



*the smarter alternative*TM
GLOBAL GRAPHICS[®]

Société anonyme with a share capital of € 4,115,912.40
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Annual financial report

for the year ended 31 December 2010

Copies of the Company's annual financial report for the year ended 31 December 2010 in French, of this unofficial translation in English, may be sent free of charge upon the receipt of a written request sent to the Company's registered office, or by email sent to: investor-relations@globalgraphics.com.

The Company's annual financial report for the year ended 31 December 2010 in French, of this unofficial translation in English may also be browsed on, and/or downloaded from, the Company's website (www.globalgraphics.com).

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CHAPTER 1 - PERSONS RESPONSIBLE

1.1 Person responsible for information provided in this annual financial report

Mr. Gary Fry, Global Graphics' Chief Executive Officer.

1.2 Declaration by the person responsible for this annual financial report

I hereby declare that, to the best of my knowledge, the consolidated and statutory financial statements which are included in this annual financial report have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, financial position and results of Global Graphics SA as well as of all the companies which are part of the consolidation, and that the report on the Company's 2010 operations which is set out in chapter 6.1 of this annual financial report (set out on page 81 and subsequent pages) includes a fair review of the development of the business, results and financial position of Global Graphics SA as well as of all the companies which are part of the consolidation, together with a description of the main risks and uncertainties that they face.

Made in Cambourne (United Kingdom), on 28 April 2011

Gary Fry
Chief Executive Officer

1.3 Persons responsible for financial information provided by the Company

Mr. Gary Fry, Chief Executive Officer

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United Kingdom

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Mr. Alain Pronost, Chief Financial Officer

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1.4 Prior years' annual financial reports

The Company's annual financial reports for prior years are available, upon written request sent by post to the Company's registered office, or by email sent to: investor-relations@globalgraphics.com.

These reports may also be browsed on, and/or downloaded from, the Investors section of the Company's website (www.globalgraphics.com).

CHAPTER 2 - THE COMPANY'S STATUTORY AUDITORS

2.1 Statutory auditors

KPMG Audit, a division of KPMG SA
Represented by Mr. Pascal Maire
Avenue de l'Europe
67300 Schiltigheim

Their mandate was renewed for a six-year period at the ordinary shareholders' meeting held on 25 April 2008, which will expire on the close of the annual general meeting which will be convened to approve consolidated and statutory accounts for the year ended 31 December 2013.

Secef Sarl

Represented by Mr. Philippe Gibello
3 rue de Turique
54000 Nancy

Their mandate was renewed for a six-year period at the ordinary shareholders' meeting held on 23 April 2010, which will expire on the close of the annual general meeting which will be convened to approve consolidated and statutory accounts for the year ended 31 December 2015.

2.2 Deputy statutory auditors

Mr. Serge Peiffer

523 avenue André Malraux
54600 Villers-lès-Nancy

His mandate was renewed for a six-year period at the ordinary shareholders' meeting held on 25 April 2008, which will expire on the close of the annual general meeting which will be convened to approve consolidated and statutory accounts for the year ended 31 December 2013.

Mr. Patrick Baci

3 rue de Turique
54000 Nancy

His mandate was renewed for a six-year period at the ordinary shareholders' meeting held on 23 April 2010, which will expire on the close of the annual general meeting which will be convened to approve consolidated and statutory accounts for the year ended 31 December 2015.

2.3 Information on statutory auditors which have resigned, been removed or not been re-appointed within the last three financial years

In a letter dated 21 February 2011, Mr. Serge Peiffer made the Company aware of his wish to resign from his mandate of statutory deputy auditor, which had been renewed at the ordinary shareholders' meeting held on 25 April 2008 at the expiry of a first mandate, pursuant to his decision not to work as a statutory auditor any longer.

The shareholders will be requested to appoint his successor as part of the next meeting of the Company's shareholders (see section 6.1.4.3 below).

2.4 Auditors' fees which were expensed by the Company

The tables which are presented on the following page provide information on the amount of fees which were billed to the Company by its statutory auditors (including members of their networks, as the case may be) and were expensed in the Company's consolidated accounts for the years ended 31 December 2009 and 2010, respectively.

Unofficial translation of the French language original

Please note that the amounts which are presented in the following tables are exclusive of VAT, as well as of any amounts which expensed by the Company with respect of travel and subsistence expenses by the Company's statutory auditors, or the contributions borne on them with regards to the Haut conseil du commissariat aux comptes (H3C).

2.4.1 Year ended 31 December 2010

In euros	KPMG SA		Secef Sarl	
	Fee amount	% of total	Fee amount	% of total
Audit and review of statutory and consolidated financial statements				
Global Graphics SA	82,000	50.5%	19,600	92.9%
Subsidiaries	77,440	47.7%	-	-
Audit-related fees				
Global Graphics SA	3,000	1.8%	1,500	7.1%
Subsidiaries	-	-	-	-
TOTAL AUDIT FEES	162,440	100.0%	21,100	100.0%
TOTAL NON-AUDIT FEES	-	-	-	-
TOTAL FEES	162,440	100.0%	21,100	100.0%

Fees which were expensed in the year ended 31 December 2010 with respect of audit-related fees related firstly, to the portion of fees which were billed to the Company for the work undertaken by the Company's statutory auditors with respect of the special reports which were required for the meeting of the Company's shareholders which was held on 23 April 2010 (see section 2.4.2 below) for a total of € 2,000, and secondly to the fees relating to the review of the draft Reference document for the year ended 31 December 2010, for a total of € 2,500.

2.4.2 Year ended 31 December 2009

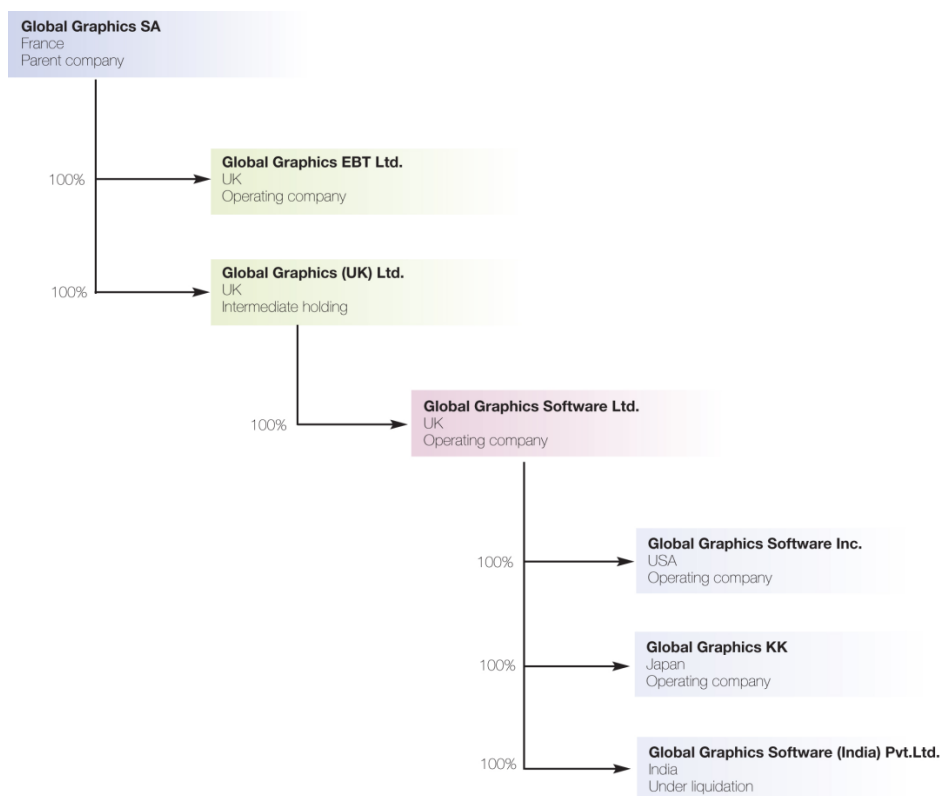
In euros	KPMG SA		Secef Sarl	
	Fee amount	% of total	Fee amount	% of total
Audit and review of statutory and consolidated financial statements				
Global Graphics SA	85,000	51.0%	20,500	83.7%
Subsidiaries	77,638	46.6%	-	-
Audit-related fees				
Global Graphics SA	4,000	2.4%	4,000	16.3%
Subsidiaries	-	-	-	-
TOTAL AUDIT FEES	166,638	100.0%	24,500	100.0%
TOTAL NON-AUDIT FEES	-	-	-	-
TOTAL FEES	166,638	100.0%	24,500	100.0%

Fees which were expensed in the year ended 31 December 2009 with respect of audit-related fees related to fees which were billed to the Company for the work undertaken by the Company's statutory auditors with respect of the special reports which were required for the meeting of the Company's shareholders which was held on 23 April 2010, which decided to grant the Company's Board of Directors with a number of authorisations, which are presented in note 3h of the Board's report on the 2010 Company's operations for the year ended 31 December 2010, which is set out in section 6.1 of this annual financial report.

CHAPTER 3 - THE COMPANY'S ORGANISATION, BUSINESS OVERVIEW & KEY FIGURES

3.1 Organisation chart as at 31 December 2010

The percentage figures which are indicated below relate to the percentage of share capital and voting rights which are owned by the Company.



Jaws Systems Limited, which is a 100% subsidiary of Global Graphics Software Limited, is not included in this organisation chart because it has been dormant since the end of the year ended 31 December 2000.

3.2 Business overview

3.2.1 Principal activities of the Company

Global Graphics is a developer of OEM software used in digital printing and electronic document systems, which are sold to the world's leading brands in these market segments

3.2.1.1 Business model, types of contractual arrangements and distribution channels

3.2.1.1.1 The Company's business model

Software solutions which are developed by the Company are sold under technology agreements with OEMs, which are typically entered into for an initial period which is comprised between 3 and 5 years, but are often extended beyond such initial contractual period. Such agreements are entered into by the Company and printing equipment manufacturers, whether manufacturing for third parties such as **Independent Hardware Vendors¹ (IHVs)** or for their own purposes such as **Original Equipment Manufacturers¹ (OEMs)**, or software application developers such as **Independent Software Vendors¹ (ISVs)**; or **Value-Added Resellers¹ (VARs)** which combine the Company's software solutions with third party software or hardware.

¹ A definition of these terms is provided in the glossary, which is set out on pages 143 and 144 of this report.

3.2.1.1.2 Contractual arrangements for the Company's software

The Company typically sells its software through multi-year license agreements which provide for the periodic payment of royalties, the amount 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 Company's software has been integrated.

These license agreements also include specific provisions with respect of the provision of maintenance and after-sale support services over the duration of the agreement, through which the Company is committed to supply its customers with minor corrections ('bug fixing') made to those software products which are under license. 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.

Such license agreements may also provide for the provision of engineering services to ensure a seamless integration of the Company's software into the customer's products.

The following table provides a breakdown of the Company's sales made in years ended 31 December 2009 and 2010 by nature of products sold and services rendered:

In thousands of euros	FY 2010	FY 2009
License royalties	7,934	7,228
Maintenance and after-sale support services	1,582	1,943
Engineering services	30	175
Other items	62	16
Total sales	9,608	9,362

3.2.1.1.3 Distribution channels for the Company's software

3.2.1.1.3.1 Print segment

The following table provides a breakdown of sales made in the Print segment during the years ended 31 December 2009 and 2010 for each type of distribution channel:

	FY 2010		FY 2009	
	In thousands of euros	% of total Print sales	In thousands of euros	% of total Print sales
OEMs	4,023	50.9%	3,768	49.6%
VARs	2,836	35.9%	2,976	39.2%
ISVs	626	7.9%	656	8.6%
IHVs	420	5.3%	194	2.6%
Other customers	5	0.0%	4	0.0%
Total Print segment sales	7,910	100.0%	7,598	100.0%

3.2.1.1.3.2 eDoc segment

The following table provides a breakdown of sales made in the eDoc segment during the years ended 31 December 2009 and 2010 for each type of distribution channel:

	FY 2010		FY 2009	
	In thousands of euros	% of total eDoc sales	In thousands of euros	% of total eDoc sales
ISVs	1,457	85.8%	1,385	78.5%
Resellers	183	10.8%	295	16.7%
End-users	43	2.5%	61	3.5%
Other customers	15	0.9%	23	1.3%
Total eDoc segment sales	1,698	100.0%	1,764	100.0%

3.2.1.2 The Company's customers

3.2.1.2.1 Types of customers and key customers of the Company

The vast majority of the Company's customers are significant players in the graphic arts and digital printing markets, being noted that sales made in the Print segment of the Company's business represented 82.3% and 81.2% of the Company's total sales in the years ended 31 December 2010 and 2009, respectively, as set out in section 3.2.2.1 below.

HP, Kodak, or Agfa have been long-standing customers of the Print segment of the Company's business, while Quark and Fuji Xerox have been significant customers of the eDoc segment of the Company's business.

3.2.1.2.2 Geographical allocation of the Company's sales

In thousands of euros	FY 2010	FY 2009
France	13	33
Continental Europe (excluding France)	571	809
United Kingdom	126	91
North America (United States and Canada)	6,637	6,603
Asia (including Japan)	2,224	1,808
Rest of the world	37	18
Total sales	9,608	9,362

3.2.1.3 The Company's markets

3.2.1.3.1 Print segment

The main markets for the Print segment of the Company's business are, on the one hand, the traditional graphic arts and commercial printing markets, and, on the other hand, the office printing markets.

3.2.1.3.1.1 Graphic arts and commercial printing

Such markets have to be divided into two market segments: the graphic arts market, also considered as the 'traditional' market as it is mostly focused on the offset printing process, and the digital printing market.

■ Traditional graphic arts

The main applications of the Company's software in this market segment are those associated with the offset printing process, which is notably used for printing newspapers and magazines, but also marketing brochures, advertisements sent by direct mail, and more generally any printing job which requires a large output.

This market, which has been the historical market for the Company where it has been selling its Harlequin RIP for more than 20 years, and where Agfa is a major customer, is a mature market, which has showed a slow but continuing decline of printed volume over the past years, partly because of an uptake of other printing processes such as digital printing, but partly also because of the recent growth of web-based advertising, which gradually replaces the dispatch of printed advertising media.

This, together with the concentration among players in that market segment, resulted in a decline in the value of sales made by the Company in that market segment over the past few years, though the pace of that decline has been substantially slower in 2010 than in prior years, as set out in the following table:

In thousands of euros	FY 2010	FY 2009	FY 2008
Graphic arts sales	3,047	3,119	3,748
Year-on-year change in sales (in %)	-2.3%	-16.8%	-29.9%

It is generally accepted that the decline of the sales made by the Company in that market segment will continue over the coming years, but at a slower pace, notably because the consolidation among participants in that market segment is expected to end.

■ Digital printing

The main applications of the Company's software in this market segment are all applications using high-speed digital printing equipment (sometimes printing more than 500 A4 pages per minute), which are notably used for printing advertising brochures, photo albums, or books, but also smaller runs than offset printing, and large and wide-format printing such as posters and banners.

The Company has been active in this market segment for less than a decade, and notably pursuant to the acquisition of the Jaws RIP® in the autumn of 2000. This market segment, where two divisions of HP, Indigo and IHPS, are major customers for the Company, has been growing over the past few years at a pace comprised between 5 and 10% each year; according to a survey presented at the last Lyra Imaging Symposium, such growth should continue during the present decade when the number of digitally printed pages for commercial printing should grow from 970 billion pages in 2011 to 1,374 billion pages in 2015 and 2,230 billion pages in 2019, or an average annualised growth rate of 9.1% over the period 2011/2015 and of 12.9% over the period 2015/2019.

3.2.1.3.1.2 Office printing

In this market, printing jobs are typically small ones, and made by digital printing equipment, notably digital copiers and multi-function printers. The Company believes there are growth opportunities to be seized in this market for its software solutions, notably because of a general trend towards shorter print runs for office documents and brochures, or 'on-demand' print (i.e. without having to use services of a print shop).

The Company has been active in this market segment since the mid-2000s, but has not been a credible software solution supplier until the Harlequin RIP was capable of natively interpreting **PCL**². As a result, the Company is a small player in this market, and sales made in this market segment have not been significant.

The Company's plans are to grow its market share in this market segment, despite fierce competition from the incumbents; the adoption of the Company's solutions for this market is expected to happen when a customer plans to launch a new range of printing equipment to replace an existing range, and will largely depend upon the ease for the customer to switch from existing technologies to those proposed by the Company.

3.2.1.3.2 eDoc segment

The main applications of the Company's software in this market segment relate to the conversion of electronic documents from one file format to another file format, the delivery and rendering of these electronic documents.

The Company has been active in this market segment since the mid-2000s, and has made between 15% and 19% of its sales in this segment over the past three years. The Company believes that there are significant growth opportunities in this segment, which the Company intends to seize using a similar business model to that used in the Print segment, focused on selling its technologies to OEMs and on white label sales.

3.2.1.4 Competition

3.2.1.4.1 Print segment

Global Graphics' main competitors in the Print segment of the Company's business are the following:

- Adobe Systems Inc. (Adobe), with respect of **Page Description Language**² interpretation by the Company's **RIP software**², which is notably used in the graphic arts and commercial digital printing market segment, and to a lesser degree, and notably in emerging territories, Ghostscript, Studio RIP and also Founders,
- Zoran Corporation (Zoran), in the markets of copiers, multi-function devices and office printers where the competition also comes from the printer manufacturers themselves when they have developed their own page description language interpretation technologies.

² A definition of these terms is provided in the glossary, which is set out on pages 143 and 144 of this report.

3.2.1.4.2 eDoc segment

The main competitor in this segment is Adobe, the inventor of the PDF format, where competition also exists from Adobe Acrobat 'clone' providers such as Nuance, Foxit or Nitro PDF.

3.2.1.5 The Company's technology expertise

3.2.1.5.1 Printing software solutions

The Company is recognised as an expert in interpreting, rendering and converting Page Description Languages such as *PostScript*², *PDF*², *XPS*² or PCL.

The Company is also renowned for its adaptability and its capacity to propose software solutions which, though based on a common technology platform, are designed to meet changing needs of the various printing markets, from digital printing presses used for commercial printing applications such as personalized mail, commercial brochures, or magazines printing, or office printing applications with network copiers and multi-function devices, to color or monochrome, laser or inkjet printers, that one can use in the office or at home.

The Company's software products have gained a solid reputation for speed, reliability, and precision, notably the Company's flagships products which are the Harlequin and Jaws RIPs, but also color management technologies, which are particularly important for certain high-quality printing jobs, e.g. financial reports or magazines.

The Harlequin RIP[®] exists in several versions, and may be used to drive one single printing press, or to drive a series of printing systems in its server-based version; it may also be embedded on a controller board which drives the printing device (e.g. a multi-function copier). It is also a scalable solution, which allows the customer to use only part or all of the page description language interpretation, rendering and conversion technologies which have been developed by the Company.

The Jaws RIP[®] is used extensively in wide-format and large-format printing applications as well as in digital color proofing systems.

3.2.1.5.2 Electronic document software solutions

The latest iteration of the Company's electronic document technologies provide software application developers as well as end-users with powerful conversion functionalities which allow for the conversion of a document from one page description language or one file format to another.

With Jaws PDF Creator, and its successor gDoc Creator, it was already possible to convert a document created using Microsoft[®] Office (Word, Excel[®] or PowerPoint[®]) into a PDF document; with gDoc Fusion, it is also possible to convert a PDF file into an editable Word document, to annotate PDF or XPS documents and also to merge one or several pages of various documents in different formats (including image formats such as *TIFF*³ or *JPEG*³) into one single PDF or XPS document.

3.2.1.6 Use of third party technologies and dependence of the Company thereof

3.2.1.6.1 Use of third party technologies by the Company

The Company uses third party technologies in most of the software products it markets, pursuant to license agreements providing for the use of such technologies by the Company, sometimes at no cost to the Company, but typically against the payment of license royalties, which are expensed in the Company's consolidated accounts as an element of cost sales, as shown in the table below:

In thousands of euros	FY 2010	FY 2009	FY 2008
License royalties expensed by the Company	177	112	222
As a % of total sales	1.8%	1.2%	2.0%

Significant third party technologies which the Company uses in either its printing software solutions or its electronic document software solutions, against the payment of license royalties, relate to the right to use certain types of fonts, and certain security features, notably relating to the delivery of encrypted PDF files.

³ A definition of these terms is provided in the glossary, which is set out on pages 143 and 144 of this report.

3.2.1.6.2 Dependency on third party technologies

On the date of this Annual financial report, the Company considers it has no significant dependency on one or several third parties providing technologies used by the Company in its software products, notably because there are true alternatives for similar technologies proposed by other suppliers, which could be obtained in a reasonable timeframe and at an acceptable cost.

As a result, the Company considers that the risk that the development process of its software solutions be significantly affected should the Company be forced to use an alternative technology to those third party technologies it is currently using may be considered as remote.

Moreover, the Company has not entered into any customer agreement of any significance which would be likely to be terminated should the Company be forced to use an alternative technology to those third party technologies it is currently using.

3.2.2 The Company's organisation

3.2.2.1 Two operating segments: Print and eDoc

The Company's activities are organised into two business segments, which have each been considered as an operating segment for the purposes of the Company's internal reporting and of segment information disclosure in the Company's consolidated accounts, which are the following: the Print segment for the Company's printing software solutions, and the eDoc segment for the Company's electronic document software solutions.

3.2.2.1.1 Segment contribution to the Company's sales

The following tables provide a breakdown of the Company's sales made in the years ended 31 December 2008, 2009 and 2010, for each of its operating segments, as well as an analysis of the year-on-year change of sales made in each of these segments, both at current and constant exchange rates.

3.2.2.1.1.1 Breakdown of sales by reporting segment

In thousands of euros	FY 2010	FY 2009	FY 2008
Graphics arts markets	3,047	3,119	3,748
Digital printing markets	4,863	4,479	5,699
Print segment sales	7,910	7,598	9,447
<i>Print segment sales in % of total sales</i>	<i>82.3%</i>	<i>81.2%</i>	<i>84.6%</i>
eDoc segment sales	1,698	1,764	1,721
<i>eDoc segment sales in % of total sales</i>	<i>17.7%</i>	<i>18.8%</i>	<i>15.4%</i>
Total sales	9,608	9,362	11,168

3.2.2.1.1.2 Year-on-year change in segment sales, at both current and constant exchange rates

In thousands of euros	FY 2010	FY 2009	FY 2008
Print segment	7,910	7,598	9,447
<i>Year-on-year change, at current exchange rates</i>	<i>4.1%</i>	<i>-19.6%</i>	<i>See note below</i>
<i>Year-on-year change, at constant exchange rates</i>	<i>-0.9%</i>	<i>-23.5%</i>	<i>See note below</i>
eDoc segment	1,698	1,764	1,721
<i>Year-on-year change, at current exchange rates</i>	<i>-3.7%</i>	<i>2.5%</i>	<i>See note below</i>
<i>Year-on-year change, at constant exchange rates</i>	<i>-12.3%</i>	<i>-3.4%</i>	<i>See note below</i>
Total sales	9,608	9,362	11,168
<i>Year-on-year change, at current exchange rates</i>	<i>2.6%</i>	<i>-16.2%</i>	<i>-31.8%</i>
<i>Year-on-year change, at constant exchange rates</i>	<i>-3.1%</i>	<i>-20.4%</i>	<i>-26.8%</i>

Unofficial translation of the French language original

The information on the year-on-year change in segment sales is not provided for the year ended 31 December 2008 since up to 1 January 2009, when IFRS 8, Operating segments, was adopted by the Company, it had identified a single reportable segment and did not have corresponding comparative information for the year ended 31 December 2007.

3.2.2.1.2 Breakdown of employees per operating segment

Though the Company's technologies are based on a single technology platform, it is important to note that a significant portion of the development and quality assurance teams is specific to each operating segment.

More precise information on the allocation of employees per operating segment is not disclosed by the Company to protect its legitimate interests.

3.2.2.2 Main activities of the Company's entities

The main activities of the entities which are part of the Company as at 31 December 2010 are as follows:

- Global Graphics SA is the parent company of the Company; it has played a major role in providing funding for the Company's operations and growth, as well as in the coordination of the Company's activities, notably in administration and finance, but has no sales or development activities;
- Global Graphics Software Limited is the main operating subsidiary of the Company; 53 of the 66 employees the Company had, as at 31 December 2010, were working in either of this company's Cambourne (near Cambridge) or Manchester offices; 33 of the 35 employees which reported under the caption "R&D" at 31 December 2010 (see note 2e to the Board's report on the Company's 2010 operations for further information on this) were employed by this company, and Mr. Gary Fry as well as 7 of the members of the Company's management team have their offices in Cambourne;
- Global Graphics Software Incorporated: 9 of the 66 employees the Company had, as at 31 December 2010, were working for this company, the main activities of which are the sale of the Company's software products on North America markets, and pre- and after-sale support services to the Company's customers in those markets ;
- Global Graphics Kabushiki Kaishiyu : 2 of the 66 employees the Company had, as at 31 December 2010, were working for this company, the main activities of which are pre- and after-sale support services to the Company's customers in the Japanese and other Asian markets (notably in Taiwan and in South Korea).

3.2.2.3 Capital expenditures which were made, are in progress or are projected to be made

3.2.2.3.1 Nature of capital expenditures which were made, are in progress or are projected to be made

Considering the nature of the Company's business and its organisation, the major portion of capital expenditures which were made by the Company related to eligible development costs which were capitalised in accordance with corresponding criteria provided in IAS 38, Intangible assets, being noted that capital expenditures for tangible assets principally related to computer hardware and building improvements.

3.2.2.3.2 Tangible assets

3.2.2.3.2.1 Schedule of offices used by the Company as at 31 December 2010

Name of the Company's entity	Leased office location	Leased space (in sqm)	Lease expiry date	Landlord name
Global Graphics SA	Pompey (France)	20	30 June 2015	SCI Ferecau
Global Graphics Software Limited	Cambourne (UK)	1,349	30 June 2016	CGNU Life Insurance Ltd
Global Graphics Software Incorporated	Acton (USA)	211	30 April 2012	ND/Winrock Acton LLC
Global Graphics Kabushiki Kaishiyu	Tokyo (Japan)	32	1 July 2012	AIOS

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3.2.2.3.2 Capital expenditures in tangible assets which were made in 2010 and 2009

Capital expenditures in tangible assets which were made in the year ended 31 December 2010 amounted to € 229,000 (compared with € 123,000 in the year ended 31 December 2009), and included € 101,000 for capital expenditures in computer equipment in 2010 (€ 98,000 in 2009), and € 93,000 for building improvements (€ 3,000 in 2009).

3.2.2.3.2.3 Capital expenditures in tangible assets that were in progress or scheduled to be made

The Company had no significant capital expenditures in tangible assets which were in progress as at 31 December 2010.

Capital expenditures in tangible assets that are scheduled to be made in the year ending 31 December 2011 principally relate to the renewal of part of the Company's equipment.

3.2.2.3.3 Intangible assets

3.2.2.3.3.1 Capital expenditures in intangible assets which were made in 2010 and 2009

As stated in note 3e to the Company's consolidated financial statements for the year ended 31 December 2010, costs associated with maintaining existing computer software technology and programmes are recognised as an expense when incurred.

Are recognized as intangible assets costs that are directly associated with the production of identifiable and unique software products over which the Company has proprietary rights, that can be measured reliably, and where it is probable that future economic benefits attributable to such software products will flow to the Company. Such costs only include software development employee costs.

