HYBRID SOFTWARE GROUP

The heart of industrial printing

Hybrid Software Group PLC annual report and financial statements for the year ended 31st December 2022.

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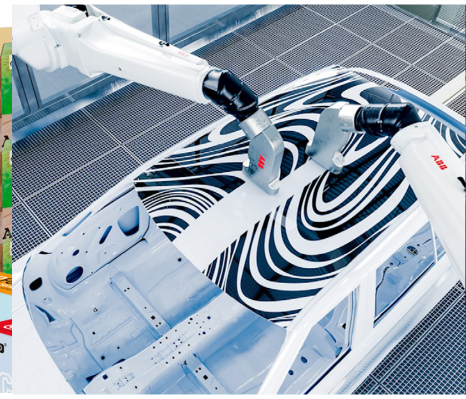
Hybrid Software Group

Courtesy of HP PageWide



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Hybrid Software Group 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. The Company employs approximately 300 employees worldwide and has a pedigree stretching back more than 30 years.

Hybrid Software Group develops innovative technology for industrial print manufacturing processes which use inkjet and other printing techniques. The technology is critical because efficiency and sustainability concerns are driving the conversion of manufacturing processes from traditional analogue methods to just-in-time digital production using inkjet printing. Applications for inkjet printing include a diverse range of goods, from labels and packaging, to textiles, tiles, laminates, wall coverings, additive manufacturing and 3D printing applications.

Industrial print manufacturing is when printing technology is used in broader manufacturing processes where it isn't the print itself that is being sold.

Our investment case

- **Inkjet adoption is increasing rapidly across multiple industry sectors.**
- **Analogue markets are converting to digital production.**
- **Hybrid Software Group enables customers to migrate their traditional manufacturing processes to digital inkjet.**
- **Hybrid Software Group is the only vertically integrated supplier to this market.**
- **Operating companies are award-winning technology leaders.**
- **Synergies between companies in the Group, following strategic acquisitions made during the past 3 years, will accelerate innovation and revenue growth.**

The Company is the only full stack supplier of all the critical core technologies needed for inkjet printing. Our principal customers are Original Equipment Manufacturers (OEMs) of digital printing equipment, including high-speed digital production presses, professional colour proofing devices, wide format colour printers, and industrial inkjet printers for ceramic tiles, packaging, textiles and additive manufacturing, as well as end users, primarily printing companies who purchase these devices to print and convert labels and packaging materials.

Hybrid Software Group has traditionally provided software components and printhead drive electronics to OEMs to enable them to build their own solutions. However, the strategic acquisitions made over the last several years now enable the Company to provide full turnkey solutions for OEMs which enable them to bring new digital printing devices to market faster and with higher quality. These solutions are higher value and provide more revenue to the Company per device installed. Furthermore, the OEM business is synergistic with the Company's end-user products, accelerating revenue growth and increasing the Company's market share in the inkjet space.

THE DIGITAL REVOLUTION IN PRINT MANUFACTURING

The print manufacturing market is transitioning from analogue to digital at a rapid pace. A number of factors have combined to accelerate this change: supply chain disruption caused by the COVID pandemic, changing consumer demand for customised products, and the growing realisation that the way for manufacturing industries to do business is to go digital. At the heart of this change in the printing market are the innovations taking place in digital inkjet printing. Inkjet printing makes it possible to change what is being printed in real time on every object. It can be inserted at different points in the production process, for instance during product decoration, packaging or labelling. In addition, inkjet can print on any surface, resulting in a revolution in the way in which goods are produced and packaged and the speed with which they are ready for market.

Analogue versus digital workflow

In an analogue workflow, graphic designs are transferred to a printing plate which is fed to the press 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).

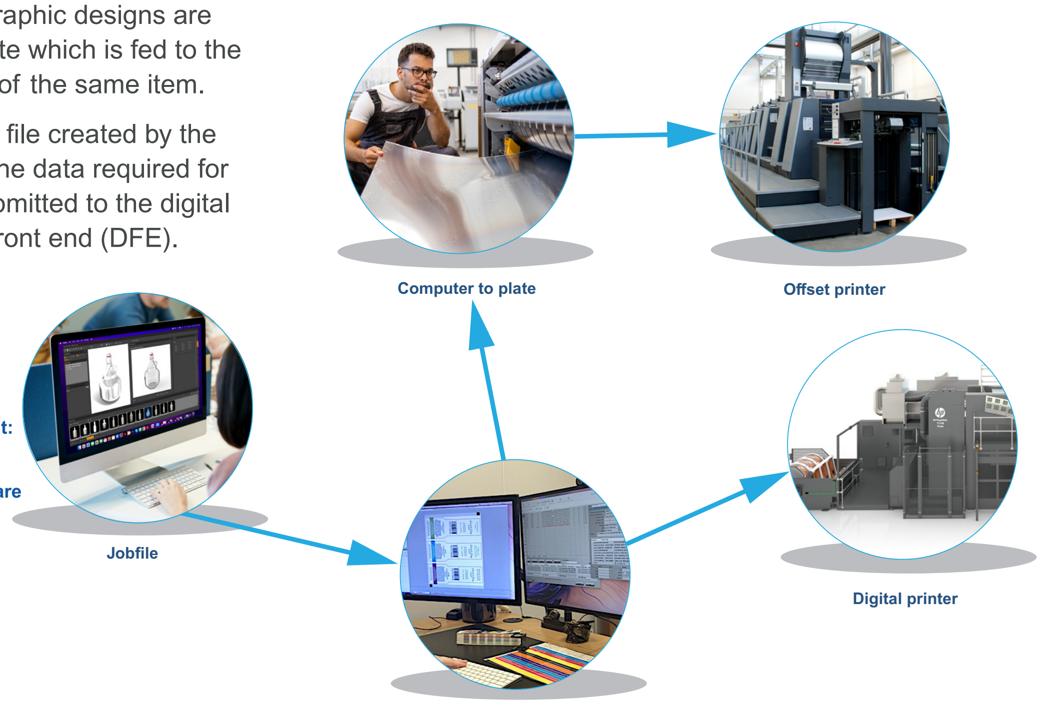


Photo credits bottom row left to right: iC3D software; Amherst Labels, a HYBRID Software customer; HP PageWide, a Global Graphics Software customer.

A typical labelling workflow

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.

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 plus white and clear inks may be jetted with different sizes of ink drops to achieve the desired output. All of these need calibrating with the printing device.

Photo credits left to right: Vollherbst, a HYBRID Software customer; Mark Andy, a Global Graphics Software customer; Vollherbst.

THE DIGITAL REVOLUTION IN PRINT MANUFACTURING

Printing is part of the manufacturing process for thousands of products that touch our everyday lives as the illustration shows below. Inkjet is the technology driver for digital conversion of these processes and makes it possible to produce products that were simply not possible with analogue processes such as customising vehicles, garage doors, or even jetting onto the side of aircraft. Hybrid Software Group enables its customers to migrate their traditional manufacturing processes to digital inkjet.

Image supplied courtesy of FuturePrint https://www.futureprint.tech/

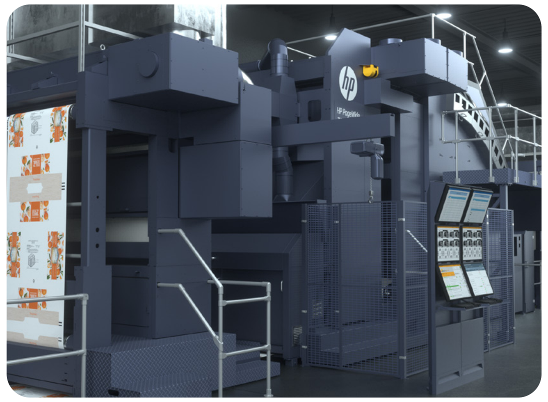
OUR VALUE PROPOSITIONS

Hybrid Software Group is the only full stack supplier of all the critical core technologies needed for inkjet printing. With a third of our headcount working in engineering and approximately a third of revenues reinvested in R&D, we are dedicated to innovation on behalf of our customers we develop award winning software and maintain a strong IP position with numerous patents.

Original Equipment Manufacturers (OEMs)

Our value proposition to OEMs of industrial digital printing equipment, typically featuring inkjet technology, is to offer turnkey solutions and individual components to enable them to migrate analogue processes to digital and to bring new digital printing devices to market faster and with higher quality.

IMAGE PROCESSING AND DEVICE CONTROL



Courtesy of HP PageWide. For illustration purposes only.

OUTPUT QUALITY AND SPEED

PRINTHEAD ELECTRONICS

Print service providers and converters

Print service providers and converters are industrial manufacturers of products, such as labels, cartons, tiles, displays, fabrics, flooring, décor, etc. which are typically produced using digital printers made by OEMs.

Our value proposition here is to offer is a complete set of software applications to maximise efficiency in production workflows.

FILE PREPARATION AND EDITING

DWS Printing & Packaging, a HYBRID Software customer.

WORKFLOW AUTOMATION

RASTERIZATION AND OUTPUT

Label embellishments are rendered virtually in photo realistic quality using iC3D Software

THE YEAR IN REVIEW

Two acquisitions – the iC3D business from Creative Edge Software LLC and the technology and intellectual property of Quadraxis – and two significant anniversaries - Xitron and ColorLogic – shaped the year. We expanded our patent portfolio, overcame shortages in semiconductor chips, and increased the Company's presence at numerous conferences and trade events to demonstrate the unrivalled potential of our products and technology solutions.

iC3D software acquisition

In March the Company acquired the iC3D business whose software generates photorealistic 3D virtual mock-ups, of cartons, labels, flexibles, bottles, shrink sleeves and point of sale displays. Pictured are Trevor Haworth (centre), Managing Director of iC3D with Mike Rottenborn and Guido Van der Schueren.

45 XITRON 1977-2022

Xitron celebrates 45 years

In 2022 Xitron celebrated 45 years of supplying innovative tools to the printing industry. Xitron started in newspapers in 1977 and evolved to develop solutions for almost all printing markets, including RIPs, workflows, computer-to-plate interfaces, DFEs, and machine controls for high-speed inkjet presses.

20th anniversary

ColorLogic GmbH celebrated its 20th anniversary in March. Starting out in a basement, ColorLogic is now a global leader in colour management technology.

Meeting investors

Executive Chairman Guido Van der Schueren and CEO Mike Rottenborn represented the Company at the annual VFB Happening in Antwerp in April. VFB is the Flemish Federation of Investors.

New CFO

Joachim Van Hemelen was appointed CFO and Company Director on 1st September. He was formerly the CFO of HYBRID Software.

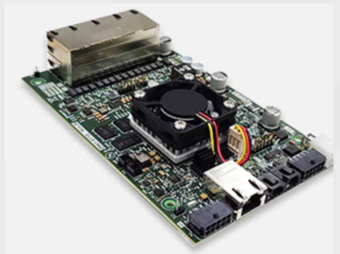
Patent successes

Global Graphics Software was granted three US patents during the year covering multiple inventions that maximise efficiency and quality for OEM customers, one of which was for technology that underlies PrintFlat™.

Meteor Inkjet was granted a US patent for an invention that determines, in real-time, the operational status of a nozzle in a piezoelectric industrial inkjet printhead.

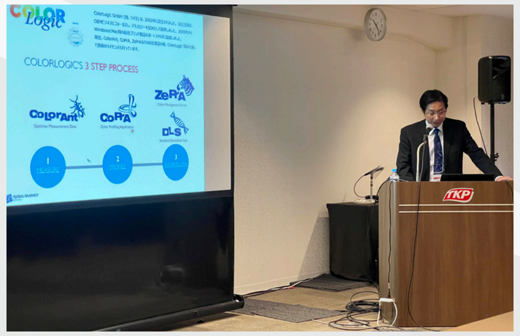
Quadraxis acquisition

HYBRID Software closed the year by acquiring the technology and intellectual property of Quadraxis, a French company which developed pioneering technology in 3D scanning and image processing.



Overcoming chip shortages

Meteor Inkjet fast-tracked the development of a new electronics platform to avoid reliance on key computer chips that were in worldwide short supply. Their new platform brings with it increased speed as well as the potential for future functionality enhancements.



Teamwork on show!

Ready for action, Hybrid Software team at LabelExpo Americas.
Global Graphics' Hagiwara-san presents the Company at the Japan Inkjet Technology Fair, Tokyo.

OUR MARKETS

The Company operates in all digital printing and manufacturing segments, but sales and marketing efforts target four strategic growth markets: packaging, ceramics, textiles, and 3D printing & additive manufacturing. In each of these segments, inkjet technology is giving brands the flexibility to respond to changing customer demands by just-in-time digital production, and to create products that would not be possible using analogue production methods. Set against the transition to digital printing, another trend is at play: manufacturers of digital printing devices are looking for turnkey software solutions that are fast and flexible enough to power the next generation of digital inkjet printers at blistering production speeds. The Company's software engineering expertise allows us to develop solutions to meet and exceed these requirements.

iC3D software generates photorealistic 3D virtual mock-ups for labels and packaging applications.

Our markets continued...

Packaging

Innovation

It has been observed that the packaging industry seemed to use the pandemic as a platform for growth and innovation[a]. There have certainly been many exciting developments in recent years with water-based inks, paper pouches, flexible films and recycled materials. One such is Direct-to-Shape printing which prints the product "label", including full-colour images, text linework, and other special effects directly onto cans, bottles, sleeves and other shaped objects as an in-line step in the manufacturing process.

Flexibility

Whilst packaging produced by the flexographic process accounts for the largest share of the market in Europe and the US, the share of digitally printed labels and packaging is rising significantly. This is due to a number of factors, not least its flexibility whereby short runs can be produced quickly in response to changing consumer demand. Most packaging in Asia is still printed with gravure cylinders, but this is also migrating toward flexographic and digital printing methods. Asia is projected to be one of the highest growth areas for digital label printing in the near future.

Sustainability

The rising prominence of the ESG - Environmental, Social and Governance - agenda, new legislation, and consumer pressure are fuelling practical measures to reduce environmental impacts. One of the first steps towards sustainability is the reduction of waste, and since digitally printed packaging can be produced in very precise quantities, the digital conversion of packaging will continue to be driven by sustainability initiatives.

Smart factories

As more consumer brands seek to incorporate inkjet printing into their production lines, the Company has developed SmartDFE ™ a solution to add print into Smart Factory and Industry 4.0 environments via a Smart Digital Front End. This solution went into full scale production with a number of OEM partners in 2022.

According to "The Future of Digital Printing to 2032[b], in 2032 digital print will account for almost a quarter of the global value of all print and printed packaging by value, worth $230.5 billion. The same report indicates that inkjet accounted for 61.4% of digital print value with 62.4% of volume in 2022 and predicts that this will increase to 74.1% of value and 77.5% of volume in 2032. Packaging will see the biggest change, with digital print gaining traction in corrugated, cartons, flexible packaging, rigid plastics and metal.

In 2022, Smithers estimated that the overall package printing market was worth $473.7 billion; and would reach $551.3 billion by 2027 (constant 2021 prices), with a growth rate of 3.1%[c].

This market requires specialised knowledge and advanced software solutions to provide the speed and precision required for high-volume production. Hybrid Software Group offers OEMs and print service providers the full gamut of expertise required, from 3D visualisation of packaging designs, the faithful reproduction of brand colours, layout and proofing tools, to the high-speed processing of variable data for personalisation.

a. Dave Zwang https://whattheythink.com/articles/113241-time-thrive/
b. https://www.smithers.com/services/market-reports/ printing/the-future-of-digital-printing-to-2032.
c. https://www.smithers.com/ en-gb/services/market-reports/printing/the-future-of-package-printing-to-2027.

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Our markets continued...

Ceramics

Inkjet becoming standard

Digital printing has revolutionised the decoration of ceramic tiles. Industrial inkjet systems are now considered to be the industry standard and have rapidly replaced more than 90% of the screen printers worldwide printing applications for ceramic tiles in most worldwide markets.

The ceramics market is heavily dependent on regional economic conditions and trends for new construction and renovation projects. 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.

Economical and flexible

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.

The global ceramic tiles market size was estimated at USD $355.31 billion in 2021 and is expected to witness a CAGR of 7.1% from 2022 to 2030, powered by demand from construction projects in emerging economies of Asia Pacific including China and India.

Although ceramics enjoys the highest percentage of digital production of any industrial inkjet segment, it is forseen that new printhead designs and ink formulations will enhance market penetration even further. The use of inkjet will also increase for tile decoration in the future as it will be used not just for printing designs but also for simulating textures and highlights on ceramic tiles by applying glossy or matte finishes in precise patterns.

Finally, ceramic tiles comply with green building standards* and are gaining traction in flooring and walling applications,but the majority of tile usage is still in flooring applications [d].

Dedicated features

The Company's software and electronics solutions are compatible with all the leading printheads used for ceramic tile decoration. Meteor Inkjet's printhead 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. The Company's products fully implement the control functions required of such systems.

d. *www.grandviewresearch.com/industry-analysis/ceramic-tiles-market*

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Our markets continued...

Textiles

Many facets

The global digital textile printing market is segmented into clothing/apparel, home décor, soft signage, and industrial. Clothing & apparel was the largest digital segment and made up of more than 53% of digital textile production in 2021[e]. Digital textile printing processes include either Direct-to-Fabric where the design is printed onto a roll of fabric that is later made into a garment, and Direct-to-Garment such as the printing of designs onto t-shirts or promotional merchandise.

The disruption to supply chains caused by the global pandemic has led many to believe that a systemic change to the textile supply chain has begun and that transformation is underway towards an increase in digital production. In any event, the benefits of printing on demand using digital inkjet are increasingly appreciated by textile manufacturers. Smithers' data show that as more print service providers invest in dedicated inkjet textile presses, equipment sales will pass the €1 billion per year mark in 2026[f].

A key driver

Sustainability is a key driver for digital inkjet production because it reduces water, energy usage, pollution and waste. The latter is of special interest: the amount of textile production ending in landfill is a particular focus for brands who are increasingly aware of their consumers' demand for environmentally and socially responsible business practices. It's not only in retail where sustainability is a factor; there is increasing demand for green credentials in the use of textiles for public sector spaces.

Shorter cycles benefit fashion

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. In 2022, additional supply chain disruption and increasing de-globalisation has accelerated the trend towards producing closer to the consumer. Digital production provides more control over inventory shortening supply chains and facilitating smaller and more flexible production runs.

Recent forecasts indicate that the global digital textile market will see a compound annual growth rate of 12.7% by 2026, pushing global value to €6.95 billion in 2026[f].

This will see inkjet's share of the total printed textile market – 52.7 billion square metres (2019) – rise from 6% to 10% over the forecast period.

