021 was a loss of €218,000 (2020: profit of €4,603,000).

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 21 April 2022 and were signed on its behalf by:

Michael A. Rottenborn

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	Merger reserve	Treasury shares	Profit and loss account (represented)*	Total equity
Balance at 31 December 2019		**4,734**	**1,979**	**-**	**(309)**	**4,545**	**10,949**
Total comprehensive income 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**	**-**	**(309)**	**9,148**	**15,552**
Total comprehensive loss for the year							
Net loss for the year		-	-	-	-	(218)	(218)
Total comprehensive loss for the year		**-**	**-**	**-**	**-**	**(218)**	**(218)**
Transactions with owners							
Share-based payment transactions	10	-	-	-	107	(107)	-
Acquisition – newly issued shares	9	8,430	-	67,015	-	(89)	75,356
Total transactions with owners		**8,430**	**-**	**67,015**	**107**	**(196)**	**75,356**
Balance at 31 December 2021		**13,164**	**1,979**	**67,015**	**(202)**	**8,734**	**90,690**

* See Note 1 'Principal Accounting Policies', change in accounting policy.

The notes on pages 108 to 112 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Hybrid Software Group PLC (formerly Global Graphics PLC) is a company incorporated and domiciled in the United Kingdom.

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 (2020/21 Cycle) issued in May 2021 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 ("IFRS") 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 IFRS 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.

Change in accounting policy

During the year, the Directors decided that to reduce the complexity of the financial statements, as it is a policy choice to have a separate share-based payment reserve or include such amounts within the profit and loss account, it would be better included in the profit and loss account in future. This change in treatment is considered a change in accounting policy. The impact of this change has been to transfer the previously stated share-based payment reserve to the profit and loss account. The amount transferred to the profit and loss account is €174,000 (2020: €174,000).

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 €9.23 million as at 31 December 2021 (2020: €6.86 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 'Basis of preparation' of 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 (2020: nil). Directors' emoluments are disclosed in the Directors' remuneration report on pages 49 to 57 and in Note 12 'Remuneration of Directors' of the consolidated financial statements.

3. SERVICES PROVIDED BY THE COMPANY'S AUDITOR

Fees payable to the Company's auditor for the audit of the Company's accounts and for other services are set out in Note 11 'Services provided by the Group's auditor' to the consolidated financial statements.

4. INVESTMENTS

In thousands of euros	Shares in subsidiary undertakings
Cost	
At 31 December 2019 and 31 December 2020	79,053
Additions – business combinations	79,826
At 31 December 2021	**158,879**
Provision	
At 31 December 2020 and 31 December 2021	**57,758**
Net book value	
At 31 December 2020	**21,295**
At 31 December 2021	**101,121**

Additions from business combinations refer to the acquisitions of HYBRID Software Group S.à r.l. and ColorLogic GmbH. See Note 35 'Acquisitions' of the consolidated financial statements for further details.

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 2022 to 2028 using the same discount rate and exchange rates that were used for the impairment review of Goodwill in the consolidated financial statements (see Note 17 'Goodwill' of the consolidated financial statements). Management considers the use of a 7 year period is justified because the underlying businesses have been established for between 10 and 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 2021 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 2021	Ownership interest 2020
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 and technical support.	Ordinary	100%	100%
Global Graphics Software Incorporated*	5996 Clark Center Avenue, Sarasota, FL 34238, USA	Computer software development, sales and technical support.	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 and technical support.	n/a	100%	100%
HYBRID Software Group S.à r.l.^	19-21 route d'Arlon, LU-8009 Strassen, Luxembourg	Holding company.	Ordinary	100%	-
eXplio NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Computer software development, sales and technical support.	Ordinary	99.93%	-
HYBRID Software Development NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Computer software development, sales and technical support.	Ordinary	100%	-
HYBRID Integration LLC*	Eight Neshaminy Interplex, Suite 111, Trevose, Pennsylvania 19053, USA	Computer software sales and technical support.	Ordinary	100%	-
HYBRID Software NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Computer software sales and technical support.	Ordinary	100%	-
HYBRID Software China Co. Limited*	Room 2504, 25th Floor, Building 2, No. 900 Yishan Road, Xuhui District, Shanghai, China	Computer software sales and technical support.	Ordinary	100%	-
HYBRID Software GmbH*	Uhlandstrabe 9, 79102 Freiburg, Germany	Computer software sales and technical support.	Ordinary	100%	-
HYBRID Software Italy SRL*	Viale Sondrio 2, IT-20124 Milano, Italy	Computer software sales and technical support.	Ordinary	100%	-
HYBRID Software France SAS*	15 Rue Marsollier, F-75002 Paris, France	Computer software sales and technical support.	Ordinary	100%	-
HYBRID Software UK Limited*	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	Computer software sales and technical support.	Ordinary	100%	-
HYBRID Software Australia Pty Limited*	Suite 2, Level 14, 9 Castlereagh Street, Sydney, NSW 2000, Australia	Computer software sales and technical support.	Ordinary	100%	-
HYBRID Software Iberia S.L.U.**	Riera dels Frares, 8 – E08907 L'Hospitalet, Barcelona, Spain	Computer software sales and technical support.	Ordinary	100%	-
ColorLogic GmbH#	Landersumer Weg 40, D-48431 Rheine, Germany	Computer software development, sales and technical support.	Ordinary	100%	-