As at 31 December 2010, the Company considered it could demonstrate that all of the above-mentioned recognition criteria were met by four development projects, three of which also met such recognition criteria as at 31 December 2009.

The following table provides information on the aggregate amount of computer software development costs which were capitalized as at 31 December 2010 and 2009 and the amounts which were capitalized in the years then ended for those projects the Company considered it could demonstrate that it met all of the abovementioned recognition criteria:

In thousands of euros	FY 2010		FY 2009	
	Total amount capitalized at 31 December	Amount capitalized in the year	Total amount capitalized at 31 December	Amount capitalized in the year
Harlequin RIP	4,658	383	4,069	354
Jaws RIP	137	138	-	-
Total Print segment	4,795	521	4,069	354
EDL	1,494	65	1,359	228
gDoc applications	1,104	319	744	626
Total eDoc segment	2,598	384	2,103	854
Total	7,393	905	6,172	1,208

3.2.2.3.2.3 Capital expenditures in intangible assets that were in progress or scheduled to be made

Capital expenditures in intangible assets that were in progress as at 31 December 2010 or scheduled to be made in the year ending 31 December 2011 principally related to the following development projects:

- for the Print segment, the 3.0 version of the Jaws RIP; and
- for the eDoc segment, further investment in gDoc applications.

3.2.2.3.2.4 Financing of capital expenditures

Capital expenditures which were made by the Company in the years ended 31 December 2009 and 2010 were financed using the cash provided by the Company's operations and available cash, without entering into any financing arrangement.

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Capital expenditures which are scheduled to be made in the year ending 31 December 2011 are expected to be financed the same way as above.

3.3 Key figures for the Company

Unless otherwise specified, all financial information which is presented in this section of the Annual financial report has been extracted from the Company's consolidated accounts for the years ended 31 December 2008, 2009 and 2010.

For both internal and external reporting purposes, the Company also uses alternative performance indicators, which are identified as adjusted performance measures, and are defined as indicated in section 4.8 of this Annual financial report.

3.3.1 Condensed statements of income (loss)

In thousands of euros	FY 2010	FY 2009	FY 2008
Sales	9,608	9,362	11,168
Gross margin	9,177	9,049	10,736
Operating loss	(1,915)	(1,343)	(87)
<i>Operating loss in % of sales</i>	<i>-19.9%</i>	<i>-14.3%</i>	<i>-0.8%</i>
Adjusted operating loss (see section 4.8.3)	(1,192)	(1,539)	(297)
<i>Adjusted operating loss in % of sales</i>	<i>-12.4%</i>	<i>-16.4%</i>	<i>-2.7%</i>
Net loss	(2,597)	(1,606)	(565)
Net loss per share (in euro)	(0.26)	(0.16)	(0.06)
Adjusted net loss (see section 4.8.3)	(1,959)	(1,672)	(606)
Adjusted net loss per share (in euro)	(0.19)	(0.17)	(0.06)

3.3.2 Condensed statements of financial position as at 31 December

In thousands of euros	2010	2009	2008
Assets			
Goodwill	6,673	6,351	5,871
Other intangible assets	5,005	4,754	4,014
Other non-current assets	662	1,497	1,689
Accounts receivable	1,906	2,242	2,951
Other current assets	605	764	723
Cash	1,869	3,144	4,482
Total assets	16,720	18,752	19,730
Liabilities and shareholders' equity			
Shareholders' equity	14,780	16,366	16,770
- Non-current liabilities	36	2	2
- Current liabilities	1,904	2,384	2,958
Total liabilities	1,940	2,386	2,960
Total liabilities and shareholders' equity	16,720	18,752	19,730

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3.3.3 Condensed statements of cash flows

In thousands of euros	FY 2010	FY 2009	FY 2008
Cash available at 1 January	3,144	4,482	4,112
Net cash flows provided (used) by operating activities during the year	(379)	(105)	2,696
Net cash flows provided (used) by investing activities during the year	(1,137)	(1,377)	(2,069)
Net cash flows provided (used) by financing activities during the year	-	-	(66)
Net cash flows provided (used) during the year	(1,516)	(1,482)	561
Effect of changes in exchange rates on cash available at 1 January	241	144	(191)
Cash available at 31 December	1,869	3,144	4,482

CHAPITRE 4 - CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

4.1 Consolidated statement of financial position

In thousands of euros	Note	31 December 2010	31 December 2009	1 January 2009
ASSETS				
Non-current assets				
Property, plant and equipment	8	504	560	640
Other intangible assets	9	5,005	4,754	4 014
Goodwill	10	6,673	6,351	5 871
Financial assets	11	107	130	113
Deferred tax assets	12	51	807	936
Total non-current assets		12,340	12,602	11 574
Current assets				
Inventories		38	45	54
Trade receivables	13	1,906	2,242	2,951
Current tax assets		37	26	7
Other current assets	14	59	114	154
Prepaid expenses		471	579	508
Cash		1,869	3,144	4,482
Total current assets		4,380	6,150	8,156
TOTAL ASSETS		16,720	18,752	19,730
LIABILITIES AND SHAREHOLDERS' EQUITY				
Shareholders' equity				
Share capital	15	4,116	4,116	4,116
Share premium	15	28,776	28,829	28,830
Reserve for share options	16	2,982	2,853	2,751
Reserve for own shares	17	(1,204)	(1,246)	(1,246)
Accumulated deficit		(8,639)	(6,042)	(4,436)
Foreign currency translation reserve		(11,251)	(12,144)	(13,245)
Total shareholders' equity		14,780	16,366	16,770
Liabilities				
Non-current liabilities				
Provisions	18	34	-	-
Other non-current liabilities		2	2	2
Total non-current liabilities		36	2	2
Current liabilities				
Trade payables		292	337	471
Current tax liabilities		-	14	6
Other current liabilities		892	679	862
Customer advances and deferred revenue	19	570	1,354	1,619
Provisions	18	150	-	-
Total current liabilities		1,904	2,384	2,958
Total liabilities		1,940	2,386	2,960
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		16,720	18,752	19,730

4.2 Consolidated statement of income (loss)

In thousands of euros except per share data in euro	Note	Years ended 31 December	
		2010	2009
Sales		9,608	9,362
Cost of goods sold and services rendered		(431)	(313)
Gross margin		9,177	9,049
Selling, general and administrative expenses		(5,349)	(5,386)
Research & development expenses		(5,107)	(5,006)
Other operating expenses	22a	(779)	-
Other operating income	22b	143	-
Operating loss		(1,915)	(1,343)
Interest income	23	12	16
Interest expenses	23	-	-
Foreign currency exchange losses, net of gains	23	(203)	(94)
Loss before income tax		(2,106)	(1,421)
Income tax expense	24	(491)	(185)
Net loss		(2,597)	(1,606)
Basic net loss per share	25a	(0.26)	(0.16)
Diluted net loss per shares	25b	(0.26)	(0.16)

4.3 Consolidated statement of comprehensive income (loss)

In thousands of euros	Years ended 31 December	
	2010	2009
Net loss for the year	(2,597)	(1,606)
Foreign currency translations differences	893	1,101
Other comprehensive income (loss) for the year, net of income tax	893	1,101
Total comprehensive loss for the year	(1,704)	(505)

4.4 Consolidated statement of changes in shareholders' equity

In thousands of euros	Note	Share capital	Share premium	Reserve for share options	Reserve for own shares	Accumulated deficit	Foreign currency translation adjustment	Shareholders' equity
Balance at 1 January 2009		4,116	28,830	2,751	(1,246)	(4,436)	(13,245)	16,770
Total comprehensive loss								
Net loss for the year		-	-	-	-	(1,606)	-	(1,606)
Foreign currency translation differences		-	-	-	-	-	1,101	1,101
Total other comprehensive income (loss), net of tax		-	-	-	-	-	1,101	1,101
Total comprehensive loss		-	-	-	-	(1,606)	1,101	(505)
Transactions with owners								
Share option plans related expenses	15c & 16	-	(1)	102	-	-	-	101
Own share grants (repurchases)	15c & 17	-	-	-	-	-	-	-
Total transactions with owners		-	(1)	102	-	-	-	101
Balance at 31 December 2009		4,116	28,829	2,853	(1,246)	(6,042)	(12,144)	16,366
Total comprehensive loss								
Net loss for the year		-	-	-	-	(2,597)	-	(2,597)
Foreign currency translation differences		-	-	-	-	-	893	893
Total other comprehensive income (loss), net of tax		-	-	-	-	-	893	893
Total comprehensive loss		-	-	-	-	(2,597)	893	(1,704)
Transactions with owners								
Share option plans related expenses	15c & 16	-	(53)	129	-	-	-	76
Own share grants (repurchases)	15c & 17	-	-	-	42	-	-	42
Total transactions with owners		-	(53)	129	42	-	-	118
Balance at 31 December 2010		4,116	28,776	2,982	(1,204)	(8,639)	(11,251)	14,780

4.5 Consolidated statement of cash flows

In thousands of euros	Note	Years ended 31 December	
		2010	2009
Cash flows from operating activities			
Loss before income tax		(2,106)	(1,421)
Adjustments to reconcile net loss to net cash:			
- Depreciation of property, plant and equipment	8	228	264
- Amortization of other intangible assets	9	948	810
- Share-based remuneration expenses	16	129	102
- Change in the amount of provisions	18	187	-
- Proceeds from the disposal of intangible assets	22b	(75)	-
- Net interest expenses (net interest income)	23	(12)	(16)
- Net foreign currency exchange losses (gains)	23	203	94
- Expenses relating to share-based plans	15c	(11)	(1)
Exchange rate differences		(93)	(38)
Other items		13	39
Change in operating assets and liabilities :			
- Inventories		7	9
- Trade receivables	13	336	709
- Current tax assets		(11)	(19)
- Other current assets	14	55	40
- Prepaid expenses		108	(71)
- Trade payables		(45)	(134)
- Current tax liabilities		(14)	8
- Other current liabilities		213	(183)
- Customer advances and deferred revenue	19	(784)	(265)
Cash received for interest during the year		13	15
Cash received (paid) during the year for current tax		332	(47)
Net cash flows used in operating activities		(379)	(105)
Cash flows from investing activities			
Capital expenditures on property, plant & equipment	8	(229)	(123)
Capital expenditures on other intangible assets	9	(58)	(46)
Capitalization of development expenses	9	(905)	(1,208)
Proceeds from the disposal of intangible assets	22b	55	-
Net cash flows used in investing activities		(1,137)	(1,377)
Cash flows from financing activities			
Own share repurchases	17	-	-
Net cash flows used in investing activities		-	-
Net decrease in cash		(1,516)	(1,482)
Cash at 1 January		3,144	4,482
Effect of exchange rate fluctuations on cash at 1 January		241	144
Cash at 31 December		1,869	3,144

4.6 Notes to the 2010 consolidated financial statements

4.6.1 Note 1: Reporting entity

Global Graphics SA (the 'Parent', and together with its subsidiaries, the 'Company') is a company domiciled in France, which has its registered office at 146 boulevard de Finlande, Z.I. Pompey Industries, 54340 Pompey.

The Company is a leading provider of printing software solutions to the commercial and digital printing markets and for electronic document software applications.

4.6.2 Note 2: Basis of preparation of the consolidated financial statements

4.6.2.1 Note 2a: Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and related interpretations issued by the International Accounting Standards Board ('IASB'), as adopted by the European Union.

These consolidated financial statements were authorised for issue by the Parent's Board of Directors on 10 March 2011.

They may be amended by the Parent's shareholders on the date of the meeting when they are submitted for approval.

4.6.2.2 Note 2b: Basis of measurement

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

Non-current assets are stated at the lower of amortized cost and fair value less disposal costs when applicable.

The methods used to measure fair value are discussed in note 4 below.

4.6.2.3 Note 2c: Functional and presentation currency

These consolidated financial statements are presented in euros, which is the Parent's functional and presentation currency.

All information which is presented in the following notes has been rounded to the nearest thousand, unless otherwise specified.

4.6.2.4 Note 2d: Use of accounting estimates

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates, which may have a significant impact on the financial statements.

It also requires management to exercise its judgement in the process of applying the Company's accounting policies, and to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as income and expenses.

These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis by the Company's management. Revisions to accounting estimates are recognised in the period during which the estimate is revised if the revision affects only that period, or in the period and future periods if the revision affects both current and future periods. Il est tout à fait possible que les résultats réels futurs divergent de ceux estimés.

Judgements made by the Company's management in the application of IFRSs that have a significant effect on these consolidated financial statements, as well as estimates with a significant risk of material adjustment in the next year, are discussed in note 6 below.

4.6.2.5 Note 2e: Going concern

On the date these consolidated financial statements were drafted, and despite the amount of cash used in the Company's operations in the year ended 31 December 2010 (and notably in the first six months of that year), based on their review of cash flow projections prepared by management for the year ending 31 December 2011, the members of the Parent's Board of Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern, notably because of a lower operating expense base pursuant to the Company's reorganization plan which was implemented in April 2010, and also considering cash of 1,869 as at 31 December 2010 (3,144 as at 31 December 2009), and the absence of any outstanding debt at year-end date.

4.6.3 Note 3: Significant accounting policies and methods

The accounting policies and methods which are set out below have been applied consistently to all the years presented in these consolidated financial statements, and by all entities which form part of the Company.

4.6.3.1 Note 3a: Basis of consolidation

4.6.3.1.1 Note 3a (i): Subsidiaries

Subsidiaries are all entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. In assessing control, any potential voting rights that are currently exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Company, and until the date that control ceases.

The accounting policies and methods of subsidiaries have been changed where necessary to ensure consistency with the accounting policies and methods adopted by the Company.

4.6.3.1.2 Note 3a (ii): Transactions eliminated on consolidation

Inter-company balances and transactions, as well as 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.

4.6.3.2 Note 3b: Foreign currency translation

4.6.3.2.1 Note 3b (i): Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities using the exchange rates prevailing at the date of the respective transactions.

Monetary assets and liabilities which are denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate prevailing on that date. The foreign currency gain or loss on monetary items is the difference between amortised cost of the monetary asset or liability in the functional currency at the beginning of the reporting period, adjusted for effective interest and payments during the reporting period as applicable, and the amortised cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical costs in a foreign currency are retranslated to the functional currency using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency using the exchange rate at the date that the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4.6.3.2.2 Note 3b (ii): Translation of financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euros at exchange rates at the reporting date.

Income and expenses of foreign operations are translated to euros at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate prevailing on the dates of respective transactions.

Foreign currency differences are recognised directly into in a separate component of equity, the foreign currency translation reserve. When a foreign operation is partially disposed of or sold, relevant exchange differences that were recorded in the foreign currency translation reserve are recognised in profit or loss as part of the gain or loss on sale.

4.6.3.3 Note 3c: Financial instruments

4.6.3.3.1 Note 3c (i): Non-derivative financial instruments

Non-derivative financial instruments comprise trade receivables, current tax and other current assets, cash, trade payables, current tax liabilities and other liabilities, as well as customer advances and deferred revenue.

Non-derivative financial instruments are recognised initially at fair value, plus, for instruments which are not measured at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

4.6.3.3.2 Note 3c (ii): Derivative financial instruments

The Company uses derivative financial instruments (notably foreign currency forward and option contracts) to manage its exposure to foreign exchange risk. In accordance with guidelines established by management, the Company does not hold any derivative financial instruments for trading purposes.

Derivative financial instruments are initially recognised at fair value; any attributable transaction costs are recognised in profit or loss when incurred.

Subsequent to initial recognition, derivative financial instruments are measured at fair value, which is determined by the financial institution which is the Company's counterparty in the transaction.

Derivative financial instruments used by the Company are not designated in a qualifying hedge relationship: accordingly, any changes in their fair value are recognised immediately in profit or loss.

4.6.3.4 Note 3d: Property, plant and equipment

4.6.3.4.1 Note 3d (i): Recognition and measurement

Items of property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment losses as applicable. The cost of property, plant and equipment at 1 January 2004, the Company's date of transition to IFRSs, was determined by reference to the amount recognised under US GAAP, which were the Company's previous accounting framework.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment, which are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, are recognised for their net amount in profit or loss.

4.6.3.4.2 Note 3d (ii): Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item whenever it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of repairs and maintenance are recognised in profit or loss when incurred.

4.6.3.4.3 Note 3d (iii): Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, which are as follows:

- building improvements 3 to 10 years;
- computer and office equipment 3 to 5 years;
- office furniture and other items 3 to 5 years.

Depreciation methods and useful lives of items of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting date.

Also at such date, the carrying value of an item of property, plant and equipment is written down immediately to its recoverable value if such carrying value is greater than its estimated recoverable amount.

4.6.3.5 Note 3e: Goodwill and other intangible assets

4.6.3.5.1 Note 3e (i): Goodwill

The purchase method of accounting is used to account for all acquisitions of subsidiaries which were made by the Company before 1 January 2010. The cost of an acquisition is measured at the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange of control, plus costs directly attributable to the acquisition. Identifiable assets acquired as well as liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

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 no longer amortised but is tested annually for impairment (see note 3f) 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.

4.6.3.5.2 Note 3e (ii): Other intangible assets

Other intangible assets, which were purchased by the Company and have finite useful lives, are stated at cost (which was estimated to be their fair value on purchase date by the Company) less accumulated amortisation (computed as shown below) and impairment losses (see note 3f) when applicable.

4.6.3.5.2.1 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 purchase date by the Company) 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.

4.6.3.5.2.2 Customer contracts

Customer contracts are carried at historical cost less accumulated amortisation.

Amortisation is calculated over the useful estimated lives of the respective contracts, over periods ranging from one to three years from respective acquisition dates.

4.6.3.5.2.3 Computer software technology

Computer software technology is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives from respective acquisition dates over periods ranging from three to five years.

Costs associated with enhancing or maintaining existing computer software technology and programmes are recognised as an expense when incurred.

4.6.3.5.2.4 Capitalised software development costs

Costs incurred on software development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following cumulative criteria are fulfilled:

- 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 Company 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.

Such costs only consist of direct costs, and include software development employee costs.

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, which does not exceed ten years. Such amortisation charge is included in the caption '*Research and development expenses*' in the consolidated statement of income.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

4.6.3.6 Note 3f: Impairment of non-current assets

4.6.3.6.1 Note 3f (i): Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised through profit or loss.

4.6.3.6.2 Note 3f (ii): Impairment of non-financial assets

The carrying amounts of the Company'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 (the 'cash-generating unit').

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. 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 (group of units) 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.

4.6.3.7 Note 3g: Inventories

Inventories are measured 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 of completion and selling expenses.

4.6.3.8 Note 3h: Trade receivables

Trade receivables are recognised initially at fair value and subsequently re-measured at amortised cost using the effective interest method, less impairment. Trade receivables with a short duration are not discounted, as the carrying amount is a reasonable approximation of fair value (see note 4c below).

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the impairment loss is the difference between the carrying value of the trade receivable and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the trade receivable is reduced through the use of an allowance account and the amount of the loss is recognised within the caption '*Selling, general and administrative expenses*' in the consolidated statement of income.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against '*Selling, general and administrative expenses*' in the consolidated statement of income.

4.6.3.9 Note 3i: Cash

Cash comprises cash in hand and deposits held at call with banks at each reporting date.

4.6.3.10 Note 3j: Share capital

4.6.3.10.1 Note 3j (i): Ordinary shares

Ordinary shares, which are the only class of shares issued by the Company, are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares (whether they are resulting from the exercise of share options or not) are recognised as a deduction from equity, net of any tax effects.

Incremental costs directly attributable to the issue of new shares in the case of the acquisition of a business are included in the cost of acquisition as part of the purchase consideration.

4.6.3.10.2 Note 3j (ii): Own share repurchases

When share capital recognised in equity is repurchased, the consideration paid, including directly attributable costs, net of any tax effects, is recognized as a deduction from equity.

When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

4.6.3.11 Note 3k: Current liabilities

Trade payables and other current liabilities are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method.

Trade payables and other current liabilities with a short duration are not discounted, as the carrying amount is a reasonable approximation of fair value (see note 4c below).

4.6.3.12 Note 3l: Employee benefits

4.6.3.12.1 Note 3l (i): Pension obligations

The Company only sponsors defined contribution plans, i.e. post-employment benefit plans under which the Company pays fixed contributions into a separate entity (typically insurance companies).

The Company has no legal or constructive obligations to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

4.6.3.12.2 Note 3l (ii): Termination benefits

Termination benefits are recognised as an expense when the Company 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 Company 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.

4.6.3.12.3 Note 3l (iii): 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 Company 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.

4.6.3.12.4 Note 3l (iv): Share-based payments

The Company 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 Parent.

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.

4.6.3.13 Note 3m: Provisions

A provision is recognised if, as a result of a past event, the Company 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 Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

4.6.3.14 Note 3n: Revenue recognition

Fees from arrangements involving licenses, post-contract customer support, and other related services such as training, are allocated to the multiple elements of the arrangements based on vendor-specific objective evidence ('VSOE') of fair value of each of the elements of the arrangements. VSOE of fair value is typically established by the price charged when the same element is sold separately.

Revenues from software licenses or non-refundable minimum royalty agreements are recognised upon satisfaction of all of the following five criteria:

- signing of the license agreement;
- no additional significant production, modification or customisation of the software is required;
- delivery of the software has occurred;
- the fee is fixed and determinable; and
- collection is probable.

In a multiple element arrangement whereby VSOE of fair value of all undelivered elements exists but VSOE of fair value does not exist for one or more delivered elements, revenue is recognised using the residual method. Under the residual method, the fair value of undelivered elements is deferred and the remaining portion of the arrangement fee is recognised as revenue, assuming all other criteria for revenue recognition have been met.

Revenues from post-contract customer support ('PCS') elements are recognised rateably over the related PCS period.

Revenues from consulting, engineering fees and maintenance are recognised as the services are performed. Amounts received in advance of the related services being performed are included in deferred revenue and recognised in revenue only when the services are performed.

Fees from long-term contracts related to the development of software and supporting solutions at fixed prices are allocated to the product and support elements of such contracts based on the relative fair value of such elements. Revenue from product elements of such contracts is recognised using the percentage of completion method. The percentage of completion is usually determined based on the number of hours incurred to date in relation to the total hours expected to complete the product. The cumulative impact of any revision in estimates of the percentage completed is reflected in the period in which the changes become known. Any excess of progress billings over revenue based on the percentage completed is deferred and included in deferred revenue.

4.6.3.15 Note 3o: Cost of goods sold and services rendered

Cost of goods sold and services rendered includes product packaging, royalties paid to third parties, excess and obsolete inventory, purchased intangible assets amortisation expenses for software technology and patents acquired in business combinations, as well as any other costs (including employee benefits) associated with the manufacturing of the Company's software products and solutions.

4.6.3.16 Note 3p: Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. 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 provided using the balance sheet method, providing for 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, and 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, and they relate to income taxes levied by the same tax authority on the same taxable entity

4.6.3.17 Note 3q: Earnings per share

The Company presents basic and diluted earnings per share ('EPS') data for its ordinary shares.

Basic EPS is calculated 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 profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.6.3.18 Note 3r: Operating segments

IFRS 8, *Operating Segments*, which replaces IAS 14, *Segment Reporting*, requires a 'management approach' under which segment information is presented on the same basis as used for internal reporting purposes.

This has resulted in an increase of the number of reportable segments presented, as the previously single reported segment was split into the following two segments: printing software ('Print' segment) and electronic document technologies ('eDoc' segment).

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker ('CODM'). The Company's CODM has been identified as the Company's Chief Operating Officer, Mr. Gary Fry.

Goodwill has been allocated by management to groups of cash-generating units on a segment level. Goodwill existing at 1 January 2009 has been fully allocated to the Print segment as it relates to acquisitions of assets made in the area of printing software in the years ended 31 December 1999 and 2000.

There has been no further impact on the measurement of the Company's assets and liabilities as at 1 January 2009.

Assets and liabilities are allocated based on the operations of the reportable segments. Items such as deferred tax assets, current assets other than trade receivables, and current liabilities other than customer advances and deferred revenue, are not allocated to any of the Company's reportable segments

4.6.3.19 Note 3s: Effect of interpretations and amendments to existing and new standards

4.6.3.19.1 Note 3s (i): New standards which were adopted by the Company in 2010

The following new standards, amendments and interpretations to existing standards are mandatory for the Company's accounting periods beginning on or after 1 January 2010:

- IAS 27 (revised), *Consolidated and Separate Financial Statements*, requires accounting for changes in ownership interests by the Company in a subsidiary, while maintaining control, to be recognised in an equity transaction. When the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27 had no impact of the Company's consolidated financial statements for the year ended 31 December 2010.
- IFRS 3 (revised), *Business Combinations*, incorporates the following changes that are likely to be relevant to the Company's operations: the definition of a business has been broadened which is likely to result in more acquisitions being treated as business combinations; contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss; transaction costs (other than share and debt issue costs) will be expensed as incurred; and any pre-existing interest in the acquiree will be measured at fair value, with the gain or loss recognised in profit or loss. IFRS 3 (revised) will be applied prospectively to any business combination which will be initiated by the Company, and therefore there will be no impact on comparative periods presented in the Company's consolidated financial statements.
- IAS 38 (amendment), *Intangible Assets*, is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination. The Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment is not expected to have in a material impact on the Company's consolidated financial statements.

4.6.3.19.2 Note 3s (ii): New standards which were not adopted by the Company in 2010

Certain new standards, amendments and interpretations to existing standards which are mandatory for the Company's accounting periods beginning on or after 1 January 2010 have not been applied by the Company when preparing its consolidated financial statements for the year ended 31 December 2010.

None of them is expected to have a material effect on the Company's consolidated financial statements, with the exception of IFRS 9, Financial Instruments, which will be mandatory for the Company's accounting periods beginning on or after 1 January 2013 (assuming it has been adopted by the European Union in the meanwhile), and may result in changes in the classification and measurement of financial assets.

The Company does not intend to early adopt this standard and has not assessed the effect this standard may have of the Company's financial statements.

4.6.4 Note 4: Fair value

A number of the Company'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 methods indicated below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4.6.4.1 Note 4a: Goodwill and other intangible assets

The fair value of goodwill and other intangible assets which were acquired in business combinations is based on the discounted cash flows expected to be derived from the use of these intangible assets.

4.6.4.2 Note 4b: Derivative financial instruments

At a given reporting date, the fair value of forward exchange contracts is based on their listed market prices whereas the fair value of foreign currency forward and option contracts is based on quotes provided by the financial intermediaries that are the Company's counterparties in those transactions.

4.6.4.3 Note 4c: Non-derivative financial instruments

The carrying values less impairment provision of trade receivables, current tax assets, other current assets, cash, trade payables, current tax liabilities, other current liabilities, as well as customer advances and deferred revenue, are assumed to approximate their fair values at each of the balance sheet dates presented herein.

4.6.4.4 Note 4d: Share-based payments

The fair value of share options is measured based on an internal valuation performed using a Black-Scholes model for options granted prior to 1 January 2008, and based on a valuation made by an independent valuation adviser for the options granted since that date.

Measurement inputs include share price of the measurement date, exercise price of the share option, expected volatility (based on weighted average historic volatility for the Company's share price), weighted average expected life of the option (based on historical experience and general option holder behaviour), the expected absence of dividends, and the 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.