This represents a significant opportunity for digital textile OEMs: Smithers' data shows that as more print service providers invest in dedicated inkjet textile presses, equipment sales will pass the €1 billion per year mark in 2026.

Dramatic increases in energy prices have only served to highlight the efficiency benefits of digital printing and reduce the payback time for new investments in digital textile printing.

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

e. *Grand View Research. https://www.grandviewresearch.com/industry-analysis/digital-textile-printing-market-report*
f. *The Future of Digital Textile Printing to 2026, Smithers. https://www.smithers.com/services/market-reports/printing/the-future-of-digital-textile-printing-to-2026 https://www.graphicdisplayworld.com/categories/business/world-inkjet-printed textile-market-to-grow-from-3-82-billion-to-6-95-billion-in-2026*

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Our markets continued...

3D/Additive manufacturing

Beyond prototyping

Inkjet 3D printing is one of the most flexible additive manufacturing technologies, supporting applications that range 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. An industry that used to produce only prototypes is now shifting to volume production.

Agile and just-in-time

There are two types of inkjet additive manufacturing. The first type is known as binder jetting - using inkjet printheads to jet a glue or binder on a bed of sand or powder. The powder bed means there is less need for adding supports to overhanging structures. The second type is materials jetting - heating polymer filaments to a liquid state so they can be deposited in layers using inkjet printing technology, then cured with UV light. 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 for applications like printed circuit boards, embedded electronics and batteries.

Inkjet additive manufacturing 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.

The estimated global market size rose to USD $17 billion in 2021 compared with USD $13.8 billion in 2020[g]. CAGR estimates are quite optimistic, ranging from around 21% to 30% over the next 7- 8 years. Key drivers for growth are aerospace, bio-medical/healthcare and automotive applications.

Additive manufacturing for production applications represents 38% of the total additive manufacturing market in 2021[h], a significant shift from the predominantly prototyping use cases where additive manufacturing first gained traction.

Inkjet 3D printing is expected to grow from about 2% to 10% of the global market by 2027, driven by consumer electronics, functional printing, biosensing and a government drive to adopt digital printing policies[i].

Through its subsidiary Meteor Inkjet, the Company 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.

g. Extrapolated from “https://www.grandviewresearch.com/industry-analysis/additive-manufacturing-market” Additive Manufacturing Market Size Report, 2030
h. “https://www.fortunebusinessinsights.com/industry-reports/3d-printing-market-101902” 3D Printing Market Size, Growth | Global Research Report [2029] (fortunebusinessinsights.com)
i. “https://www.grandviewresearch.com/industry-analysis/additive-manufacturing-market” Additive Manufacturing Market Size Report, 2030

BUSINESS SEGMENTS

The Company'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 and SaaS 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.

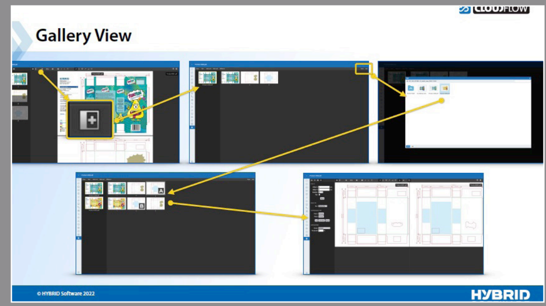
Although HYBRID Software does have OEM customers who manufacture equipment for package printing, most of its customers are end users: companies who print and convert labels and packaging to support brands and consumer product companies. Selling directly to end users requires specially trained employees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

Key Products

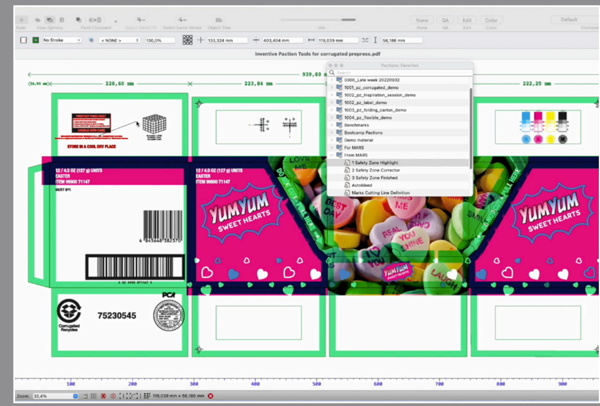
- CLOUDFLOW: A modular production workflow suite for file processing, asset management, soft proofing and workflow automation. It is a flexible application platform specifically tailored for packaging graphics with support for, among other things, PDF colour separation, trapping, layout, and variable data as well as rasterisation and screening using the Company's leading Harlequin Core RIP. CLOUDFLOW can run on physical hardware as well as in public or private cloud computing environments.
- PACKZ: The 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.
- iC3D is a full software suite that generates photorealistic 3D virtual mock-ups and offers a large library of modelling templates for digital packaging design and prototyping.

Enterprise software continued...



HYBRID Software created a unique gateway to cutting-edge solutions through access to the PACKZ and STEPZ in-app solutions store. Available solutions enable users to build prepress services quickly and more accurately with ready-made dynamic marks, augmented infopanels, swatch libraries, and colour books.



HYBRID Software's iC3D Suite was updated with new features and enhancements including an optimised shrink sleeve template. The award-winning iC3D Suite was the first all-in-one design software specifically developed for packaging designers and converters.

Executive Chairman Guido Van der Schueren joins the team on the booth at Print4All, Milan.

In action at Gulf Print & Pack 2022 in Dubai.

HYBRID Software's booth at Graphispag in Spain was printed entirely on corrugated board.

Getting down to business at ExpoPrint, Sao Paulo, Brazil.

Business segments continued...

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 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.

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.

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;
- **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.

Printhead solutions continued...

Photo credit: Nessan Cleary

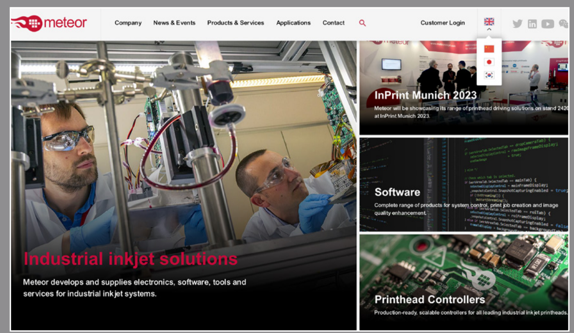
Clive Ayling, Managing Director of Meteor Inkjet.

During the year Dyndrite™added Meteor Inkjet to the Dyndrite Developer Council (DDC). Dyndrite provide GPU-accelerated computation engines used to create next generation digital manufacturing hardware and software. The collaboration was expanded with the announcement of Meteoryte, a 3D software tool that simplifies the development and adoption of inkjet technology for additive manufacturing applications.

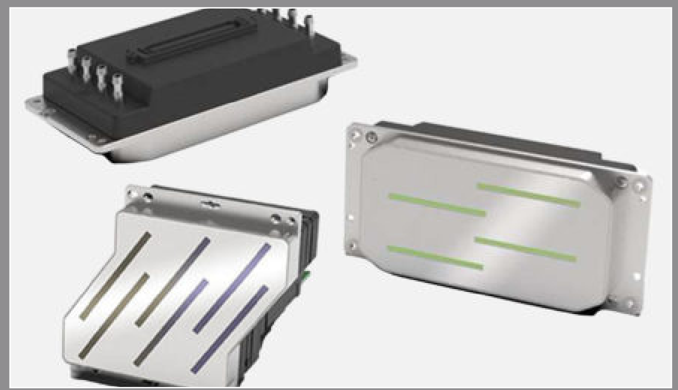
Tracey Brown, Meteor's Director of Strategy & Marketing, spoke about the latest industrial inkjet print quality innovations for textiles at the ESMA Print Textile Printing and Sustainability Conference.

Matthew Pullen, Product Manager, runs a practical demonstration of the Meteor DropWatcher with the Seiko RC1536M printhead on the Inktester from People & Technology at the People & Technology Technical Conference Europe 2022 in Castelló, Spain.

Meteor Inkjet is collaborating with Core Technologie GmbH on solutions for additive manufacturing. Core Technologie is a global provider of 3D CAD data conversion software for additive manufacturing.



Meteor Inkjet launched its new web site in 2022 in Korean, Japanese and Chinese as well as English, reflecting the growing importance of these markets.



Inkjet is developing printhead drive electronics and software for the new T3200, T1600 and D3000 printheads announced by Epson. These solutions join Meteor's existing products to drive Epson S3200, S800, I3200 and I1600 printheads. Meteor continues to provide the most complete range of Epson industrial printhead driving solutions on the market.

Meteor Inkjet was granted a US patent for "Inkjet nozzle status detection" by the United States Patent and Trademark Office. The patent covers a system and method for determining, in real-time, the operational status of a nozzle in a piezoelectric industrial inkjet printhead.

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, known as Raster Image Processors or RIPs, 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 the high-speed digital printing of 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, and getting them to market quickly.

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

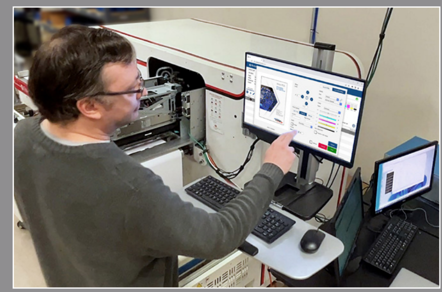
Licensing
Solutions are typically licensed under technology agreements and reseller agreements. We are noted for our flexible approach to licensing technology and pride ourselves on being a trusted commercial and development partner. This is facilitated by a Technical Services team who work to accelerate 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), specialised 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;
- **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 using four or up to seven process colours. Products include CoPrA, ColorAnt, ZePrA, as well as a full SDK for OEM licensing;
- **Mako SDK:** Software that creates, rasterises, 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 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.

Printing software continued...

ColorLogic's Product Manager, Dietmar Fuchs, moderated a session "Multicolor Packaging Implementations" at the FOGRA Colour Management Symposium, the world's international day event for color management.

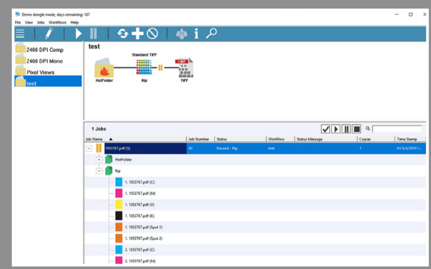


Xitron was selected as Memjet's exclusive Digital Front End developer for new print engine systems.

Global Graphics Software launched SmartMedia™ at Labelexpo Americas. It's a major upgrade to the SmartDFE digital front end for label and packaging presses and removes complexity from the process of colour profiling to ensure the best quality and colour output.

ColorLogic released upgrades to CoPrA, ZePrA and ColorAnt 9 bringing enhanced automation, new workflow features and additional efficiency to customers.

Xitron completed the installation of the Navigator DFE at IGT's principal instant ticket printing facility. IGT boasts the newest and largest presses in the instant ticket printing industry.



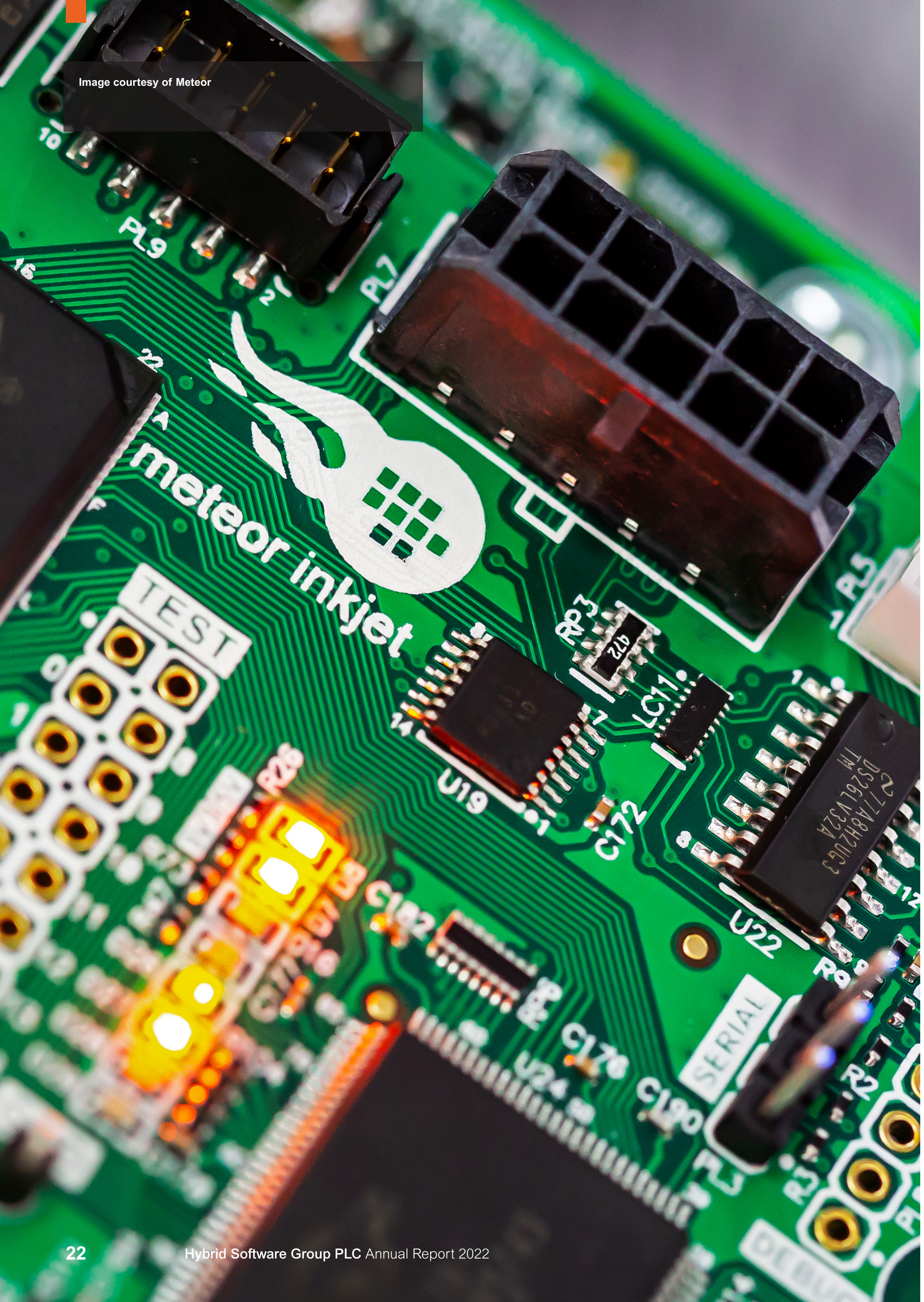
At Labelexpo Americas Xitron launched its new Navigator Flexo Suite for end-users, designed as a powerful workflow for flexo label printers who have outgrown basic RIPs and need more automation.

Global Graphics Software partnered with APS Engineering to create an OPC UA-enabled ink delivery system to communicate with any aspect of an industrial inkjet ecosystem. OPC UA is the standard for the secure and reliable exchange of data in industrial automation.

Industry standards

Hybrid Software Group plays an active role in the development of new industry standards. PDF, for example is the most commonly used file format for printing in all our strategic markets. On behalf of the Company, Global Graphics' Distinguished Technologist (Consultant), Martin Bailey, is the primary UK expert to the ISO committees working on standards for PDF, PDF/X and PDF/VT. 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 Company is also active in the Ghent Workgroup and the PDF Association.

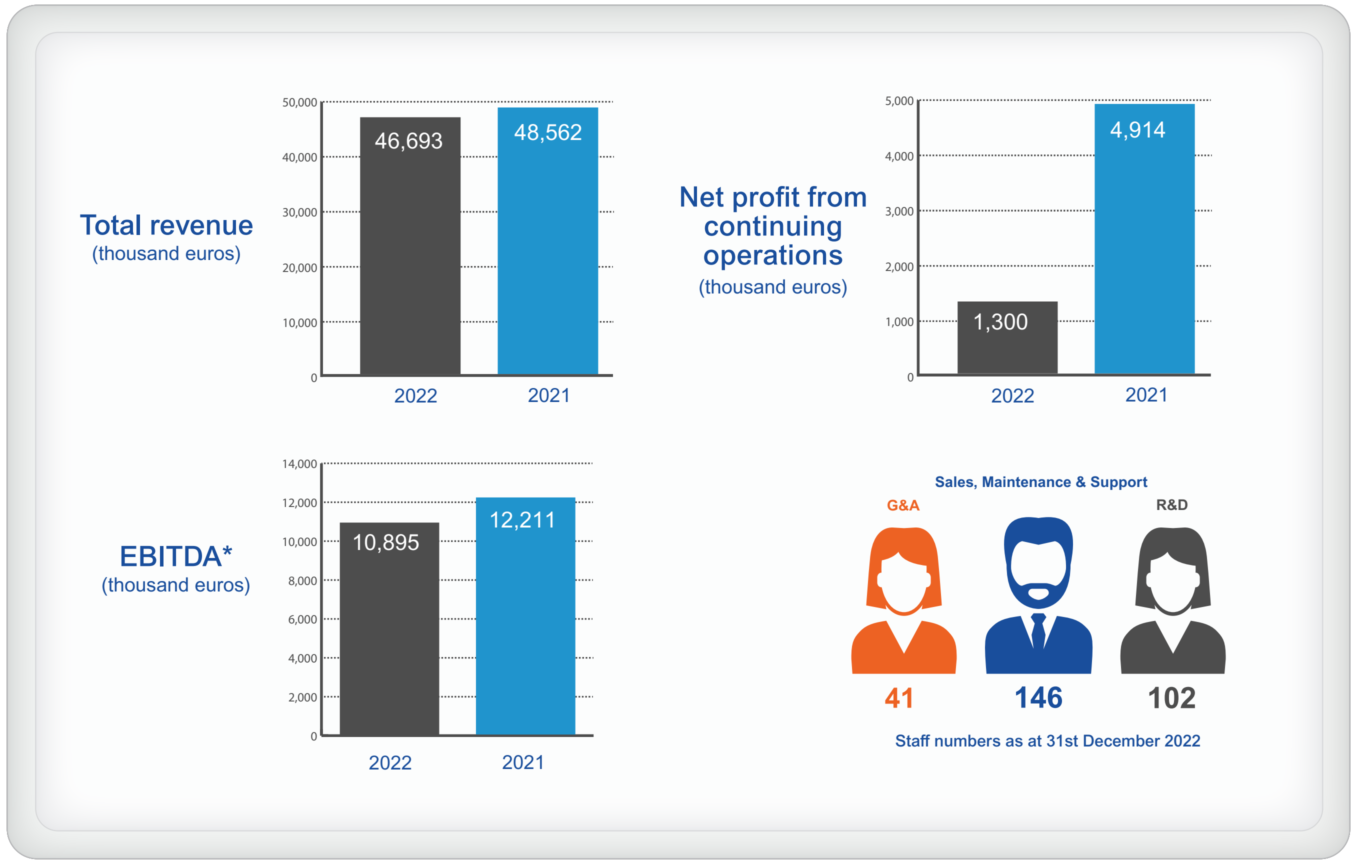


COMPANY STRATEGIC REPORT

The economic downturn following the outbreak of war in Ukraine affected our business in 2022 after what had been a very strong start in terms of software sales. We were disappointed that total revenue fell slightly to €46.7 million in 2022 (€48.6 million in 2021) with net profit from continuing operations falling to €1.3 million (€4.9 million in 2021). We immediately took steps to manage the situation.