* indirectly held by the Company.
^ HYBRID Software Group S.à r.l was acquired on 12 January 2021
# ColorLogic GmbH was acquired on 27 October 2021
+ HYBRID Software Iberia S.L.U. was acquired on 21 December 2021
See Note 35 'Acquisitions' of the consolidated financial statements for further details of these three acquisitions.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. TRADE AND OTHER RECEIVABLES

In thousands of euros	2021	2020
Deferred consideration receivable (see note 34 of the consolidated financial statements)	500	2,500
Amounts owed by group undertakings	597	1,065
Other receivables	524	464
Total trade and other receivables	**1,621**	**4,029**

Included within deferred consideration receivable is €nil (2020: €500,000) expected to be recovered in more than 12 months.

Included within amounts owed by group undertakings is €597,000 (2020: €1,065,000) expected to be recovered in more than 12 months. 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	2021	2020
Trade and other payables	5	4
Amounts owed to group undertakings	9,291	7,834
Accruals	231	233
Deferred consideration (see note 7)	284	-
Total creditors due within one year	**9,811**	**8,071**

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

7. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

In thousands of euros	2021	2020
Contingent consideration	1,386	1,776
Deferred consideration	874	-
Total other liabilities	**2,260**	**1,776**

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 2021. Based on the revised forecasts, the review concluded that there was an increase in the present value of those payments, thus decreasing the liability on the balance sheet, of €3,000 (2020: increase of €52,000).

During the year, cash payments of €492,000 (2020: €529,000) were paid against the contingent consideration due for the acquisition of Meteor Inkjet Limited. The underlying liability is denominated in pounds sterling, thus there is a movement due to changes in exchange rates used to convert to Euros at the reporting date.

Deferred consideration

Deferred consideration primarily relates to the acquisition of ColorLogic GmbH (see Note 35 'Acquisitions' of the consolidated financial statements).

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 2021 (2020: €nil).

9. SHARE CAPITAL AND RESERVES

Ordinary shares of €0.40 allotted, called up and fully paid:

In thousands of euros, except number of shares	2021 Number	2021 Value	2020 Number	2020 Value
As at 1 January	11,835,707	4,734	11,835,707	4,734
Issued in business combination (see note 35 of the consolidated financial statements)	21,074,030	8,430	-	-
As at 31 December	**32,909,737**	**13,164**	**11,835,707**	**4,734**

Share premium:

In thousands of euros	2021	2020
As at 1 January and 31 December	**1,979**	**1,979**

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

9. SHARE CAPITAL AND RESERVES (CONTINUED)

Merger reserve:
Pursuant to the acquisition of HYBRID Software Group S.à r.l. ("HYBRID Software") (see Note 35 'Acquisitions' of the consolidated financial statements), in accordance with section 612 of the Companies Act 2006, the premium over the par value of the consideration shares issued in exchange for 100% of the issued share capital of HYBRID Software has been credited to a merger reserve instead of share premium.