4.6.5 Note 5: Financial risk factors

4.6.5.1 Note 5a: Overview

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (notably foreign exchange risk and cash flow interest-rate risk).

The Company's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Financial risk management is overseen by the Chief Financial Officer ('CFO') under policies approved by the Company's Board of Directors (the 'Board') which has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Board provides principles for overall risk management, as well as written policies 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 Company's operating units.

4.6.5.2 Note 5b: Credit risk

4.6.5.2.1 Note 5b (i): Definition

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables and cash.

At each of the balance sheet dates presented, management estimated that the carrying amounts of these two classes of assets represented the Company's maximum credit exposure.

4.6.5.2.2 Note 5b (ii): Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer whereas the demographics of the Company's customer base, including the default risk of the industry sector and country in which the customers operate, has less of an influence on credit risk.

4.6.5.2.2.1 Concentration of credit risk

■ Credit risk exposure due to customer concentration

As it sells its products and provides its services to a broad base of customers including OEM partners, distributors, and system integrators, relatively few customers accounted for a substantial portion of the Company's sales within the last two years as a result of the importance of a limited number of companies in the Company's markets.

In 2010, the ten largest customers represented approximately 64.1% of the Company's sales (compared with 57.0% in 2009); approximately 45.1% of 2010 sales were made with the five largest customers of the Company (compared with 41.3% in 2009), and approximately 16.8% with the major customer alone (14.0% in 2009).

■ Credit risk exposure due to geographical concentration

In thousands of euros	Years ended 31 December		
	2010	2009	2008
Continental Europe (including France)	101	154	362
United Kingdom	59	16	63
North America	1,530	1,539	1,770
Asia (including Japan)	202	311	753
Reste of the world	14	222	3
Total trade receivables	1,906	2,242	2,951

4.6.5.2.2.2 The Company's credit policy

The Company has established a policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review include external ratings, where available, and in some cases bank references.

Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Company's Chief Executive Officer: such limits are reviewed at least annually.

Customers that fail to meet the Company's bench mark creditworthiness may transact with the Company only on a prepayment basis.

4.6.5.2.2.3 Impairment losses

Approximately 50% of the Company's customers have been transacting with the Company for over five years.

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Losses have incurred infrequently and have not been significant, as the amount of impairment losses was € 127,000 in 2010 and € 48,000 in 2009.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including geographical location, market segment, aging profile, maturity and existence of previous financial difficulties or collection issues.

■ Aging of trade receivables and impairment losses

In thousands of euros	31 December 2010		31 December 2009		31 December 2008	
	Gross value	Losses	Gross value	Losses	Gross value	Losses
Items which are not past due	1,716	-	1,731	-	2,090	-
Items which are past due:						
- 0 to 30 days	146	101	309	-	361	-
- 30 to 60 days	81	-	59	-	339	-
- 60 to 90 days	48	-	60	-	126	-
- More than 90 days	53	37	144	61	239	204
Total des créances clients	2,044	138	2,303	61	3,155	204

■ Movement in the allowance for impairment during the last two years

In thousands of euros	Years ended 31 December	
	2010	2009
Balance as at 1 January	61	204
Provisions for impairment which were recognized in the year	127	48
Amounts receivable which were written off during the year	(24)	(107)
Unused amounts which reversed during the year	(18)	(83)
Effect of exchange rates	(8)	(1)
Balance as 31 December	138	61

4.6.5.2.3 Note 5b (iii): Cash

For banks and other financial institutions, only independently rated parties with a minimum rating of 'A' are accepted; the main banks used by the Company have the following Standard & Poor's ratings:

	31 December 2010	31 December 2009	31 December 2008
HSBC Bank Plc	AA	AA	AA
Bank of America North America	A+	A+	AA-
Natixis SA	A+	A+	A+

4.6.5.3 Note 5c: Liquidity risk

4.6.5.3.1 Note 5c (i): Definition

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

4.6.5.3.2 Note 5c (ii): The Company's liquidity risk policy

The Company's policy to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 to 90 days, including the servicing of financial or lease obligations, if any, but excluding the potential impact of extreme circumstances that cannot reasonably be predicted.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities, where appropriate. Due to the dynamic nature of its business, the Company aims to maintain flexibility in funding by keeping committed credit lines available. However, considering the Company's cash position of € 1,869,000 at 31 December 2010, the Company did not maintain any unused lines of credit at such date.

4.6.5.3.3 Note 5c (iii): Contractual maturities of financial liabilities

4.6.5.3.3.1 As at 31 December 2010

In thousands of euros	Carrying amount	Contractual or expected cash flows			
		Total	One year or less	One to five years	More than 5 years
Trade payables	292	(292)	(292)	-	-
Current tax liabilities	-	-	-	-	-
Other current liabilities	892	(892)	(892)	-	-
Customer advances and deferred revenue	570	(570)	(378)	(192)	-
Provisions	150	(167)	(167)	-	-
Total current liabilities	1,904	(1,921)	(1,729)	(192)	-

4.6.5.3.3.2 As at 31 December 2009

In thousands of euros	Carrying amount	Contractual or expected cash flows			
		Total	One year or less	One to five years	More than 5 years
Trade payables	337	(337)	(337)	-	-
Current tax liabilities	14	(14)	(14)	-	-
Other current liabilities	679	(679)	(679)	-	-
Customer advances and deferred revenue	1,354	(1 354)	(1 058)	(296)	-
Total current liabilities	2 384	(2 384)	(2 088)	(296)	-

4.6.5.3.3.3 As at 31 December 2008

In thousands of euros	Carrying amount	Contractual or expected cash flows			
		Total	One year or less	One to five years	More than 5 years
Trade payables	471	(471)	(471)	-	-
Current tax liabilities	6	(6)	(6)	-	-
Other current liabilities	862	(862)	(862)	-	-
Customer advances and deferred revenue	1,619	(1,619)	(1,375)	(244)	-
Total current liabilities	2,958	(2,958)	(2,714)	(244)	-

4.6.5.3.4 Note 5d: Market risk

4.6.5.3.4.1 Note 5d (i): Definition

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Company's income.

4.6.5.3.4.2 Note 5d (ii): The Company's market risk policy

The objective of market risk management is to manage and control market risk exposures (notably foreign exchange risk and cash-flow interest-rate risk) within acceptable parameters, while optimising the return on risk.

4.6.5.3.4.3 Note 5d (iii): Foreign exchange risk

The Company operates internationally; as a result, it 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.

■ Foreign risk management policy

Foreign exchange risk arising from future commercial transactions and recognized assets and liabilities

To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities which are not denominated in the entity's functional currency, certain entities in the Company use foreign currency option or forward contracts transacted with high-credit-quality financial institutions, after review and approval by the Company's Chief Financial Officer.

No such contracts were outstanding as at 31 December 2010.

The company recorded a foreign exchange currency loss with respect of these contracts which amounted to € 110,000 in the year ended 31 December 2010, compared with a foreign exchange currency gain of € 34,000 in the year ended 31 December 2009.

Foreign exchange risk arising from net investments in foreign operations

The Company has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Company's foreign operations in the UK and in the US is managed primarily through borrowings denominated in the relevant foreign currencies, where appropriate.

■ Balance sheet exposure

As at 31 December 2010

In thousands of euros	Notional amounts which are denominated in				
	euros	US dollars	British pounds	Japanese yens	Indian rupees
Trade receivables	90	1,771	45	-	-
Current tax assets	-	37	-	-	-
Other current assets	19	-	32	8	-
Trade payables	(106)	(54)	(111)	(6)	(15)
Current tax liabilities	-	-	-	-	-
Other current liabilities	(58)	(129)	(690)	(15)	-
Customer advances and deferred revenue	-	(570)	-	-	-
Net balance sheet exposure	(55)	1,055	(724)	(13)	(15)

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As at 31 December 2009

In thousands of euros	Notional amounts which are denominated in				
	euros	US dollars	British pounds	Japanese yens	Indian rupees
Trade receivables	116	1,996	50	80	-
Current tax assets	-	26	-	-	-
Other current assets	21	-	78	8	7
Trade payables	(129)	(3)	(160)	(5)	(40)
Current tax liabilities	-	-	-	(14)	-
Other current liabilities	(41)	(122)	(516)	-	-
Customer advances and deferred revenue	-	(1,284)	(70)	-	-
Net balance sheet exposure	(33)	613	(618)	69	(33)

As at 31 December 2008

Montants exprimés en milliers d'euros	Notional amounts which are denominated in				
	euros	US dollars	British pounds	Japanese yens	Indian rupees
Trade receivables	266	2,516	144	25	-
Current tax assets	-	-	-	-	7
Other current assets	73	-	69	9	3
Trade payables	(251)	(15)	(173)	(4)	(28)
Current tax liabilities	-	6	(147)	(12)	-
Other current liabilities	(64)	(217)	(434)	-	-
Customer advances and deferred revenue	-	(1,441)	(178)	-	-
Net balance sheet exposure	24	849	(719)	18	(18)

■ Sensitivity analysis

The following exchange rates with the euro applied during the years ended 31 December 2010 and 2009 and at 31 December 2010 and 2009, respectively:

Number of euros needed for one	Average rates in		Rates as at 31 December	
	2010	2009	2010	2009
US dollar	0.7551	0.7209	0.7346	0.6976
British pound	1.1660	1.1229	1.1675	1.1112
Japanese yen	0.0086	0.0077	0.0093	0.0076
Indian rupee	0.0165	0.0149	0.0166	0.0149

Had sales and results of the entities of the Company for the year ended 31 December 2010 been converted using the exchange rates prevailing as at and in the year ended 31 December 2009, the Company's 2010 sales would have been lower by approximately € 533,000 and amounted to € 9,075,000, whereas the operating loss for the year ended 31 December 2010 would have been approximately € 414,000 higher, and amounted to € 1,501,000.

Had sales and results of the entities of the Company for the year ended 31 December 2009 been converted using the exchange rates prevailing as at and in the year ended 31 December 2008, the Company's 2009 sales would have been lower by approximately € 469,000 and amounted to € 8,893,000, whereas the operating loss for the year ended 31 December 2010 would have been approximately € 1,385,000 higher, and amounted to € 2,728,000.

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4.6.5.3.4 Note 5d (iv): Cash flow interest-rate risk

As the Company has no significant interest-bearing assets and liabilities at 31 December 2010, 2009 and 2008, the Company's income and operating cash flows for the years ended 31 December 2010 and 2009 were substantially independent of changes in market interest rates over these two years.

4.6.5.3.5 Note 5e: Capital risk management

4.6.5.3.5.1 Note 5e (i): The Company's objectives when managing capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as 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 Company's approach to capital risk management during the year ended 31 December 2010.

4.6.5.3.5.2 Note 5e (ii): Employee shareholdings

The Board's target is for directors and employees of the Company to hold a minimum of 5.0% of the Company's ordinary shares by the end of the year ending 31 December 2012.

As at 31 December 2010, the Company's directors and employees hold approximately 2.7% of the Company's ordinary shares and approximately 9.4% assuming that all outstanding share options vest and/or are exercised and that all grants of free shares become irrevocable (see note 16 below for further information on the Company's share-based plans).

4.6.5.3.5.3 Note 5e (iii): Own share repurchase programme

From time to time the Company repurchases its own shares on the market as part of the share repurchase programme adopted by the Company's shareholders (see note 17 below).

The timing of these repurchases depends on market prices for the Company's share. Shares which have been repurchased are intended to be used primarily for issuing shares under the Company's share grant programme (see note 16b for further information on the Company's free share grant plans), and secondly for returning cash to the shareholders through the cancellation of outstanding shares.

4.6.5.3.5.4 Note 5e (iv): Financial structure

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The following table reflects the gearing ratio of the Company at each reporting date presented, which is defined as net debt (calculated as total borrowings plus bank overdrafts less cash at each reporting date) divided by total capital (calculated as equity as shown in the consolidated statement of financial position plus net debt, or less net cash, as appropriate):

In thousands of euros, unless otherwise specified	31 December 2010	31 December 2009	31 December 2008
Net debt (net cash)	(1,869)	(3,144)	(4,482)
Total shareholders' equity	14,780	16,366	16,770
Total capital	12,911	13,222	12,288
Gearing ratio (in % of total capital)	-14.5%	-23.8%	- 36.5%

Neither the Parent nor any of its subsidiaries are subject to externally imposed capital requirements.

4.6.6 Note 6: Critical accounting estimates and judgements

When preparing the Company's consolidated financial statements, management makes various accounting estimates and judgements which are based on historical experience and various other relevant factors, notably including expectations of future events that are believed to be reasonable under the circumstances when the judgement is formed.

4.6.6.1 Note 6a: Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate exactly to the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2011 are discussed below.

4.6.6.1.1 Note 6a (i): Impairment of goodwill and other intangible assets

4.6.6.1.1.1 Goodwill and other intangible assets with useful indefinite lives

The Company 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 3f above.

Goodwill was fully allocated to the Print segment for the purpose of impairment testing, as the Print and eDoc segments were identified as the lowest level for which there were separately identifiable cash flows (cash-generating unit).

The recoverable amount of the Print cash-generating unit has been determined using value-in-use calculations. These calculations employed cash flow projections based on financial forecasts approved by management covering a three-year period from 31 December 2010. Cash flows for the following four years were extrapolated using a year-on-year growth rate of 2.5% for sales and of 2.1% for operating expenses over that four-year period. A rate of 11.7% was used for discounting the projected cash flows, which management believes to reflect specific risks relating to the Print segment of the Company's business. The terminal value was determined based on the discounted forecast cash flow for the year ended 31 December 2017 divided by the abovementioned discount rate.

Based on the results of this review, the Company concluded that no impairment was required for goodwill and other intangible assets with indefinite useful lives as at and for the year ended 31 December 2010 (as had already been the case in the year ended 31 December 2009).

4.6.6.1.1.2 Intangible assets that are subject to amortisation

Intangible assets that are subject to amortization (notably those arising from the capitalization of development costs in accordance with criteria set in IAS 38, *Intangible Assets*) are reviewed for impairment whenever events or changes in accounting estimates indicate that the carrying amount may not be recoverable.

■ Intangible assets reported under the Print segment

Intangible assets which are reported as part of the Print segment of the Company's business (see note 7e below) relate to two development projects (namely the Harlequin and Jaws RIP software), which management believes to meet the recognition criteria set out in paragraphs 57 to 62 of IAS 38 (see note 6a (ii) below).

Considering the absence of material changes during the year ended 31 December 2010 in the assumptions used at 31 December 2009 for identifying any requirement to impair these intangible assets, which resulted in management to consider that no impairment was required at the latter date for these intangible assets, management concluded that no impairment for the intangible assets reported under the Print segment of the Company's business was required as at and during the year ended 31 December 2010.

■ Intangible assets reported under the eDoc segment

Intangible assets which are reported as part of the eDoc segment of the Company's business (see note 7e below) relate to two development projects (namely EDL and gDoc applications), which management believes to meet the recognition criteria set out in paragraphs 57 to 62 of IAS 38 (see note 6a (ii) below).

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Considering the lower than expected sales achieved for that segment in the year ended 31 December 2010, management performed a detailed impairment computation to assess whether any of these intangible assets needed to be impaired as at 31 December 2010. Such computations involved the use of projected cash inflows resulting from forecast sales to be made over the remaining amortization period of the respective development projects, including significant, projected year-on-year sales growth assumptions for the gDoc application development project.

Based on this detailed impairment computation, management concluded that no impairment of the intangible assets reported under the eDoc segment of the Company's business was required as at and for the year ended 31 December 2010.

4.6.6.1.2 Note 6a (ii): Capitalisation of computer software development costs

As stated in note 3e to the Company's consolidated financial statements for the year ended 31 December 2010, costs associated with maintaining existing computer software technology and programmes are recognised as an expense when incurred.

Are recognized as intangible assets costs that are directly associated with the production of identifiable and unique software products over which the Company has proprietary rights, that can be measured reliably, and where it is probable that future economic benefits attributable to such software products will flow to the Company. Such costs only include software development employee costs.

As at 31 December 2010, the Company considered it could demonstrate that all of the above-mentioned recognition criteria were met by four development projects, three of which also met such recognition criteria as at 31 December 2009.

The following table provides information on the aggregate amount of computer software development costs which were capitalized as at 31 December 2010 and 2009 and the amounts which were capitalized in the years then ended for those projects the Company considered it could demonstrate that it met all of the abovementioned recognition criteria:

In thousands of euros	FY 2010		FY 2009	
	Total amount capitalized at 31 December	Amount capitalized in the year	Total amount capitalized at 31 December	Amount capitalized in the year
Harlequin RIP	4,658	383	4,069	354
Jaws RIP	137	138	-	-
Total Print segment	4,795	521	4,069	354
EDL	1,494	65	1,359	228
gDoc applications	1,104	319	744	626
Total eDoc segment	2,598	384	2,103	854
Total	7,393	905	6,172	1,208

4.6.6.1.3 Note 6a (iii): Income tax

4.6.6.1.3.1 Current tax

The Company is subject to income tax in France and in all jurisdictions where it has subsidiaries (notably in the UK and the US). Significant judgement is required in determining the provision for income taxes, as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

4.6.6.1.3.2 Deferred tax

The Company recognises deferred tax assets, net of any deferred tax liabilities as applicable, as stated in note 3p above.

In evaluating whether it is probable or not that a deferred tax asset recognised in a specific jurisdiction may be utilised against future taxable profits to be recognised in that jurisdiction, the Company uses estimates of future taxable profits over an appropriate period of time from the balance sheet date (currently being four years), based on sales growth and profit assumptions considered to be appropriate by management over that four-year period.

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As at 31 December 2010 included in such sales growth assumptions were certain assumptions of the year-on-year growth of gDoc application sales, which were consistent with management's projections on the adoption of gDoc Fusion over the four-year period ending 31 December 2014.

Should these growth assumptions be revised downwards in future periods, the Company may be required to record a significant deferred tax charge during the period in which the downward revision of these assumptions would be effected, resulting in an unfavorable impact on the Company's results of operations.

4.6.6.2 Note 6b: Critical judgements in applying the Company's accounting policies

4.6.6.2.1 Note 6b (i): Amortization of capitalised development costs

The following table provides information on the aggregate amount of computer software development costs which were capitalized as at 31 December 2010 and 2009 and the amounts which were capitalized in the years then ended for those projects the Company considered it could demonstrate that it met all of the abovementioned recognition criteria:

In thousands of euros	FY 2010		FY 2009	
	Accumulated amortisation at 31 December	Amortisation expense for the year	Accumulated amortisation at 31 December	Amortisation expense for the year
Harlequin RIP	1,690	461	1,168	485
Jaws RIP	-	-	-	-
Total Print segment	1,690	461	1,168	485
EDL	495	165	314	167
gDoc applications	334	237	93	92
Total eDoc segment	829	402	407	259
Total	2,519	863	1,575	744

4.6.6.2.2 Note 6b (ii): Net deferred tax assets which were recognised as at 31 December 2010

4.6.6.2.2.1 Deferred tax assets attributable to capital allowances available in the UK

Deferred tax assets are predominantly attributable to capital allowances available to the UK subsidiaries as the result of the acquisitions made by the Company in the years ended 31 December 1999 and 2000. Although such allowances may be used without any deadline, they can only be used in a given year up to 20% of the outstanding balance at the beginning of that year.

The recognition of a deferred tax asset corresponding to the amount of capital allowances the Company projected to use over the four-year period ending 31 December 2014 to offset projected taxable profit to be made by its UK subsidiary over such period, using the tax rate that was expected to apply to the period when the deferred tax asset would be expected to be realized (i.e. 28.0% until 31 March 2011 and 27.0% from 1 April 2011 onwards) resulted in the recognition of a deferred tax asset of € 1,264,000 as at 31 December 2010, and a deferred tax expense of € 859,000 in the year ended 31 December 2010. This deferred tax expense included a deferred tax expense of € 76,000 which reflected the effect of the change in the UK corporate tax rate from 28.0% to 27.0%, which was enacted in late July 2010, and which will be applicable from 1 April 2011.

4.6.6.2.2.2 Deferred tax liabilities arising from the capitalisation of development costs

The recognition of a deferred tax liability corresponding to the aggregate amount of development costs incurred by one of the UK-based subsidiaries of the Company, which have been capitalized in accordance with applicable provisions of IAS 38 as set out in note 4a above, net of applicable amortization, using the tax rate that is expected to apply to the period when the deferred tax liability is expected to be settled (i.e. 28.0% until 31 March 2011 and 27.0% from 1 April 2011 onwards) resulted in the recognition of a deferred tax liability of € 1,318,000 at 31 December 2010, and a corresponding deferred tax benefit of € 35,000 in the year ended 31 December 2010.

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This deferred tax benefit included a deferred tax benefit of € 47,000 which reflected the effect of the change in the UK corporate tax rate from 28.0% to 27.0%, which was enacted in late July 2010, and which will be applicable from 1 April 2011.

4.6.7 Note 7: Segment information

4.6.7.1 Note 7a: Identification of reportable segments

Management has determined the operating segments based on the reports reviewed by the Company'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. Two segments were identified: the Print segment, for printing software activities, and the eDoc segment, for electronic document technology activities.

4.6.7.2 Note 7b: Breakdown of the Company's sales

4.6.7.2.1 Note 7b (i): Breakdown of sales by nature of products sold and services rendered

Both segments derive their revenue principally from the development and sale of software applications and/or solutions, and of related services such as customization, implementation, training, as well as support and maintenance.

The following table provides a breakdown of the Company's sales made in years ended 31 December 2009 and 2010 by nature of products sold and services rendered:

In thousands of euros	FY 2010	FY 2009
License royalties	7,934	7,228
Maintenance and after-sale support services	1,582	1,943
Engineering services	30	175
Other items	62	16
Total sales	9,608	9,362

4.6.7.2.2 Note 7b (ii): Geographical allocation of the Company's sales

In thousands of euros	FY 2010	FY 2009
France	13	33
Continental Europe (excluding France)	571	809
United Kingdom	126	91
North American (United States and Canada)	6,637	6,603
Asia (including Japan)	2,224	1,808
Rest of the world	37	18
Total sales	9,608	9,362

4.6.7.3 Note 7c: Sales and gross profit by operating segment

Performance of operating segments is assessed by the Company's CEO based on their respective gross margin contribution.

The following tables provide information on sales and gross margin for each of the Company's operating segments for the years ended 31 December 2009 and 2010:

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4.6.7.3.1 Year ended 31 December 2010

In thousands of euros	Print segment	eDoc segment	Unallocated items	Total
Total segment sales	7,910	1,698	-	9,608
Inter segment sales	-	-	-	-
Sales from external customers	7,910	1,698	-	9,608
Cost of sales	(246)	(141)	(44)	(431)
Gross profit	7,664	1,557	(44)	9,177

4.6.7.3.2 Year ended 31 December 2009

In thousands of euros	Print segment	eDoc segment	Unallocated items	Total
Total segment sales	7,598	1,764	-	9,362
Inter segment sales	-	-	-	-
Sales from external customers	7,598	1,764	-	9,362
Cost of sales	(173)	(95)	(45)	(313)
Gross profit	7,425	1,669	(45)	9,049

4.6.7.4 Note 7d: Reconciliation of gross profit to profit (loss) before tax

In thousands of euros	Years ended 31 December	
	2010	2009
Gross margin (see note 7c above)	9,177	9,049
Selling, general and administrative expenses	(5,349)	(5,386)
Research & development expenses	(5,107)	(5,006)
Other operating expenses, net of other operating income	(636)	-
Financial expenses, net of financial income (see note 23)	(191)	(78)
Profit (loss) before tax	(2,106)	(1,421)

4.6.7.5 Note 7e: Reconciliation of assets and liabilities

4.6.7.5.1 Note 7e (i): As at 31 December 2010

In thousands of euros	Print segment	eDoc segment	Unallocated items	Total
Non-current assets	9,779	1,899	662	12,340
Current assets	1,303	579	2,498	4,380
Total assets	11,082	2,478	3,160	16,720
Non-current liabilities	-	-	36	36
Current liabilities	147	423	1,334	1,904
Total liabilities	147	423	1,370	1,940

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4.6.7.5.1 Note 7e (i): As at 31 December 2009

In thousands of euros	Print segment	eDoc segment	Unallocated items	Total
Non-current assets	9,252	1,853	1,497	12,602
Current assets	1,505	737	3,908	6,150
Total assets	10,757	2,590	5,405	18,752
Non-current liabilities	-	-	2	2
Current liabilities	873	481	1,030	2,384
Total liabilities	873	481	1,032	2,386

4.6.8 Note 8: Property, plant and equipment

4.6.8.1 Note 8a: Cost

In thousands of euros	Building improv.	Computer equipment	Office equipment	Office furniture	Other items	Total
Balance at 1 January 2009	407	1,117	16	260	565	2,365
Additions	3	98	-	2	20	123
Disposals	-	(5)	-	-	-	(5)
Effect of change in exch. rates	31	53	4	13	43	144
Balance at 31 December 2009	441	1,263	20	275	628	2,627
Additions	93	101	-	3	32	229
Disposals	(8)	(292)	-	-	-	(300)
Effect of change in exch. rates	20	55	2	17	33	127
Balance at 31 December 2010	546	1,127	22	295	693	2,683

4.6.8.2 Note 8b: Depreciation

In thousands of euros	Building improv.	Computer equipment	Office equipment	Office furniture	Other items	Total
Balance at 1 January 2009	123	920	15	205	462	1,725
Depreciation charge	43	119	1	22	76	261
Effect of disposals	-	(5)	-	-	-	(5)
Effect of change in exch. rates	7	37	-	9	33	86
Balance at 31 December 2009	173	1,071	16	236	571	2,067
Depreciation charge	50	108	1	23	46	228
Effect of disposals	(2)	(217)	-	-	-	(219)
Effect of change in exch. rates	9	48	1	15	30	103
Balance at 31 December 2010	230	1,010	18	274	647	2,179

4.6.8.3 Note 8c: Carrying amounts

In thousands of euros	Building Improv.	Computer equipment	Office equipment	Office furniture	Other items	Total
Balance at 1 January 2009	284	197	1	55	103	640
Balance at 31 December 2009	268	192	4	39	57	560
Balance at 31 December 2010	316	117	4	21	46	504

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4.6.9 Note 9: Other intangible assets

4.6.9.1 Note 9a: Cost

In thousands of euros	Software technology	Customer contracts	Patents	Trademarks	Know-how	Total
Balance at 1 January 2009	21,221	12,403	2,242	545	129	36,540
Additions	1,208	-	46	-	-	1,254
Disposals	-	-	-	(13)	-	(13)
Effect of change in exch. rates	1,723	1,014	170	44	11	2,962
Balance at 31 December 2009	24,152	13,417	2,458	576	140	40,743
Additions	905	-	58	-	-	963
Disposals	-	-	-	-	-	-
Effect of change in exch. rates	1,228	680	118	29	7	2,062
Balance at 31 December 2010	26,285	14,097	2,634	605	147	43,768

4.6.9.2 Note 9b: Amortisation and impairment

In thousands of euros	Software technology	Customer contracts	Patents	Trademarks	Know-how	Total
Balance at 1 January 2009	17,394	12,403	2,094	506	129	32,526
Amortisation charge	744	-	37	29	-	810
Impairment charge	-	-	-	-	-	-
Effect of change in exch. rates	1,417	1,014	170	41	11	2,653
Balance at 31 December 2009	19,555	13,417	2,301	576	140	35,989
Depreciation charge	863	-	85	-	-	948
Impairment charge	-	-	-	-	-	-
Effect of change in exch. rates	993	680	117	29	7	1,826
Balance at 31 December 2010	21,411	14,097	2,503	605	147	38,763

4.6.9.3 Note 9c: Carrying amounts

In thousands of euros	Software technology	Customer contracts	Patents	Trademarks	Know-how	Total
Balance at 1 January 2009	3,827	-	148	39	-	4,014
Balance at 31 December 2009	4,597	-	157	-	-	4,754
Balance at 31 December 2010	4,874	-	131	-	-	5,005

Amortisation expenses for the years ended 31 December 2010 and 2009, respectively, consist of the following:

- amortisation expenses relating to software technology and patents, which are recorded as an element of cost of sales, for a total of € 85,000 in the year ended 31 December 2010 (compared with € 37,000 in the year ended 31 December 2009);
- amortisation expenses relating to software technology development costs which have been capitalized in accordance with IAS 38, which are recorded as research & development expenses for a total of € 863,000 in the year ended 31 December 2010 (compared with € 744,000 in year ended 31 December 2009); and
- amortisation expenses relating to trademarks were nil in the year ended 31 December 2010, compared with an expense of € 29,000 in year ended 31 December 2009.