Fortunately, we are a resilient company. Product innovation continues, and investment in R&D remains a top priority. We occupy a unique position in markets that are predicted to grow significantly. Two further strategic acquisitions in 2022 – iC3D and Quadraxis – filled gaps in our technology portfolio and strengthened our product range in both packaging and additive manufacturing. We have broadened our potential customer reach by offering successful products for all digital printing applications.

KEY FIGURES (continuing operations)



* *For the EBITDA calculation see page 31*

Guido Van der Schueren, Executive Chairman

"One of our key initiatives in 2022 which continues today is the "One Company" concept embodied by our name, Hybrid Software Group".

CHAIRMAN'S STATEMENT

2022 was a year of mixed results for Hybrid Software Group. From a financial standpoint we fell short of our growth projections in both revenue and net profit. As both the Executive Chairman and the majority shareholder of the company, I must look at this situation from two separate and unique perspectives. As a shareholder I expect year-over-year growth in revenue and profitability, but I must also take a longer-term view toward maximising the shareholder value of Hybrid Software Group. Perhaps it's appropriate to call this a "hybrid" view of the company.

The year began with strong sales in most of our business segments, but things changed quickly when the invasion of Ukraine and rising energy prices in Europe triggered rapid inflation in most worldwide markets. Printing companies faced energy prices that tripled or quadrupled in just a few months, which dampened their investments in software and new printing presses. Even the label and packaging industry, which weathered the pandemic with relative ease, was finally affected by rising prices for energy, paper, ink, and labour. Our business model has a degree of built-in resilience as we sell both to OEMs who manufacture digital printing presses and to end users, the printing companies who buy those and conventional devices. However, the economic downturn that started in 2022 impacted both our OEM and end user revenues.

We acted quickly in response, tabling M&A activities and taking prudent steps to conserve cash and reduce our cost structure, especially external spending. We also slowed the pace of hiring while accelerating the consolidation of order processing, invoicing, and bookkeeping across our six operating businesses. But we never sacrificed the long-term value of Hybrid Software Group simply to deliver short-term results to the market. We did not cut any of our key personnel or reduce R&D spending, and if anything, we stepped up our sales efforts and increased the company's presence at key trade shows and industry events. We gained significant market share during the pandemic, especially in our core label and packaging sector, by leaning into the challenge and partnering with our customers, and we intend to continue this approach in the challenging environment of today.

Chairman's statement continued...

While nobody has a crystal ball, I predict a relatively short and shallow recession in most worldwide markets with a recovery starting in the second half of 2023. With our end-user customers facing heavy price increases in everything from energy to paper and packaging substrates, we have decided to support their businesses by not increasing our prices for software or maintenance in 2023. We've also increased our focus on SaaS-based production workflows which allow our customers to significantly reduce IT spending and capital investment.

One of our key initiatives in 2022 which continues today is the "One Company" concept embodied by our name, Hybrid Software Group. Although we have six separate businesses in the group, we are not a holding company. We are a single company with a simple objective: to provide the core technology at the heart of digital printing for all applications. We have the right technologies to deliver this and are adopting a more streamlined structure to help us achieve it.

In closing, I would like to thank the stakeholders of Hybrid Software Group: our shareholders, our nearly 300 employees, our Board and management team, and last but certainly not least, our customers for their continued support. We are ready for the challenges of 2023 and beyond, and I anticipate a much higher level of growth and profitability in the very near future.

Guido Van der Schueren
Executive Chairman

Hybrid Software Group PLC is headquartered near Cambridge UK. Photographed by Leathon Lagerwall, Software Test Engineer.

CEO'S REVIEW

Mike Rottenborn, Chief Executive Officer

"There's no doubt that Hybrid Software Group is a stronger company as we enter 2023. We have a strong cash position, a leaner and more well-organised R&D structure, and successful products that are helping our customers every day.".

Hybrid Software Group entered 2022 with bullish growth projections as the pandemic receded as well as significant hiring plans to support that growth. In March, we completed the all-cash acquisition of iC3D, a long-standing partner of HYBRID Software with products for 3D modelling and photorealistic ray tracing of labels and packaging. We sold an old and unused intangible asset (a large block of IPv4 addresses) for net €3.3 million, which covered the cost of the iC3D purchase. The only headwind in early 2022 was the fact that the global shortage of semiconductor chips was beginning to affect the Meteor Inkjet business as a key chip supplier failed to meet their delivery commitments for long-standing orders.

Meteor Inkjet had a stellar year in 2021, growing revenues 42% from the previous year with most of that growth coming from ceramics production in China. But Chinese market demand was much weaker in 2022 after two years of pandemic lockdowns, and the chip shortages widely affected Meteor as well as their customers. By the first half of 2022, Meteor's revenue had fallen short of projections by more than £4 million. The team quickly redesigned a critical circuit board using a chip that was more widely available and continued to build inventory in anticipation of market demand, but the lost first-half revenue was not fully recovered in 2022 and Meteor's results were well below expectations. On a more positive note, 2023 has started very strongly for Meteor, with revenues recovering to healthy levels and demand from China increasing rapidly. We see the chip shortage receding and expect good results from Meteor in 2023.

HYBRID Software continues to perform well, delivering the bulk of our revenue and operating profit for 2022. Two smaller businesses also deserve special mention. ColorLogic GmbH was acquired in late 2021 to provide software for colour management and matching of custom brand colours with the fixed ink sets used in digital printing presses. ColorLogic delivered the highest profitability per employee in 2022, and their software is currently being integrated into all of Hybrid Software Group's products. Also noteworthy is Xitron, which grew revenues by 17% over the previous year with strong demand for their software solutions for both digital and conventional printing.

CEO's review continued...

With more than one hundred software and hardware engineers on board, all the operating divisions of Hybrid Software Group are continuously innovating to improve our products and develop new ones in response to market needs. We make a concerted effort to announce new products and patents through frequent press releases, and this letter is not the place for a comprehensive summary. However, I would like to highlight a few significant events here.

In late 2021, Global Graphics Software was granted a US patent for compensating for printer density and stability, the basis of our award-winning PrintFlat™ software. This is a broad and important patent which was quickly challenged by a competitor. We responded to their claims and defended it successfully, with the final re-examination certificate issued in September. In the fourth quarter, Meteor Inkjet was awarded both US and UK patents for a very innovative invention to detect clogged nozzles and impending failures in inkjet printheads during normal print operation. This was the culmination of almost three years of R&D and has broad applications for Meteor Inkjet and their customers. One of our objectives in 2023 is to monetise our extensive patent portfolio for the benefit of our company and shareholders.

On the product front, I'll highlight one new product that pulls together the best technology from all our operating divisions: SmartDFE™. This product is an intelligent Digital Front End—software and hardware to translate graphic designs into droplets of ink on a substrate—which targets the challenging label and packaging segment. By integrating printhead drive electronics together with automated workflow software, fast rasterisation and dot generation, and precise colour management for critical brand colours, SmartDFE™ allows manufacturers of digital presses for labels, flexible packaging, folding cartons, and corrugated boxes to accelerate their time to market and provide greater functionality to their customers, especially in automated production environments.

We made one more small acquisition in late 2022, purchasing the intellectual property of the French company Quadraxis. Their software for mapping graphics to thermoformed plastics and die-formed metal products nicely augments the iC3D products we acquired in March and will be integrated more deeply into our packaging software in 2023.

I'd like to close with a statement on sustainability. We've been carbon neutral since 2021 by planting trees to offset our carbon footprint, and inkjet print manufacturing is itself a sustainable activity offering reduced waste, less pollution, and just-in-time manufacturing. But sustainability is much more than that. True sustainability begins with the sustainability of the overall business: our financial health as a going concern, our sales activities to increase market share, and most of all, our investments in R&D to make sure that Hybrid Software Group remains the technology leader and "go to" company in each of our operating segments. This commitment to investment and profitable growth has never wavered, even in the challenging conditions of 2022.

There's no doubt that Hybrid Software Group is a stronger company as we enter 2023. We have a strong cash position, a leaner and more well-organised R&D structure, and successful products that are helping our customers every day. I have deep confidence that our business plan is sound, that our technology is best-in-class, and that Hybrid Software Group is the only company that can deliver comprehensive software and electronics solutions for all digital inkjet applications.

With 2022 in the rear-view mirror, I anticipate higher revenues, greater profitability, and increased market share for Hybrid Software Group in 2023 and for many years to come.

Michael A. Rottenborn

Mike Rottenborn
Chief Executive Officer

Joachim Van Hemelen, Chief Financial Officer

Revenue
for the year was
€46.69 million
(2021: €48.56 million)

Gross profit
for the year was
€39.31 million
(2021: €40.09 million)

Pre-tax profit
for the year was
€1.84 million
(2021: €4.57 million)

EBITDA*
for the year was
€10.90 million
(2021: €12.21 million)

Cash at 31st
December was
€6.32 million
(2021: €9.23 million)

CFO'S REVIEW

Financial highlights

For continuing operations:

During the year the Group made two acquisitions; the IC3D assets on 12 March 2022 and the Quadraxis intellectual property rights on 18 November 2022. See note 34 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 €46.69 million compared with €48.56 million in 2021, a decrease of €1.87 million (3.27%). Licence royalties accounted for 51.4% (2021: 49.6%) of revenue, driver electronics accounted for 15.9% (2021: 26.4%), maintenance and support accounted for 20.6% (2021: 15.1%), services accounted for 9.8% (2021: 7.2%), hardware and consumables accounted for 2.2% (2021: 1.2%) and other items accounted for 0.1% (2021: 0.5%).

Customer concentration and the dependence on a limited number of customers improved this year. In 2022, the ten largest customers represented 29.9% (2021: 42.3%) of the Group's revenue, the five largest customers represented 24.5% (2021: 35.1%) of the Group's revenue and the single largest customer represented 9.8% (2021: 13.9%) of the Group's revenue. There was no customer (2021: 1 customer totalling €6.74 million, in the Printhead Solutions segment) during the year that represented 10% or more of total revenue.

The Group's sales are made in several different currencies, thus fluctuations in exchange rates can affect the reported revenue. During the year 35.9% (2021: 36.7%) were in euros, 40.5% (2021: 31.2%) were in US dollars, 20.8% (2021: 30.1%) were in pounds sterling, 0.5% (2021: 1.3%) were in Japanese yen and 2.3% (2021: 0.7%) were in other currencies.

Printing Software segment
Revenue for the Printing Software was €15.26 million for the year (2021: €13.84 million). During 2022 a new contract was agreed with an existing customer which resulted in €1.6 million of revenue being recognised (in 2021 a new contract was agreed with an existing customer which resulted in €2.70 million of revenue being recognised in that year).

Printhead Solutions segment
Revenue for the Printhead Solutions segment was €8.66 million for the year (2021: €13.98 million). This segment has been severely impacted by the shortage of its most commonly used chip. Furthermore it is quite dependent on a limited number of customers for a significant portion of sales. In 2021, the top 10 customers generated 56.9% of revenue (2021: 76.7%), with the top customer generating 21.9% of revenue (2021: 48.2%).

CFO's review continued...

Enterprise Software segment
Revenue for the Enterprise Software segment was €22.78 million for the year (2021: €20.74 million).

Pre-tax result

The consolidated pre-tax result for continuing operations was a profit of €1.84 million compared with a profit of €4.57 million in 2021. The decrease in profitability of €2.73 million is due to:

- a decrease in revenue of €1.87 million;
- a decrease in cost of sales of €1.09 million;
- an increase in selling, general and administrative expenses of €4.38 million;
- an increase in research and development expenses of €0.78 million;
- a decrease in other operating expenses of €0.18 million;
- an increase in other income of €3.27 million;
- an increase in net finance expenses of €0.79 million; and
- a decrease in foreign exchange losses of €0.55 million.

Gross profit for the period increased to 84.2% of revenue (2021: 82.5%), 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 €1.17 million (2021: €0.84 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 €2.00 million (2021: €2.39 million) and amortisation of acquired intangible assets of €5.10 million (2021: €3.93 million).

The net capitalisation of development expenditure was comprised of €4.0 million (2021: €3.40 million) of capitalised expenditure less €2.0 million (2021: €1.01 million) of amortisation.

The third quarter results were favourably impacted by the sale of an unused asset (approximately 69,000 IPv4 internet addresses) for a net amount of €3.3 million which closed in July. Given the nature of the sale this income is reported as "Other Income" and is not included in our revenue figures, but it is accretive to EBITDA.

Total operating expenses increased by €4.98 million, or 14.1% compared to the same period in the prior year. The increase is mainly to due to higher sales & marketing related expenditures, increased amortization expenses and higher staff cost resulting from the acquisitions of ColorLogic and Hybrid Iberia in Q4 2021, and iC3D in Q1 2022.

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.

Cash Flow

Cash flow was negative for the year with a net cash outflow of €2.74 million (2021: positive inflow of €1.91 million). Cash flow from operating activities was positive at €4.02 million (2021: €9.46 million).

During the period, €3.43 million of cash was used to fund the acquisition of iC3D (see note 18) and inventory levels were increased by €1.61 million to mitigate any further electronic component supply issues.

Loan repayments of €0.55 million were made to Congra Software SARL, consisting of €0.30 million in principal repayments and €0.25 million of interest (see note 27).

The Group continues to generate sufficient cash to fund its day to day operational expenditure and capital expenditure on property, plant and equipment and has overdraft facilities available if required.

** For the EBITDA calculation see page 31*

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") (2022 restated at 2021 exchange rates):

In thousands of euros	Reported 2022	CER 2022	Reported 2021
Revenue from continuing operations	**46,693**	**45,305**	48,562

Adjusted operating result and net profit

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

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

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

In thousands of euros	2022	2021
IFRS reported operating profit from continuing operations	2,274	4,770
Add share-based remuneration expense (see note 30)	-	15
Deduct capitalised development expense (see note 16)	(3,981)	(3,396)
Add amortisation of capitalised development	1,974	1,003
Add amortisation of acquired intangibles	5,137	4,769
Add other operating expenses (see note 8)	3	180
Deduct other income (see note 9)	(3,301)	(33)
Total adjustments to reported operating profit from continuing operations	(168)	2,538
Adjusted operating profit from continuing operations	**2,106**	**7,308**

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	2022	2021
IFRS reported net profit from continuing operations	1,300	4,914
Adjustments to operating result above	(168)	2,538
Tax effect of above-mentioned adjustments	(187)	(1,062)
Total adjustments to reported net profit from continuing operations	(355)	1,476
Adjusted net profit from continuing operations	**945**	**6,390**
Adjusted net basic earnings per share for continuing operations	**€0.03**	**€0.20**
Adjusted net diluted earnings per share for continuing operations	**€0.03**	**€0.20**

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 €10.90 million (2021: €12.21 million) and is reconciled to IFRS reported net profit from continuing operations as follows:

In thousands of euros	2022	2021
IFRS reported net profit from continuing operations	1,300	4,914
Net finance expenses	390	463
Tax charge / (credit)	535	(349)
Depreciation	1,559	1,394
Amortisation	7,111	5,789
EBITDA from continuing operations*	**10,895**	**12,211**
As a % of revenue from continuing operations	**23%**	**25%**

**Included within this figure in the year ended 31 December 2022 is other income of €3,297,000 (2021: €nil). See Note 9 'Other Income' for further details.*

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.

Global economic conditions

2022 was characterized by a persistent surge in inflation and the prolonged disruption in global supply chains due to multiple economic factors playing out at the same time: continued stimulative monetary policies by the world's major central banks at the start of the year in combination with the war in Ukraine and the COVID-19 pandemic still affecting mainly Asian countries.

In the course of the year the United States Federal Reserve reversed course imposing historically large and rapid rise in interest rates, of which the speed and magnitude in monetary tightening were among the most aggressive in history. 2023 likely will see the impact of these higher interest rates as tightening flows through to economic conditions. The effects presumably are coming, and if they don't, expectedly more tightening will be required until there is a sufficient loosening of labour markets to bring wage inflation down to a level that is consistent with sustainably achieving inflation targets. The effect of all this tightening expectedly results in a decrease in aggregate demand and credit availability, both of which would be unfavourable to overall business conditions.

Europe and the UK face similar circumstances to the US, with the added complexity of the war in Ukraine and its effects on energy markets and the knock-on effects on its fiscal balances. This has led to higher inflation and weaker economies. To date, the European Central Bank and the Bank of England are lagging behind the Federal Reserve in the tightening cycle and are beginning to recognize this. Expectedly the tightening pace will be increased negatively affecting aggregate demand and credit availability after the typical time lag of about 9 to 18 months.

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.

In the year since the invasion, the Board remains concerned about the economic and political uncertainty across the world.

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 & disruptions in the supply chain

Since December 2019 the pandemic of the 2019 novel coronavirus (COVID-19) has affected countries globally and has had significant consequential effects on the global supply chain. Albeit as of the date of this report not a single country continues to impose strict lockdowns on its population and the disruptions in global supply chains have abated, another surge in both the pandemic as disruptions in global supply chains can't be fully ruled out.

Another surge in the pandemic, for which the likelihood based on current tendencies seem low, may have a significant negative impact on the business of the Group. The severity of any new government-imposed lockdowns and their duration in different countries might have an impact on the demand for products in those countries. 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.

Principal risks and uncertainties continued...

The impact of global supply chain disruptions on manufacturing, supply and distribution arrangements, including those of third parties as a result of resource shortages and reduced supply capacity, may adversely impact the Group's operations. Such disruptions and any delay in the fulfilment of orders could delay or reduce revenue to the Group.

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

Risks related to the Groups'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.