The premium over par value is calculated as follows:

In thousands of euros	
Contractual consideration (see note 35 of the consolidated financial statements)	80,000
Fair value adjustment for consideration shares	(4,555)
Acquisition date market value of new shares issued as consideration (see note 35)	**75,445**
Par value of 21,074,030 shares issued	(8,430)
Premium over par value credited to merger reserve	**67,015**

The movement during the year is as follows:

In thousands of euros	**2021**
As at 1 January	-
Premium over par value of 21,074,030 newly issued shares	67,015
As at 31 December	**67,015**

The fair value adjustment for the consideration shares is an adjustment to reflect the acquisition date fair value of the shares (see Note 35 'Acquisitions' of the consolidated financial statements).

Treasury shares:

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

	2021		**2020**	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
As at 1 January	112,996	309	112,996	309
Disbursement of shares to employees	(39,000)	(107)	-	-
As at 31 December	**73,996**	**202**	**112,996**	**309**

10. SHARE BASED PAYMENTS

Information about share based payments for Directors and employees is detailed in Note 30 'Share based payments' of 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. Congra is controlled by Powergraph BV and Powergraph BV is controlled by the Group's chairman, Guido Van der Schueren.

The remuneration paid to the Directors is detailed in the Directors' remuneration report on pages 49 to 57. Other related party relationships are detailed in Note 32 'Related parties' of 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 2021 are in Note 37 'Subsequent events' of the consolidated financial statements.

Courtesyof O-I Expressions, a HYBRID Software customer

GLOSSARY

Additive manufacturing
Building physical product by digitally 'printing' it, often with technology similar to the inkjet heads used for 2D printing. The term "3D printing" is often used for home and small-scale additive manufacturing.

Binder jetting
A class of additive manufacturing in which the solid form is created by jetting a binder fluid into a bed of powder. This technique can be used for metals, polymers and glass.

Colour separation
Colour can be specified in many different ways in the digital world, but printing uses only a small set of inks. All colours in the source document must be transformed into a set of separations, one for each of the inks to be used. Most commonly in commercial print, labels and packaging this means Cyan, Magenta, Yellow and Black (see also "Extended Gamut").

Converting
The design for a label or package is converted from a primary copy, such as a PDF file, through printing on a substrate and then one or more processes such as cutting, folding and gluing to create a label that can be applied or a carton that can be filled.

CTP
Computer to Plate – imaging a printing plate directly from digital data rather than imaging a film and using that to image the plate.

Digital Front End (DFE)
The controller that manages and drives a digital press, consuming source files such as PDF, processing them as necessary and sending colour separations to the printhead.

Enterprise software
Computer programs that have common business applications. In relation to printing these typically manage customer relationships, estimation, billing, production management and shipping.

EPS
Encapsulated PostScript; a subset of the PostScript PDL with extra commenting rules designed to allow graphics to be placed within a larger page in a design application.

Extended gamut
Printing in the commercial, labels and packaging sectors is often done using four inks: Cyan, Magenta, Yellow and Black (CMYK). Together these can deliver good approximations of most colours. An extended gamut ink set can be used to reproduce more vibrant colours, including some brand colours. This is often achieved by adding one or more of Orange, Green and Violet inks to the CMYK set.

Flexo/Flexography
A conventional printing technology in which flexible plates with raised areas are used to transfer ink onto the substrate. Widely used in labels and packaging.

Functional printing
Applying substances to a substrate that do more than represent colour or some other aspect of appearance such as gloss, using a process that's normally used for printing. Examples include conductive tracks for printed electronics, or materials that change colour in the presence of certain gases for food safety, etc.

Gravure
Conventional print technology in which a cylinder is engraved with cells which carry ink to transfer it to the substrate. Very expensive to prepare cylinders for each job, so it's most used for jobs with extremely long run lengths (millions of copies), such as long-run magazines and wall-coverings.

Image setter
Machine for imaging from digital data to film or photographic paper. The result would then be used to image a plate. Obsolete for offset lithography and increasingly so for other conventional press technologies; replaced by plate setters.

Imposition
Laying out multiple pages or multiple jobs together to maximise usage of the area of a printing press.