4.6.10 Note 10: Goodwill

4.6.10.1 Note 10a: Cost

In thousands of euros	Harlequin asset purchase	Ansyrr asset purchase	Total
Balance at 1 January 2009	11,081	13	11,094
Effect of change in exchange rates	907	(1)	906
Balance at 31 December 2009	11,988	12	12,000
Effect of change in exchange rates	607	1	608
Balance at 31 December 2009	12,595	13	12,608

4.6.10.2 Note 10b: Amortisation and impairment

In thousands of euros	Relatif aux actifs d'Harlequin	Relatif aux actifs d'Ansyrr	Total
Balance at 1 January 2009	5,210	13	5,223
Effect of change in exchange rates	427	(1)	426
Balance at 31 December 2009	5,637	12	5,649
Effect of change in exchange rates	285	1	286
Balance at 31 December 2009	5,922	13	5,935

4.6.10.3 Note 10c: Carrying amounts

In thousands of euros	Relatif aux actifs d'Harlequin	Relatif aux actifs d'Ansyrr	Total
Balance at 1 January 2009	5,871	-	5,871
Balance at 31 December 2009	6,351	-	6,351
Balance at 31 December 2010	6,673	-	6,673

4.6.11 Note 11: Financial assets

In thousands of euros	31 December 2010	31 December 2009	31 December 2008
Rent deposits	97	119	111
Other items	10	11	2
Total financial assets	107	130	113

Depreciation expenses on other items were € 1,000 and € 3,000 in the years ended 31 December 2010 and 2009, respectively.

4.6.12 Note 12: Deferred tax assets

4.6.12.1 Note 12a: Recognised deferred tax assets

In thousands of euros	31 December 2010	31 December 2009	31 December 2008
Capital allowances (see note 6b)	1,264	2,011	1,816
Other items	105	94	191
Total deferred tax assets	1,369	2,105	2,007
Capitalised development expenses (see note 6b)	(1,318)	(1,287)	(1,071)
Other items	-	(11)	-
Total deferred tax liabilities	(1,318)	(1,298)	(1,071)
Total recognised deferred tax assets	51	807	936

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4.6.12.2 Note 12b: Unrecognised deferred tax assets

In thousands of euros	31 December 2010	31 December 2009	31 December 2008
Capital allowances	3,753	2,937	2,193
Tax losses of the Parent	2,127	1,789	1,990
Total unrecognised deferred tax assets	5,880	4,726	4,183

Deferred tax assets have not been recognised in respect of these items at respective balance sheet dates because it is not probable that future taxable profit will be available against which the Company's entity can utilise the benefits therefrom.

Unrecognised deferred tax assets arising from intangible assets consist of capital allowances which may be carried forward without limitation and may be used to offset any future taxable profit arising in the UK tax group at the UK statutory rate of 28.0% up to 31 March 2011 and 27.0% after 1 April 2011.

Unrecognised deferred tax assets arising from tax losses result from the tax losses generated by the Parent which are available to only offset future taxable profit of the Parent; these may be carried without time limitation.

4 6.13 Note 13: Trade receivables

In thousands of euros	31 December 2010	31 December 2009	31 December 2008
Trade receivable (see note 5b)	2,044	2,303	3,155
Allowance for doubtful accounts (see note 5b)	(138)	(61)	(204)
Total trade receivables	1,906	2,242	2,951

4 6.14 Note 14: Other current assets

In thousands of euros	31 December 2010	31 December 2009	31 December 2008
VAT receivables	58	71	103
Other items	1	43	51
Total other current assets	59	114	154

4 6.15 Note 15: Share capital and share premium

4.6.15.1 Note 15a: Number of shares forming the share capital

The number of shares forming the Company's share capital was 10,289,781 shares as at 31 December 2010, 2009 and 2008.

4.6.15.2 Note 15b: Number of shares to be used for basic and diluted EPS computation

4.6.15.2.1 Note 15b (i): Number of shares to be used for basic EPS computation

In thousands of shares, each of a par value of € 0.40	Years ended 31 December	
	2010	2009
Number of outstanding shares at 1 January	10,290	10,290
Number of own shares on 1 January (see note 17a)	(174)	(174)
Number of shares to be used for basic EPS computation at 1 January	10,116	10,116
Grant of own shares made in the year (see note 16b)	3	-
Number of shares to be used for basic EPS computation	10,119	10,116

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4.6.15.2.2 Note 15b (ii): Number of shares to be used for diluted EPS computation

In thousands of shares, each of a par value of € 0.40	Years ended 31 December	
	2010	2009
Number of shares to be used for basic EPS computation	10,119	10,116
Effect of dilutive financial instruments during the year	-	-
Number of shares to be used for diluted EPS computation	10,119	10,116

The Company has only one category of dilutive potential ordinary shares: share options (see note 16a below). Free shares which were granted on 29 July 2009 as well as Matching Shares which were granted to participants to the Company's Share Incentive Plan (see note 16b below) are not included in the calculation of diluted earnings per share until the conditions for the grant of these shares to become final were not satisfied as at 31 December 2010 or 2009.

Since the average of the closing prices reported for the Company's share during the year ended 31 December 2010, which was Euro 1.57, was lower than the exercise price of all share options which were outstanding as at 31 December 2010 (see note 16a below), such share options were assumed not to have a dilutive effect for diluted EPS computation during the year ended 31 December 2010.

4.6.15.3 Note 15c: Share premium

In thousands of euros	Years ended 31 December	
	2010	2009
Balance at 1 January	28,829	28,830
Effect of operating expenses relating to share option plans	(11)	(1)
Effect of free shares which were granted during the year	(42)	-
Balance at 31 December	28,776	28,829

4.6.16 Note 16: Share-based plans

The Company had the following fixed share option and share grant plans in effect during the years ended 31 December 2010 and 2009.

The recognition and measurement principles in IFRS 2, *Share-based Payments* ('IFRS 2'), have been applied to all share option and share grants mentioned hereafter (including those made before 7 November 2002).

4.6.16.1 Note 16a: Share option plans

4.6.16.1.1 Note 16a (i): Main rules of the Company's share option plans

4.6.16.1.1.1 Rules which are common to all share option grants made up to 31 December 2010

- Each option when exercised gives the right to one newly issued, ordinary share of the Company having a par value of Euro 0.40.
- Options can only be granted to and exercised by an individual who is either an employee or a director of the Company or one of its subsidiaries at both grant and exercise dates. Should the beneficiary no longer be fulfilling such continuous employment condition, he may only exercise the portion of options which are vested at the termination date of his employment with the Company. Unvested options may not be exercised at any future date.
- Option rights once granted cannot be sold by the individual receiving them. Only newly issued shares following the exercise of these options are freely transferable, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.
- Neither the exercise of options nor the subsequent sale of resulting newly issued shares can create any incidental tax or social security liabilities for either the Company or the subsidiary of which the individual is an employee or a director.

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4.6.16.1.1.2 Rules which are specific to certain share option grants

Grants of share options made prior to 1 January 2008

- The exercise of options may be done in one or several transactions, at the discretion of the recipient of the share option grant. Up to a maximum of one third of total options granted may be exercised after one year from the date of grant; up to a maximum of two thirds of total options granted may be exercised after two years from the date of grant, and all options may be exercised after three years from the date of grant.
- Options have to be exercised within five years of the date of grant. All options which are not exercised within the five-year period following the date of grant are cancelled. They cannot be exercised at a future date, except by the heirs of an individual who was granted options who can exercise the options in the year following the date of death of that individual.
- When the Company disposes of one of its subsidiaries, employees of that subsidiary who were granted options may exercise part or all of these options within the three-month period following such disposal date. This period may be extended by the Company's Board of Directors at its sole discretion: in this case, the extended period would apply to all beneficiaries who are employees of the disposed subsidiary. The same rule would apply in case of a change in control of the Company.

Grants of share options made since 1 January 2008

- The exercise of options may be done by the recipients of the share option grants in one or several transactions, at the discretion of the recipient of the share option grant, but only from the date when that the average of the closing prices reported by NYSE-Euronext for the Company's share over the last 120 trading days is at least equal to € 4,00 for the first quarter of the total number of options granted, € 8,00 for the second quarter of the total number of options granted, € 12,00 for the third quarter of the total number of options granted, et à € 16,00 for the last quarter of the total number of options granted.
- All of these options have to be exercised on or before 6 August 2016; otherwise, any unexercised option will lapse from that date.
- All unvested options will automatically vest and may therefore be exercised, regardless of whether or not the above mentioned minimum share price conditions are met, should one or several shareholders acting in concert come to hold more voting rights than the Company's reference shareholder, Stichting Andlinger & Co. Euro-Foundation, which held 2,883,001 shares of the Company's shares (or 28.02% of the Company's share capital) to which were attached 2,883,021 voting rights ('de facto control'), or one third or more of the total number of voting rights attached to the Company's shares ('legal control'), being noted that such threshold was reduced to 30% of the total number of shares forming the Company's share capital or the voting rights attached to the Company's shares with effect from 1 February 2011, pursuant to enactment of the law n°2010-1249 on banking and financial regulation, which lowered the threshold the crossing of which mandates to initiate a public offer to that level.

4.6.16.1.2 Note 16a (ii): Share option activity over the past two financial years

	Corresponding number of shares	Weighted average exercise price in €
Options outstanding at 31 December 2008	673,841	2.84
Options which were granted in 2009	-	-
Options which were exercised in 2009	-	-
Options which were forfeited or lapsed in 2009	(78,901)	6.10
Options which were outstanding at 31 December 2009	594,940	2.41
Options which were granted in 2010	60,000	1.60
Options which were exercised in 2010	-	-
Options which were forfeited or lapsed in 2010	-	-
Options which were outstanding at 31 December 2010	654,940	2.33

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4.6.16.1.3 Note 16a (iii): Outstanding and exercisable at 31 December 2010

Share option grant date	Share option expiry date	Outstanding options	Exercise price in €	Exercisable options	Exercise price in €
12 December 2006	12 December 2011	24,940	10.00	24,940	10.00
6 August 2008	6 August 2016	400,000	2.08	-	-
18 September 2008	6 August 2016	20,000	1.94	-	-
17 December 2008	6 August 2016	150,000	2.08	-	-
24 February 2010	6 August 2016	25,000	1.55	-	-
24 February 2010	6 August 2016	25,000	1.64	-	-
28 July 2010	6 August 2016	10,000	1.65	-	-
Total		654,940	2.33	24 940	10.00

4.6.16.2 Note 16b: Share grant plans

4.6.16.2.1 Note 16b (i): Free share grant by the Company's Board on 29 July 2009

On 29 July 2009, the Company's Board of Directors made a grant of 24,750 shares at no cost to the recipient of such grant ('free shares') to a number of employees of the UK- and US-based subsidiaries of the Company; the irrevocable grant of these shares will occur at the end of a four-year period ending on 29 July 2013 ('vesting period') provided that the following have been met:

- Continuing employment condition: free shares will be irrevocably granted at the end of the vesting period to an individual who, at any time during such two-year period (if a resident in France for income tax purposes at grant date) or four-year period (in all other cases), starting on share grant date to the recipient by the Company's Board of Directors and ending on irrevocable grant date of such shares, is either an employee or a director of one of the entities which are part of the Company.
- Neither the irrevocable grant of these shares nor their subsequent sale may create any incidental income tax or social security liability for either the Company or one of its subsidiaries of which the beneficiary is an employee or a director; instead, the individual remains liable for any corresponding liability.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting would be shares which would have been repurchased by the Company as part of its share repurchase programme (see note 17 below), and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments. As at 31 December 2010, the residual number of shares granted by the Company's Board on 29 July 2009 which may be granted at the end of the share vesting period is 21,750, after taking into account the termination or resignation of certain employees who were granted shares since share grant date, notably pursuant to the implementation of the Company's reorganization plan in April 2010: these employees were irrevocably granted a total of 2,250 shares in the year ended 31 December 2010, having a total repurchase cost of € 16,000.

4.6.16.2.2 Note 16b (ii): Grant of shares under the Share Incentive Plan

Pursuant to the authorization granted by the Company's shareholders on 29 April 2009, a Share Incentive Plan ('SIP') was implemented for the benefit of those employees of the UK subsidiary of the Company who decide to participate to the SIP: they may be granted free, ordinary shares of the Company ('Matching Shares') in proportion of the purchase of ordinary shares of the Company ('Partnership Shares') made through a deduction on their net pay, the irrevocable grant of these shares taking place at the end of a three-year period starting on the date of purchase of each lot of Partnership Shares.

During the year ended 31 December 2010, 22,527 shares were granted to employees of the UK subsidiary of the Company. During the same period, 3,637 shares, having a total repurchase cost of € 26,000 were irrevocably granted to the participants to the SIP who left the Company's employment pursuant to the implementation of the Company's reorganization plan in April 2010.

4.6.16.3 Note 16c: Measurement of the fair value of options and free shares

4.6.16.3.1 Note 16c (i): Measurement of the fair value of options

The fair value of services received by the Company in return for the grant of share options is measured by reference to that of options which were granted.

The expense which was recorded by the Company with respect of share option grants was € 99,000 and € 97,000 in the years ended 31 December 2010 and 2009, respectively.

4.6.16.3.1.1 Grant of options made on 16 December 2006

The estimate of the fair value of the services received in return for the grant of these options was measured by the Company using a Black-Scholes valuation model and the following assumptions: option exercise lives ranging between one to three years; no expected dividends; a risk-free interest rate of 4.5%; and an expected volatility of 28.1%, based on the historical performance of the Company's shares between 2 January and 29 December 2006, which management believed to adequately reflect the volatility of the Company's share price for the corresponding period.

4.6.16.3.1.2 Grant of options made since 1 January 2008

The estimate of the fair value of the services received in return for these options was measured by an independent valuator using a Monte Carlo valuation model and the following assumptions: option exercise lives expected to be half of the maturity of share options (which expire on 6 August 2016); no expected dividends; a risk-free interest rate of approximately 4.5%; and an expected volatility which was the average of the volatility of the Company's share price over the past five years, being:

- 42.8% for share option grants made on 6 August and 18 September 2008;
- 58.2% for the share option grant made on 17 December 2008; and
- 61.2% for share option grants made on 24 February and 28 July 2010.

4.6.16.3.2 Note 16c (ii): Measurement of the fair value of free shares

The expense which was recorded by the Company with respect of share option grants was € 30,000 and € 5,000 in the years ended 31 December 2010 and 2009, respectively.

4.6.16.3.2.1 Rules which are common to all share grant decisions

The fair value of free shares, whether granted by the Company's Board on 29 July 2009 or under the Share Incentive Plan, was measured as follows:

- the shares which will be granted at the end of the vesting period will be existing shares of the Company, which have been acquired by the Company as part of its share repurchase programme;
- because the ultimate goal of the Company's share grant plan is to provide an incentive to employees to continue their employment with the Company, and because one of the conditions for the shares to be finally granted at the end of the vesting period is to have an continuing employment with the Company or one of the companies which are part of the Company during that vesting period, it was assumed that the benefit provided to the recipients of such share grant was made with respect of the services to be rendered by the recipients of such grant of shares over the vesting period; as a result, the corresponding expense will be recognized over that period as these shares vest;
- as a matter of caution, at both 31 December 2010 and 2009, it was assumed that there was a 100% probability that all recipients of the grant of shares would meet the continuing employment condition at the end of the four-year vesting period.

4.6.16.3.2.2 Rules used to measure the share price on share grant dates

The fair value of free shares granted by the Company's Board on 29 July 2009 was assumed to € 1.85, being the closing price reported for the Company's share on the last trading day immediately preceding the date when these shares were granted.

The fair value of free shares granted as Matching Shares under the Share Incentive Plan was assumed to be equal to the purchase price of corresponding Partnership Shares which were acquired by participants to the SIP.

4.6.17 Note 17: Share repurchase programme

4.6.17.1 Note 17a: Share repurchase programme activity over the last two financial years

In thousands of euros, except for share numbers	Number of own shares	Repurchase cost
At 1 January 2009	173,968	1,246
Share repurchases in the year ended 31 December 2009	-	-
Grants of own shares in the year ended 31 December 2009	-	-
At 31 December 2009	173,968	1,246
Share repurchases in the year ended 31 December 2010	-	-
Grants of own shares in the year ended 31 December 2010	(5,887)	(42)
At 31 December 2010	168,081	1,204

4.6.17.2 Note 17b: Allocation of own shares at 31 December 2010

In thousands of euros, except for share numbers	Number of own shares	Repurchase cost
Grant of free shares voted by the Board on 29 July 2009	21,750	156
SIP Matching Shares	18,890	135
Own shares which are allocated to a specific grant decision	40,640	291
Own shares which are not allocated to a specific grant decision	127,441	913
Total own shares as at 31 December 2010	168,081	1,204

4.6.18 Note 18: Provisions

As part of the Company's reorganisation plan which was initiated in April 2010, management decided to relocate all employees of the UK-based subsidiary of the Company which worked in the Cambourne office in a single wing, first to facilitate interaction between the various teams, and second to free the other wing so that it may be sublet, being noted that an agent was appointed in that respect in late October 2010.

As at 31 December 2010, in accordance with applications provisions of IAS37, *Provisions, Contingent Liabilities and Contingent Assets*, a provision amounting to € 184,000 (of which € 150,000 is expected to be reversed in the current year) was recorded to account for management's best estimate of the discounted value of the differential between the estimated future rent expenses for the vacant office space less any future sublet income over the remaining duration of the ten-year lease agreement entered into by the Company's UK-based subsidiary which is due to expire on 30 June 2016.

The provision was estimated based on the absence of any sublet income until 30 September 2011, as well as a subsequent rent-free period expiring on 31 March 2012, the discount rate used for discounting the corresponding, projected cash inflows and outflows being that used for intangible asset impairment testing at 31 December 2010, i. 11.7% (see note 6a above).

4.6.19 Note 19: Customer advances and deferred revenue

In thousands of euros	31 December 2010	31 December 2009	31 December 2008
Deferred revenue	570	1,284	1,064
Customer advances	-	70	555
Total customer advances and deferred revenue	570	1,354	1,619

4.6.20 Note 20: Operating expenses by nature of expense

In thousands of euros	Years ended 31 December	
	2010	2009
Employee benefit expenses (see note 21)	7,072	7,466
Depreciation and amortisation expenses (see notes 8,9 and 11)	1,177	1,074
Rent expenses (see note 26b)	425	459
Other operating expenses, net of any other operating income	2,849	1,706
Total operating expenses	11,523	10,705

4.6.21 Note 21: Employee benefit expenses

In thousands of euros	Years ended 31 December	
	2010	2009
Wages and salaries	5,218	5,962
Compulsory social security contributions	558	594
Medical insurance contributions	339	351
Pension contributions	354	388
Share-based payments (see note 16)	129	102
April 2010 reorganisation plan related expenses (note 22a)	406	-
Other employee related expenses	68	69
Total employee benefit expenses	7,072	7,466

4.6.22 Note 22: Other operating expenses and income

4.6.22.1 Note 22a: Other operating expenses

The Company recorded an amount of € 779,000 under the caption *Other operating expenses* in the year ended 31 December 2010, which consists of the following items of expense:

4.6.22.1.1 Note 22a (i): Legal fees incurred with respect of the implementation of the EBT

An amount of € 16,000 was expensed for legal fees incurred with respect of the implementation in February 2010 of an Employee Benefit Trust (EBT), for the benefit of certain employees of the Company's UK-based subsidiary, and the inception of Global Graphics EBT Limited which acts as the EBT's trustee (see note 28 below).

4.6.22.1.2 Note 22a (ii): Legal fees incurred with respect of an alleged patent infringement litigation

Legal fees amounting to € 59,000 were expensed by the Company for legal fees incurred with respect of an alleged patent infringement litigation brought against the Parent as well as its US subsidiary in June 2010. The Company disclaimed any liability and undertook several actions to demonstrate that the Harlequin RIP did not infringe any valid claim of patents held by the plaintiff, which filed a notice of voluntary dismissal of claims against the Parent and its US subsidiary on 21 July 2010, without the Company being obliged to the payment of any amount to the plaintiff, as a settlement or otherwise.

4.6.22.1.3 Note 22a (iii): Effect of the April 2010 reorganisation plan

In April 2010, the Company's management decided to implement a reorganisation plan in an attempt to align the Company's organisation and cost base with projected requirements projected for the next few years.

As part of this plan, a total of 30 employees (of which 15 in the UK, 7 in the US and 7 in India) were made redundant notably in the second and third quarters of the year ended 31 December 2010, for a total amount of € 406,000, which was fully expensed in that year.

Management also decided to transfer all of the 23 Indian employees which were not made redundant to an outsourcing partner, to close and then to put the Indian subsidiary into liquidation. A provision amounting to € 111,000 was recorded in the fourth quarter of the year ended 31 December 2010 with respect of the corresponding, estimated closure costs, being noted that the liquidation process of that subsidiary was not completed at 31 December 2010 (see note 28 below).

Finally, management decided to relocate all employees of the UK-based subsidiary of the Company which worked in the Cambourne office in a single wing and to appoint an agent to sublet the vacant office space. As a result, because it is not expected that such vacant office space may be sublet in the current year, in accordance with applications provisions of IAS37, *Provisions, Contingent Liabilities and Contingent Assets*, a provision was recorded as at 31 December 2010, resulting in a corresponding expense of € 187,000.

4.6.22.2 Note 22b: Other operating income

The Company recorded an amount of € 143,000 under the caption *Other operating income* in the year ended 31 December 2010, which consists of the following two items of income:

- in late September 2010, the Company disposed of a domain name for total disposal proceeds of € 75,000; as set out in the corresponding sale and purchase agreement, an amount of € 55,000 was paid to the Company on disposal date, the balance of the sale price being contractually due in late March 2011;
- the Parent recorded a profit of € 68,000 in the year ended 31 December 2010 pursuant to a court decision providing for the repayment to the Parent of certain cash amounts which had been misappropriated by an employee of Global Graphics Management SA, a former wholly-owned subsidiary of the Parent, which was liquidated in March 2005.

4.6.23 Note 23: Net financing gains (losses)

In thousands of euros	Years ended 31 December	
	2010	2009
Interest income	12	16
Interest expenses	-	-
Net interest income	12	16
Foreign exchange gains (losses) on transactions and revaluations	(93)	(128)
Fair value gains (losses) on foreign currency option contracts	(110)	34
Net foreign exchange gains (losses)	(203)	(94)
Net financing gains (losses)	(191)	(78)

4.6.24 Note 24: Income tax expense (benefit)

4.6.24.1 Note 24a: Income tax expense (benefit) recognised in the consolidated statement of income

In thousands of euros	Years ended 31 December	
	2010	2009
Current tax expense (benefit) (see note 24b)	(326)	9
Deferred tax expense (benefit) (see note 24c)	817	176
Tax expense recognised in the consolidated statement of income	491	185

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4.6.24.2 Note 24b: Analysis of the current tax expense (benefit)

In thousands of euros	Years ended 31 December	
	2010	2009
Expense (benefit) arising from the repayment to the Company of research & development tax credits	(418)	-
Expense (benefit) arising from the loss by the Company of certain tax breaks in India	63	-
Expense (benefit) arising other items	29	9
Current tax expense (benefit)	(326)	9

4.6.24.3 Note 24c: Analysis of the deferred tax expense (benefit)

In thousands of euros	Years ended 31 December	
	2010	2009
Expense (benefit) arising from the recognition of capital allowances in the UK (see note 6b)	859	(40)
Expense (benefit) arising from capitalised development costs	11	130
Expense (benefit) arising from the change in the UK tax rate	(47)	-
Expense (benefit) arising other items	(6)	86
Deferred tax expense (benefit)	817	176

4.6.24.4 Note 24d: Reconciliation of the effective tax expense (benefit)

In thousands of euros	Years ended 31 December	
	2010	2009
Income before tax	(2,106)	(1,421)
Expected tax expense (benefit) using the Parent's tax rate of 33.33%	(702)	(474)
Adjustments to the expected tax expense (benefit) attributable to:		
- capitalisation and utilisation of capital allowances	859	(40)
- effect of differences in tax rates in foreign jurisdictions	90	104
- effect of the change in the UK tax rate	(47)	-
- effect of share-based payments	43	34
- effect of the repayment of R&D tax credits (see note 24b)	(418)	-
- effect of the loss of certain tax breaks in India (see note 24b)	63	-
- unrecognized tax losses	560	543
- Other items	43	18
Tax expense recognised in the consolidated statement of income	491	185

4.6.24.5 Note 24e: Expected future changes in the UK corporate tax rate

In his Budget of 22 June 2010, the Chancellor of the Exchequer announced planned changes in the UK corporate tax rate which, if enacted in the proposed manner, will have an effect of the Company's tax position.

Such changes notably involved a decrease in the UK corporate tax rate from 28.0% to 24.0% by 1.0% each budget year, from 1 April 2011, each 1.0% reduction being proposed to be enacted annually.

As at 31 December 2010, the only change in the UK corporation tax rate which was substantially enacted was the decrease from 28.0% to 27.0% in such rate, with effect from 1 April 2011.

The effect on the Company's tax position of the proposed, additional decreases of the UK corporate tax rate will be reflected in the Company's consolidated accounts in future years, as appropriate, once the corresponding changes have been properly enacted.

4.6.25 Note 25: Earnings per share (EPS)

4.6.25.1 Note 25a: Basic EPS

In thousands of euros, unless otherwise specified	Years ended 31 December	
	2010	2009
Net loss for the year	(2,597)	(1,606)
Weighted average number of shares to be used for basic EPS computation, in thousands of shares (see note 15b)	10,119	10,116
Basic EPS in euro per share	(0.26)	(0.16)

4.6.25.2 Note 25b: Diluted EPS

In thousands of euros, unless otherwise specified	Years ended 31 December	
	2010	2009
Net loss for the year	(2,597)	(1,606)
Weighted average number of shares to be used for diluted EPS computation, in thousands of shares (see note 15b)	10,119	10,116
Diluted EPS in euro per share	(0.26)	(0.16)

4.6.26 Note 26: Commitments

4.6.26.1 Note 26a: Capital commitments

There were no obligations outstanding at 31 December 2010, 2009 and 2008 for capital lease arrangements and no capital expenditure contracted for at these dates.