The current uncertainty around the global economy, 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 2022, the Group's ten largest customers represented 29.9% (2021: 42.3%) of the Group's revenue, with the single largest customer representing 9.8% (2021: 13.9%) 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 2022, revenue from external customers for that segment was €8.66 million (2021: €13.98 million), which is equal to 18.55% (2021: 28.8%) of the Group's total revenue.

Principal risks and uncertainties continued...

Risks related to the Group's financial situation continued

(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 2022, €3.86 million (2021: €2.70 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 current economic uncertainty has increased the likelihood of the materialization of such risk, as the liquidity position of certain customers could be affected by the consequences of a downward economy and the payment behaviour of certain customers could change.

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 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.

Principal risks and uncertainties continued...

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

(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.

(d) *Following the acquisition of HYBRID Software in 2021, the Group serves, in addition to its traditional client base of original equipment manufacturers, directly end-user customers and such customer mix needs to be carefully managed to avoid an adverse impact on its business and results of operations*

38.9% of the Group's revenue for the year ending 31 December 2022 (2021: 46.5%) 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.

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 96.1% of its revenue (2021: 97.4%)), 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 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 specialized knowledge and skills with respect to the Group. The loss of any of these individuals could harm the Group's business.

The Group's business is also dependent on its ability to attract, retain, and motivate talented, highly skilled personnel, notably in software development, electronic engineering and technical support areas. Such personnel are in high demand and competition for their talents is intense. Should the Group be unable to continue to successfully attract and retain key personnel, its business may be harmed. The Group offers a competitive package of salary and benefits to directors and employees and regularly benchmarks them against similar businesses to ensure that they remain attractive to current and prospective employees.

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 UK, 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...

IT 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 (KPIs)

The board monitors progress on the overall Company 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 Company'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 focused on growing the revenue and product portfolio to ensure that the Company 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, ColorLogic and iC3D.

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 Company 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 Company'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 Company's Board of Directors and executive management are determined to comply fully with the applicable law and regulations, and to maintain the Company's reputation for integrity and fairness in business dealings with third parties. A strict compliance with the provisions of the Company's Code of Ethics is mandatory for every member of the Company'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 48.

** For the EBITDA calculation see page 31*

ENVIRONMENTAL MATTERS (INCLUDING CLIMATE CHANGE)

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.

The Group's business is to develop and market software solutions for printing and electronics for inkjet printing in particular. As a result, management believes the Group has no activities that 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 and inkjet printing is inherently more sustainable than analogue printing: generating less waste in all aspects of production. The Group has shown leadership in the industry, advertising its commitment to Net Zero, and giving presentations on "the Carbon Footprint of Inkjet" at industry conferences.

For several years the Group has implemented policies aimed at minimising the Group's environmental footprint, including recycling waste from paper, ink, toner cartridges, other computer consumables and computer hardware.

The Group is implementing policies to reduce Scope 1 and Scope 2 footprint such as sourcing renewable energy and prioritising low-carbon forms of travel and is talking with supply chains to measure and push down on Scope 3 carbon footprint. Since 2021, through a partnership with Ecologi, the Group now offsets the carbon footprint of all Group employees, whether from personal activities at home or from (Scope 1 and Scope 2) activities at work. Ecologi facilitates the funding of carbon offset projects and tree planting around the world, to generate high quality carbon offsets. Since this partnership with Ecologi started, the Group has achieved an offset of over 3,500 tonnes of CO_2e and funded over 48,000 trees, which have contributed to 24 environmental projects across the globe.

Starting in 2022, the Group has partnered with Octopus Electric Vehicles to allow UK based employees to lease electric vehicles via a salary sacrifice scheme. To date 8 employees have taken delivery of their electric vehicle.

Other employee events to encourage sustainability included hosting vegan lunches with invited speakers to discuss environment issues, a green commute to work scheme, litter-picking around local streets, and providing support in kind to the River Rhee Interest Group (an environmentalist group supporting the watercourse that runs by one of our offices) and the Wildlife Trust (a UK-based wildlife charity).

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. Activities supported this year included the BBC's Children-in-Need Day and Save the Children's Christmas Jumper Day.

Donations to charities amounted to €13,975 (2021: €7,750) during the year.

The Group operates a peer-to-peer recognition system which allows UK employees to nominate awards to colleagues for their outstanding performance. Some operating divisions also issues employee of the quarter awards.

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. As far as it is aware, the Group did no business with Russian or Belarusian companies in 2022.

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 2022.

Company level	Number of females	Number of males	Total
Board	1	4	5
Management	4	28	32
Employees	47	204	251
Total	**52**	**236**	**288**

By order of the board

Michael A. Rottenborn

Mike Rottenborn
Chief Executive Officer

Celebrating the world of colour as staff from all operating companies get together with ColorLogic to share product knowledge.

Team building and product training at ColorLogic's office in Rheine, Germany.

At HYBRID Software's Freiburg office, staff enjoy a Grillfest.

Global Graphics Software and Meteor Inkjet are proud recipients of Queen's Awards in June the Company sponsored a horse race at the Cambridgeshire County Day, organised in honour of Her Majesty's Platinum Jubilee.

Meteor Inkjet shows its support for Ukraine by donating supplies.

The Xitron team get together to celebrate the end of a very successful Printing United exhibition.

BOARD OF DIRECTORS

The Board of Directors guides the Company to create growth and shareholder value. With decades of experience in building successful companies the Board supports the talented individuals in the senior management teams to execute and deliver on strategy.

Guido Van der Schueren
Executive Chairman

Guido Van der Schueren has been Chairman of the Board since 2014 and has close to 50 years of experience in the graphic arts industry. In 1992 he co-founded Artwork Systems and from 1996 to 2007 served as Managing Director and Chairman of the Board of Artwork Systems Company. He served as Vice Chairman of the EskoArtwork Company from June 2007 until April 2011. He runs Powergraph, an investment company mainly active in graphic arts software and technology. 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, he joined PCC Artwork Systems to focus on prepress workflow software for packaging and commercial printing customers. He received his Bachelor of Science degree in Electrical Engineering from Virginia Tech and his Master of Science degree in Computer Science from Villanova University.

Joachim Van Hemelen
Chief Financial Officer

Joachim Van Hemelen was appointed Chief Financial Officer, Company Director and a member of the Company's executive team in September 2022. He has management responsibility over the firm's global finance, treasury and corporate development functions. Prior to being appointed he was CFO of HYBRID Software which he joined in 2015.

Before this he worked as a corporate finance advisor in an Antwerp based family office, Portolani, and as a merger and acquisitions advisor in a Flanders-based mid-market M&A boutique. He started his professional career in 2010 as a financial auditor at BDO. Joachim earned his Master of Science in Business Administration at the Lessius Hogeschool Antwerp.

Clare Findlay
Non-executive Director

Clare Findlay was appointed an independent non-executive director of the Company in March 2019. She 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 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 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, and 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.

DIRECTOR'S 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 2022.

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 23.

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	Executive Chairman
Michael Rottenborn	Chief Executive Officer
Joachim Van Hemelen*	Chief Financial 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.

**Appointed with effect from 1 September 2022. **Resigned with effect from 31 August 2022.*

Director's report continued...

The breakdown of the Company's issued share capital as at 31 December 2022 was:

In thousands of euros	Number of ordinary shares	% of issued share capital
Congra Software S.à r.l.***	26,938,049	81.85%
Friberg Christian	381,732	1.16%
Company owned shares	58,996	0.18%
Free float	5,530,960	16.81%
Total	**32,909,737**	**100.00%**

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 2022 was 58,996 (2021: 73,996). Further information can be found in note 25 to the consolidated financial statements.

During the year, the Company disposed of 15,000 treasury shares (2021: 39,000), transferred to employees to satisfy the Company's obligations under share schemes.

CORPORATE GOVERNANCE

Details of the Company's corporate governance can be found in the Corporate governance report on page 52.

POLITICAL CONTRIBUTIONS

The Company made no political contributions during the year (2021: €nil).

DIVIDENDS

The Directors do not recommend the payment of a dividend (2021: €nil).

RESEARCH AND DEVELOPMENT

The Group spent €13.49 million (2021: €12.71 million) on research and development during the year. Under IAS 38 Intangible Assets, €4.0 million (2021: €3.40 million) of research and development was capitalised and €2.0 million (2021: €1.01 million) of capitalised research and development was amortised. There was no impairment of capitalised research and development during the year (2021: €nil). The net effect of capitalisation, amortisation and impairment on profit in the year was a decrease in expense of €2.0 million (2021: €2.39 million decrease in expense).

POST BALANCE SHEET EVENTS

Details of post balance sheet events are detailed in note 36 to the consolidated financial statements.

FINANCIAL RISK MANAGEMENT

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

**** Congra Software S.à r.l. is controlled by Guido Van der Schueren, the Company's Chairman. Michael Rottenborn (Chief Executive Officer) and Joachim Van Hemelen (Chief Finance Officer) are also shareholders of Congra Software S.à r.l.*

Director's report continued...

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 Company is responsible for:

		2022	2021
Energy used (kwh)			
Electricity *(scope 2)*		364,332	356,803
Gas *(scope 1)*		191,969	156,683
Fuel *(scope 1)*		946,099	579,544
Total energy used (kwh)		**1,502,400**	**1,093,030**
GHG emissions (CO2e tonnes)			
Electricity *(scope 2)*		98.9	107.5
Gas *(scope 1)*		34.8	28.4
Fuel *(scope 1)*		242.5	137.3
Total GHG emissions (CO2e tonnes)	(a)	**376.2**	**273.2**
Intensity ratio			
Average number of employees		289	252
GHG emissions per employee (CO2e kilogram)		**1,301**	**1,028**
Effect of the carbon offset program with Ecologi (CO2e tonnes)	(b)	**(2,751.0)**	**(655.2)**
Net GHG (offset)/emissions (CO2e tonnes)	(a+b)	**(2,374.8)**	**(382.0)**

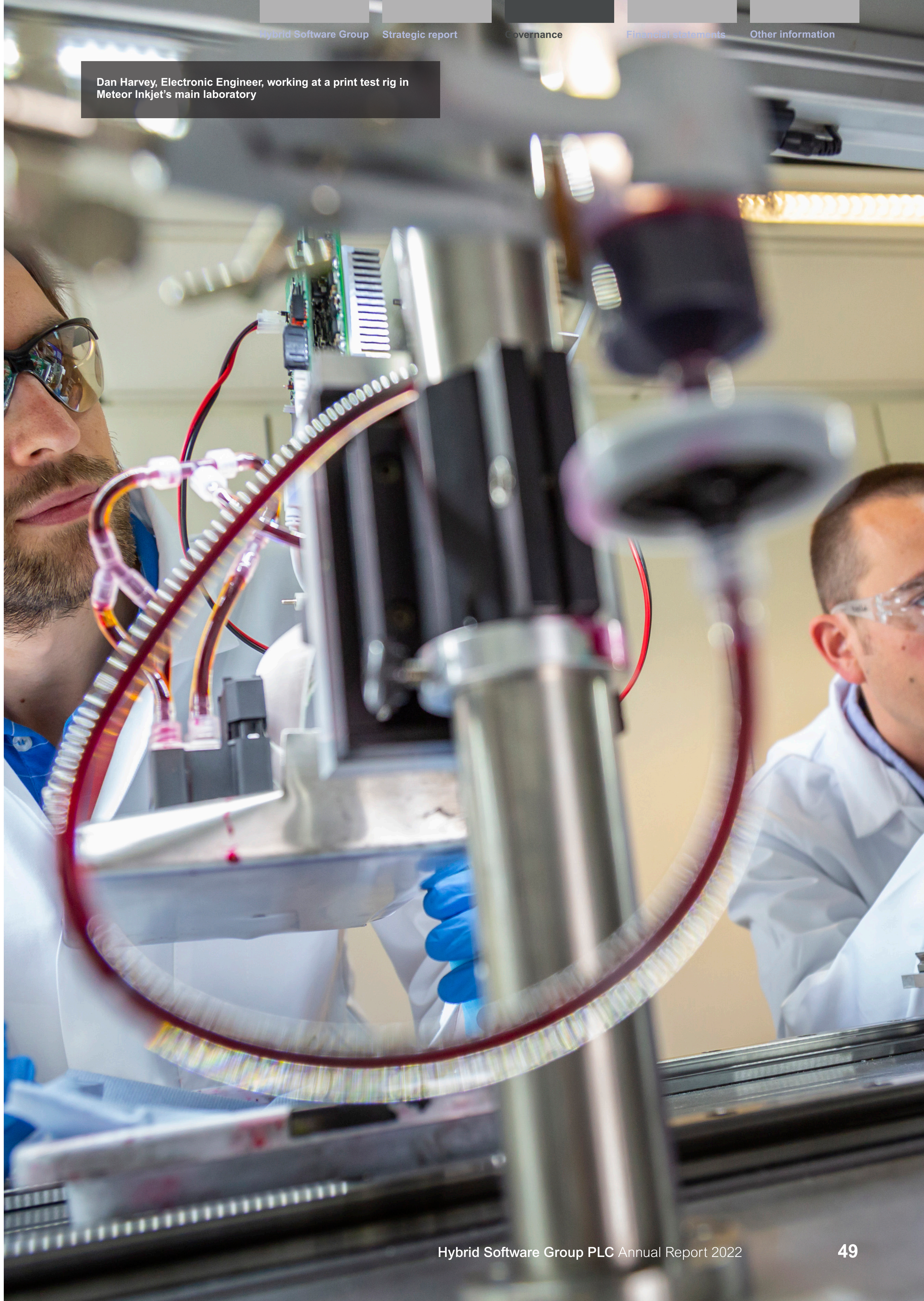
Electricity and gas are used to power and heat the Group's offices and transport fuel is used by company cars provided to some employees. Where possible, primary data has been sourced (meter readings and supplier invoices), but where actual energy figures are not available a reasonable approximation has been used to estimate energy usage.

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 Groups offices.

The Company continues to partner 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 offsets the carbon footprint of all Group employees, whether at home or at work.



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

Director's report continued...

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

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards 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 to be prepared in accordance with 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").

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 UK-adopted international accounting standards and 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 and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for the preparation of the consolidated financial statements in electronic format in accordance with the ESEF requirements set out in the regulatory technical standards as laid down in the EU Delegated Regulation nr. 2019/815 of 17 December 2018.

Director's report continued...

RESPONSIBILITY STATEMENTS UNDER THE DISCLOSURE AND TRANSPARENCY RULES

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 is 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
11 April 2023

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 page 44 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

Audit and remuneration committees 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 Company 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 Company.

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

- internal control: the directors review the effectiveness of the Company'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 Company 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 Company's systems are designed to provide reasonable assurance as to the reliability of financial information and ensuring proper control over income and expenditure, assets and liabilities.

GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements and have no reason to believe that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern, notably because of a cash position of €6.32 million as at 31 December 2022 (2021: €9.23 million). Those forecasts take into account reasonably possible downsides, including the potential impact for increased costs of inflation. 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.

Xitron's Brian Marolf assembles a USB interface (Blue Box) destined for a Screen computer-to-plate user. Xitron has shipped over 10,000 USB interfaces with more than half driving Screen PT-R platesetters.

AUDIT COMMITTEE REPORT

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 Company's audit and risk objectives have been met.

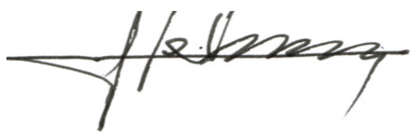
Luc De Vos, Non-executive Director

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

Clare Findlay, Non-executive Director

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 2022. 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 2023 Annual General Meeting and the policy will take effect for the financial year beginning on 1 January 2023. 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 2023 Annual General Meeting.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' remuneration report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations.

THE CHAIRMAN'S ANNUAL STATEMENT

The information provided in this part of the Directors' remuneration report is not subject to audit.The remuneration committee reviewed the current level of board fees and salaries payable to the chairman, the CEO and CFO.

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 2022:

In euros	Salary and fees	Benefits	Bonus	LTIP	Pension	Total	Total fixed	Total variable
Executive directors								
Guido Van der Schueren[1]	469,681	24,000	50,000	-	1,850	545,531	495,531	50,000
Michael Rottenborn, CEO	285,736	13,732	50,000	-	8,700	358,168	308,168	50,000
Joachim Van Hemelen,CFO[2]	82,133	-	20,000	20,000	-	122,133	82,133	40,000
Graeme Huttley, CFO[3]	123,439	6,129	-	-	27,619	157,187	157,187	-
Total executive directors	**960,989**	**43,861**	**120,000**	**20,000**	**38,169**	**1,183,019**	**1,043,019**	**140,000**
Non-executive directors								
Clare Findlay	21,605	-	-	-	-	21,605	21,605	-
Luc De Vos	20,000	-	-	-	-	20,000	20,000	-
Total non-executive directors	**41,605**	**-**	**-**	**-**	**-**	**41,605**	**41,605**	**-**
Total directors	**1,002,594**	**43,861**	**120,000**	**20,000**	**38,169**	**1,224,624**	**1,084,624**	**140,000**

[1] includes the director's daughter, who is also an employee of the Group. [2] appointed with effect from 1 September 2022
[3] resigned with effect from 31 August 2022. Includes the director's spouse, who is also an employee of the Group.

Annual report on remuneration continued...

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[5]	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[6]	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[7]	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**

Salary and fees are the contracted annual salaries and board fees that are payable. Each executive director received board fees, prorated where appointed or resigned during the year, which are included within the Salary and fees column.

Benefits include car allowance, travel allowance, home allowance 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 EBITDA target.

Payments are made after approval by the board. Whilst the board approved targets for the year were not achieved, the remuneration committee has approved the bonus amounts in the table above due to the unexpected contribution made from the sale of IP addresses. In addition, the challenging economic climate, which had a huge impact particularly within Meteor with a significant shortage of chips, neither of which could have been foreseen.

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 €27,000 (2021: €36,000) were made to the personal pension schemes of three (2021: 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 2022.

The aggregate amount of gains made by directors on the exercise of share options during the year was €nil (2021: €nil).

[5] includes the director's daughter, who is also an employee of the Group. [6] includes the director's spouse, who is also an employee of the Group
[7] Luc De Vos appointed with effect from 15 February 2021

Annual report on remuneration continued...

Directors and their interests in shares of the Company

The directors held the following interests in the shares of Hybrid Software Group PLC as at 31 December 2022:

	Guido Van der Schueren *	Michael Rottenborn **	Joachim Van Hemelen***	Clare Findlay	Luc De Vos
Shares beneficially owned	27,117,020	1,000	-	100	5,000
Total interest in shares	**27,117,020**	**1,000**	**-**	**100**	**5,000**

* 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..