Industrial inkjet
A term that is used with various different meanings, but is best applied to printing where the substance being printed is a part of the final product, as opposed to carrying information (e.g. in commercial print) or

Glossary continued...

to protect a product (e.g. in packaging). Examples of industrial print include applications of colour and functional coatings to textiles, ceramics and other décor.

Industry 4.0
A term for fully automated production, where equipment performing different processes are interconnected and share information.

Inkjet printing
Application of coloured or functional fluids to a substrate by jetting as drops.

JPEG
Joint Photographic Experts Group'; a committee (ISO/IEC JTC1/SC29) and the format that they defined for storing images in a very compact way using (mainly) compression. There are now variants such as JPEG 2000 and JPEG-XR that use rather different and incompatible techniques.

Litho
Offset lithography – conventional printing press technology using plates treated to make some areas hydrophilic and others hydrophobic (attracting and rejecting water) to control where ink will adhere to them. 'Offset' here means that the ink is transferred from the plate to a blanket before then being applied to the media being printed on.

Mass customisation
Mass produced products where every item is unique. Examples include personalized labels, tee-shirts, phone cases and the like.

OEM
OEM, or original equipment manufacturer, is an organisation that makes devices from component parts bought from other organisations.

PDF
Portable Document Format, a universal file format that is maintained by the International Standards Organisation. In printing it can contain all the information required to produce an item that matches exactly what the graphic designer intended in terms of fonts, colour specifications etc.

PostScript
Page description language (PDL) created in the mid 1980s by Adobe Systems; the first general PDL to be widely adopted for both office and production printing, replacing proprietary languages from each vendor. Still used for office printing, but largely replaced by PDF for production printing.

Pre-press
A department or series of software processes that prepare files for printing.

Printhead driver solutions
Our software and proprietary driver electronics send data to printheads inside inkjet devices to control the printing process.

Printheads
Printheads are a component of an inkjet press and generally contain multiple nozzles for jetting ink or other fluids onto substrates.

Proofer
Device used to make colour-managed prints configured to match the appearance of the same job on a production printing press for use in approval workflows. Increasingly replaced by "soft proofing", using a calibrated computer display for approval rather than creating printed copy.

Rasterisation
The process of transforming a page description language (see PostScript), comprising text, vector graphics, images and other complex constructs, into a rectangular grid of pixels that is suitable for delivering to an inkjet head, plate setter or other imaging device. Often equated to 'rendering'.

RIP/ RIPping
A Raster Image Processor converts graphic designs into raster data (image pixels) for onward processing by the printing device.

Screening
Screening (sometimes called halftone screening) converts graphical designs from raster data (such as that delivered by a RIP) into a slightly different format. The process compensates for the fact that most printing technology cannot represent more than a very small number of different tints of each ink. Screening places very small and carefully structured collections of areas of ink in such

Glossary continued...

a way that the human eye is fooled into seeing additional tints from the intended viewing distance.

Screen printing
In screen printing ink is applied to a surface through a stencil held on a mesh attached to a frame.

Smart factory
Smart factories are designed to autonomously run the entire production process and this will include the print subsystems.

Trapping
A process to avoid unpleasant visible effects when the colour separations being printed are not perfectly aligned with each other (in register). It typically works by enlarging some objects slightly, and contracting others.

Variable data processing or VDP
Printing items where every instance varies at least slightly from the others, often with some graphics in common as well. Examples range from adding serial numbers to labels, through direct mail and variations designed to ensure that packaging has more shelf appeal.

Waveform
The way in which the voltage applied to an inkjet head is varied over time in order to deliver well-formed ink drops of the desired size and at the desired speed.

Wide format
Printing on devices with a width that's usually more than 50cm, usually using inkjet and often related in some way to marketing or photo finishing, including banners, stickers, soft signage and sportswear.

COUNTRY OF INCORPORATION: England and Wales

LEGAL FORM: Public limited company

COMPANY NUMBER: 10872426

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Michael Rottenborn
Graeme Huttley
Clare Findlay
Luc De Vos

SECRETARY
Graeme Huttley

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STOCK TICKER: HYSG

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