4.6.26.2 Note 26b: Operating leases

The Company has entered into certain non-cancellable operating leases, primarily for its offices in the UK, in the US and in Japan. These leases which all expire in the next ten years have varying terms, escalation clauses, and renewal rights.

Total rent expense charged to profit or loss was € 425,000 and € 459,000 for the years ended 31 December 2010 and 2009, respectively.

The future aggregate minimum operating lease payments were the following as at 31 December 2010 and 2009:

In thousands of euros	31 December 2010	31 December 2009
Less than one year	374	333
Between one and five years	1,396	1,238
More than five years	152	581
Total	1,922	2,152

4.6.27 Note 27: Related party transactions

The Company has a related party relationship with its subsidiaries (see note 28 below) as well as with its directors and executive officers, as set out in notes 27a, 27b and 27c below.

4.6.27.1 Note 27a: With the Company's directors

With exception of the Chairman of the Company's Board of Directors who was not given any remuneration with respect of either his mandate of chairman or member of the Board, each member of the Company's Board of Directors were paid board fees amounting to € 15,000 in each of the years ended 31 December 2009 and 2010.

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4.6.27.2 Note 27b: With the Company's executive officers

The Company's executive directors (Messrs. Johan Volckaerts, Gary Fry and Alain Pronost) received the following salaries and other short-term benefits (notably bonuses and pension scheme contributions) in the years ended 31 December 2010 and 2009, respectively.

4.6.27.2.1 Note 27b (i): Salaries and other short-term employment benefits

In thousands of euros	Years ended 31 December	
	2010	2009
Salaries	273	336
Other short-term employment benefits	80	57
Total	353	393

4.6.27.2.2 Note 27b (ii): Share-based payments

Executive officers are entitled to participate in the Company's share option and share grant schemes (see note 16 above).

No grants of share options or shares were made to any of the Company's executive officers in either of the years ended 31 December 2010 or 2009.

The portions of the share-based compensation expenses which were attributable to the Company's executive officers amounted to € 72,000 in each of the years ended 31 December 2010 and 2009, respectively.

4.6.27.3 Note 27c: With a company with is managed by one of the Company's officers

On 16 December 2009 the Company's Board of Directors decided to enter into two agreements with Andlinger & Co. CVBA, a Belgian company, which is managed by Mr. Johan Volckaerts, the purpose of which was the following:

- firstly, the rent of a meeting room in Brussels including the provision of related services, against the payment of a quarterly fee of € 1,500 (excluding VAT) ; and
- secondly, the provision to the Company of advisory services with respect of the Company's corporate and sales strategy against the payment of a monthly fee of € 6,000 (excluding VAT), which was increased to € 6,500 (excluding VAT) with effect from 1 February 2011 as voted by the Company's Board on 8 February 2011.

The expense recorded by the Company with respect of these two agreements amounted to € 78,000 in the year ended 31 December 2010 and nil in the year ended 31 December 2009.

4.6.28 Note 28 : Subsidiaries

Subsidiary name	Country of incorporation	Ownership interest in %	
		2010	2009
Global Graphics (UK) Limited	United Kingdom	100,0%	100,0%
Global Graphics Software Limited	United Kingdom	100,0%	100,0%
Jaws Systems Limited	United Kingdom	100,0%	100,0%
Global Graphics Software Incorporated	United States	100,0%	100,0%
Global Graphics Kabushiki Kaisha	Japan	100,0%	100,0%
Global Graphics Software (India) Private Limited	India	100,0%	100,0%
Global Graphics EBT Limited	United Kingdom	100,0%	-

Global Graphics Software (India) Private Limited has been dormant since late April 2010 and is under liquidation as at 31 December 2010.

The results for Global Graphics EBT Limited have been included in the Company's consolidated financial statements for year ended 31 December 2010 since the inception of that subsidiary on 3 February 2010.

4.7 Statutory auditors' report on the 2010 consolidated financial statements

To the shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended 31 December 2010, on:

- the audit of the consolidated financial statements of Global Graphics SA, which are presented on pages 16 à 54;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2010 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code ("*Code de commerce*") relating to the justification of our assessments, we bring to your attention the following matters.

Notes 2d and 6 to the financial statements describe the significant estimates made by management. Our work consisted of assessing the reasonableness of information and assumptions on which these estimates were made, particularly those related to goodwill and other intangible assets (notes 3e, 3f, 9 and 10) and to deferred tax assets (notes 3p and 12), and reviewing, on a test basis, the calculations made by the Company, and verifying the appropriateness of the information disclosed in the notes relating to the assumptions and methods applied.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information provided in the Company's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Schiltigheim and Nancy, on 18 March 2011

KPMG Audit,
A division of KPMG S.A.

SECEF

Pascal Maire

Philippe Gibello

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This report is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in the French language and is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the Company's management report.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

4.8 Alternative performance measures used by the Company

4.8.1 Basis of preparation of adjusted financial information

The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and related interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union. However, management of the Company believes that evaluating the Company's ongoing results may not be as useful if an investor is limited to reviewing only IFRS financial measures, notably because management of the Company uses adjusted financial information to evaluate its ongoing operations as well as for internal planning and forecasting purposes.

To prepare adjusted financial information, management of the Company complies with the principles set in the Recommendation on Alternative Performance Measures which was issued by the Committee of European Securities Regulators ('CESR') in October 2005 (CESR Recommendation on Alternative Performance Measures), referred to in the AMF Recommendation n°2010-11 of 17 November 2010 relating to corporate communication on financial indicators.

The Company's management does not itself, nor does it suggest that investors should, consider such adjusted financial measures in isolation from, or as a substitute for, financial information prepared in accordance with IFRSs. The Company presents adjusted financial measures in reporting its financial results to provide investors with an additional tool to evaluate the Company's results in a manner that focuses on what the Company believes to be its ongoing business operations. The Company's management believes that the inclusion of adjusted financial measures provides consistency and comparability with past reports of financial information and has historically provided comparability to similar companies in the Company's industry, many of which present the same or similar adjusted financial measures to investors. As a result, investors are encouraged to review the related IFRS financial measures and the reconciliation of these adjusted financial measures to the most directly comparable IFRS financial measures as detailed above.

4.8.2 Justification of adjustments made to reported numbers

The purpose of the following adjustments, which are made to reported numbers with respect of the Company's operating, pre-tax, and net profit (loss), is to provide additional information to measure the Company's performance.

4.8.2.1 Share-based remuneration expenses

In accordance with applicable provisions of IFRS 2, Share-based payments, an expense is recognized in the Company's consolidated financial statements with respect of share-based remuneration plans, regardless of any change in the number of outstanding shares of the Company pursuant to the exercise of share options, or before the grant of shares to employees of the Company becomes final.

As a result, management of the Company believes it is appropriate to adjust the Company's operating profit (loss) reported under IFRSs of such expense to provide a relevant measure of the Company's operating performance.

4.8.2.2 Capitalisation and amortisation of eligible software development expenses

Costs relating to development projects (consisting of software development employee costs) which meet all of the criteria set out under paragraphs 57 to 62 of IAS 38, *Intangible Assets*, are capitalized, and are subsequently amortized over the estimated useful life of the corresponding development project as set out in notes 6a and 6b to the 2010 consolidated financial statements.

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Considering the level of judgment required to assess whether a given development project may be eligible to such capitalization, and also to set the duration of the useful life of such project, management of the Company believes it is appropriate to adjust the Company's operating profit (loss) reported under IFRSs of such amounts to provide a relevant measure of the Company's operating performance.

4.8.2.3 Other operating expenses and income

Certain items of operating expenses and income were disclosed separately in the Company's consolidated statement of income (loss) and a specific note to the consolidated financial statements (see note 22 to the 2010 consolidated financial statements).

management of the Company believes it is appropriate to adjust the Company's operating profit (loss) reported under IFRSs of such amounts to provide a relevant measure of the Company's operating performance for the year ended 31 December 2010, with and without inclusion of such items, and also to provide the user of the Company's consolidated financial statements with a meaningful basis of comparison with comparative amounts which were reported in the year ended 31 December 2009 as well as with those which will be reported in the year ending 31 December 2011.

4.8.2.4 Unusual, abnormal and infrequent items of income and expense

In accordance with provisions of Paragraph 97 of IAS 1, *Presentation of Financial Statements*, unusual, abnormal and infrequent items of income and expense have to be disclosed in a separate note, in an attempt to improve the predictive value of the consolidated statement of income (loss).

Management of the Company believes that the most appropriate way of achieving this is to adjust the Company's operating profit (loss) reported under IFRSs of such items to provide the user of the Company's financial information with a consistent base of comparison, excluding the effect of such items.

4.8.3 Adjusted financial information computation

Presented hereafter are the adjusted operating profit (loss), the adjusted pre-tax profit (loss) and the adjusted net profit (loss), with indication for the last two performance measures, of corresponding basic and diluted profit (loss) per share.

Adjusted financial information has not been audited, nor reviewed by the Company's statutory auditors.

4.8.3.1 Adjusted operating profit (loss)

In thousands of euros	Years ended 31 December	
	2010	2009
Reported operating profit (loss)	(1,915)	(1,343)
Management adjustments to reported operating profit (loss):		
- Amortisation of certain intangible assets	-	29
- Share-based remuneration expenses (note 16)	129	102
- Capitalised development expenses (note 6a)	(905)	(1 208)
- Amortisation of capitalised development expenses (note 6b)	863	744
- Other operating expenses (note 22a)	779	-
- Other operating income (note 22b)	(143)	-
- Unusual, abnormal and infrequent items of income and expense	-	137
Total management adjustments to reported operating profit (loss)	723	(196)
Adjusted operating profit (loss)	(1,192)	(1,539)
In % of the Company's sales	-12.4%	-16.4%

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4.8.3.2 Adjusted pre-tax profit (loss)

In thousands of euros, except per share data in euro	Years ended 31 December	
	2010	2010
Reported pre-tax profit (loss)	(2,106)	(1,421)
Management adjustments to reported operating profit (loss):		
- Amortisation of certain intangible assets	-	29
- Share-based remuneration expenses (note 16)	129	102
- Capitalised development expenses (note 6a)	(905)	(1,208)
- Amortisation of capitalised development expenses (note 6b)	863	744
- Other operating expenses (note 22a)	779	-
- Other operating income (note 22b)	(143)	-
- Unusual, abnormal and infrequent items of income and expense	-	137
Total management adjustments to reported pre-tax profit (loss)	723	(196)
Adjusted pre-tax profit (loss)	(1,383)	(1,617)
Adjusted pre-tax basic EPS	(0.14)	(0.16)
Adjusted pre-tax diluted EPS	(0.14)	(0.16)

Adjusted pre-tax basic EPS for a given year is computed by dividing the adjusted pre-tax profit (loss) for that year by the weighted average number of ordinary shares which were outstanding during that year, as set out in note 25a to the 2010 consolidated financial statements.

Adjusted pre-tax diluted EPS for a given year is computed by dividing the adjusted pre-tax profit (loss) for that year by the weighted average number of ordinary shares to be used for diluted EPS computation for the period, as required by IAS 33, *Earnings per share*, as set out in note 25b to the 2010 consolidated financial statements.

4.8.3.3 Adjusted net profit (loss)

In thousands of euros, except per share data in euro	Years ended 31 December	
	2010	2010
Reported net profit (loss)	(2,597)	(1,606)
Management adjustments to reported operating profit (loss):		
- Amortisation of certain intangible assets	-	29
- Share-based remuneration expenses (note 16)	129	102
- Capitalised development expenses (note 6a)	(905)	(1,208)
- Amortisation of capitalised development expenses (note 6b)	863	744
- Other operating expenses (note 22a)	779	-
- Other operating income (note 22b)	(143)	-
- Unusual, abnormal and infrequent items of income and expense	-	137
- Tax effect of abovementioned adjustments	(85)	130
Total management adjustments to reported net profit (loss)	638	(66)
Adjusted net profit (loss)	(1,959)	(1,672)
Adjusted net basic EPS	(0.19)	(0.17)
Adjusted net diluted EPS	(0.19)	(0.17)

Adjusted pre-tax basic EPS for a given year is computed by dividing the adjusted pre-tax profit (loss) for that year by the weighted average number of ordinary shares which were outstanding during that year, as set out in note 25a to the 2010 consolidated financial statements.

Adjusted pre-tax diluted EPS for a given year is computed by dividing the adjusted pre-tax profit (loss) for that year by the weighted average number of ordinary shares to be used for diluted EPS computation for the period, as required by IAS 33, *Earnings per share*, as set out in note 25b to the 2010 consolidated financial statements.

CHAPTER 5 - STATUTORY ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

5.1 Statement of financial position as at 31 December

5.1.1 Assets

In euros	Note	2010			2009
		Gross amount	Amort. & depreciation	Net amount	Net amount
FIXED ASSETS					
Intangible assets	3	47,080	37,126	9,954	11,198
Tangible assets	4	1,777	720	1,057	1,649
Financial assets	5	73,586,191	58,806,190	14,780,001	17,476,000
Total fixed assets		73,635,048	58,844,036	14,791,012	17,488,847
CURRENT ASSETS					
Trade receivables		0	0	0	0
Other current assets	6 & 14	4,510,396	0	4,510,396	4,382,116
Own shares	7	1,204,007	962,460	241,547	302,442
Cash and cash equivalents	8	1,212	0	1,212	223,136
Total current assets		5,715,615	962,460	4,753,155	4,907,694
Prepaid expenses		22,554	0	22,554	35,307
Exchange rate differences	15	768,356	0	768,356	899,452
TOTAL ASSETS		80,141,573	59,806,496	20,335,077	23,331,300
Financial assets which are due within one year				0	0
Current assets due after one year				0	0

5.1.2 Shareholders' equity and liabilities

In euros	Note	31 December	31 December
		2010	2009
SHAREHOLDERS' EQUITY			
	9		
Share capital		4,115,912	4,115,912
Share premium		28,818,012	28,829,428
Legal reserve		409,901	409,901
Prior year losses brought forward		(27,093,785)	(28,076,573)
Net income (loss) for the year		(2,669,774)	982,788
Total shareholders' equity		3,580,266	6,261,456
PROVISIONS FOR RISKS AND FUTURE COSTS			
	10	792,917	904,222
LIABILITIES			
Borrowings from banks and other credit institutions		199	37
Trade payables	11	106,556	111,333
Taxes and social security liabilities	12	56,814	29,983
Other liabilities	13 & 14	14,983,156	13,891,209
Total liabilities		15,146,725	14,032,562
Exchange rate differences	15	815,169	2,133,060
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		20,335,077	23,331,300
Liabilities which are due within one year		15,146,725	14,032,562
Bank overdrafts and other-short-term bank facilities		199	37

5.2 Statement of income (loss)

In euros	Note	Years ended 31 December	
		2010 (12 months)	2009 (12 months)
OPERATING INCOME			
Sales	16	574,178	480,401
Write-back of provisions and recharges of expenses		0	0
Other operating income		11	3
Total operating income		574,189	480,404
OPERATING EXPENSES			
Other purchases and expenses		348,365	275,596
Taxes (other than corporate income tax)		1,665	1,593
Salaries and wages		113,089	96,125
Social charges		58,333	49,750
Depreciation	3 & 4	1,836	2,780
Provisions		0	0
Other operating expenses		60,007	60,008
Total operating expenses		583,295	485,852
OPERATING PROFIT (LOSS)		(9,106)	(5,448)
FINANCIAL INCOME			
Interest and similar income		1,333	2,723
Foreign exchange gains		18,792	69,863
Write-back of provisions and recharges of expenses	5, 7 & 10	1,057,330	1,887,037
Total financial income		1,077,455	1,959,623
FINANCIAL EXPENSES			
Interest and similar expenses		2	1
Foreign exchange losses		95,286	67,517
Provisions	5, 7 & 10	3,640,794	899,452
Total financial expenses		3,736,082	966,970
FINANCIAL PROFIT (LOSS)		(2,658,627)	992,653
PROFIT (LOSS) ON ORDINARY OPERATIONS		(2,667,733)	987,205
EXCEPTIONAL INCOME			
	17		
On operating items		69,461	0
On capital items		0	0
Write-back of provisions and recharges of expenses		1,330	0
Total exceptional income		70,791	0
EXCEPTIONAL EXPENSES			
	17		
On operating items		9,500	0
On capital items		42,170	0
Provisions		21,286	4,770
Total exceptional expenses		72,956	4,770
EXCEPTIONAL PROFIT (LOSS)		(2,165)	(4,770)
INCOME TAX CHARGE (BENEFIT)		(124)	(353)
NET PROFIT (LOSS) FOR THE YEAR		(2,669,774)	982,788

5.3 Notes to the 2010 statutory financial statements

5.3.1 Note 1: Overview of the Company and its business and salient features for the year

5.3.1.1 Note 1a: Overview of the Company and its business

Global Graphics SA ('the Company') is the parent company of the Global Graphics group of companies ('the Group'), a worldwide leader in the development and supply of software solutions to the graphic arts, digital printing and electronic document sectors, notably to Original Equipment Manufacturers ('OEMs').

The Company was incorporated in late November 1996 to facilitate the purchase of the entire share capital of a privately owned group of companies, including Photoméca SA, then a worldwide leader in the manufacture and supply of pre-press, plate-processing equipment predominantly for the flexographic printing process. This was the basis from which the Group started its subsequent expansion which resulted in the acquisition in the years ended 31 December 1998 to 2000 of, firstly, the entire share capital of certain companies with activities complementary pre-press equipment to those businesses owned by the Company (which later formed the Group's Hardware segment of business), and secondly, certain groups of assets in the digital printing and publishing industries (later combined in the Group's Printing software segment of business). Following the disposal of both the Xanalis (Information Management Software segment of business, a spin-off of the Printing software segment from early 2000), and the Hardware segments in the first half of 2002, the Group's business consists of the development and supply of software solutions such as RIP software (Raster Image Processing software), document management (notably for PostScript, PDF, XPS and PCL documents), workflow and color solutions used in digital printing processes.

Since its inception, and in addition to being the Group's parent company, the Company has also played an important role in providing funding for the Group's acquisitions and growth, a role which became more important following the admission of the Company's shares to trading on Easdaq on 23 June 1998 (which became Nasdaq Europe in June 2001, from which the Company's shares were de-listed on 16 September 2003) and on Euronext Brussels (now part of NYSE-Euronext) on 17 April 2001.

It also plays a major role in the coordination of the Group's activities, notably in administration and finance.

5.3.1.2 Note 1b: Salient features for the year

Salient features for the year ended 31 December 2010 are as follows:

- inception in February 2010 of Global Graphics EBT Limited, a UK-based subsidiary (see note 5a);
- the valuation allowance on the shares of Global Graphics (UK) Limited was increased by an amount of € 2,696,000 to reduce the carrying value of these shares as at 31 December 2010 to the amount of the Group's shareholders equity at that date, which was assumed to represent the fair value of these shares then (see note 5b);
- grant of 5,887 free shares which had been repurchased as part of the Company's share repurchase programme to certain employees who left the Group's employment during the year ended 31 December 2010 pursuant to the implementation of the Group's reorganisation plan in April 2010 (see note 7b);
- at 31 December 2010, a total of 18,890 shares, which had been repurchased as part of the Company's share repurchase programme, were granted as Matching Shares under the Share Incentive Plan ('SIP') to employees of the UK subsidiary of the group (see notes 7b and 9d);
- a provision for the cost resulting for the obligation to irrevocably grant free shares at the end of the vesting period for such shares was recorded for an amount (net of any write-back) of € 19,956 in the year ended 31 December 2010 (see notes 10c and 17).

5.3.2 Note 2: Accounting principles and methods

The Company's statutory accounts have been prepared in accordance with accounting principles generally accepted in France.

The accounting principles and methods used by the Company are presented in the following notes; should there be any deviation from these, such deviation would be disclosed in the appropriate note, with indication of the effect of the deviation on the financial statements for the year in which it occurred.

5.3.2.1 Note 2a: Intangible assets

Trademarks and Internet domain names are stated at their purchase cost. They are amortised on a straight-line basis over their estimated useful lives, i.e. one to ten years for the Internet domain names, and ten years for trademarks.

5.3.2.2 Note 2b: Tangible assets

Tangible assets are presented at their purchase cost. Tangible assets are amortised on a straight line basis over a three-year period from acquisition date. In addition, an impairment charge is recorded when the fair value of the item is lower than its net book value at year-end date.

5.3.2.3 Note 2c: Financial assets

Shares in either group or related companies are stated at cost. Should the year-end value of shares in group or related companies be lower than the acquisition cost of these shares, the Company would record an allowance equal to the corresponding loss. The year-end value is based on the re-valued net assets of the subsidiary, its profitability, and its expected future performance and also whether it still makes business sense for the Company to hold such shares. Accordingly, the estimate of such value may result in the year-end value being higher than the corresponding portion in the net assets of the subsidiary.

5.3.2.4 Note 2d: Own shares

Own shares are stated at their acquisition cost. In accordance with applicable provisions of Regulation n°2008-15 dated 4 December 2008 of the Comité de la règlementation comptable, own shares which have been allocated to specific grant plans are stated at their net book value at respective grant dates by the Company's Board of Directors, which is assumed to be equal to the closing price reported for the Company's share on the last trading day immediately preceding the respective dates of grant of such shares in the case of a free share grant, or the purchase of corresponding Partnership Shares acquired by participants to the Share Incentive Plan. The value of own shares held by the Company which have not been allocated to specific grant plans at a given year-end date is based on the moving average of closing prices reported for the Company's share during the month of December of that financial year: should it be lower than the acquisition cost of such own shares, the Company would record an allowance equal to the corresponding loss.

5.3.2.5 Note 2e: Trade receivables

Trade accounts receivable are stated at cost. A provision is recorded when it is probable that the amount receivable may not be collected.

5.3.2.6 Note 2f: Exchange rate differences

Transactions made in foreign currencies are translated into euros using the rates prevailing on each of the transaction dates.

Assets and liabilities denominated in foreign currencies outstanding at year-end date are translated into euros using exchange rates prevailing on that date. Any resulting gains or losses are presented in specific balance sheet captions. Losses resulting from this conversion give rise to a provision for risks, the amount of which is computed taking into account any gains resulting from the above-mentioned translation for transactions made in the same currencies and for similar maturity dates.

5.3.2.7 Note 2g: Going concern

On the date these statutory accounts were drafted, there was no event that was likely to affect the Company's ability to meet its financial requirements over the year ending 31 December 2011 which was known to the Company's Board of Directors.

The Company's going concern is dependent upon that of the Group taken as a whole: based on the Group's financial performance and cash flow forecasts for the year ending 31 December 2011, management does not anticipate any significant, detrimental effect on the Group's consolidated cash position over the next twelve months.

5.3.3 Note 3: Intangible assets

Intangible assets at 31 December 2010 consisted of expenses incurred for the registration of the Global Graphics trade names, and of the 'globalgraphics.com' Internet domain name.

The 'globalgraphics.eu' domain name, which had a cost value of € 282, and was completely depreciated at 1 January 2010, was written off in the year ended 31 December 2010.

The corresponding depreciation charge for the year ended 31 December 2010 was € 1,244 (compared with € 2,396 for the year ended 31 December 2009).

5.3.4 Note 4: Tangible assets

Tangible assets at 31 December 2009 and 2010 consisted of a laptop, a dock station, a flat screen monitor and a fax machine, which were all acquired during the year for a total gross value of € 1,777.

The corresponding depreciation charge for the year ended 31 December 2010 was € 592 (compared with € 384 in the year ended 31 December 2009).

5.3.5 Note 5: Financial assets

5.3.5.1 Note 5a: Cost value of financial assets

Financial assets at 31 December 2010 consisted of the shares held in the share capital of the following two UK-based companies, which are both wholly-owned subsidiaries of the Company:

- Global Graphics (UK) Limited, the purpose of which is to be the holding company of Global Graphics Software Limited, a UK-based company, following the disposal by the Group of the Hardware segment of its business in May 2002 (see note 1a), whose shares have a cost value of € 73,586,190; and
- Global Graphics EBT Limited, which was incorporated on 3 February 2010 with a share capital of € 1, the purpose of which is to be the trustee of the Employee Benefit Trust ('EBT') which was set up in February 2010 for the benefit of the employees of Global Graphics Software Limited, whose shares have a cost value of € 1.

5.3.5.2 Note 5b: Fair value of financial assets at 31 December 2010

5.3.5.2.1 Note 5b (i): Fair value of the shares in Global Graphics (UK) Limited at 31 December 2010

5.3.5.2.1.1 Method used to assess the fair value of the shares in Global Graphics (UK) Limited

At 31 December 2010, as was already the case at 31 December 2009 and 2008, the fair value of the shares in the capital of Global Graphics (UK) Limited was determined with respect to the product of the number of outstanding shares of the Company at year-end date (see note 9a) by the average closing price for the Company's share for the month of December of the corresponding year, less the amount of net cash available at year-end date.

As was already the case at 31 December 2009, the resulting amount was then compared with the amount of the shareholders' equity of the Group at year-end date, management considering that the fair value of these shares at any year-end date may not be lower than the amount of the shareholders' equity of the Group at the same date.

5.3.5.2.1.2 Application as at 31 December 2010

Given that the average closing price for the Company's share for the month of December 2010 was € 1.33 per share (see note 7b), that net cash amounted to € 1,212 at 31 December 2010 (see note 8), and that the shareholders' equity of the Group amounted to € 14,780,000 at that same date (compared with € 16,366,000 at 31 December 2009), the fair value of the shares in the capital of Global Graphics (UK) Limited was estimated to € 14,780,000 at 31 December 2010, compared with € 17,476,000 at 31 December 2009.

As a result, the Company increased the valuation allowance on the shares of Global Graphics (UK) Limited by an amount of € 2,696,000, resulting in such valuation allowance to amount to € 58,806,190 at 31 December 2010 (compared with € 56,110,190 at 31 December 2009).

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5.3.5.2.2 Note 5b (ii): Fair value of the shares in Global Graphics EBT Limited at 31 December 2010

Since Global Graphics EBT Limited had cash amounting to € 3,075 at 31 December 2010, the fair value of the shares in the capital of Global Graphics EBT Limited was assumed to equate that amount at that date.

As a result, no valuation allowance on the shares of Global Graphics EBT Limited was recorded at 31 December 2010.