***Joachim Van Hemelen is also a shareholder of Congra Software S.à r.l., he owns approximately 0.27% of the shares of Congra Software S.à. r.l..

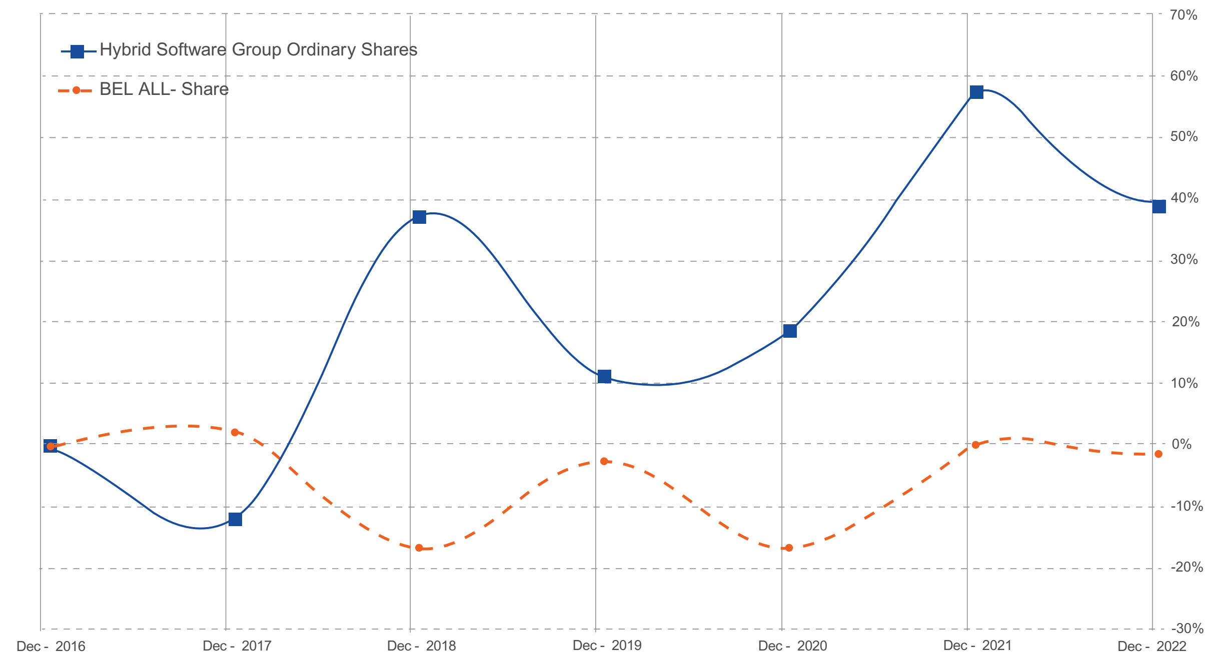
The portion of the share-based compensation expenses which were attributable to the Group's executive directors was:

In thousands of euros	2022	2021
Matching shares awarded for participating in the Share Incentive Plan	-	-
Total	**-**	**-**

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 2022. 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 6-year period, the Company's share price has increased by 38.7% and the BEL ALL-SHARE index has remained flat.

Annual report on remuneration continued...

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:

	2018	2019	2020	2021	2022
Total CEO remuneration (in thousands of euros)	549	523	325	458	358
Annual bonus pay-out against maximum opportunity	100%	75%	87.5%	100%	21%
Long term incentive vesting rates against maximum opportunity	100%	n/a	n/a	n/a	n/a

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	2020	2021	2022	2020	2021	2022	2020	2021	2022
Guido Van der Schueren	0.0%	37.1%	0.0%	0.0%	0.0%	0.0%	100%	128.6%	(75.0%)
Michael Rottenborn[8]	n/a	12.0%	5.0%	n/a	33.0%	0.0%	n/a	47.0%	(75.0%)
Joachim Van Hemelen[9]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Graeme Huttley[10]	2.0%	19.9%	5.0%	0.0%	0.0%	0.0%	75.0%	28.5%	n/a
Clare Findlay[11]	0.0%	34.5%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Luc De Vos[12]	n/a	n/a	0.0%	n/a	n/a	0.0%	n/a	n/a	0.0%
All employees average	3.5%	1.8%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

For further information with regards to the changes in 2020 and 2021, 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	2022	2021	% change
Staff expenses (see note 13 to the consolidated financial statements)	27,586	26,483	4.2%
Dividends paid to shareholders	-	-	0%

Annual report on remuneration continued...

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 2023.

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 3 elements:

- up to 40% for achieving the board approved revenue target
- up to 40% for achieving the board approved EBITDA target and
- up to 20% for achieving specific KPIs as agreed and signed off the Remuneration Committee.

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.

[8] Michael Rottenborn joined the Group in January 2020
[9] Joachim Van Hemelen was appointed a Director in September 2022. [10] Graeme Huttley resigned as a Director in August 2022.
[11] Clare Findlay joined the Group in March 2019. [12] Luc de Vos joined the Group in February 2021

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	Options are withheld until vesting and any other conditions are met.

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	-
Joachim Van Hemelen	1 January 2021	1 September 2022	12 months	12 months	-
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[13] in accordance with the directors' remuneration policy in the first year to which the policy applies.

Euro 000s	Minimum performance	Medium performance	Maximum performance	2022 actual
Guido Van der Schueren	520	620	720	546
Michael Rottenborn	283	396	508	358
Joachim Van Hemelen [14]	257	357	457	122
Graeme Huttley [15]	-	-	-	157
Clare Findlay	22	22	22	22
Luc De Vos	20	20	20	20

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 11 April 2023 and signed on its behalf by:

C. Findlay

Clare Findlay, Chair of the Remuneration Committee

[13] including the chairman's daughter and former CFO's spouse, who are also employees of the Group.
[14] appointed with effect from 1 September 2022

Image courtesy of Vollherbst, specialists in producing labels with a difference for the wine, spirits, leisure and creative industries and a HYBRID Software customer.

KPMG

Independent auditor's report

to the members of Hybrid Software Group plc

1. Our opinion is unmodified

We have audited the financial statements of Hybrid Software Group plc ("the Company") for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and the Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes, including the accounting policies in note 3.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;

— the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;

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

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Additional opinion in relation to IFRSs as adopted by the EU

As explained in note 2 to the Group Financial Statements, the Group, in addition to complying with its legal obligation to apply UK-adopted international accounting standards, has also applied 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").

In our opinion, the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law and the terms of our engagement by the Company. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: group financial statements as a whole		€410,000 (2021: €372,000) 0.87% (2021: 0.77%) of group revenue
Coverage		93% (2021: 100%) of total profits and losses that made up group profit before tax
Key audit matters		**vs 2021**
Recurring risk	Recoverability of goodwill in the Hybrid Software CGU and of the parent Company's investment in Hybrid Software Group SARL (2021: Recoverability of goodwill in the Global Graphics Software CGU and of the parent Company's investment in Global Graphics UK Limited)	◄►
Recurring risk	Capitalisation of development costs in FY22 in the Hybrid Software CGU	▼

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings ("our results") from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of goodwill in the Hybrid Software CGU and of the parent Company's investment in Hybrid Software Group SARL Group: Goodwill of €53,952,000 (2021: €52,374,000): Parent: included within parent Company's investments of €101,121,000 (2021: €101,121,000) *Refer to pages 79 and 80 (accounting policies), page 84 (critical accounting estimates and judgements) and pages 92, 93 and 94 (financial disclosures)*	**Forecast-based assessment** Goodwill in the group's Hybrid Software CGU and the parent Company's investment in Hybrid Software Group SARL are significant and at risk of irrecoverability due to recent financial performance. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill in the Hybrid Software CGU and the recoverable amount of the cost of investment in Hybrid Software Group SARL has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 17) disclose the sensitivity estimated by the Group.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: • **Historical comparisons:** We assessed the reasonableness of the forecasts used by considering the historical accuracy of previous budgets. • **Benchmarking assumptions:** We compared the Group's assumptions to externally derived data in relation to key inputs, such as discount rates and long-term growth rates. • **Our experience:** We evaluated the revenue growth rate and EBITDA margin assumptions used in the forecasts by management. We challenged management as to the achievability of their forecasts, taking into account historical financial performance and other specific evidence to support the assumptions. • **Sensitivity analysis:** We performed our own 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 EBITDA margins in the forecast period, and the long-term growth rate. We critically assessed 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:** We compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. • **Assessing transparency:** We assessed 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 recoverable amount. **Our results** We found the goodwill balance in the Hybrid Software CGU and the parent Company's investment in Hybrid Software Group SARL to be acceptable (2021: acceptable).

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

	The risk	Our response
Capitalisation of development costs in FY22 in the Hybrid Software CGU Included within other intangible assets of €37,746,000 (2021: €38,371,000) Refer to pages 79 and 80 (accounting policy), page 84 (critical accounting judgements and estimates) and pages 91 and 92 (financial disclosures*)*	**Subjective judgement** 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 in the year and in determining the amount of costs that meet the qualifying criteria. The risk has reduced in the current year due to the implementation of processes that are in place to track the time spent on qualifying projects.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: • **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 Group's disclosures in respect of the judgement made in relation to capitalising development costs. **Our results** — The results of our testing were satisfactory and we considered the level of development spend capitalised in the year within the Hybrid Software CGU to be acceptable (2021: acceptable).

We continue to perform procedures over the recoverability of goodwill in the Global Graphics Software CGU and the recoverability of parent Company's investment in Global Graphics (UK) Limited. However, following an assessment of the headroom in the models to support the goodwill balance in the Global Graphics Software CGU and the investment in Global Graphics (UK) Limited, we have not assessed these as the most significant risks in our current year audit and, therefore, they are not separately identified in our report this year.

The valuation of separately identifiable intangible assets recognised in the Hybrid Software Group SARL acquisition is not a significant risk or a KAM in the current year. The risk in how its valued is an issue on recognition and after the initial year it is no longer a significant risk

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

Materiality for the Group financial statements as a whole was set at €410k (2021: €372k), determined with reference to a benchmark of Group revenue from continuing operations, of which it represents 0.87% (2021: 0.77%).

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

Materiality for the parent Company financial statements as a whole was set at €369k (2021: €168k), determined with reference to a benchmark of Company total assets, of which it represents 0.8% (2021: 0.17% of Company total assets).

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

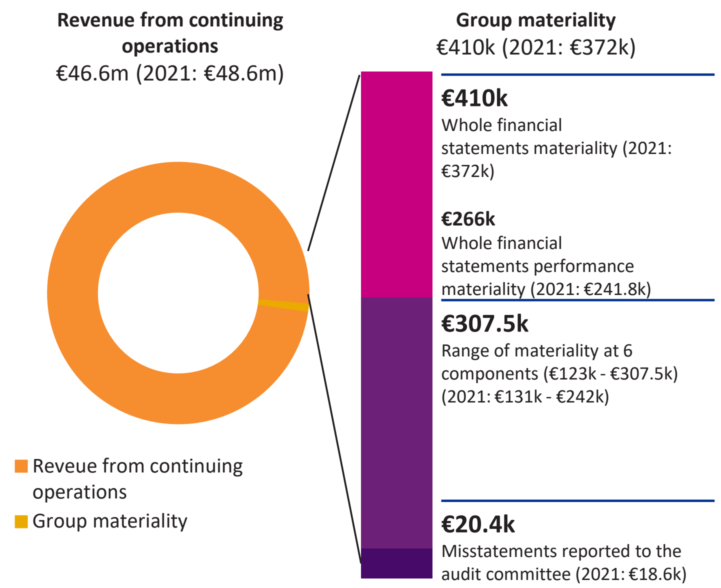
Performance materiality was set at 65% (2021: 65%) of materiality for the financial statements as a whole, which equates to €266k (2021: €241.8k) for the Group and €239.9k (2021: €109.2k) for the parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding €20.4k (2021: €18.6k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 10 (2021: 10) reporting components, we subjected 6 (2021: 5) to full scope audits for group purposes and 0 (2021: 1) to specified risk-focused audit procedures over revenue, inventory and cash. The latter were not individually financially significant enough to require a full scope audit for group purposes but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the percentages illustrated on this page.

The remaining 5% (2021: 0%) of total Group revenue, 7% (2021: 0%) of total profits and losses that made up group profit before tax and 2% (2021: 1%) of total Group assets is represented by 4 (2021: 4) reporting components, none of which individually represented more than 7% (2021: 1%) of any of total Group revenue, total profits and losses that made up group profit before tax or total Group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.



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

The group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group team approved the component materialities, which ranged from €123k to €307.5k (2021: €131k to €242k), having regard to the mix of size and risk profile of the Group across the components.

The work on 1 of the 10 components (2021: 1 of the 10 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

In regards to this component, the Group team visited the component location in Belgium to assess the audit risk and strategy. Video and telephone conference meetings were also held with the component auditor. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

4. Going concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period was a downturn in customer demand and rising employment costs. We also considered less predictable but realistic second order impacts such as raising other costs to reflect the inflationary considerations which could result in a rapid reduction of available financial resources.

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

Our procedures also included:

- Assessing the reasonableness of the Group's assumptions in relation to key inputs, such as liquidity, in particular in relation to operating profits, by comparing with our knowledge of the industry, externally derived date and the actual performance of the Group.
- Assessing whether the Directors' downside scenario applied mutually consistent assumptions in aggregate, using our own assessment of the possible range of each key assumption.
- Comparing past budgets to actual results to assess the Directors' track record of budgeting accurately.

4. Going concern (continued)

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

Our conclusions based on this work:

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

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

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

Identifying and responding to risks of material misstatement due to fraud

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

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

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group management may be in a position to make inappropriate accounting entries;
- the risk that software revenue is recorded inaccurately and that other revenue streams are recorded in the wrong period

We did not identify any additional fraud risks.

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

Identifying and responding to risks of material misstatement due to fraud (continued)

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unexpected accounts.
- For software revenue, obtaining a sample of contracts and supporting documentation to assess whether the associated revenue has been recorded appropriately, and for other revenue obtaining a sample of invoices and related documentation around the year end to assess whether the associated revenue has been recorded in the appropriate period.
- Evaluated the business purpose of significant unusual transactions
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

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

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: GDPR compliance, health and safety, anti-bribery and corruption, employment law, and certain aspects of company legislation recognising the nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

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

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects

8. European Single Electronic Format (ESEF)

Hybrid Software Group plc has prepared consolidated financial statements in the form of an electronic file in the European Single Electronic Format ("ESEF") (hereafter "digital consolidated financial statements"), which comprise the the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes. The requirements for this format are set out in the regulatory technical standards as laid down in the EU Delegated Regulation nr. 2019/815 of 17 December 2018 (hereafter "Delegated Regulation").

The Board of Directors are responsible for the preparation, in accordance with the ESEF requirements in the Delegated Regulation, of the digital consolidated financial statements identified.

We were engaged by Hybrid Software Group plc to report on whether the digital consolidated financial statements are prepared, in all material respects, in compliance with the ESEF regulation under the Delegated Regulation. Under the terms of our engagement, we have audited the digital consolidated financial statements in accordance with 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 responsibility, under the terms of our engagement, is to obtain sufficient and appropriate information to conclude whether the format and the tagging of the digital consolidated financial statements complies, in all material respects, with the ESEF requirements under the Delegated Regulation.

In our opinion, based on our work performed, the format and the tagging of information in the digital consolidated financial statements as per 31 December 2022, identified as ESEF-tagged XHTML 2022, complies, in all material respects, with the ESEF requirements under the Delegated Regulation.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 50, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

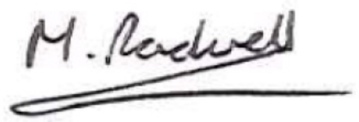
Auditor's responsibilities

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

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

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Matthew Radwell (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Dragonfly House

2 Gilders Way

Norwich

NR3 1UB

11 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	Note	For the year ended 31 December 2022	2021
Continuing operations			
Revenue	7	46,693	48,562
Cost of sales		(7,388)	(8,475)
Gross profit		39,305	40,087
Selling, general and administrative expenses		(26,841)	(22,457)
Research and development expenses		(13,488)	(12,713)
Other operating expenses	8	(3)	(180)
Other income	9	3,301	33
Operating profit		2,274	4,770
Finance income	14	43	870
Finance expenses	14	(424)	(466)
Net finance (expenses)/income		(381)	404
Foreign currency exchange losses		(58)	(609)
Profit before tax		1,835	4,565
Tax (charge)/credit	19	(535)	349
Profit from continuing operations		1,300	4,914
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		(282)	2,108
Other comprehensive (loss)/income for the year		(282)	2,108
Total comprehensive income attributable to equity holders		1,018	7,022
Earnings per ordinary share			
Basic earnings per share (euro)	29	0.04	0.15
Diluted earnings per share (euro)	29	0.04	0.15

The notes on pages 76 to 112 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 2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	15	1,702	1,662
Right-of-use assets	26	2,912	3,606
Other intangible assets	16	43,959	45,205
Goodwill	17	65,927	64,678
Financial assets	18	955	935
Deferred tax assets	19	2,069	2,236
Trade and other receivables due after more than one year	20	3,718	3,682
Total non-current assets		121,242	122,004
Current assets			
Inventories	21	3,913	2,308
Current tax assets		-	71
Trade and other receivables	22	10,893	10,915
Other current assets	23	425	297
Prepayments		1,611	1,684
Cash and cash equivalents	24	6,317	9,234
Total current assets		23,159	24,509
TOTAL ASSETS		144,401	146,513
EQUITY AND LIABILITIES			
Equity attributable to owners of the Parent			
Share capital	25	13,164	13,164
Share premium	25	1,979	1,979
Merger reserve	25	67,015	67,015
Treasury shares	25	(161)	(202)
Retained earnings		39,847	38,624
Foreign currency translation reserve		(10,911)	(10,629)
Total equity		110,933	109,951
Non-current liabilities			
Deferred tax liabilities	19	8,664	9,646
Lease liabilities	26	2,560	3,060
Accrued liabilities		1,147	1,316
Other liabilities	27	3,931	7,407
Contract liabilities	7,28	44	427
Total non-current liabilities		16,346	21,856
Current liabilities			
Current tax liabilities		1,366	821
Trade and other payables		2,919	1,931
Lease liabilities	26	834	761
Accrued liabilities		2,287	4,261
Other liabilities	27	5,881	3,767
Contract liabilities	7,28	3,835	3,165
Total current liabilities		17,122	14,706
Total liabilities		33,468	36,562
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		144,401	146,513

The notes on pages 76 to 112 are an integral part of these consolidated financial statements.

These financial statements on pages 72 to 75 were approved and authorised for issue by the Board of Directors on 11 April 2023 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 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	25,34	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**
Total comprehensive income for the year								
Net profit for the year		-	-	-	-	1,300	-	1,300
Foreign currency translation differences		-	-	-	-	-	(282)	(282)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**1,300**	**(282)**	**1,018**
Transactions with owners								
Share-based payment transactions	25	-	-	-	41	(41)	-	-
Acquisition – newly issued shares	34	-	-	-	-	(36)	-	(36)
Total transactions with owners		**-**	**-**	**-**	**41**	**(77)**	**-**	**(36)**
Balance at 31 December 2022		**13,164**	**1,979**	**67,015**	**(161)**	**39,847**	**(10,911)**	**110,933**

The notes on pages 76 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the year ended 31 December	
In thousands of euros	**Note**	**2022**	2021
Cash flows from operating activities:			
Net profit for the year		**1,300**	4,914
Adjustments to reconcile net profit to net cash:			
- Depreciation of property, plant, equipment and right-of-use assets	15,26	**1,559**	1,394
- Amortisation of other intangible assets	16	**7,111**	5,789
- Share-based remuneration expenses	30	**-**	15
- Gain on disposal of IPv4 addresses	9	**(3,297)**	-
- Net finance expense, net of loan forgiveness	14	**381**	463
- Net foreign currency exchange losses/(gains)		**58**	609
- Tax charge/(benefit)	19	**535**	(349)
- Change in fair value of contingent consideration	9,27	**(4)**	(3)
- Other items		**104**	(439)
Total adjustments to net profit		**6,447**	7,479
Change in operating assets and liabilities:			
- Financial assets	18	**(20)**	(910)
- Inventories	21	**(1,605)**	(1,117)
- Trade and other receivables	20,22	**(295)**	(6,116)
- Other current assets	23	**(128)**	(78)
- Prepayments		**73**	(629)
- Trade and other payables		**988**	1,167
- Accrued liabilities		**(2,143)**	3,293
- Contract liabilities	28	**287**	2,023
Total change in operating assets and liabilities		**(2,843)**	(2,367)
Cash generated from operating activities		**4,904**	10,026
Interest received	14	**43**	3
Interest paid	14	**(424)**	(466)
Taxes paid		**(504)**	(107)
Net cash flow from operating activities		**4,019**	9,456
Cash flows from investing activities:			
Capital expenditures on property, plant & equipment	15	**(805)**	(1,254)
Capital expenditures on other intangible assets	16	**(75)**	(77)
Capitalisation of development expenses	16	**(3,981)**	(3,396)
Proceeds on disposal of discontinued operation, net of cash disposed of		**500**	2,000
Proceeds on disposal of IPv4 addresses	9	**3,297**	-
Acquisition, net of cash acquired	34	**(3,430)**	(780)
Net cash flow used in investing activities		**(4,494)**	(3,507)
Cash flows from financing activities:			
Repayment against loans and borrowings	27	**(307)**	(2,700)
Deferred consideration paid	27	**(310)**	-
Contingent consideration paid	27	**(715)**	(492)
Principal payments on lease liabilities	26	**(935)**	(849)
Net cash flow used in financing activities		**(2,267)**	(4,041)
Net (decrease)/increase in cash		**(2,742)**	1,908
Cash and cash equivalents at 1 January		**9,234**	6,855
Effect of exchange rate fluctuations on cash at 1 January		**(175)**	471
Cash and cash equivalents at 31 December		**6,317**	9,234

The notes on pages 76 to 112 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSA

1. REPORTING ENTITY

Hybrid Software Group PLC (the "Company") and its subsidiaries (together the "Group") is a leading developer of software solutions for pre-press, printing and packaging conversion. It is also a leading supplier of drive electronics for industrial inkjet printing.

The Company is a public limited company, registered in England and Wales, domiciled in the United Kingdom and is quoted on Euronext in Brussels. The Company's registered office address is 2030, Cambourne Business Park, Cambourne, Cambridge, CB23 6DW.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with 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.

These consolidated financial statements were authorised for issue by the Company's Board of Directors on 11 April 2023.

As defined in article 4 of the Transparency Directive (2004/109/EC), the official version of the annual financial report is the ESEF version.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis. 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	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.

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'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

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 multiple factors playing out at the same time - the war in Ukraine, the COVID-19 pandemic still affecting mainly Asian countries, rising inflation, energy and input prices, supply chain disruptions leading to various shortages - there is more uncertainty across the global economy. Meteor Inkjet was severely impacted in the first half year due to the availability of components but has recovered since. The impact of the multitude of current economic headwinds did not prevent the other group components from growing their aggregate revenue, albeit new business revenue was deemed subpar for the Global Graphics Software and HYBRID Software CGU's. For the Global Graphics Software CGU this was mainly driven by the absence of significant software development sales and multiyear contract renewals. The HYBRID Software CGU's new business development is prone to availability of capital expenditure budgets amongst its prospects and customers. Certainly in Europe and especially Germany, the company experienced capital budgets being frozen in response to economic adversity which occurred during the year.

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 considered the impact of a significant reduction in sales against forecasts, which may arise if the economic conditions further worsen in the company's main markets, being the United States, Europe & Asia. This impact has been considered against a backdrop of rising employment and operating costs due to inflation and increases in cost of living. 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 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 significant customers have failed.

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. See page 30 for further details.

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 113 to 120.

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 2022 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.

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For business combinations with acquisition dates on or after 1 January 2022, the Group has determined whether a particular set of activities and assets is a business by assessing whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. This election can be applied on a transaction by transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identified asset or group of similar identifiable assets.

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, 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 2022 the Group had no derivative financial instrument contracts in place (2021: 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)

Goodwill and intangible assets (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 and contract 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 statement of comprehensive income 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 34 '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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

The Group operates equity-settled, share-based compensation plans, consisting of a share option plan and share grant plans, which allow employees to acquire shares of the Company. The fair value of the options and shares granted is recognised as an employee expense, with a corresponding increase in equity, and is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options or shares. The fair value of the options granted is measured using an appropriate valuation model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognised as an expense is adjusted to reflect the actual number of share options or shares for which the related service and non-market conditions are met. The proceeds received, net of any directly attributable transaction costs, are credited to share capital for the par value of the shares issued and to share premium for the balance, when the share options are exercised.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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 percentage 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Physical goods

The Group's performance obligations with respect to physical goods (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.

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.

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 2022.

New standards which were not adopted by the Group in 2022

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2023 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 2022 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 2022 (continued)

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- 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.

Non-derivative financial instruments
The carrying values less impairment provision of trade and other receivables, current tax assets, other current assets, cash, trade payables, current tax liabilities, accrued 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 to calculate a discount rate are determined by the Directors to apply a consistent approach with previous acquisitions. The key assumptions in relation to this estimate for the iC3D acquisition were the discount rate, forecast revenue and forecast EBITDA margin.

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. See Note 17 'Goodwill' for further details.

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 €2.07 million (2021: €2.24 million) and if there was a reduction in this period by 2 years the impact would be to reduce the asset by €0.82 million (2021: €0.33 million). See Note 19 'Tax' for further details.

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 €3,913,000 (2021: €2,308,000) and the provision against slow moving and obsolete inventory is €265,000 (2021: €225,000).

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 €3,981,000 (2021: €3,396,000) has been capitalised as eligible, qualifying expenditure for the purposes of IAS 38. A movement of 10.0% in this judgement would result in a material misstatement. 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. The Group utilise a timesheet tracking system to monitor the nature of development being undertaken and the time spent on this activity.

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").

The Group's segments are:

- Enterprise Software, for enterprise workflow software used primarily for the production of labels & packaging (includes iC3D, see Note 34 'Acquisitions');
- Printhead Solutions, for electronics and software developed for industrial inkjet printing;
- Printing Software, for digital printing and colour management software; and
- Group, 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 2021 and 31 December 2022. 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, hence are not disclosed within this note.

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.

The operating segments are unchanged from the previous year, with the exception of the addition of iC3D into the Enterprise Software segment, following the acquisition in the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. OPERATING SEGMENTS (CONTINUED)

Year ended 31 December 2022:

In thousands of euros	Printing Software	Printhead Solutions	Enterprise Software	Group	Total
Revenue from external customers	15,262	8,657	22,774	-	46,693
Inter-segment revenue	274	-	109	-	383
Segment revenue	**15,536**	**8,657**	**22,883**	**-**	**47,076**
Segment operating profit/(loss) after tax	**2,515**	**(414)**	**3,764**	**(591)**	**5,274**
Included in the operating profit/(loss) after tax are:					
Interest income	34	1	-	-	35
Interest expense	(73)	(26)	(311)	(15)	(425)
Depreciation and amortisation	(2,265)	(564)	(747)	-	(3,576)
Tax expense	(1,150)	(5)	(500)	-	(1,655)
Segment EBITDA	**5,969**	**180**	**5,322**	**(576)**	**10,895**

The Printing Software segment EBTIDA in the year ended 31 December 2022 includes the gain on disposal of IPv4 addresses of €3,297,000 (2021: €nil). See Note 9 'Other Income' for further details.

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**

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

In thousands of euros	2022	2021
Segment total operating profit after tax	5,274	8,569
Amortisation of acquired intangible assets	(5,094)	(4,717)
Tax effect of above-mentioned items	1,120	1,062
Consolidated profit after tax	**1,300**	**4,914**

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.

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		Total	
In thousands of euros	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Revenue type								
Licence royalties	**11,729**	10,977	**808**	862	**11,462**	12,236	**23,999**	24,075
Maintenance and after-sale support	**2,208**	1,858	**65**	52	**7,329**	5,431	**9,602**	7,341
Services	**318**	339	**360**	226	**3,893**	2,934	**4,571**	3,499
Printer hardware and consumables	**956**	495	**-**	-	**90**	71	**1,046**	566
Driver electronics	**-**	-	**7,424**	12,844	**-**	-	**7,424**	12,844
Other items	**51**	170	**-**	-	**-**	67	**51**	237
Total sales	**15,262**	13,839	**8,657**	13,984	**22,774**	20,739	**46,693**	48,562
Primary geographical markets								
United Kingdom	**1,828**	478	**726**	356	**1,160**	1,175	**3,714**	2,009
Europe, excluding United Kingdom	**2,490**	6,170	**1,925**	2,015	**9,966**	8,940	**14,381**	17,125
North & South America	**9,217**	5,869	**2,312**	2,656	**10,684**	9,447	**22,213**	17,972
Asia	**1,727**	1,322	**3,694**	8,957	**964**	1,177	**6,385**	11,456
Total sales	**15,262**	13,839	**8,657**	13,984	**22,774**	20,739	**46,693**	48,562
Timing of revenue recognition								
Recognised at a point in time	**12,736**	11,642	**8,232**	13,706	**14,278**	12,242	**35,246**	37,590
Recognised over time	**2,526**	2,197	**425**	278	**8,496**	8,497	**11,447**	10,972
Total sales	**15,262**	13,839	**8,657**	13,984	**22,774**	20,739	**46,693**	48,562

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 29.9% (2021: 42.3%) of the Group's revenue, the five largest customers represented 24.5% (2021: 35.1%) of the Group's revenue and the single largest customer represented 9.8% (2021: 13.94%) of the Group's revenue. There was no customer (2021: 1) during the year that represented 10% or more of total revenue. Revenue from that customer totalled €nil million (2021: 1 customer in the Printhead Solutions segment totalling €6.74 million).

Within the North & South America geographical market, €18.13 million of revenue was generated in the United States of America (2021: €16.98 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 €1.65 million of revenue being recognised in the year. In 2021 a different customer exercised an option in their contract which resulted in €2.70 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 2022.

In thousands of euros	next 12 months	12-24 months	after 24 months	Total
Products and services	1,015	-	-	1,015
After-sale support	2,458	251	155	2,864
Total	**3,473**	**251**	**155**	**3,879**

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	2022	2021
Trade receivables (see notes 20 and 22)	6,563	7,050
Accrued revenue (see notes 20 and 22)	8,384	7,181
Contract liabilities (see note 28)	(3,879)	(3,592)

The movement in the Group's provision for impairment of trade receivables and accrued revenue was €202,000 (2021: €119,000).

Revenue recognised in the year that was included in the contract liability balance at the beginning of the year was €1.05 million (2021: €1.55 million).

8. OTHER OPERATING EXPENSES

Other operating expenses incurred during the year were:

In thousands of euros	2022	2021
Acquisition related expenses (see note 34)	3	180
Total other operating expenses	**3**	**180**

9. OTHER INCOME

In thousands of euros	2022	2021
Fair value adjustment to contingent consideration (see note 27)	4	3
Government grant	-	30
Gain on disposal of IPv4 addresses	3,297	-
Total other income	**3,301**	**33**

On 25 July 2022 the Group completed the sale of a range of IPv4 addresses that were no longer in use and had an historic acquisition cost of €nil. The pre-tax proceeds after commissions were €3.30 million, which have been received in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. EXPENSES BY NATURE

In thousands of euros	2022	2021
Employee benefit expense (see note 13)	27,586	26,483
Depreciation expenses (see note 15 and 26)	1,559	1,394
Capitalisation of R&D expenses (see note 16)	(3,981)	(3,396)
Amortisation of intangible assets (see note 16)	7,101	5,779
Other operating expenses, net of other operating income	4,766	5,057
Total operating expenses, net of other operating income	**37,031**	**35,317**

11. SERVICES PROVIDED BY THE GROUP'S AUDITOR

In thousands of euros	2022	2021
For the audit of Parent and Consolidated Financial Statements	551	391
For the audit of the prior year Parent and Consolidated Financial Statements	114	-
For other services provided:		
- audit of financial statements of subsidiaries of the company	109	93
Total fees payable to the Group's auditor and its associates	**774**	**484**

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 €1,225,000 (2021: €1,507,000).

The aggregate value of gains made by Directors during the year on the exercise of share options was €nil (2021: €nil).

The Group only operates defined contribution pension schemes for the Directors. During the year, for two Directors (2021: two), €27,000 (2021: €36,000) of pension contributions were paid.

Further information is available in the Directors' remuneration report on pages 55 to 62.

13. EMPLOYEE INFORMATION

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

	2022	2021
By activity		
Research and development	102	89
Sales, maintenance and support	146	126
General and administrative	41	37
Total average number of people employed	**289**	**252**

Employee benefit expenses were made up of:

In thousands of euros	2022	2021
Wages and salaries	22,942	22,137
Social security contributions	2,757	2,373
Medical insurance contributions	478	562
Pension contributions to defined contribution plans	986	867
Share-based payments (see note 30)	-	15
Other employee related expenses	423	529
Total employee benefit expenses	**27,586**	**26,483**

Of the total employee benefit expenses, €1,243,000 (2021: €984,000) was recognised in cost of sales and €26,343,000 (2021: €25,499,000) 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	2022	2021
Interest income	23	1
Finance income on net investment in leases	20	2
Total interest income	**43**	**3**
Forgiveness of government-backed COVID support loans in the United States	-	867
Total finance income	**43**	**870**
Interest expense	(29)	(17)
Interest expense on loan from related undertaking (see note 32)	(245)	(286)
Interest on lease liabilities (see note 26)	(150)	(163)
Total finance expenses	**(424)**	**(466)**
Net finance (expenses)/income	**(381)**	**404**

Net finance expense, net of loan forgiveness of €513,000 (2021: €463,000) 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 2020	719	1,715	968	-	3,402
Additions	224	280	379	371	1,254
Additions – business combinations (see note 34)	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**
Additions	35	230	177	363	805
Additions – business combinations (see note 34)	-	16	-	-	16
Disposals	-	(9)	(117)	(72)	(198)
Effect of movement in exchange rates	(46)	(78)	(65)	(9)	(198)
At 31 December 2022	**1,014**	**2,142**	**1,510**	**765**	**5,431**
Depreciation					
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**
Charge for the year	84	278	232	144	738
Disposals	-	(6)	(111)	(72)	(189)
Effect of movement in exchange rates	(39)	(68)	(55)	(2)	(164)
At 31 December 2022	**807**	**1,687**	**1,147**	**88**	**3,729**
Net book value					
At 31 December 2021	263	500	434	465	1,662
At 31 December 2022	**207**	**455**	**363**	**677**	**1,702**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer relation-ships	Patents	Trade-marks	Know-how	Driver electronics	Total
Cost							
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 34)	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**
Additions – purchased	75	-	-	-	-	-	75
Additions – internally developed	3,349	-	-	-	-	632	3,981
Additions – business combinations (see note 34)	1,458	-	-	-	378	-	1,836
Effect of movement in exchange rates	(2,020)	(694)	(144)	(31)	(6)	(211)	(3,106)
At 31 December 2022	**85,951**	**20,782**	**2,735**	**586**	**1,404**	**4,133**	**115,591**
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**
Charge for the year	5,512	908	10	-	458	223	7,111
Effect of movement in exchange rates	(2,025)	(705)	(137)	(31)	(6)	(175)	(3,079)
At 31 December 2022	**48,205**	**15,536**	**2,608**	**586**	**1,309**	**3,388**	**71,632**
Net book value							
At 31 December 2021	38,371	6,143	144	-	175	372	45,205
At 31 December 2022	**37,746**	**5,246**	**127**	**-**	**95**	**745**	**43,959**

On 1 December 2022, the Group acquired the intellectual property of Quadraxis Technology ("Quadraxis") from Quadraxis Technology ("Quadraxis Technology") for €75,000. This acquisition strengthens Hybrid Software Group's offering in 3D and additive manufacturing solutions. The Group plans to integrate Quadraxis software into its extensive portfolio which includes other 3D applications such as iC3D and Met3D.

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.

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

In thousands of euros	2022	2021
Cost of sales	10	10
Selling, general and administrative expenses	1,366	842
Research and development expenses	5,735	4,937
Total amortisation charge	**7,111**	**5,789**

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 2021 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 2022 (2021: €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	2022	2021
Cloudflow	10 years	17,480	18,555
ColorLogic	2.0 to 8.8 years	2,647	2,909
EDL	1.4 years	418	483
Harlequin RIP	1.7 years	1,649	1,304
iC3D	9.3 years	1,385	-
Other software	0.8 to 7 years	125	166
Packz	10 years	12,652	13,412
Xitron	1.0 to 2.8 years	1,390	1,542
Total software technology		**37,746**	**38,371**
Customer relationships	1.8 to 8.8 years	**5,246**	**6,143**
Patents	12 years	**127**	**144**
Know-how	0.3 years	**95**	**175**
Driver electronics	1.2 to 4.8 years	**745**	**372**

17. GOODWILL

In thousands of euros	Total Goodwill
Cost	
At 31 December 2020	15,978
Additions – business combinations (see note 34)	53,576
Effect of movement in exchange rates	1,175
At 31 December 2021	**70,729**
Additions – business combinations (see note 34)	1,578
Effect of movement in exchange rates	(630)
At 31 December 2022	**71,677**
Amortisation or impairment	
At 31 December 2020	5,638
Effect of movement in exchange rates	413
At 31 December 2021	**6,051**
Effect of movement in exchange rates	(301)
At 31 December 2022	**5,750**
Net book value	
At 31 December 2021	64,678
At 31 December 2022	**65,927**

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 were new in the year ended 31 December 2021 due to the acquisitions of HYBRID Software Group S.à r.l. and ColorLogic GmbH.