5.3.5.3 Note 5c: Schedule of subsidiaries and investments in related companies at 31 December 2010

	Amount of share capital at year-end date	Amount of other equity captions at year-end date	% in share capital held by the Company	Cost value of shares held by the Company in €	Carrying value of shares held by the Company in €	Amount of guarantees and of commitments given in €	Amount of net sales for the last year ended in €	Net profit for the last year ended in €	Dividends received by the Company during the year in €
SUBSIDIARIES									
Global Graphics (UK) Limited	€ 65,193,975	€ (26,908,785)	100.0	73,586,190	14,780,000	None	None	€ 55,018	None
Cambourne Business Park, Cambridge (UK)	£ 37,750,000	£ (4,957,546)						£ 72,748	
Global Graphics EBT Limited	€ 1	€ 3,075	100.0	1	1	None	€ 117,911	€ 2,919	None
Cambourne Business Park, Cambridge (UK)	£ 1	£ 2,634					£ 106,399	£ 2,634	
INVESTMENTS IN RELATED COMPANIES									
None									

5.3.6 Note 6: Other current assets

Other current assets were due within one year and consisted of the following as at 31 December:

In euros	2010	2009
Amounts receivable from group companies (see note 14a)	4,491,359	4,360,278
Current tax receivable	124	353
VAT receivable	18,071	19,246
Other items	842	2 239
Total gross value	4,510,396	4,382,116
Allowance for bad debt	-	-
Net value	4,510,396	4,382,116

5.3.7 Note 7: Own shares

5.3.7.1 Note 7a: Allocation of own shares held by the Company at 31 December 2010

The own shares which were held by the Company at 31 December 2010 were allocated as follows:

	Number of shares	Repurchase cost in €	Impairment in €	Carrying value in €
Free shares granted on 29 July 2009	21,750	155,801	115,563	40,238
SIP Matching Shares	18,890	135,314	103,501	31,813
Own shares which have been allocated	40,640	291,115	219,064	72,051
Own shares which have not been allocated	127,441	912,892	743,396	169,496
Total own shares at 31 December 2010	168,081	1,204,007	962,460	241,547
Change in 2010	(5,887)	(42,170)		

All of the own shares which have been repurchased by the Company as part of its share repurchase programme have been allocated to the first of the three objectives of this programme, which is to meet obligations arising from the Company's share option programmes and other allocations of shares to the Group's employees and/or directors, including through the grant of shares at no cost to the recipient of such grant ('free shares').

5.3.7.2 Note 7b: Own shares which have been allocated to free share grant decisions

5.3.7.2.1 Note 7b (i): Grant of free shares made by the Board on 29 July 2009

On 29 July 2009, the Company's Board of Directors made a grant of 24,750 free shares to a number of employees of the UK- and US-based subsidiaries of the Company; the irrevocable grant of these shares will occur at the end of a four-year period ending on 29 July 2013 ('vesting period') provided that several conditions have been met, notably a continuing employment condition during that vesting period.

As at 31 December 2010, the residual number of shares granted by the Company's Board on 29 July 2009 which may be granted at the end of the vesting period is 21,750, affect effect of the termination or resignation of certain employees who were granted shares since share grant date, notably pursuant to to the implementation of the Company's reorganization plan in April 2010: these employees were irrevocably granted a total of 2,250 shares in the year ended 31 December 2010, having a total repurchase cost of € 16,117, which was accounted for as an exceptional item of expense by the Company (see note 17).

At 31 December 2010, these 21,750 shares, the total repurchase value of which was € 155,801, had a carrying value of € 40,238 which was determined on grant date based on the closing price reported for the Company's share on the last day immediately preceding the date of grant by the Board, i.e. € 1.85 per share.

Part of the valuation allowance on these own shares which have been allocated to the 29 July 2009 decision to grant free shares which existed at 1 January 2010 was written back in the year ended 31 December 2010, for an amount of € 11,955 with respect of the 2,250 shares which were irrevocably granted during that period, and for an additional amount of € 3,985 with respect of the 750 shares which were re-allocated as own shares which have not been allocated (see note 7c) pursuant to the resignation of the beneficiary of such grant of free shares. As a result, the valuation allowance on the own shares which have been allocated to the 29 July 2009 Board decision to grant free shares amounted to € 115,563 at 31 December 2010.

5.3.7.2.2 Note 7b (ii): Grant of free shares under the Share Incentive Plan

Pursuant to the authorization granted by the Company's shareholders on 29 April 2009, a Share Incentive Plan ('SIP') was implemented for the benefit of those employees of the UK subsidiary of the Company who decide to participate to the SIP: they may be granted free, ordinary shares of the Company ('Matching Shares') in proportion of the purchase of ordinary shares of the Company ('Partnership Shares') made through a deduction on their net pay, the irrevocable grant of these shares taking place at the end of a three-year period starting on the date of purchase of each lot of Partnership Shares, an earlier grant being possible when their employment agreement is terminated by the subsidiary during that period.

During the year ended 31 December 2010, 22,527 shares were granted to employees of the UK subsidiary of the Company, for a total repurchase value of € 161,367. During that same period, 3,637 shares, for a total repurchase cost of € 26,053, were irrevocably granted to the participants to the SIP who left the Company's employment pursuant to the implementation of the Company's reorganization plan in April 2010. This resulted in the Company recording an exceptional item of expense amounting to € 26,053 and the write-back of the existing valuation allowance on these own shares for € 19,318.

Accordingly, at 31 December 2010, a total of 18,890 own shares, for a total repurchase value of € 135,314, were allocated as SIP Matching Shares. The carrying value of these shares was determined based on the purchase price of the corresponding Partnership Shares and amounted to € 31,813 at 31 December 2010.

The valuation allowance on the own shares which have been allocated as SIP Matching shares amounted to € 103,501 at 31 December 2010.

5.3.7.3 Note 7c: Own shares which have not been allocated to a share grant decision

In the absence of any share repurchases during the year ended 31 December 2010, the number of own shares which were not allocated to a share grant decision was 127,441 shares at 31 December 2010 (for a repurchase cost of € 912,892), compared with 149,218 shares at 31 December 2009.

At 31 December 2010, the carrying value of these shares was € 169,496, based on an average closing price reported for the Company's share in the month of December 2010 of € 1.33 per share.

As a result, the valuation allowance on these 127,441 shares was € 743,396 at 31 December 2010, compared with € 812,231 at 31 December 2009, or a decrease of € 68,835 which is the combination of the write-back for € 122,620 of the valuation allowance existing at 31 December 2009 on the 22,527 shares which were allocated as SIP Matching shares during the year ended 31 December 2010 (see note 7b), the addition of € 49,702 made to the valuation allowance on these shares at 31 December 2010 to adjust their carrying value from € 1.72 per share at 1 January 2010 to € 1.33 per share at 31 December 2010, and the addition of € 4,083 made to the valuation allowance on these shares pursuant to the reallocation of the 750 shares which were granted to an employee who resigned in 2010 (see note 7b).

5.3.8 Note 8: Cash and cash equivalents

Cash and cash equivalents consisted of the following at 31 December:

In euros	2010	2009
Cash	1,212	222,117
Accrued interest	-	1,019
Total gross value	1,212	223,136
Valuation allowance	-	-
Net value	1,212	223,136

5.3.9 Note 9: Shareholders' equity

5.3.9.1 Note 9a: Share capital

At 31 December 2010 and 2009, the share capital consisted of 10,289,781 fully paid shares, each of € 0.40 par value.

5.3.9.2 Note 9b: Changes in other captions of equity in the year ended 31 December 2010

The main changes affecting the shareholders' equity captions in the year ended 31 December 2010 were as follows:

- firstly, the share premium amount decreased by a net amount of 11,416, from € 28,829,428 at 31 December 2009 to € 28,818,012 at 31 December 2010, after effect of the expenses relating to the implementation and management of the various share option schemes set out in note 9c below; and
- secondly, the statutory net profit of € 982,788 for the year ended 31 December 2009 was allocated to the caption "Prior year losses brought forward", reducing the debit balance of this account from € 28,076,573 at 31 December 2009 to € 27,093,785 at 31 December 2010.

5.3.9.3 Note 9c: Share option plans

5.3.9.3.1 Note 9c (i): Share option plan rules

5.3.9.3.1.1 Rules which are common to all grants of share options made up to 31 December 2010

- Each option when exercised gives the right to one newly issued, ordinary share of the Company having a par value of € 0.40.
- Options can only be granted to, and exercised by, an individual who is either an employee or a director of the Company or one of its subsidiaries at both grant and exercise dates. Should the beneficiary no longer be fulfilling such continuous employment condition, he may only exercise the portion of options which are vested at the termination date of his employment with the Company. Unvested options may not be exercised at any future date.

- Option rights once granted cannot be sold by the individual receiving them. Only newly issued shares following the exercise of these options are freely transferable, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.
- Neither the exercise of options nor the subsequent sale of resulting newly issued shares can create any incidental tax or social security liabilities for either the Company or the subsidiary of which the individual is an employee or a director.

5.3.9.3.1.2 Rules which are specific to certain grants of share options

Grants of share options made prior to 1 January 2008

- The exercise of options may be done in one or several transactions, at the discretion of the recipient of the share option grant. Up to a maximum of one third of total options granted may be exercised after one year from the date of grant; up to a maximum of two thirds of total options granted may be exercised after two years from the date of grant, and all options may be exercised after three years from the date of grant.
- Options have to be exercised within five years of the date of grant. All options which are not exercised within the five-year period following the date of grant are forfeited. They cannot be exercised at a future date, except by the heirs of an individual who was granted options who can exercise the options in the year following the date of death of that individual.
- When the Company disposes of one of its subsidiaries, employees of that subsidiary who were granted options may exercise part or all of these options within the three-month period following such disposal date. This period may be extended by the Company's Board of Directors at its sole discretion: in this case, the extended period would apply to all beneficiaries who are employees of the disposed subsidiary. The same rule would apply in case of a change in control of the Company.

Grants of share options made since 1 January 2008

- The exercise of options may be done by the recipients of the share option grants in one or several transactions, at the discretion of the recipient of the share option grant, but only from the date when that the average of the closing prices reported by NYSE-Euronext for the Company's share over the last 120 trading days is at least equal to € 4.00 for the first quarter of the total number of options granted, € 8.00 for the second quarter of the total number of options granted, € 12.00 for the third quarter of the total number of options granted, and to € 16.00 for the last quarter of the total number of options granted.
- All of these options have to be exercised on or before 6 August 2016; otherwise, any unexercised option will lapse from that date.
- All unvested options will automatically vest and may therefore be exercised, regardless of whether or not the above mentioned minimum share price conditions are met, should one or several shareholders acting in concert come to hold more voting rights than the Company's reference shareholder, Stichting Andlinger & Co. Euro-Foundation, which held 2,883,001 shares of the Company's shares (or 28.02% of the Company's share capital) to which were attached 2,883,021 voting rights ('de facto control'), or one third or more of the total number of voting rights attached to the Company's shares ('legal control'), being noted that such threshold was reduced to 30% of the total number of shares forming the Company's share capital or the voting rights attached to the Company's shares with effect from 1 February 2011, pursuant to enactment of the law n°2010-1249 on banking and financial regulation, which lowered to that level the threshold the crossing of which mandates to initiate a public offer.

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5.3.9.3.2 Note 9c (ii): Outstanding and exercisable options at 31 December 2010

Share option grant date	Share option expiry date	Outstanding options	Exercise price in €	Exercisable options	Exercise price in €
12 December 2006	12 December 2011	24,940	10.00	24,940	10.00
6 August 2008	6 August 2016	400,000	2.08	-	-
18 September 2008	6 August 2016	20,000	1.94	-	-
17 December 2008	6 August 2016	150,000	2.08	-	-
24 February 2010	6 August 2016	25,000	1.55	-	-
24 February 2010	6 August 2016	25,000	1.64	-	-
28 July 2010	6 August 2016	10,000	1.65	-	-
Total		654,940	2.33	24 940	10.00

5.3.9.3.3 Note 9c (iii): Summary of share option grants made to the Company's directors

5.3.9.3.3.1 Mr. Johan Volckaerts, Chairman of the Board of Directors

At both 31 December 2009 and 2010, Mr. Johan Volckaerts was not granted any share options.

5.3.9.3.3.2 Mr. Gary Fry, Chief Executive Officer and director

At both 31 December 2009 and 2010, Mr. Gary Fry was granted 400,000 options to subscribe for the same number of newly issued ordinary shares of the Company upon exercise of these options, which were granted to him on 6 August 2008, at an exercise price of € 2.08 per share.

5.3.9.3.3.3 Mr. Alain Pronost, Chief Financial Officer and director

At both 31 December 2009 and 2010, Mr. Alain Pronost was granted 25,000 options to subscribe for the same number of newly issued ordinary shares of the Company upon exercise of these options, which were granted to him on 17 December 2008, at an exercise price of € 2.08 per share.

5.3.9.3.3.4 Mr. Gareth Jones, director and chairman of the Company's audit committee

At both 31 December 2009 and 2010, Mr. Gareth Jones was not granted any share options.

5.3.9.3.3.5 Mr. Pierre Van Beneden, director and chairman of the Company's remuneration committee

At both 31 December 2009 and 2010, Mr. Pierre Van Beneden was not granted any share options.

5.3.9.4 Note 9d: Free share grant plans

5.3.9.4.1 Note 9d (i): Grant of free shares made by the Board on 29 July 2009

On 29 July 2009, the Company's Board of Directors made a grant of 24,750 shares at no cost to the recipient of such grant ('free shares') to a number of employees of the UK- and US-based subsidiaries of the Company; the irrevocable grant of these shares will occur at the end of a four-year period ending on 29 July 2013 ('vesting period') provided that the following have been met:

- Continuing employment condition: free shares will be irrevocably granted at the end of the vesting period to an individual who, at any time during such two-year period (if a resident in France for income tax purposes at grant date) or four-year period (in all other cases), starting on share grant date to the recipient by the Company's Board of Directors and ending on irrevocable grant date of such shares, is either an employee or a director of one of the entities which are part of the Company.
- Neither the irrevocable grant of these shares nor their subsequent sale may create any incidental income tax or social security liability for either the Company or one of its subsidiaries of which the beneficiary is an employee or a director; instead, the individual remains liable for any corresponding liability.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting would be shares which would have been repurchased by the Company as part of its share repurchase programme (see note 7b), and that these shares would be freely transferable once irrevocably granted, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.

As indicated note 7b, as at 31 December 2010, the residual number of shares granted by the Company's Board on 29 July 2009 which may be granted at the end of the share vesting period is 21,750.

5.3.9.4.2 Note 9d (ii): Grant of free shares under the Share Incentive Plan

As indicated note 7b, a Share Incentive Plan was implemented for the benefit of those employees of the UK subsidiary of the Company who decide to participate to the SIP: they may be granted free, ordinary shares of the Company ('Matching Shares') in proportion of the purchase of ordinary shares of the Company ('Partnership Shares') made through a deduction on their net pay, the irrevocable grant of these shares taking place at the end of a three-year period starting on the date of purchase of each lot of Partnership Shares, an earlier grant being made should they be redundant by the subsidiary before the end of that vesting period.

As at 31 December 2010, 18,890 of the Company's own shares were allocated as SIP Matching Shares to meet the obligation to grant these shares at the end of the vesting period for such shares (see note 7b).

5.3.10 Note 10: Provisions for risks and future costs

5.3.10.1 Note 10a: Summary as at 31 December

In euros	2010	2009
Provision for exchange rate losses (note 10b)	768,191	899,452
Provision for the cost resulting from the obligation to grant shares (note 10c)	24,726	4,770
Total provisions for risks and future costs	792,917	904,222

5.3.10.2 Note 10b: Provision for exchange rate losses

A provision for exchange rate losses was recorded for € 768,191 at 31 December 2010, notably relating to amounts receivable and payable to group companies as set out in note 14a (a similar provision was recorded for € 899,452 at 31 December 2009).

5.3.10.3 Note 10c: Provision for the cost resulting from the obligation to grant shares

5.3.10.3.1 Note 10c (i): Assumptions used

As at 31 December 2010, the Company recorded a provision for the cost resulting from the obligation to grant either free shares which were granted by the Company's Board of Directors on 29 July 2009, or free shares granted as Matching Shares under the SIP, which was determined using the following assumptions :

- the shares which will be granted at the end of the vesting period will only be existing shares of the Company, which have been acquired by the Company as part of its share repurchase programme (see note 7b);
- because the ultimate goal of the Company's various share grant plans is to provide an incentive to employees to continue their employment with the Company, and because one of the conditions for the shares to be finally granted at the end of the vesting period is to have an continuing employment with the Company or one of the group companies during such period, it was assumed that the benefit provided to the recipients of such share grant was made with respect of the services to be rendered by the recipients of such grant of shares over the vesting period; as a result, the corresponding expense will be recognized over that period as these shares vest; and
- at both 31 December 2009 and 2010, it was assumed that there was a 100% probability that all recipients of grants of free shares would meet the continuing employment condition at the end of the vesting period.

5.3.10.3.2 Note 10c (ii): Provision for the free share grant made on 29 July 2009

At 31 December 2010, a provision for the cost of irrevocably granting the free shares which were granted on 29 July 2009 was recorded for € 14,251 (compared with € 4,770 at 31 December 2009).

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The amount expensed by the Company with respect of this provision in the year ended 31 December 2010 was € 10,811; in the same period, an amount of € 1,330 was written back with respect of the 2,250 shares which were irrevocably granted during the year ended 31 December 2010, and of the 750 shares which were re-allocated as own shares which have not been allocated (see note 7b).

5.3.10.3.3 Note 10c (iii): Provision for Matching Shares granted under the SIP

At 31 December 2010, a provision for the cost of irrevocably granting the free shares which were granted as Matching Shares under the SIP was recorded for € 10,475, which was also the amount expensed by the Company with respect of this provision in the year ended 31 December 2010.

5.3.11 Note 11: Trade payables

Trade payables consisted of amounts due within one year, which were as follows, as at 31 December:

In euros	2010	2009
Trade accounts payable	475	539
Other accrued accounts payable	106,081	110,794
Total trade payable	106,556	111,333

5.3.12 Note 12: Taxes and social security liabilities - income tax

5.3.12.1 Note 12a: Taxes and social security liabilities

All amounts were due within one year and consisted of the following as at 31 December:

In euros	2010	2009
Year-end bonus accrual	9,375	3,125
Vacation pay accrual	22,919	16,432
CET vacation pay accrual (see note 22b)	4,227	-
Contributions and taxes on year-end bonus accrual	4,334	1,400
Contributions and taxes on vacation pay accrual	10,595	7,266
Contributions and taxes on CET vacation pay accrual	1,954	-
Social security and pension contribution liabilities	1,927	396
VAT liability	197	120
Other items	1,286	1,244
Total taxes and social security liabilities	56,814	29,983

5.3.12.2 Note 12b: Future income tax information

Information on future income tax consisted of the following as at 31 December 2010:

In euros	Tax basis	Tax rate	Tax amount
Exchange rate differences (note 15)	768,356	33.33%	256,093
Total increase in future tax basis	768,356		256,093
Provision for exchange rate losses (note 10b)	768,191	33.33%	256,038
Provision for the cost resulting from the obligation to grant shares (note 10c)	24,726	33.33%	8,241
Exchange rate differences (note 15)	815,169	33.33%	271,696
Total decrease in future tax basis	1 608,086		535,975
Net decrease in future tax basis	839,730		279,882

5.3.12.3 Note 12c: Tax losses which may be carried forward

As at 31 December 2010, the Company may use the tax losses to offset future taxable profits at the applicable corporate income tax rate, which was 33.33% for the year ended 31 December 2010, amounting to a total of € 6,381,388, of which € 1,059,112 with respect of the tax loss made in the year ended 31 December 2010.

5.3.13 Note 13: Other liabilities

All amounts were due within one year and consisted of the following as at 31 December:

In euros	2010	2009
Amounts payable to group companies (note 14a)	14,983,156	13,880,396
Fair value of derivative financial instruments	-	9,403
Other items	-	1,410
Total other liabilities	14,983,156	13,891,209

5.3.14 Note 14: Transactions with related parties

5.3.14.1 Note 14a: With companies which are not group companies

5.3.14.1.1 Note 14a (i): Amounts included in captions of the statement of financial position

In euros	2010	2009
Investments in group companies (note 5a)	73,586,191	73,586,190
Valuation allowance on investments (note 5b)	58,806,190	56,110,190
Other current assets (note 6)	4,491,359	4,360,278
Exchange rate differences (note 15)	768,356	899,452
Other liabilities (note 13)	14,983,156	13,880,396
Exchange rate differences (note 15)	815,169	2,133,060

5.3.14.1.2 Note 14a (ii): Amounts included in captions of the statement of income (loss)

In euros	Years ended 31 December	
	2010	2009
Sales (note 16)	574,178	480,401
Other purchases and expenses	6,149	3,790
Valuation allowance on investments	2,696,000	-
Write-back of the valuation allowance on investments	-	706,000

5.3.14.2 Note 14b: With companies which are not group companies

On 16 December 2009, the Company's Board of Directors decided to enter into two agreements with Andlinger & Co. CVBA, a Belgian company which is managed by Mr. Johan Volckaerts, the purpose of which was the following:

- firstly, the rent of a meeting room in Brussels including the provision of related services, against the payment of a quarterly fee of € 1,500 (excluding VAT); and
- secondly, the provision to the Company of advisory services with respect of the Company's corporate and sales strategy, against the payment of a monthly fee of € 6,000 (excluding VAT), which was increased to € 6,500 (excluding VAT) with effect from 1 February 2011 as voted by the Company's Board on 8 February 2011.

The expense recorded by the Company with respect of these two agreements amounted to € 78,000 in the year ended 31 December 2010, and nil in the year ended 31 December 2009.

5.3.15 Note 15: Exchange rate differences

The valuation of assets and liabilities denominated in foreign currencies at 31 December 2010 resulted in exchange rate differences which were posted as assets for € 768,356 (€ 899,452 as at 31 December 2009) and as liabilities for € 815,169 (€ 2,133,060 as at 31 December 2009).

The resulting provision for exchange rate losses on balance sheet items amounted to Euro 768,191 at 31 December 2010 (see note 10a).

5.3.16 Note 16: Sales

As was the case in the year ended 31 December 2009, sales made in the year ended 31 December 2010 only consisted of management fees charged to the Group's operational entities in the UK (for € 320,000 and € 235,000 in the years ended 31 December 2010 and 2009, respectively) and in the US (for € 254,178 and € 245,401 in the years ended 31 December 2010 and 2009, respectively).

5.3.17 Note 17 : Exceptional result

In euros	Years ended 31 December	
	2010	2009
On operating items (note 17a)	69,461	-
On capital items	-	-
Write-back of provisions and recharges (note 10c)	1,330	-
Total exceptional income	70,791	-
On operating items (note 17b)	9,500	-
On capital items (note 7b)	42,170	-
Provisions (note 10c)	21,286	4,770
Total exceptional expenses	72,956	4,770
Total exceptional result	(2,165)	(4,770)

5.3.17.1 Note 17a: Exceptional income on operating items

Exceptional income on operating items which were recorded in the year ended 31 December 2010, related firstly to income with respect of prior years for a total of € 2,224, and secondly to the income recognised for € 67,237 pursuant to a court decision providing for the repayment to the Company of cash amounts which had been misappropriated from the assets of Global Graphics Management SA, a former wholly-owned subsidiary of the Parent, which was liquidated in March 2005.

5.3.17.2 Note 17b: Exceptional expenses on operating items

Exceptional expenses on operating items which were recorded in the year ended 31 December 2010 related to fees and expenses incurred by the Company with respect of the implementation of the Share Incentive Plan, which were recorded as prepaid expenses as at 31 December 2009 and until the first grant of Matching Shares (see note 7b).

5.3.18 Note 18: Management and directors' remuneration

5.3.18.1 Note 18a: Remuneration of the Company's Chief Executive Officer

No remuneration was paid to Mr. Gary Fry with respect of his office of Chief Executive Officer of the Company in either of the years ended 31 December 2010 or 2009.

5.3.18.2 Note 18b: Remuneration of the members of the Company's Board of Directors

With exception of the Chairman of the Company's Board of Directors who was not given any remuneration with respect of either his mandate of chairman or member of the Board, each member of the Company's Board of Directors were paid board fees amounting to € 15,000 in each of the years ended 31 December 2009 and 2010, before effect of withholding tax at a rate of 25% for those directors who are not residents in France for income tax purposes.

5.3.19 Note 19: Commitments given as at 31 December 2010

5.3.19.1 Note 19a: Relating to pension liabilities as at 31 December 2010

As the Company has only one full-time employee as at 31 December 2010 (see note 21), pension liabilities have been considered as immaterial at that date.

Accordingly, no liability was accrued for in that respect at that date.

5.3.19.2 Note 19b: Guarantees given on behalf of group companies

The Company agreed to guarantee the payment of the rent for the premises leased by Global Graphics Software Limited near Cambridge in the UK, for an annual expense of £ 254,292, as well as for the premises leased by Global Graphics KK in Japan, for a monthly rental expense of Yen 240,000.

5.3.20 Note 20: Honoraires des commissaires aux comptes pris en charges dans l'exercice

The following table provides information on the amount of fees which were billed to the Company by its statutory auditors (including members of their networks, as the case may be) and were expensed in the Company's statutory accounts for the year ended 31 December 2010.

Please note that the amounts which are presented in the following table are exclusive of VAT, as well as of any amounts which expensed by the Company with respect of travel and subsistence expenses by the Company's statutory auditors, or the contributions borne on them with regards to the Haut conseil du commissariat aux comptes (H3C).

In euros	KPMG SA		Secef Sarl	
	Fee amount	% of total	Fee amount	% of total
Audit and review of statutory and consolidated financial statements				
Global Graphics SA	82,000	76.9%	19,600	92.9%
Subsidiaries	21,609	20.37%	-	-
Audit-related fees				
Global Graphics SA	3,000	2.8%	1,500	7.1%
Subsidiaries	-	-	-	-
TOTAL AUDIT FEES	106,609	100.0%	21,100	100.0%
TOTAL NON-AUDIT FEES	-	-	-	-
TOTAL FEES	106,609	100.0%	21,100	100.0%

Fees which were expensed in the year ended 31 December 2010 with respect of audit-related fees related firstly, to the portion of fees which were billed to the Company for the work undertaken by the Company's statutory auditors with respect of the special reports which were required for the meeting of the Company's shareholders which was held on 23 April 2010 for a total of € 2,000, and secondly to the fees relating to the review of the draft Reference document for the year ended 31 December 2010, for a total of € 2,500.

5.3.21 Note 21: Average number of employees

The average number of the Company's employees in each of the years ended 31 December 2009 and 2010, was one person, being an executive.

5.3.22 Note 22: Other information

5.3.22.1 Note 22a: Individual rights to continuing professional education

The accumulated number of hours, corresponding to rights to continuing professional education, was 119 hours as at 31 December 2010.

No provision was made with respect of those rights as at 31 December 2010.

5.3.22.2 Note 22b : Compte épargne temps (CET)

The Company implemented a 'time-saving account' (Compte Epargne Temps or 'CET') in the year ended 31 December 2010, which allowed employees of the Company to allocate up to an aggregate of 60 vacation days, with a maximum of 12 days in each calendar year.

The amount of the corresponding accrual was € 4,227 as at 31 December 2010 (see note 12a).

5.3.23 Note 23: Subsequent events

In accordance with the authority given by the shareholders on 25 April 2008, a total of 96,000 free shares were granted on 10 March 2011 by the Company's Board of Directors to a number of employees and officers of the Group, of which 36,000 shares to Mr. Gary Fry, and 4,000 shares to Mr. Alain Pronost. The irrevocable grant of these shares is subject to the continuing employment by one of the group companies of the recipient of such share grant during the share vesting period, expiring on the fourth anniversary date of the share grant (except for Mr. Alain Pronost for which such expiry will expire on the second anniversary date of the share grant), being noted that all shares which would be irrevocably granted would be shares previously repurchased as part of the Company's share repurchase programme (see note 7b).

With exception of Mr. Alain Pronost who will be required to hold the shares which would be irrevocably granted to him during a two-year period, all shares will be freely transferable as from irrevocable grant date.

5.4 Statutory auditors' report on the 2010 statutory financial statements

To the shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended 31 December 2010, on:

- the audit of the statutory financial statements of Global Graphics SA, which are presented on pages 59 to 74;
- the justification of our assessments;
- the specific verifications and information required by law.