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	2022	2021
Global Graphics Software	6,721	7,052
Meteor Inkjet	2,195	2,310
Xitron	1,857	1,740
HYBRID Software	53,952	52,374
ColorLogic	1,202	1,202
Total goodwill	**65,927**	**64,678**

The recoverable amount of the CGUs has been determined using an estimate of their value in use as at 31 December 2022. These calculations employed cash flow projections based on financial forecasts approved by management covering a five-year period ending 31 December 2027 and then into perpetuity using a terminal growth rate. 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 2022. The exchange rates were determined with reference to market forecasts and were 1.1764 euros for 1 pound sterling, 1.0000 US dollars for 1 euro, and 140 Japanese yen for 1 euro.

Management considers that the use of a five-year forecast and then into perpetuity 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.

Global Graphics Software CGU

- The pre-tax discount rate used was 14.83% (2021: 14.11%);
- Revenue growth rates used in the estimation process are consistent with the approved budget for 2023, outlook for periods between 2024 to 2027 was projected at 5.0%;
- Gross margin was reduced to 89% compared to recent actual gross margins (2021: 98%), mainly due to increased intercompany sourcing of software components;
- The staff costs growth rate used was 1% (2021: 5%); and
- The terminal growth rate used was 2% (2021: 0%).

Meteor Inkjet CGU

- The pre-tax discount rate used was 15.06% (2021: 14.11%);
- Revenue growth rates used in the estimation process are consistent with the approved budget for 2023, outlook for periods between 2024 to 2027 was projected at 6.2%;
- Gross margin was aligned to recent actual gross margins of 58% (2021: 58%);
- The staff costs growth rate used was 4.5% (2021: 5%); and
- The terminal growth rate used was 0% (2021: 0%).

Xitron CGU

- The pre-tax discount rate used was 15.45% (2021: 15.66%);
- Revenue growth rates used in the estimation process are consistent with the approved budget for 2023, outlook for periods between 2024 to 2027 was projected at 5.0%;
- Gross margin was reduced to 63% compared to recent actual gross margins (2021: 66.9%);
- The staff costs growth rate used was 5.3% (2021: 5%); and
- The terminal growth rate used was 0% (2021: 0%).

HYBRID Software CGU

- The pre-tax discount rate used was 15.46% (2021: 15.24%);
- Revenue growth rates used in the estimation process are consistent with the approved budget for 2023, outlook for periods between 2024 to 2027 was projected at 8.1%;
- Gross margin was increased to 97.6% compared to recent actual gross margins (2021: 96.9%);
- The staff costs growth rate used was 7.5% (2021: 7.5%); and
- The terminal growth rate used was 3% (2021: 0%). HYBRID Software enjoys significant competitive advantages in the markets it is active providing for above average pricing power hence the ability to grow its income more than the long term growth rates of the countries in which it is active.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. GOODWILL (CONTINUED)

ColorLogic CGU

- The pre-tax discount rate used was 14.30% (2021: 14.38%);
- Revenue growth rates used in the estimation process are consistent with the approved budget for 2023, outlook for periods between 2024 to 2027 was projected at 5.0%;
- Gross margin was reduced to 83% compared to recent actual gross margins (2021: 86.1%);
- The staff costs growth rate used was 5% (2021: 5%); and
- The terminal growth rate used was 0% (2021: 0%).

Sensitivity to changes in assumptions

Global Graphics Software CGU
For the Global Graphics Software CGU management has identified that a reasonably possible change in key assumptions could cause the carrying amount to match the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

The Directors believe there were no reasonably possible changes in the other key assumptions that could cause impairment.

	Change required for carrying amount to equal recoverable
	2022
Revenue growth rate	(94bps)
Discount rate	356bps

HYBRID Software CGU
For the HYBRID Software CGU management has identified that a reasonably possible change in key assumptions could cause the carrying amount to match the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

The Directors believe there were no reasonably possible changes in the other key assumptions that could cause impairment.

	Change required for carrying amount to equal recoverable
	2022
Revenue growth rate	(61bps)
EBITDA margin	(230bps)
Discount rate	201bps

ColorLogic CGU
For the ColorLogic CGU management has identified that a reasonably possible change in key assumptions could cause the carrying amount to match the recoverable amount. The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

The Directors believe there were no reasonably possible changes in the other key assumptions that could cause impairment.

	Change required for carrying amount to equal recoverable
	2022
Revenue growth rate	(232bps)
Discount rate	831bps

Meteor Inkjet and Xitron CGU's
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.

As a result of these projections, no impairment was required for goodwill for the year ended 31 December 2022 (2021: €nil).

18. FINANCIAL ASSETS

Financial assets measured at amortised cost.

In thousands of euros	2022	2021
Rent and other deposits	49	50
Financial assets not classified as cash or cash equivalent	726	863
Non-current finance lease receivables (see note 26)	180	22
Total financial assets	**955**	**935**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. TAX

Corporation tax

Analysis of the tax (charge) / credit in the year:

In thousands of euros	2022	2021
Current tax		
Current year charge	(1,579)	(657)
Withholding tax	(8)	-
Total current tax	**(1,587)**	**(657)**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	(269)	(264)
Impact of rate change	-	(107)
Recognition of previously unrecognised tax losses	199	970
Origination and reversal of temporary differences	1,122	407
Total deferred tax	**1,052**	**1,006**
Total tax (charge) / credit	**(535)**	**349**

The tax (charge) / credit 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	2022	2021
Profit before tax	1,835	4,565
Expected tax expense at the Company's tax rate of 19% (2021: 19%)	(349)	(867)
Effect of differences in tax rates in foreign jurisdictions	(527)	(373)
Effect of share-based payments	-	(3)
Effect of expenses not deductible and items not taxable	8	327
Deferred tax not recognised	(984)	(509)
Impact of rate change	-	204
Effect of R&D enhanced expenditure	674	605
Effect of withholding tax	(8)	(5)
Recognition of previously unrecognised tax asset	651	970
Total tax (charge) / credit recognised	**(535)**	**349**

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	2022	2021
Deferred tax assets		
Capital allowances	1,677	1,529
Unused tax losses	1,109	1,227
Total recognised deferred tax assets before set-off	**2,786**	**2,756**
Deferred tax set-off	(717)	(520)
Net deferred tax assets	**2,069**	**2,236**
Deferred tax liabilities		
Capitalised development expenses	834	571
As a result of business combinations	8,547	9,595
Total recognised deferred tax liabilities before set-off	**9,381**	**10,166**
Deferred tax set-off	(717)	(520)
Net deferred tax liabilities	**8,664**	**9,646**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. TAX (CONTINUED)

The deferred tax asset at 31 December 2022 has been calculated based on the rates expected to be in force at the time of utilisation. The deferred tax liability at 31 December 2022 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 €21.25 million (2021: €17.50 million) and fixed asset temporary differences of €13.79 million (2021: €14.40 million) have not been recognised.

The movement in deferred tax is as follows:

In thousands of euros	2022	2021
Deferred tax assets		
Balance as at 1 January	2,756	959
Amounts credited to profit & loss	199	315
As a result of business combinations (see note 34)	-	1,430
Foreign currency translation differences recognised in other comprehensive income	(169)	52
Total recognised deferred tax assets before set-off as at 31 December	**2,786**	**2,756**
Deferred tax liabilities		
Balance as at 1 January	10,166	740
Amounts credited to profit & loss	(853)	(691)
As a result of business combinations (see note 34)	-	10,035
Foreign currency translation differences recognised in other comprehensive income	68	82
Total recognised deferred tax liabilities before set-off as at 31 December	**9,381**	**10,166**

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

In thousands of euros	2022	2021
Trade receivables	54	216
Accrued revenue	3,664	3,466
Total trade and other receivables due after more than one year	**3,718**	**3,682**

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	2022	2021
Finished goods	2,174	1,930
Components	1,739	378
Total inventories	**3,913**	**2,308**

22. TRADE AND OTHER RECEIVABLES

In thousands of euros	2022	2021
Trade receivables	6,509	6,834
Accrued revenue	4,720	3,715
Deferred consideration receivable	-	500
Allowance for doubtful debts	(336)	(134)
Total trade and other receivables	**10,893**	**10,915**

Trade receivables less than 90 days past due are not considered impaired. The ageing analysis of total trade receivables is as follows:

In thousands of euros	2022	2021
Under 90 days	6,213	6,283
Over 90 days and provided for	336	134
Over 90 days but not provided for	14	633
Total trade receivables	**6,563**	**7,050**

Impairment losses during the year were €9,000 (2021: €nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

In thousands of euros	2022	2021
At 1 January	134	15
Charge during the year	202	119
At 31 December	**336**	**134**

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	2022	2021
VAT receivable	294	254
Current finance lease receivables (see note 26)	85	25
Other items	46	18
Total other current assets	**425**	**297**

24. CASH AND CASH EQUIVALENTS

In thousands of euros	2022	2021
Cash at bank and in hand	6,317	9,234
Total cash and cash equivalents	**6,317**	**9,234**

25. CAPITAL AND RESERVES

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

	2022		2021	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
As at 1 January	32,909,737	13,164	11,835,707	4,734
Issued in business combination (see note 34)	-	-	21,074,030	8,430
As at 31 December	**32,909,737**	**13,164**	**32,909,737**	**13,164**

Share premium:

In thousands of euros	2022	2021
As at 31 December	**1,979**	**1,979**

Merger reserve:

The acquisition of HYBRID Software Group S.à r.l. ("HYBRID Software") (see Note 34 '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 34)	80,000
Fair value adjustment for consideration shares	(4,555)
Acquisition date market value of new shares issued as consideration (see note 34)	**75,445**
Par value of 21,074,030 shares issued	(8,430)
Premium over par value credited to merger reserve	**67,015**

In thousands of euros	2022	2021
As at 31 December	**67,015**	**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 34 '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:

In thousands of euros, except number of shares	2022 Number	2022 Value	2021 Number	2021 Value
As at 1 January	73,996	202	112,996	309
Disbursement of shares to employees	(15,000)	(41)	(39,000)	(107)
As at 31 December	**58,996**	**161**	**73,996**	**202**

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 2020	1,279	-	1,279
Additions	90	114	204
Additions – business combinations (see note 34)	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**
Additions	-	67	67
Remeasurements	123	-	123
Disposals	-	(11)	(11)
Depreciation charge for the year	(722)	(99)	(821)
Effect of movement in exchange rates	(36)	(16)	(52)
Balance at 31 December 2022	**2,834**	**78**	**2,912**

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 6 months to 7 years. Remeasurements are the result of an extension to the term of an existing lease.

Lease liabilities

In thousands of euros	2022	2021
Current	834	761
Non-current	2,560	3,060
Total lease liabilities	**3,394**	**3,821**

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	2022	2021
Interest on lease liabilities	150	163
Expenses relating to short-term leases	99	77
Total recognised in profit or loss	**249**	**240**

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	2022	2021
Lease liability interest	150	163
Principal payments	935	849
Total cash outflow for leases	**1,085**	**1,012**

Maturity analysis of contractual undiscounted cash flows for lease payments:

In thousands of euros	2022	2021
Within 1 year	972	907
Between 1 and 2 years	919	853
Between 2 and 3 years	883	804
Between 3 and 4 years	527	781
Between 4 and 5 years	160	463
After 5 years	320	479
Total undiscounted lease liabilities at 31 December	**3,781**	**4,287**

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	2022	2021
Income received from subleasing right-of-use assets	49	4
Finance income on net investment in leases	(20)	(2)
Total amount recognised in profit or loss	**29**	**2**

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

In thousands of euros	2022	2021
Within 1 year	103	27
Between 1 and 2 years	78	23
Between 2 and 3 years	72	-
Between 3 and 4 years	53	-
Between 4 and 5 years	-	-
After 5 years	-	-
Total undiscounted lease payments receivable	306	50
Unearned finance income	(41)	(3)
Net investment in the lease	**265**	**47**

In thousands of euros	2022	2021
Current (see note 23)	85	25
Non-current (see note 18)	180	22
Total finance lease receivable	**265**	**47**

27. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	2022	2021
Contingent consideration	635	1,434
Deferred consideration	932	1,157
Other liabilities	152	183
Unsecured loan from related party (see note 32)	8,093	8,400
Total other liabilities	**9,812**	**11,174**

In thousands of euros	2022	2021
Current	5,881	3,767
Non-current	3,931	7,407
Total other liabilities	**9,812**	**11,174**

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 2022. 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 €4,000 (2021: decrease of €3,000).

During the year, cash payments of €715,000 (2021: €492,000) 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 34 ‘Acquisitions’). During the year, cash payments of €310,000 were paid against the deferred consideration.

Unsecured loan from related party
An unsecured loan has been granted by Congra to HYBRID Software Development NV. (“HYBRID”). During the year, payments totalling €552,000 (2021: €2,986,000) have been made to Congra in respect of the loan. €307,000 (2021: €2,700,000) has been paid as a repayment against the principal and €245,000 (2021: €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 (2021: €2,800,000) are payable per annum. The balance of the loan outstanding at 31 December 2022 was €8,093,000 (2021: €8,400,000).

On 16 February 2023, an addendum to the loan agreement was closed in which an adjustment to the repayment scheme has been agreed to. Subject to the amended repayment scheme, €93,000 is to be repaid in 2023 and the balance in 4 equal instalments of €1,000,000 each in the years ending 31 December 2025 and 2026. The loan is due to be fully repaid on 31 December 2026.

28. CONTRACT LIABILITIES

In thousands of euros	2022	2021
Customer advances	1,015	1,617
Deferred revenue	2,864	1,975
Total contract liabilities	**3,879**	**3,592**

In thousands of euros	2022	2021
Current	3,835	3,165
Non-current	44	427
Total contract liabilities	**3,879**	**3,592**

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	2022	2021
Weighted average number of shares (basic), in thousands of shares	32,850	32,198
Profit from continuing operations	1,300	4,914
Basic earnings per share, in euros	**0.04**	**0.15**
Diluted earnings per share, in euros	**0.04**	**0.15**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. SHARE BASED PAYMENTS

At 31 December 2022, 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 2021 Number	Granted Number	Exercised Number	Withdrawn Number	Lapsed Number	As at 31 December 2022 Number
SIP matching shares	28,313	-	(4,327)	(620)	-	23,366
Free shares granted	80,589	-	(21,857)	(620)	-	58,112
	108,902	**-**	**(26,184)**	**(1,240)**	**-**	**81,478**

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 €nil (2021: €15,000) 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 2022 (2021: 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 2022							
Trade and other receivables	3,923	4,305	1,333	853	57	329	93
Other current assets	208	2	168	13	-	34	-
Trade and other payables	(1,626)	(614)	(654)	(10)	-	(13)	(2)
Accrued liabilities	(1,072)	(186)	(1,015)	(14)	-	-	-
Other liabilities	(5,462)	-	(419)	-	-	-	-
Net exposure	**(4,029)**	**3,507**	**(587)**	**842**	**57**	**350**	**91**
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**

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 2022							
Trade and other receivables	2,191	1,336	13	62	116	-	-
Accrued liabilities	(821)	(113)	(213)	-	-	-	-
Other liabilities	(3,714)	-	(217)	-	-	-	-
Net exposure	**(2,344)**	**1,223**	**(417)**	**62**	**116**	**-**	**-**
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**	**-**	**-**

The average and year end exchange rates applied during the year to convert currencies to Euros are as follows:

	Average rate for 2022	2021	Rate at 31 December 2022	2021
US dollar	0.9506	0.8454	0.9382	0.8789
Pound sterling	1.1734	1.1628	1.1303	1.1898
Japanese yen	0.0073	0.0077	0.0071	0.0077
Canadian dollar	0.7303	0.6757	0.6897	0.6935
Chinese yuan	0.1413	0.1362	0.1354	0.1386
Australian dollar	0.6595	0.6337	0.6348	0.6411

If sales and results for the year had been converted using the exchange rates prevailing in the prior year, the Group's 2022 sales would have reduced by approximately €1.39 million and the operating profit for the year would have increased by approximately €0.04 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	2022	2021
Equipment manufacturers	4,063	4,895
Resellers and end users	6,830	6,020
Total trade receivables	**10,893**	**10,915**

At 31 December 2022, the ten largest accounts receivable represented 24.2% (2021: 26.7%) of the Group's accounts receivables and the single largest accounts receivable represented 5.9% (2021: 5.3%) 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 €336,000 (2021: €134,000) against trade receivables. The loss allowance applies to debt over 90 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 2022			
Trade payables	2,919	-	2,919
Accrued liabilities	2,287	1,147	3,434
Other liabilities	5,881	3,931	9,812
Total	**11,087**	**5,078**	**16,165**
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**

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 2022.

In thousands of euros	2022	2021
Capital		
Total equity	110,933	109,951
Less cash and cash equivalents	6,317	9,234
	104,616	**100,717**
Overall financing		
Total equity	110,933	109,951
Plus borrowings	8,093	8,400
	119,026	**118,351**
Capital to overall financing ratio	**1:1.14**	**1:1.18**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classifications and fair values
The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value
In thousands of euros	**FVTPL**	**Financial assets at amortised cost**	**Other financial liabilities**	**Total**	**Level 2**
At 31 December 2022					
Financial assets not measured at fair value					
Financial assets (see note 18)	-	955	-	955	955
Trade and other receivables (see notes 20 and 22)	-	14,611	-	14,611	14,611
Cash and cash equivalents (see note 24)	-	6,317	-	6,317	6,317
	-	**21,883**	**-**	**21,883**	**21,883**
Financial liabilities measured at fair value					
Contingent consideration (see note 27)	635	-	-	635	635
Deferred consideration (see note 27)	932	-	-	932	932
Other liabilities (see note 27)	152	-	-	152	152
Unsecured loan from related party (see note 27)	8,093	-	-	8,093	8,093
	9,812	**-**	**-**	**9,812**	**9,812**
Financial assets not measured at fair value					
Trade and other payables	-	-	2,919	2,919	2,919
	-	**-**	**2,919**	**2,919**	**2,919**
At 31 December 2021					
Financial assets not measured at fair value					
Financial assets (see note 18)	-	935	-	935	935
Trade and other receivables (see notes 20 and 22)	-	14,597	-	14,597	14,597
Cash and cash equivalents (see note 24)	-	9,234	-	9,234	9,234
	-	**24,766**	**-**	**24,766**	**24,766**
Financial liabilities measured at fair value					
Contingent consideration (see note 27)	1,434	-	-	1,434	1,434
Deferred consideration (see note 27)	1,157	-	-	1,157	1,157
Other liabilities (see note 27)	183	-	-	183	183
Unsecured loan from related party (see note 27)	8,400	-	-	8,400	8,400
	11,174	**-**	**-**	**11,174**	**11,174**
Financial assets not measured at fair value					
Trade and other payables	-	-	1,931	1,931	1,931
	-	**-**	**1,931**	**1,931**	**1,931**

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 55 to 62.

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

Michael Rottenborn has an employment contract with Global Graphics Software that entitles him to salary, bonus and other benefits in addition to board fees. A service agreement between HYBRID Software Development NV and Bellevarde Financial BV provides an arrangement for the remuneration of Joachim Van Hemelen.

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

In thousands of euros	**2022**	**2021**
Short-term employee benefits	3,289	3,279
Post-employment benefits	172	289
Other long-term benefits	20	386
Share-based payments	-	4
Total key management personnel expenses	**3,481**	**3,958**

Congra
An unsecured loan has been granted by Congra to HYBRID Software Development NV. ("HYBRID"). During the year, payments totalling €552,000 (2021: €2,986,000) have been made to Congra in respect of the loan. €307,000 (2021: €2,700,000) has been paid as a repayment against the principal and €245,000 (2021: €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 (2021: €2,800,000) are payable per annum. The balance of the loan outstanding at 31 December 2022 was €8,093,000 (2021: €8,400,000).

On 16 February 2023, an addendum to the loan agreement was closed in which an adjustment to the repayment scheme has been agreed to. Subject to the amended repayment scheme, €93,000 is to be repaid in 2023 and the balance in 4 equal instalments of €1,000,000 each in the years ending 31 December 2025 and 2026. The loan is due to be fully repaid on 31 December 2026.

Additionally, Congra recharges some minor expenses to HYBRID, which totalled €8,000 (2021: €12,000). At 31 December 2022, €nil (2021: €90,000) was owed to Congra in respect of these items.

Powergraph
A total of €420,000 (2021: €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 55 to 62. No amounts (2021: €nil) were owed at the 31 December 2022.

Other related parties
Powergraph and Congra have interests in other companies, namely Tallon Graphic Solutions NV, Brand Quadergy EAD, DSN NV, De Schutter'Neroc BV, ZDSGN and Husky Marketing Planner BV. During the year, HYBRID Software NV made sales of €11,000 (2021: €154,000) to these companies and at 31 December 2022 €nil (2021: €42,000) was owed to HYBRID Software NV by them, all of which is considered as recoverable in full.

A total of €256,000 (2021: €256,000) was paid during the year by HYBRID to Bellevarde Financial BV in respect of the aforementioned service agreement for Joachim Van Hemelen. For his pro-rata period of service as a director, €82,000 is included in the amounts presented in the Directors' remuneration report on pages 55 to 62. No amounts (2021: €nil) were owed at the 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. GROUP ENTITIES

Company name	Registered office address	Country of incorporation	Ownership interest % 2022	Ownership interest % 2021
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%	100%
eXplio NV*~	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Belgium	99.93%	99.93%
HYBRID Software Development NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Belgium	100%	100%
HYBRID Integration LLC*	Eight Neshaminy Interplex, Suite 111, Trevose, Pennsylvania 19053, USA	United States of America	100%	100%
HYBRID Software NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Belgium	100%	100%
HYBRID Software China Co. Limited*	Room 2504, 25th Floor, Building 2, No. 900 Yishan Road, Xuhui District, Shanghai, China	China	100%	100%
HYBRID Software GmbH*	Uhlandstrabe 9, 79102 Freiburg, Germany	Germany	100%	100%
HYBRID Software Italy SRL*	Viale Sondrio 2, IT-20124 Milano, Italy	Italy	100%	100%
HYBRID Software France SAS*	15 Rue Marsollier, F-75002 Paris, France	France	100%	100%
HYBRID Software UK Limited*	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	100%
HYBRID Software Australia Pty Limited*	Suite 2, Level 14, 9 Castlereagh Street, Sydney, NSW 2000, Australia	Australia	100%	100%
HYBRID Software Iberia S.L.U.*+	Riera dels Frares, 8 – E08907 L'Hospitalet, Barcelona, Spain	Spain	100%	100%
ColorLogic GmbH #	Landersumer Weg 40, D-48431 Rheine	Germany	100%	100%

* indirectly held the the Company.
~ eXplio NV is 9.93% owned by the Group. The comprehensive income and equity attributable to non-controlling interests in this subsidiary are not material.
^ 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. ACQUISITIONS

Acquisition of iC3D

On 12 March 2022, the Group acquired the trade and assets of Creative Edge Software LLC ("iC3D") from Creative Edge Software LLC ("Creative").

3D and additive manufacturing applications are one of the Group's fastest-growing market segments for printhead drive electronics and software, but visualisation of packaging designs in 3D was a gap in our technology portfolio. The acquisition of iC3D strengthens our 3D offering and closes the loop between the design of high-end labels and packaging and industrial print manufacturing. We already have an integration of iC3D in our PACKZ and CLOUDFLOW software with a substantial installed base of users that have licensed the iC3D option and we look forward to broader integration of iC3D in our Digital Front Ends (DFEs) and other software products.

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

In thousands of euros	
Cash, paid on closing	3,664
Working capital adjustment, cash receivable	(234)
Total consideration	**3,430**

The identifiable assets acquired and liabilities assumed were:

In thousands of euros	Book value	Fair value adjustment	Total
Property, plant and equipment (see note 15)	16	-	16
Other intangible assets (see note 16)	-	1,836	1,836
Total identifiable net assets acquired	**16**	**1,836**	**1,852**

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 10 year period (using a post-tax discount rate of 15.40%, a forecasted profit level, an assumption that revenue will grow during the valuation period and there will be a churn of recurring revenue over the forecast period).
Know how	The present value of cashflows from operating activities in relation to customer relationships existing at acquisition date for the remaining terms of the agreements, using a post-tax discount rate of 15.40% and a forecasted profit level.

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

In thousands of euros	
Total consideration payable	3,430
Fair value of identifiable net assets	(1,852)
Total Goodwill (see note 17)	**1,578**

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 €3,000 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 2022, the revenues and the loss before tax generated by this acquisition were €589,000 and €135,000 respectively.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2022), on a pro forma basis, revenue of the combined Group for the year ended 31 December 2022 would have been increased by €341,000 and loss before tax would have decreased by €173,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. ACQUISITIONS (CONTINUED)

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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. ACQUISITIONS (CONTINUED)

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

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 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 were incurred in the year ended 31 December 2021, 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. Further costs of €36,000 were incurred in the year ended 31 December 2022 when the prospectus was 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)

34. 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)

34. 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)

35. MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

In thousands of euros	Lease liabilities	Other liabilities	Total
Balance at 31 December 2021	**3,821**	**11,174**	**14,995**
Loan repayment	-	(307)	**(307)**
Deferred consideration paid	-	(310)	**(310)**
Contingent consideration paid	-	(715)	**(715)**
Principal payments of lease liabilities	(935)	-	**(935)**
Total cashflows	**(935)**	**(1,332)**	**(2,267)**
Contingent consideration fair value adjustment	-	(4)	**(4)**
Recognition of new lease liabilities	314	-	**314**
Remeasurement of existing lease liabilities	126	-	**126**
Other non-cash items*	138	(26)	**112**
Exchange rate effects	(70)	-	**(70)**
Total non-cash items	**508**	**(30)**	**478**
Balance at 31 December 2022	**3,394**	**9,812**	**13,206**

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**

*Other non-cash items include the unwinding of discounts on lease liabilities.

36. SUBSEQUENT EVENTS

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2022.

COMPANY BALANCE SHEET

		For the year ended 31 December	
In thousands of euros	**Note**	**2022**	2021
Non-current assets			
Investments	4	**101,121**	101,121
Total non-current assets		**101,121**	101,121
Current assets			
Trade and other receivables (including €1,755,000 (2021: €597,000) due after more than one year)	5	**2,303**	1,621
Cash and cash equivalents		**39**	19
Total current assets		**2,342**	1,640
Current Liabilities			
Creditors: Amounts falling due within one year	6	**(11,759)**	(10,481)
Net current liabilities		**(9,417)**	(8,841)
Creditors: Amounts falling due in more than one year	7	**(866)**	(1,590)
Net assets		**90,838**	90,690
Capital and reserves			
Called up share capital	9	**13,164**	13,164
Share premium account	9	**1,979**	1,979
Merger reserve	9	**67,015**	67,015
Treasury shares	9	**(161)**	(202)
Profit and loss account		**8,841**	8,734
Total shareholders' funds		**90,838**	90,690

The notes on pages 115 to 119 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 2022 was a profit of €184,000 (2021: loss of €218,000).

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 11 April 2023 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	Total equity
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 income 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**
Total comprehensive profit for the year							
Net profit for the year		-	-	-	-	184	184
Total comprehensive profit for the year		**-**	**-**	**-**	**-**	**184**	**184**
Transactions with owners							
Share-based payment transactions	10	-	-	-	41	(41)	-
Acquisition – newly issued shares	9	-	-	-	-	(36)	(36)
Total transactions with owners		**-**	**-**	**-**	**41**	**(77)**	**(36)**
Balance at 31 December 2022		**13,164**	**1,979**	**67,015**	**(161)**	**8,841**	**90,838**

The notes on pages 115 to 1119 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Hybrid Software Group 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").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards 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 IFRS; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Financial instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Investments

Investments in subsidiary undertakings are stated at cost, less provision for any impairment in value.

Foreign currencies

The functional and presentation currency of the Company is euro.

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date or at a contracted rate if applicable and any exchange differences arising are taken to the profit and loss account.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Share based payments

The share option programme allows employees of the Group to acquire shares of the Company. The fair value of the options and shares granted is recognised as an employee expense, with a corresponding increase in equity, and is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options or shares. The fair value of the options granted is measured using an appropriate valuation model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognised as an expense is adjusted to reflect the actual number of share options or shares for which the related service and non-market conditions are met. The proceeds received, net of any directly attributable transaction costs, are credited to share capital for the par value of the shares issued and to share premium for the balance, when the share options are exercised.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements and have no reason to believe that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern, notably because of a cash position of €6.32 million as at 31 December 2022 (2021: €9.23 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 (2021: nil). Directors' emoluments are disclosed in the Directors' remuneration report on pages 55 to 62 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 2020	79,053
Additions – business combinations	79,826
At 31 December 2021	**158,879**
At 31 December 2022	**158,879**
Provision	
At 31 December 2021 and 31 December 2022	**57,758**
Net book value	
At 31 December 2021	**101,121**
At 31 December 2022	**101,121**

Additions from business combinations refer to the acquisitions of HYBRID Software Group S.à r.l. and ColorLogic GmbH. See Note 34 '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 five-year period from 2023 to 2027 using the same discount rate and exchange rates that were used for the impairment review of Goodwill in the consolidated financial statements (see Note 17 'Goodwill' of the consolidated financial statements). Management considers the use of a five-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 2022	2021
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%	100%
eXplio NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Computer software development, sales and technical support.	Ordinary	99.93%	99.93%
HYBRID Software Development NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Computer software development, sales and technical support.	Ordinary	100%	100%
HYBRID Integration LLC*	Eight Neshaminy Interplex, Suite 111, Trevose, Pennsylvania 19053, USA	Computer software sales and technical support.	Ordinary	100%	100%
HYBRID Software NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Computer software sales and technical support.	Ordinary	100%	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%	100%
HYBRID Software GmbH*	Uhlandstrabe 9, 79102 Freiburg, Germany	Computer software sales and technical support.	Ordinary	100%	100%
HYBRID Software Italy SRL*	Viale Sondrio 2, IT-20124 Milano, Italy	Computer software sales and technical support.	Ordinary	100%	100%
HYBRID Software France SAS*	15 Rue Marsollier, F-75002 Paris, France	Computer software sales and technical support.	Ordinary	100%	100%
HYBRID Software UK Limited*	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	Computer software sales and technical support.	Ordinary	100%	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%	100%
HYBRID Software Iberia S.L.U.*+	Riera dels Frares, 8 – E08907 L'Hospitalet, Barcelona, Spain	Computer software sales and technical support.	Ordinary	100%	100%
ColorLogic GmbH#	Landersumer Weg 40, D-48431 Rheine, Germany	Computer software development, sales and technical support.	Ordinary	100%	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 34 '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	2022	2021
Deferred consideration receivable	-	500
Amounts owed by group undertakings	1,755	597
Other receivables	548	524
Total trade and other receivables	**2,303**	**1,621**

Included within amounts owed by group undertakings is €1,755,000 (2021: €597,000) 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	2022	2021
Trade and other payables	72	5
Amounts owed to group undertakings	10,255	9,291
Accruals	762	231
Contingent consideration (see note 7)	411	670
Deferred consideration (see note 7)	259	284
Total creditors due within one year	**11,759**	**10,481**

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	2022	2021
Contingent consideration	224	716
Deferred consideration	642	874
Total other liabilities	**866**	**1,590**

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 €7,000 (2021: decrease of €3,000).

During the year, cash payments of €717,000 (2021: €492,000) 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 34 ‘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 2022 (2021: €nil).

9. SHARE CAPITAL AND RESERVES

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

	2022		2021	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
As at 1 January	32,909,737	13,164	11,835,707	4,734
Issued in business combination (see note 34 of the consolidated financial statements)	-	-	21,074,030	8,430
As at 31 December	**32,909,737**	**13,164**	**32,909,737**	**13,164**

Share premium:

In thousands of euros	2022	2021
As at 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 34 ‘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 34 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 34)	**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	2022	2021
As at 31 December	**67,015**	**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:

	2022		2021	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
As at 1 January	73,996	202	112,996	309
Disbursement of shares to employees	(41,000)	(41)	(39,000)	(107)
As at 31 December	**32,996**	**161**	**73,996**	**202**

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 55 to 62. 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 2022 are in Note 36 ‘Subsequent events’ of the consolidated financial statements.

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

Glossary continued...

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 Company'; 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.

Piezoelectric
Electricity resulting from pressure and latent heat. Piezo printheads are all based on the principle that a particular type of crystal expands or contracts when an electric current is passed though it and switched off again. This expansion/contraction is used as the basis of a pump in the ink chamber.

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

Glossary continued...

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.

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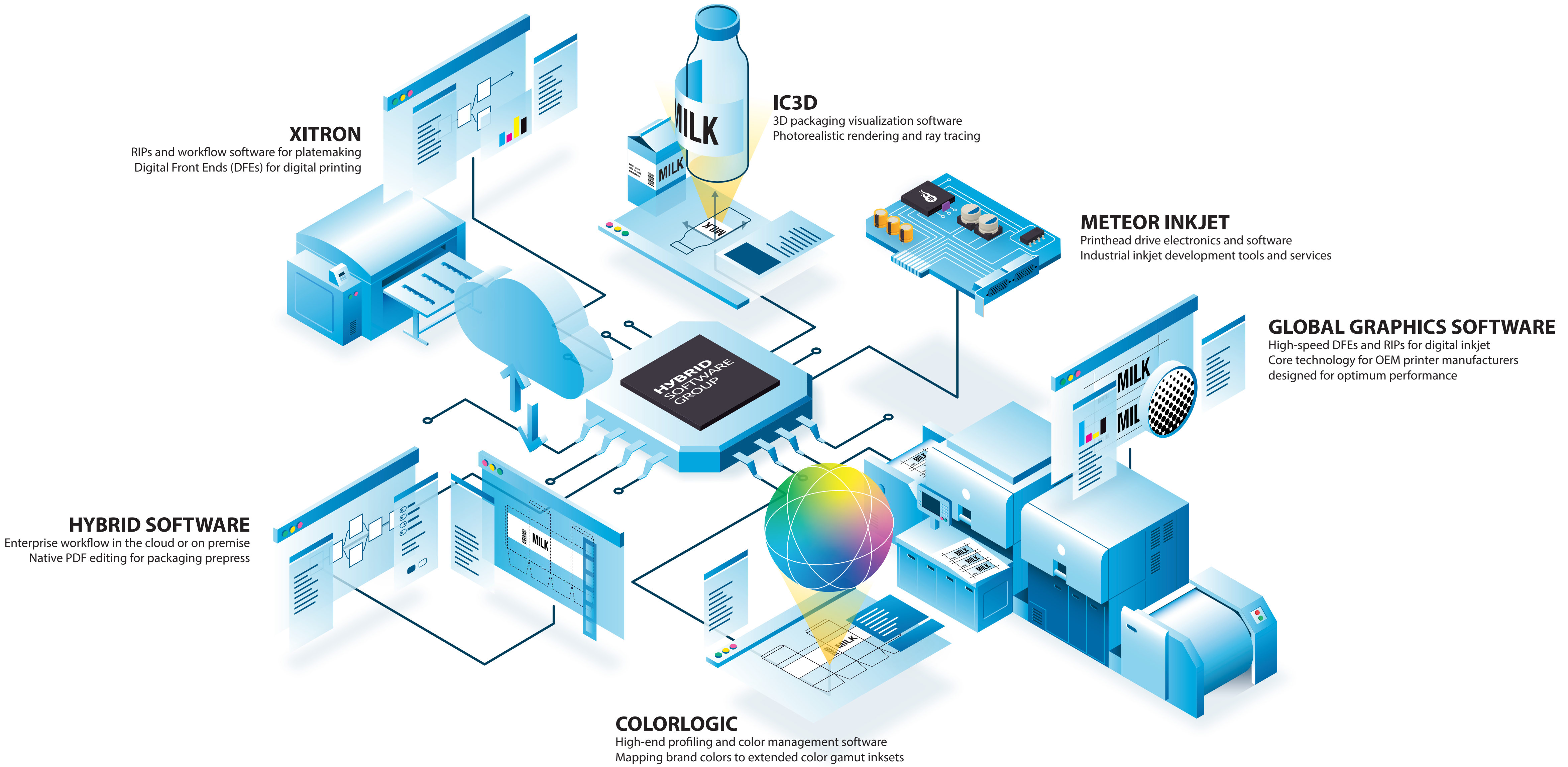
Enterprise software for industrial print manufacturing



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