These statutory financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the statutory financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free of material misstatement. An audit involves performing procedures, on a test basis or by selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the statutory financial statements give a true and fair view of the Company's financial position and its assets and liabilities as at 31 December 2010, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code ("*Code de commerce*") relating to the justification of our assessments, we bring the following to your attention.

Notes 2c and 5 to the financial statements describe the rules and accounting principles applied relating to the valuation of investments.

As part of our assessment of the rules and accounting principles applied by the Company, we verified the appropriateness of the accounting methods referred to above as well as the information disclosed in the notes to the accounts and we examined their correct application.

These assessments were made in the context of our audit of the statutory financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by law.

We have no matters to report regarding the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code ("*Code de commerce*") relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders (or voting rights) has been properly disclosed in the management report

Schiltigheim and Nancy, on 18 March 2011

KPMG Audit,
A division of KPMG SA

SECEF

Pascal Maire

Philippe Gibello

This report is a free translation into English of the statutory auditors' report on the statutory financial statements issued in the French language and is provided solely for the convenience of English-speaking users.

The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the statutory financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were made for the purpose of issuing an audit opinion on the statutory financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.

This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

5.5 Statutory auditors' report on the 2010 transactions with regulated related parties

To the shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you our report on the regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate, or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with article R.225-31 of the French Commercial Code ('Code de commerce') to evaluate the benefits arising from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you, in accordance with article R.225-31 of the French Commercial Code ('Code de commerce'), concerning the implementation of the agreements and commitments already approved by the general meeting of shareholders.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French national auditing body ('Compagnie Nationale des Commissaires aux Comptes') relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the underlying documentation from which it has been extracted.

Agreements and commitments submitted for approval

Agreements and commitments which were authorised during the year ended 31 December 2010

In accordance with article L.225-38 of the French Commercial Code ('Code de commerce'), we have been advised of the following related party agreements and commitments which received prior authorisation from your Board of Directors.

1. Guarantee given by the Company on behalf of Global Graphics Software Limited
 - Directors concerned by the agreement or commitment:
Messrs. Johan Volckaerts, Gary Fry and Alain Pronost.
 - Purpose of the agreement or commitment:
Guarantee given by the Company with respect of the reinstatement of the office facilities, which are leased by Global Graphics Software Limited in Cambourne (United Kingdom).
 - Terms and conditions:
The Company's Board of Directors voted on 2 July 2010 to authorise the Chief Executive Officer to provide a guarantee to the landlord of office facilities which are used by Global Graphics Software Limited in Cambourne (United Kingdom) that these would be reinstated in their original condition at the expiry of the current lease term, or that the Company would bear the costs for doing so. Such guarantee was requested by the landlord with respect of projected building improvements which were necessary to accommodate for the employees of Global Graphics Software Limited who are working in Cambourne to relocate in one wing of the office space leased by that company, and therefore allowing the unused portion of such office space to be available for being sublet.
2. Amendment to Mr. Alain Pronost's employment agreement (implementation of the CET)
 - Director concerned by the agreement or commitment:
Mr. Alain Pronost.
 - Purpose of the agreement or commitment:
Amendment to Mr. Alain Pronost's employment agreement with respect of the implementation of the compte épargne temps ('CET').
 - Terms and conditions of the agreement or commitment:
The Company's Board of Directors voted on 15 December 2010 to authorise the implementation of a compte épargne temps ('CET') for the benefit of current and future employees of the Company, providing for the transfer to the CET of a maximum of 12 vacation days per calendar year, provided that all applicable legal, regulatory and conventional provisions are complied with. On the same date, the Company's Board of Directors approved the request made by Mr. Alain Pronost to transfer 12 vacation days to the CET for each of the years ended 31 December 2010 and 2011. The corresponding allocation for the year ended 31 December 2010 resulted in the recognition of an accrual which amounted to € 4,227 as at 31 December 2010.

Agreements and commitments which were authorised since year-end date

We have been advised of the following related party agreements and commitments, which were entered into since year-end date, and which received prior authorisation from your Board of Directors.

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1. Payment to Mr. Alain Pronost of a bonus for the year ending 31 December 2011
 - Director concerned by the agreement or commitment:
Mr. Alain Pronost.
 - Purpose of the agreement or commitment:
Payment to Mr. Alain Pronost of a bonus for the year ending 31 December 2011.
 - Terms and conditions of the agreement or commitment:
The Company's Board of Directors voted on 15 December 2010 that Mr. Alain Pronost would be entitled to the payment by the Company of a bonus for the year ending 31 December 2011 of a maximum gross amount of € 25,000, should certain targets relating to the amounts of sales and operating expenses reported in the Company's consolidated accounts for the year ending 31 December 2011, as well as targets relating to the achievement of collective targets, each of the abovementioned targets giving right to the payment to Mr. Alain Pronost of a maximum gross amount of € 6,250, € 6,250 and € 12,500, respectively.
On 8 February 2011, the Company's Board of Directors set the rules relating to the payment of the portion of the bonus which would be paid to him with respect of the achievement of collective targets, which will be set by the Chief Executive Officer, and will involve team work from various members of the Company's senior management team.
2. Provision of certain advisory services by Andlinger & Co. CVBA
 - Director concerned by the agreement or commitment:
Mr. Johan Volckaerts.
 - Purpose of the agreement or commitment:
Provision of certain advisory services by Andlinger & Co. CVBA.
 - Terms and conditions of the agreement or commitment:
The Company's Board of Directors voted on 8 February 2011 to increase from € 6,000 to € 6,500 with effect from 1 February 2011 the monthly fee charged by Andlinger & Co. CVBA with respect of the provision of advisory services relating to the Company's strategy, the conclusion of which was approved by the Company's Board of Directors on 16 December 2009.

Agreements and commitments which were already approved

Agreements and commitments which were approved in prior financial years

In accordance with article R.225-30 of the French Commercial Code ('Code de commerce'), we have been advised that the following agreements and commitments, which were approved in prior years and which remained in effect during this financial year.

1. Guarantee given by the Company on behalf of Global Graphics Software Limited
 - Purpose of the agreement or commitment:
Guarantee given by the Company on behalf of Global Graphics Software Limited.
 - Terms and conditions of the agreement or commitment:
The Company's Board of Directors voted on 29 October 2002 to authorise the Chairman of the Board to give a guarantee to the landlord of office facilities leased by Global Graphics Software Limited in Tokyo, in Japan, for the payment of a monthly rent of Yen 240,000.
2. Guarantee given by the Company on behalf of Global Graphics Software Limited
 - Purpose of the agreement or commitment:
Guarantee given by the Company on behalf of Global Graphics Software Limited.

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■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 12 June 2006 to authorise the Chairman of the Board to give a guarantee to the landlord of office facilities leased by Global Graphics Software Limited in Cambourne, in the UK, for the payment of an annual rent of £ 254,292.

3. Management fees charged to Global Graphics Software Limited

■ Purpose of the agreement or commitment:

Management fees charged to Global Graphics Software Limited.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 16 December 2009 to increase the amount of the recharge of management fees made to Global Graphics Software Limited to € 80,000 for each quarter of the financial year ended 31 December 2010.

The Company's Board of Directors voted on 15 December 2010 that this amount would also be that of the recharge of management fees made to Global Graphics Software Limited in each quarter of the financial year ending 31 December 2011.

The corresponding recharge of management fees to Global Graphics Software Limited for the year ended 31 December 2010 amounted to a total of € 320,000.

4. Management fees charged to Global Graphics Software Incorporated

■ Purpose of the agreement or commitment:

Management fees charged to Global Graphics Software Incorporated.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors voted on 16 December 2009 to increase the amount of the recharge of management fees made to Global Graphics Software Incorporated to US\$ 90,500 for each quarter of the financial year ended 31 December 2010.

The Company's Board of Directors voted on 28 July 2010 to decrease the amount of the recharge of management fees made to Global Graphics Software Incorporated to US\$ 80,000 for each of the third and fourth quarters of the financial year ended 31 December 2010.

The Company's Board of Directors voted on 15 December 2010 that the latter amount would also be that of the recharge of management fees made to Global Graphics Software incorporated in each quarter of the financial year ending 31 December 2011.

The corresponding recharge of management fees to Global Graphics Software Incorporated for the year ended 31 December 2010 amounted to a total of € 254,178, being the counter-value of US\$ 341,000.

Agreements and commitments which were approved in the year ended 31 December 2010

We have also been advised that the following agreements and commitments, which were approved by the Company's shareholders on 23 April 2010, considering our special report dated 31 March 2010.

1. Payment to Mr. Alain Pronost of a bonus for the year ending 31 December 2010

■ Purpose of the agreement or commitment:

Payment to Mr. Alain Pronost of a bonus for the year ending 31 December 2010.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors decided on 16 December 2009 that Mr. Alain Pronost would be entitled to the payment by the Company of a bonus, of a maximum gross amount of Euro 25,000, for the year ended 31 December 2010 should certain targets relating to the amount of sales and adjusted operating profit reported for the year ended 31 December 2010, the amount of projected sales to be made in the year ending 31 December 2011 with respect of contracts entered into or firm proposals sent to customers in the year ending 31 December 2010, as well as individual performance targets be met, each of the abovementioned four targets giving right to the payment to Mr. Alain Pronost of a maximum gross amount of Euro 6,250.

The Company's Board of Directors acknowledged on 15 December 2010 that the individual performance targets were not achieved, and noted on 8 February 2011 that the sales target for the year ended 31 December 2010 was not achieved, that the operating expenses for that same year was 100% achieved, and that the target relating to the amount of projected sales to be made in the year ending 31 December 2011 with respect of contracts entered into or firm proposals sent to customers in the year ended 31 December 2010 was 50% achieved: this resulted in the approval of the payment in February 2011 of a bonus for the year ended 31 December 2010 in the gross amount of € 9,375.

2. Payments to Mr. Alain Pronost with respect of savings plans in the year ended 31 December 2010

■ Purpose of the agreement or commitment:

Payments to Mr. Alain Pronost with respect of savings plans in the year ended 31 December 2010.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors decided on 16 December 2009 that existing as well as future employees of the Company be entitled to participate to, firstly, a Plan d'épargne interentreprises ('PEI') whose terms provide for an annual contribution by the Company equal to 300% of the amount contributed by the employee during that year, within a maximum of 8% of the annual limit for the payment of social security contributions (i.e. of € 2,770 for the year ended 31 December 2010), and secondly, a Plan d'épargne retraite collectif interentreprises ('PERCO-I') whose terms provide for an annual contribution by the Company equal to 300% of the amount contributed by the employee during that year within a limit of 16% of the annual limit for the payment of social security contributions (i.e. of € 5,540 for the year ended 31 December 2010).

Being noted that Mr. Alain Pronost made contributions amounting to respectively € 923 and € 766 on the PEI and the PERCO-I in December 2010, the Company's Board of Directors decided on 15 December 2010 that corresponding contributions in the amount of respectively € 2,769 and € 2,298 be made by the Company before the end of the year ended 31 December 2010.

3. Agreement for the provision of office facilities and related services by Andlinger & Co. CVBA

■ Purpose of the agreement or commitment:

Agreement for the provision of office facilities and related services by Andlinger & Co. CVBA in the year ended 31 December 2010.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors decided on 16 December 2009 that a contract, of an initial duration of one year (which may be renewed), be entered into by the Company and Andlinger & Co. CVBA, a company which is registered in Belgium and is managed by Mr. Johan Volckaerts, for the provision of a meeting room and related services (secretarial services, copy machine, etc.) in the Brussels offices of Andlinger & Co. CVBA against the payment of a quarterly fee of € 1,500 excluding VAT.

The amount which was expensed by the Company with respect of this agreement amounted to € 6,000 in the year ended 31 December 2010.

4. Agreement for the provision of advisory services by Andlinger & Co. CVBA

■ Purpose of the agreement or commitment:

Agreement for the provision of advisory services by Andlinger & Co. CVBA in the year ended 31 December 2010.

■ Terms and conditions of the agreement or commitment:

The Company's Board of Directors decided on 16 December 2009 that a contract, of an initial duration of one year (which may be renewed), be entered into by the Company and Andlinger & Co. CVBA, a company which is registered in Belgium and is managed by Mr. Johan Volckaerts, for the provision of services to the Company with respect of the Company's marketing and general strategy against the payment of a quarterly fee of € 18,000.

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The amount which was expensed by the Company with respect of this agreement amounted to € 72,000 in the year ended 31 December 2010.

Schiltigheim and Nancy, on 18 March 2011

KPMG Audit,
A division of KPMG S.A.

SECEF

Pascal Maire

Philippe Gibello

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

CHAPTER 6 - THE BOARD'S REPORTS FOR THE YEAR ENDED 31 DECEMBER 2010

6.1 The report of the Board of Directors on the Company's 2010 operations

6.1.1 Note 1: Introduction

The Report of the Company's Board of Directors (the 'Board') on the operations and results of the Company for the year ended 31 December 2010 is made of four notes, which presented hereafter and respectively relate to the Company (see note 2 below), the Company's parent company (see note 3 below), the other information the provision of which is required by law (see note 4 below), the authorisations the shareholders will be requested to grant to the Board during their meeting convened on 16 June 2011 (see note 5 below), and proposed amendments to article 14 of the Company's articles of association (see note 6 below).

This report was drafted by the Board on 10 March 2011, and subsequently completed on 28 April 2011.

6.1.2 Note 2: The Company

In this section, we will first remind you of the organization and scope of consolidation of the Company and discuss consolidated results, and then provide information on the key financial data relating to subsidiaries forming part of the Company.

6.1.2.1 Note 2a: Organisation and scope of consolidation of the Company

6.1.2.1.1 Note 2a (i): Scope of consolidation as at 31 December 2010

In addition to the Parent, the following companies, which are all wholly-owned subsidiaries, and therefore are fully consolidated, were part of the Company at 31 December 2010:

- Global Graphics (UK) Limited, a UK company, which is a wholly-owned subsidiary of the Parent;
- Global Graphics Software Limited, a UK company, which is a wholly-owned subsidiary of Global Graphics (UK) Limited;
- Jaws Systems Limited, a UK company, which is a wholly-owned subsidiary of Global Graphics Software Limited;
- Global Graphics Software Incorporated, a US company, which is a wholly-owned subsidiary of Global Graphics Software Limited;
- Global Graphics Kabushiki Kaishiyu ('Global Graphics KK'), a Japanese company, which is a wholly-owned subsidiary of Global Graphics Software Limited;
- Global Graphics Software (India) Private Limited, an Indian company, which is a wholly-owned subsidiary of Global Graphics Software Limited;
- Graphics EBT Limited, a UK company, which is a wholly-owned subsidiary of the Parent.

6.1.2.1.2 Note 2a (ii): Change in the scope of consolidation in the year ended 31 December 2010

The following changes were made to the Company's scope of consolidation during the year ended 31 December 2010:

- Global Graphics EBT, a UK company which is wholly owned by the Parent, was set up on 3 February 2010; its purpose is to be the trustee of the Employee Benefit Trust ('EBT') which was set up for the benefit of the employees of the UK subsidiaries of the Company (see note 3g below);
- pursuant to the implementation of the Company's reorganisation plan in April 2010, 23 of the 30 employees of the Company's Indian subsidiary, Global Graphics Software (India) Private Limited, were transferred to an outsourcing partner while the other 7 employees were made redundant: as a result, this subsidiary has been dormant since early May 2010 and was under liquidation as at 31 December 2010.

6.1.2.1.3 Note 2a (iii): Change in the Company's scope of consolidation since 1 January 2011

No changes were made to the Company's scope of consolidation since 1 January 2011.

On the date this report was drafted, the liquidation process of Global Graphics Software (India) Private Limited was not completed; such completion is expected before the end of the first half of the current year.

6.1.2.2 Note 2b: The Company's activity and performance in the year ended 31 December 2010

6.1.2.2.1 Note 2b (i): Analysis of 2010 sales

Sales were € 9,608,000 in the year ended 31 December 2010, compared with € 9,362,000 in the year ended 31 December 2009, or an increase of 2.6% with the previous year's sales at current exchange rates. At constant exchange rates, sales made in the year ended 31 December 2010 would have amounted to approximately € 9,075,000, showing a decrease of 3.1% with sales made in the year ended 31 December 2009.

A significant part of the Company's sales (i.e. 74.0% of 2010 sales and 77.9% of 2009 sales) were denominated in US dollars, a currency which substantially fluctuated versus the euro (the reporting currency of the Company) over the past two years, since the average Euro/US dollar exchange rates were 1.365 US dollars for one euro, 1.384 US dollars for one euro, and 1.320 US dollars for one euro in the years ended 31 December 2008, 2009 and 2010, respectively.

Sales made in the Print segment were € 7,910,000 in the year ended 31 December 2010, and increased 4.1% at current exchange rates, but decreased 0.9% at constant exchange rates, with sales made in that operating segment in the year ended 31 December 2009 (which amounted to € 7,598,000).

Sales made in the graphic arts market were € 3,047,000 in the year ended 31 December 2010, and decreased 2.3% at current exchange rates and 7.4% at constant exchange rates over sales made in the same market in the year ended 31 December 2009 (which amounted to € 3,119,000), whereas sales made in the digital printing markets were € 4,863,000 in the year ended 31 December 2010, and showed an increase of 8.6% at current exchange rates and of 3.6% at constant exchange rates over sales made in the same markets in the year ended 31 December 2009, which amounted to € 4,479,000.

Sales made in the eDoc segment of the Company's business were € 1,698,000 in the year ended 31 December 2010 and decreased 3.7% at current exchange rates and 12.3% at constant exchange rates with sales made in the same operating segment in the year ended 31 December 2009, which amounted to a total of € 1,764,000.

6.1.2.2.2 Note 2b (ii): Analysis of 2010 consolidated performance

6.1.2.2.2.1 Operating loss

The Company reported an operating loss of € 1,915,000 for the year ended 31 December 2010 (or a loss equivalent to 19.9% of sales made in the year), compared with an operating loss of € 1,341,000 in the year ended 31 December 2009 (or a loss equivalent to 14.3% of sales made in that year), or an unfavourable, year-on-year variance of € 572,000, which can be explained as follows:

- 2010 sales increased € 246,000 over 2009 sales (see note 2b (i) above);
- cost of sales was € 431,000 in the year ended 31 December 2010 (or 4.5% of 2010 sales), and increased € 118,000 with the € 313,000 figure reported for cost of sales in the year ended 31 December 2009 (3.3% of 2009 sales);
- selling, general and administrative expenses were € 5,349,000 in the year ended 31 December 2010 (or 55.7% of 2010 sales), and decreased € 39,000 (or a 0.7% year-on-year decrease) with the € 5,386,000 figure reported for selling, general and administrative expenses in the year ended 31 December 2009 (57.5% of 2009 sales);
- research and development expenses were € 5,107,000 in the year ended 31 December 2010 (or 53.2% of 2010 sales), and increased € 101,000 (or a 2.0% year-on-year increase) with the € 5,006,000 figure reported for research and development expenses in the year ended 31 December 2009 (53.5% of 2009 sales), after effect of the capitalisation of eligible development costs, net of any amortisation expenses, which was an income of € 42,000 and of € 464,000 in the years ended 31 December 2010 and 2009, respectively;
- other operating expenses amounted to € 779,000 in the year ended 31 December 2010, and included the following items of expense:
 - an amount of € 75,000 was expensed by the Company with respect of fees which were paid to legal advisors used by the Company when implementing the EBT in February 2010 (see note 2a above), and with respect of the alleged patent infringement litigation which was issued in late June 2010 and was dismissed by the plaintiff in late July 2010, without any payment made by the Company as a settlement fee or otherwise;

- an amount of € 406,000 was expensed by the Company to account for the cost of redundancies which were made pursuant to the reorganisation plan of the Company's activities which was initiated in April 2010 (see note 2e below);
- an amount of € 187,000 was expensed by Company with respect of the accrual which was recorded as at 31 December 2010 to account for the unused portion of the office facilities which are leased by the Company in Cambourne in the UK, in accordance with applicable provisions of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* (see note 18 to the consolidated financial statements for the year ended 31 December 2010); and
- an amount of € 111,000 was expensed with regards to expected closure costs of the Indian subsidiary;
- other operating income amounted to € 143,000 in the year ended 31 December 2010, which included firstly an amount of € 75,000 with respect of the disposal of an item of intangible assets (a Internet domain name) in late September 2010, and secondly an amount of € 68,000 pursuant to a court decision providing for the repayment to the Company of cash amounts which had been misappropriated from the assets of Global Graphics Management SA, a former wholly-owned subsidiary of the Parent, which was liquidated in March 2005 (see note 17a to the statutory financial statements for the year ended 31 December 2010).

6.1.2.2.2 Loss before income tax

The Company reported a loss before income tax of € 2,106,000 in the year ended 31 December 2010 (or a loss equivalent to 21.9% of sales made in the year ended 31 December 2010), compared with a loss before income tax of € 1,421,000 in the year ended 31 December 2009 (or a loss equivalent to 15.2% of sales made in the year ended 31 December 2009).

The unfavourable year-on-year variance of € 685,000 predominantly resulted from the abovementioned unfavourable change in the operating loss, but also to the unfavourable, year-on-year variance of € 119,000 of exchange losses, which increased from € 94,000 in the year ended 31 December 2009 to € 203,000 in the year ended 31 December 2010, and the year-on-year decrease of € 4,000 of interest income, from € 16,000 in 2009 to € 12,000 in 2010.

6.1.2.2.3 Net loss

The Company reported a net loss of € 2,597,000 in the year ended 31 December 2010 (or a net loss of € 0.26 per share), after giving effect to a tax charge of € 491,000 (which was made of a current tax benefit of € 326,000 and a deferred tax charge of € 817,000), compared with a net loss of € 1,606,000 in the year ended 31 December 2009 (or a net loss of € 0.16 per share).

The analysis of the tax expense which was recorded in the Company's consolidated financial statements for either of the years ended 31 December 2010 or 2009 is set out in note 24 to the Company's financial statements for the year ended 31 December 2010.

6.1.2.2.3 Note 2b (iii): Comments on the Company's business in the year ended 31 December 2010

6.1.2.2.3.1 Highlights for the year ended 31 December 2010

■ Operational highlights

2010 was a difficult year for Global Graphics, notably the first six months of that year during which the Company reported a significant decline of its business compared with both the previous year and its own forecasts. This resulted in the Board to implement a reorganisation plan of the Company's activities in mid-April 2010, which included the following:

- as a first step, most of the development activities which were undertaken by the Company's Indian subsidiary which had been set up in early 2006 were transferred to Global Logic, an outsourcing partner, while at the same time the development office which had been opened in late 2000 in Florida was closed, and a complete review of IT systems used in the Company was undertaken: this resulted in a total of 30 employees being made redundant, of which 15 in the UK, 7 in the US and another 7 in India;
- then, all remaining employees in Cambourne were relocated in one wing of the office facilities leased by the UK subsidiary of the Company, and the liquidation process of Global Graphics Software (India) Private Limited was initiated.

The goal of abovementioned actions was two-fold: reduce the operating expense base to a level which was in line with sales figures projected by management for the second half of the year ending 31 December 2010 and the years ending 31 December 2011 and 2012, and simplify the Company's operational organisation by focusing its resources and energy on those projects which are expected to generate the highest returns.

These actions bore fruit as from the second half of the year ended 31 December 2010, when the Company reported an operating profit of € 43,000 in the third quarter, and of € 336,000 in the fourth quarter, resulting in an operating profit of € 379,000 in the last six months of the year ended 31 December 2010, compared with an operating loss of € 2,294,000 in the first six months of that year and with an operating loss of € 1,148,000 in the last six months of the year ended 31 December 2009.

This return to an operating profit position was made possible by the significant uptake in sales in the second half of the year ended 31 December 2010, when sales amounted to a total of € 5,403,000, compared with € 4,205,000 in the first six months of that year and with € 4,023,000 in the last six months of the year ended 31 December 2009. This intake was notably due, for the eDoc segment of the Company's business, to the conclusion of a new agreement with Fuji Xerox relating to the integration of the gDoc Creator technology into the e-document workflow solution developed by Fuji Xerox, for which the Company recognised significant sales in the fourth quarter of 2010, and, for the Print segment of the Company's business, by initial sales in the second half of 2010 of Miyakoshi's high-speed digital presses and of HP's new range of colour inkjet presses which was launched at Ipex in the spring of 2010.

At the same time, and despite a difficult environment, the Company continued to do its best to secure the long-term technology partnerships it had entered into with key players in its industry, as highlighted by the renewal for another five-year period of the technical partnership with HP which was announced in May 2010, and to forge new alliances with additional key players, as highlighted by the partnership with Intel in the area of mobile printing which was announced in late January 2011, in line with its strategy to develop technologies as part of a close relationship with market leaders or main competitors in their respective markets.

■ Financial highlights

Cash flow used in the Company's operating activities was € 379,000 in the year ended 31 December 2010 (or 3.9% of the Company's sales for the year), compared with a use of € 105,000 in the year ended 31 December 2009 (or 1.1% of the Company's sales for that year).

It is however important to note that there were significant differences between the two halves of the year ended 31 December 2010, since cash flow provided by the Company's operating activities was € 1,449,000 in the last six months of that year, while net cash used in the Company's operating activities was € 1,828,000 in the first six month of the year ended 31 December 2010.

As a result, the Company's net cash position, which decreased from € 3,144,000 as at 1 January 2010 to € 1,070,000 as at 30 June 2010, increased to € 1,869,000 as at 31 December 2010, and allowed the Company to finance all of the capital expenditures made in the year ended 31 December 2010, notably capital expenditures in property, plant and equipment made in that year for a total of € 287,000, as well as the capitalisation of eligible development costs for a total of € 905,000, in the year ended 31 December 2010.

6.1.2.2.3.2 Salient features since year-end date and prospects for the current year

■ Salient features since year-end date

None to be reported since 31 December 2010.

■ Trends and prospects for the current year

Print segment - production printing

Management expects a positive contribution on sales of relationships which were entered into with customers in the area of high-speed digital printing over the past couple of years. It expects to maintain sales made with other customers in that market segment at the same levels than in the year ended 31 December 2010.

Print segment - office printing

The Company's objective for 2011 in this market segment is to demonstrate the performance of the mobile printing solution which the Company has developed in close cooperation with Intel to a maximum of copier and multifunction device manufacturers, and to initiate with some of them, as well as with other players as the case may be, development projects to integrate the technology in new range of printing equipment as well as allowing compatibility of equipments which are already installed.

eDoc segment - Knowledge worker applications

During the year ending 31 December 2011, the Company will continue and expand the strategy which was initiated in the second half of the year ended 31 December 2010 by which the Company aims to offer all of its electronic document technologies (including gDoc Creator and gDoc Fusion) as part of license agreements to key players in this market, for such technologies to be either integrated in their own software solutions, or sold as 'white label' products.

6.1.2.3 Note 2c: Off-balance sheet items as at 31 December 2010

Significant off-balance sheet item which were outstanding as at 31 December 2010 consisted of the guarantees given by the Parent on behalf of its subsidiaries and relating to the payment to the landlords of the rent expenses for the premises leased by:

- Global Graphics Software Limited in Cambourne, in the UK, for an annual rent expense of £ 254,292, or approximately € 296,886, based on the exchange rate used as at 31 December 2010 for the conversion of captions of the statements of financial positions of UK-based subsidiaries, i.e. € 1.1675 for one British pound; and
- Global Graphics KK in Tokyo, in Japan, for a monthly rental expense of Yen 240,000, or approximately € 2,232, based on the exchange rate used as at 31 December 2010 for the conversion of captions of the statements of financial positions of this subsidiary, i.e. € 0.0093 for one Japanese yen.

6.1.2.4 Note 2d: Significant risk factors

The Board undertook a review of the risk factors which may have a detrimental effect on the Company's business, its financial position, or its results and considered that there were no other significant risk factors than those mentioned below.

6.1.2.4.1 Note 2d (i): Significant operation risk factors

6.1.2.4.1.1 Dependency on the graphic arts and digital printing sectors

The Company continues to derive a substantial portion of its revenues from software products and related services provided to the graphic arts and digital print industries, since sales made in the Print segment represented 82.3% and 81.2% of total sales made in the years ended 31 December 2010 and 2009, respectively. Accordingly, the Company's future success significantly depends upon the continued demand for its products within such industries.

The Company believes that an important factor in its growth has been the substantial change in the graphics arts and digital print industries, as evidenced by continuing consolidation and technological innovation, notably the introduction of new Page Description Languages (PDLs) such as XPS, Microsoft's fixed document format. If this environment of change were to slow, the Company could experience reduced demand for its products in such industries.

6.1.2.4.1.2 Failure to manage a successful transition to new products and markets

Any delays or failures in developing new products, including upgrades of current products, and anticipating changing customer requirements or market conditions, may have a harmful impact on the Company's sales and operating results.

The Company has historically derived a significant portion of its revenues from the sale of new and enhanced software products (such as Raster Imaging Processors or RIPs). Additionally, the Company plans to continue to release numerous new product offerings and upgrade versions of its current software products (e.g. version 8.3 of the Harlequin PLUS Server RIP or version 5.1 of gDoc PDF Server in September 2010), including the transition of its RIP product to new variants (e.g. host driver and embedded variants) and compatibility with more documents formats (such as PCL) or the latest

operating systems releases (such as Windows 7), and in connection with the transition to new markets, such as those for its Electronic Document Library (EDL) technology or its range of gDoc applications. The Company's inability to extend its core technologies into new applications and new platforms and to anticipate or respond to technological changes and customer or market requirements could affect market acceptance of its products and could cause a decline in the Company's sales and results.

6.1.2.4.1.3 Inadequate protection of its proprietary technology and intellectual property rights

The Company's success is heavily dependent upon its proprietary technology. To protect its proprietary rights, the Company 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 Company enters into written non-disclosure agreements with its employees, prospective customers, OEMs and strategic partners and takes affirmative steps to limit access to, and distribution of, its software, intellectual property and other proprietary information. Despite these efforts, in the event such agreements are not timely made, complied with or enforced, the Company may be unable to effectively protect its proprietary rights and the enforcement of its proprietary rights may be cost-prohibitive.

Unauthorized parties may attempt to copy or otherwise obtain, distribute, or use the Company's products or technology. Monitoring unauthorized use of the Company's software products is difficult. Management of the Company cannot be certain that steps taken to prevent unauthorized use of the Company's proprietary technology, particularly in countries where the laws may not protect proprietary rights as fully as in the EU or the United States, will be effective.

The Company's source code also is protected as a trade secret. However, from time to time, the Company licenses its source code to OEMs and partners, which subjects it to the risk of unauthorized use or misappropriation despite the contractual terms restricting disclosure, distribution, copying and use.

In addition, it may be possible for unauthorized parties to obtain, distribute, copy or use the Company's proprietary information or to reverse engineer its trade secrets.

The Company 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 Company will not be challenged, that patents will issue from the pending applications or that any claims allowed from existing or pending patents will be of sufficient scope or strength to provide efficient protection for the Company's intellectual property rights.

Please refer to section 8.3 of this document for detailed information on patents granted to, and patent applications made by, the Company as well as trademarks used and registered by the Company.

6.1.2.4.1.4 Costs of enforcing, acquiring and defending intellectual property rights

In connection with the enforcement of its own intellectual property rights, the acquisition of third party intellectual property rights or disputes relating to the validity or alleged infringement of third-party rights, including patent rights, the Company has been and may be in the future subject to claims, negotiations or protracted litigations.

Intellectual property disputes and litigation are typically costly and can be disruptive to the Company's business operations by diverting the attention and energies of management and key technical personnel. Although the Company 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 Company to significant expenditures, require the Company to enter into royalty and licensing agreements on unfavorable terms, prevent the Company from licensing certain of its products, cause disruption to the markets where the Company operates or require the Company to satisfy indemnification commitments with its customers including contractual provisions under various license arrangements any one of which could harm the Company's business.

See note 2b (ii) above for further information on the amount of fees paid by the Company to its legal advisors with respect of an alleged patent infringement litigation brought against the Company, which was dismissed in late July 2010.

6.1.2.4.1.5 Fluctuating operating results and factors affecting operating results

As a result of a variety of factors discussed above, the Company's sales and operating results for a particular period are difficult to predict.

The Company's sales may grow at a slower rate than experienced in previous periods, and, in some periods, may decline.

Additionally, the Company periodically provides guidance on its future sales and results. Such guidance reflects a number of assumptions, including assumptions about product pricing and demand, seasonal trends, competitive factors, and adoption of new products or releases of existing products. If one or more of these assumptions proves incorrect, the Company's actual results may vary materially from those anticipated, estimated or projected.

6.1.2.4.1.6 Adverse economic environment

The current worldwide economic downturn has reduced and is likely to continue to affect capital expenditures made by customers of the Company's customers' products, notably in the Print segment of its business. Reduced sales by the Company's customers hurt its business by reducing demand for its products.

Moreover, if the Company's customers are not successful in generating sufficient sales or are precluded from securing financing, they may not be able to pay, or may delay payment of, amounts receivable by the Company and also modify, delay or cancel plans to purchase the Company's products, which will have an adverse effect on its sales.

In addition, the Company's operating expenses could increase due to, among other things, salary increases, resulting in a harmful effect on the Company's results and financial condition.

When preparing the Company's consolidated financial statements, management is required to make estimates and assumptions that affect amounts in these financial statements and accompanying notes, some of which are based on forecasts of future results. The current worldwide economic downturn and the resulting higher volatility increases the risk that the Company's actual results will differ materially from management forecasts, requiring adjustments in future consolidated financial statements.

See also note 2d (iii) below for a discussion on risks associated with the use of accounting estimates and forecasts.

6.1.2.4.1.7 Recruitment and retention of key personnel

An important part of the Company's future success depends on the continued service and availability of the Company'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 Company. The loss of any of these individuals could harm the Company's business.

The Company's business is also dependent on its ability to attract, retain, and motivate talented, highly skilled personnel, notably in the development and technical support areas. Such personnel are in high demand and competition for their talents is intense. Should the Company be unable to continue to successfully attract (as was the case in 2010, when the Company hired a new Director of Development and a new Director of Quality Assurance) and retain key personnel, its business may be harmed.

However, as at 31 December 2010, the Company did not request any insurance coverage in respect of key personnel, since it considered that such coverage was not adequate, and that maintaining good relationships with key personnel was a better solution, supplemented as the case may be by a financial incentive through grants of share option or free shares.

6.1.2.4.1.8 Significant legal risks existing as at 31 December 2010

As at 31 décembre 2010, there were no procedures undertaken by either a governmental body, a court or otherwise, including any procedure the Company would be aware which would be pending, which would be likely to have, or would have had, a significant effect on either the Company's and/or Parent's financial position or performance in the past twelve months, other than that referred to in note 2b (ii) above, which was dismissed by the plaintiff in July 2010.

6.1.2.4.1.9 Insurance coverage for operational risks

The UK operating company has entered into an insurance contract with Aviva Insurance UK Limited which provides coverage for its software solutions development and sale, including for its subsidiaries.

The insured amount is £ 2.0 million (i.e. approximately € 2.3 million based on the exchange rate used as at 31 December 2010 for the conversion of captions of the statements of financial positions of UK-based subsidiaries, i.e. € 1.1675 for one British pound) for legal liability in any given year.

The Company has also entered into various insurance contracts with respect of offices it leases throughout the world, as well as a director liability insurance contract with Chartis Europe SA, which provides coverage for all directors and officers of any group company, with a maximum insured amount of € 7.7 million in any given financial year.

The amount which was expensed by the Company with regards of insurance coverage was € 44,436 in the year ended 31 December 2010.

6.1.2.4.2 Note 2d (ii): Significant financial risk factors

The Company is exposed to a variety of financial risks, notably foreign exchange risk, credit risk, liquidity risk, and cash flow interest-rate risk, that are detailed hereafter.

6.1.2.4.2.1 Foreign exchange risk

The Company 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, recognized assets (notably cash and trade receivables) and liabilities, as well as net investments in foreign operations.

■ Risk arising from future commercial transactions, recognized assets and liabilities

To manage their foreign exchange risk arising from future commercial transactions, recognized assets and liabilities (i.e. which are denominated in a currency that is not the entity's functional currency), certain entities in the Company use foreign currency forward or option contracts transacted with high-credit-quality financial institutions after review and approval by the Company's Chief Financial Officer.

The Company recorded foreign exchange losses amounting to € 110,000 with respect of foreign currency forward and option contracts in the year ended 31 December 2010, compared with foreign exchange gains of € 34,000 in the year ended 31 December 2009.

No foreign currency forward or option contracts were outstanding as at 31 December 2010.

■ Risk arising from net investments in foreign operations

The Company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The corresponding currency exposure is managed through borrowings denominated in the relevant foreign currencies, where appropriate.

6.1.2.4.2.2 Credit risk

Financial instruments that potentially subject the Company to credit risk consist primarily of trade receivables.

As it markets and sells its products and services to a broad base of customers including OEM partners, distributors, and system integrators, the Company has no significant concentration of credit risk though relatively few customers accounted for a substantial portion of the Company's sales within the last few years as a result of the dominance of a limited number of significant players in the Company's markets.

The ten largest customers represented approximately 64.1% of the Company's sales in the year ended 31 December 2010 (compared with 57.0% of sales in the year ended 31 December 2009); approximately 45.1% of sales were made with the five largest customers of the Company in the year ended 31 December 2010 (compared with 41.3% of sales in the year ended 31 December 2009), and approximately 16.8% of sales was made with the major customer alone in the year ended 31 December 2010 (compared with 14.0% of sales in the year ended 31 December 2009).

6.1.2.4.2.3 Liquidity risk

■ Lines of credit available as at 31 December 2010

Due to the dynamic nature of its business, the Company aims to maintain flexibility for financing its activities by keeping committed credit lines available.

However, considering the Company's net cash position of € 1,869,000 and the absence of any financial debt as at 31 December 2010, the Company did not apply for any such lines of credit.

■ Specific review of the Company's liquidity risk

The Company undertook a specific review of its liquidity risk and expects to be in a position to meet any corresponding future requirements (see note 2e to the Company's consolidated financial statements for the year ended 31 December 2010).

6.1.2.4.2.4 Cash flow interest-rate risk

As the Company had no significant interest-bearing assets and liabilities at either 31 December 2010 or 2009, the Company's income and operating cash flows for the year ended 31 December 2010 were substantially independent of changes in market interest rates.

6.1.2.4.3 Note 2d (iii): Other significant risk factors

6.1.2.4.3.1 Use of accounting estimates and forecasts

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates and forecasts.

It also requires management to exercise judgement in the process of applying the Company's accounting policies, and to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

The estimates and underlying assumptions are based on historical experience and various other relevant factors (including projected future sales and related cash inflows either from established software products such as RIP software in the Print segment of the Company's business, or from recently launched software applications such as gDoc Fusion in the eDoc segment of the Company's business) that are believed to be reasonable under the circumstances, the results of which form the basis of making management's judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period and future periods if the revision affects both current and future periods.

Please refer to notes 3f, 6a and 6b to the Company's consolidated financial statements for the year ended 31 December 2010 for further information on critical accounting estimates and the use of sales and cash flow forecasts, as well as the risks attached to them, the downward revisions of which may principally affect the carrying value of goodwill and other intangible assets (including those resulting from the capitalization of development costs), as well as of deferred tax assets.

6.1.2.4.3.2 Future changes in, or interpretations of, accounting principles

The Company prepares its consolidated financial statements in accordance with IFRSs, as amended from time to time, and related interpretations issued by the IASB, as adopted by the EU. Accordingly, changes to these standards by the IASB or delays in the adoption of newly adopted standards by the EU, may have a significant effect on the Company's reported results and may even retroactively affect previously reported transactions or periods.

Accounting principles used by the Company that may be affected by recently issued exposure drafts notably include the following:

- the exposure draft on income tax, which was published for public comments by the IASB on 31 March 2009, outlines proposed changes to the method of accounting for income tax as well as the IASB's intent to publish a final standard on income tax in the first half of 2011, which would supersede IAS 12, *Income Taxes*, the existing standard on income tax; and
- the exposure draft, *Revenue from Contracts with Customers*, which was published for public comment by the IASB and the FASB on 24 June 2010, outlines the IASB's intent to publish a final standard on revenue recognition in June 2011, and which would supersede the existing two standards on revenue recognition: IAS 11, *Construction Contracts*, and IAS 18, *Revenue*, as well as related interpretations.

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6.1.2.5 Note 2e: Social consequences of the Company's business

6.1.2.5.1 Note 2e (i): Quantitative information on personnel

6.1.2.5.1.1 Breakdown of personnel by geographical area of employment

	31 December 2010	31 December 2009
United Kingdom	53	67
India	-	30
United States	9	18
Japan	2	3
Continental Europe	2	2
Total	66	120

As set out in note 2b (iii) above, the decrease in the number of the Company's employees over the year ended 31 December 2010 principally relates to the reorganisation plan which was implemented in late April 2010, and resulted in the transfer of 23 of the Company's Indian employees to a third party, as well as a total of 30 employees being made redundant, of which 15 in the UK, 7 in the US, and 7 in India.

6.1.2.5.1.2 Breakdown of personnel as at 31 December 2010 by gender

	Male	Female	Total
United Kingdom	44	9	53
United States	6	3	9
Japan	1	1	2
Continental Europe	2	-	2
Total	53	13	66
As a % of the total number of employees at 31 December	80.3%	19.7%	100.0%

6.1.2.5.1.3 Breakdown of personnel by nature of employment

	31 December 2010	31 December 2009
Research and development	35	74
Sales and after-sale support	20	32
Administrative and other	11	14
Total	66	120

6.1.2.5.2 Note 2e (ii): Other information on the Company's personnel

Given the Company's organization, and the fact that substantially all employees are working in foreign subsidiaries, notably in the UK as highlighted in the table presented above, management considers that no other information on the Company's personnel was required.

6.1.2.6 Note 2f: Environmental of the Company's business

Following the disposal of the Hardware segment in the first half of the year ended 31 December 2002, the Company's sole business has been to develop and market printing and electronic document software solutions. As a result, management believes the Company had no activities, which were likely to have a future, detrimental effect on the environment as at 31 December 2010.

6.1.2.7 Note 2g: Statutory results of the Company's subsidiaries

The information which is presented in the following table is that for the year ended 31 December 2010 and consists of the subsidiary's sales before elimination of any intercompany transactions with other subsidiaries of the Company, as well as its operating, pre-tax and net results.

For the reader's convenience, the information which is presented in the following table in thousands of euros and has been extracted from the subsidiary's accounts which have been prepared in accordance with local accounting principles applicable to that subsidiary:

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Subsidiary name	Net sales	Operating profit (loss)	Pre-tax profit (loss)	Net profit (loss)
Global Graphics (UK) Limited	-	-	55	55
Global Graphics Software Limited	7,901	(1,902)	(1,735)	(2,341)
Global Graphics Software Incorporated	6,114	(140)	(99)	(125)
Global Graphics Kabushiki Kaishiya	445	44	45	37
Global Graphics Software (India) Private Limited	474	72	(72)	(134)
Jaws Systems Limited	-	-	-	-
Global Graphics EBT Limited	118	3	3	3

6.1.3 Note 3: The Parent (Global Graphics SA)

6.1.3.1 Note 3a: Overview of the Parent's business and analysis of 2010 statutory results

6.1.3.1.1 Note 3a (i): Overview of the Parent's business

Global Graphics SA is the parent company of the Company, whose shares have been listed on the First Market of the Brussels Stock Exchange (now part of NYSE-Euronext) since 17 April 2001.

Accordingly, the Parent has played a major role in providing funding for the Company's business and in managing the Group's growth.

6.1.3.1.2 Note 3a (ii): Research and development

No research and development activities were undertaken by the Parent in either of the years ended 31 December 2009 and 2010, being noted that significant research and development work is performed by certain operating subsidiaries of the Company, notably Global Graphics Software Limited, as well as Global Graphics Software (India) Private Limited until the start of the second quarter of the year ended 31 December 2010.

6.1.3.1.2 Note 3a (iii): Discussion of statutory results for the year ended 31 December 2010

The Parent reported a statutory net loss of € 2,669,774 in the year ended 31 December 2010, compared with a statutory net profit of € 982,788 in the year ended 31 December 2009.

Further detailed analysis is provided below:

- The Parent reported an operating loss of € 9,106 in the year ended 31 December 2010, compared with an operating loss of € 5,448 in the year ended 31 December 2009, after effect of the recharge of management fees made to Global Graphics Software Limited and Global Graphics Software for € 574,178 and € 480,401 in the years ended 31 December 2010 and 2009, respectively.
- The Parent reported a financial loss of € 2,658,627 in the year ended 31 December 2010, compared with a financial profit of € 992,653 in the year ended 31 December 2009, which principally related to the increase of € 2,696,000 in the amount of the valuation allowance on the shares held in the share capital of Global Graphics (UK) Limited to decrease the carrying value of these shares as at 31 December 2010 to their estimated fair value at such date, which was assumed to be equal to the Company's consolidated equity at 31 December 2010 (see note 5b to the statutory accounts for the year ended 31 December 2010).
- The Parent reported an exceptional loss of € 2,165 for the year ended 31 December 2010, compared with an exceptional loss of € 4,770 in the year ended 31 December 2009, which notably included the effect of an exceptional income of € 67,237 pursuant to the repayment to the Company of cash amounts which had been misappropriated from the assets of a former wholly-owned subsidiary of the Parent which has been liquidated, and an exceptional expense, being a capital loss of € 42,170, and relating to the repurchase cost of the free shares which were irrevocably granted during the year ended 31 December 2010 (see note 17 to the statutory accounts for that year).
- The Parent reported a current tax benefit amounting to € 124 in the year ended 31 December 2010, compared with a current tax benefit of € 353 in the year ended 31 December 2009.

6.1.3.2 Note 3b: Subsequent events, prospects for the Parent and forecasts for the current year

6.1.3.2.1 Note 3b (i): Significant, subsequent events

No significant subsequent event was to be reported on the date this report was drafted, apart from the grant of 96,000 free shares by the Board on 10 March 2011, of which 36,000 shares to Mr. Gary Fry and 4,000 shares to each of the nine members of the Company's executive team (including to Mr. Alain Pronost).

Please refer to note 23 to the statutory accounts for the year ended 31 December 2010 for further information on this grant, including the terms and conditions thereof.

6.1.3.2.2 Note 3b (ii): Prospects for the Parent and forecasts for the current year

It is expected that the Parent reports break-even operating and ordinary results for the year ending 31 December 2011, excluding the effect of any addition to, or write-back of, the valuation allowance on the shares held in the share capital of Global Graphics (UK) Limited existing as at 1 January 2011.

Also assuming a nil exceptional result, and no significant income tax charge or benefit in the year ending 31 December 2011, the Parent expects to report a close to break-even net result for that year.

6.1.3.3 Note 3c: Information which is specifically required by law

6.1.3.3.1 Note 3c (i): Items which are not deductible for corporate income tax purposes

There were no items referred to under the fourth sub-paragraph of article 39 of the French General Tax Code which were not deductible for corporate income tax purposes to be reported for the year ended 31 December 2010.

6.1.3.3.2 Note 3c (ii): Shares held by certain employees

No rights as defined by article L.225-102 of the French Commercial Code were outstanding as at 31 December 2010.

The shareholders voted in their extraordinary meeting held on 23 April 2010 a resolution, which is valid until 23 June 2012, that granted authority to the Board to increase the Company's share capital by a maximum amount of € 40,000 through the issue of new shares which could only be purchased by the Company's employees through the Parent's plan d'épargne d'entreprise.

The Board had not used this authority on the date this report was drafted

6.1.3.3.3 Note 3c (iii): Significant shareholders

6.1.3.3.3.1 Double voting rights

Pursuant to the fourteenth decision voted by the shareholders on 21 June 2002, a double voting right is granted to each ordinary share of the Company, which is fully paid for, and which has been registered in the name of the shareholder by the Company's share registrar for a period of a minimum of two consecutive years.

The total number of shares to which a double voting right is attached was 14,151 as at 31 December 2010, compared with 30,126 and 31,705 as at 31 December 2009 and 2008, respectively.

6.1.3.3.3.2 Significant shareholders

■ Significant shareholders

As at 31 December 2010

At 31 December 2010, Stichting Andlinger & Co. Euro-Foundation, a Dutch foundation, which held 2,883,001 shares in the Company's share capital, or 28.01% of the total number of shares of the Company which were outstanding at such date, was the sole shareholder which declared holding more than 5% in the Company's share capital and/or 5% of voting rights attached to such shares.

Attached to these 2,883,001 shares were 2,883,021 of the 10,303,932 voting rights attached to the Company's shares as at 31 December 2010, which represented 27.98% of the total number of voting rights attached to the Company's ordinary shares which were outstanding at that date.

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Shareholding threshold crossings which were reported to the Company

On the date this report was drafted, the Company was not aware of any shareholding threshold crossings which occurred in the past three financial years other than the following ones, which were reported to the Company by KBC Asset Management NV ('KBC'):

- On 31 March 2010, KBC reported to the Company that they crossed the 5% shareholding threshold and were holding 517,180 shares in the Company's share capital (or 5.02% of the Company's share capital), to which were attached an equivalent number of voting rights, representing 5.01% of the 10,296,807 voting rights which were attached to the Company's shares on that same date.
- On 18 October 2010, KBC reported to the Company that that crossed the 5% shareholding threshold and that they were holding 500,530 shares in the Company's share (or 4.86% of the Company's share capital), to which were attached an equivalent number of voting rights, representing 4.85% of the 10,299,662 voting rights which were attached to the Company's shares as at 30 September 2010.
- Breakdown of share capital and voting rights as at 31 December 2008, 2009 and 2010

The breakdown of the Company's share capital and voting rights for all shares which are not deprived from their voting rights is presented in the following tables as at 31 December 2008, 2009 and 2010, being noted that the only category of shares which were deprived from their voting rights were the own shares held by the Company which had been repurchased as part of the Company's share repurchase programme at each of these dates (see note 3c (iv) below).

As at 31 December 2010

	Shares		Voting rights	
	Number of shares	% of total number	Number of voting rights	% of total number
Stichting Andlinger & Co. Euro-Foundation	2,883,001	28.02%	2,883,021	28.44%
Own shares which were repurchased as part of the share repurchase programme	168,081	1.63%	-	-
Free float	7,238,699	70.35%	7,252,830	71.56%
Total as at 31 December 2010	10,289,781	100.0%	10,135,851	100.0%

As at 31 December 2009

	Shares		Voting rights	
	Number of shares	% of total number	Number of voting rights	% of total number
Stichting Andlinger & Co. Euro-Foundation	2,883,001	28.02%	2,883,001	28.42%
Own shares which were repurchased as part of the share repurchase programme	173,968	1.69%	-	-
Free float	7,232,812	70.29%	7,262,938	71.58%
Total as at 31 December 2009	10,289,781	100.0%	10,145,939	100.0%

As at 31 December 2008

	Shares		Voting rights	
	Number of shares	% of total number	Number of voting rights	% of total number
Stichting Andlinger & Co. Euro-Foundation	2,882,981	28.02%	2,882,981	28.41%
Own shares which were repurchased as part of the share repurchase programme	173,968	1.69%	-	-
Free float	7,232,832	70.29%	7,264,537	71.59%
Total as at 31 December 2008	10,289,781	100.0%	10 147,518	100.0%

6.1.3.3.3 Share options

The report of the Board on share options, which is attached to this report, provides all information which is required by law on options on the Company's shares which were outstanding and exercisable as at 31 December 2010, including on the 60,000 share options which were granted in the year ended 31 December 2010 (none in the year ended 31 December 2009).

6.1.3.3.4 Free shares

The report of the Board on free shares, which is attached to this report, provides all information which is required by law on grants of free shares, including those granted as Matching Shares under the SIP.

6.1.3.3.5 Measures to prevent any abuse of control of the Company

The main measures which were adopted by the Company to prevent any abuse of control of the Company are the following:

- the Company has appointed two independent directors since its shares have been admitted to trading on Easdaq in June 1998 (see note 3e (i) below);
- the roles of chairman of the Board and of Chief Executive Officer of the Company have been fulfilled by different individuals since 27 April 2007 (see note 3e (ii) below);
- specific provisions were included in the Board charter to mitigate the risk of any conflict of interest and specify what should then be done should such circumstances occur (see note 3k below).

6.1.3.3.4 Note 3c (iv): Share repurchase programme

As at 31 December 2010, the number of own shares held by the Parent was 168,081 shares, or 1.63% of the total number of shares forming the share capital of the Company on that date, having a repurchase cost of € 1,204,007, compared with 173,968 shares, having a repurchase cost of € 1,246,177 as at 31 December 2009.

All of the own shares held by the Parent as at 31 December 2008, 2009 and 2010 were allocated to the first of the three objectives of the Company's share repurchase programme, which is to meet obligations arising from the Company's share option programmes and other allocations of shares to the Group's employees and/or directors, including through the grant of free shares.

As at 31 December 2010, 21,750 of the 168 081 own shares held by the Parent were allocated to meet the obligation arising from the grant of shares made by the Board on 29 July 2009 to certain employees of foreign subsidiaries of the Company, while another 18,890 of these own shares were allocated to meet the obligation arising from the grant of Matching Shares under the Share Incentive Plan, which was implemented pursuant to the authority granted to the Board by the shareholders on 24 April 2009.

6.1.3.3.5 Note 3c (v): Information on payment terms

6.1.3.3.5.1 Trade payables

As set out in note 11 to the statutory financial statements for the year ended 31 December 2010, trade payables amounted to € 106,556 as at 31 December 2010, and included € 106,081 with respect of accrued accounts payable. Such amount did not include any amount which was overdue at year-end date, and principally consisted of amounts which were to be paid within a 30-day period from invoice date.

Trade payables were € 111,333 as at 31 December 2009, and included € 110,794 with respect of accrued accounts payable. They included an amount of € 365 which was overdue at 31 December 2009, and principally consisted of amounts which were to be paid within a 30-day period from invoice date

6.1.3.3.5.2 Trade receivables

No information is provided on payment terms for trade receivables as at 31 December 2009 and 2010, since there was no such amount receivable at any of these dates.

6.1.3.4 Note 3d: Allocation of the 2010 statutory net loss

You are proposed to allocate the statutory net loss for the year ended 31 December 2010 as follows:

- source: net statutory loss for the year ended 31 December 2010, amounting to € 2,669,774;

- proposed allocation: allocation in full to the account 'Prior year losses brought forward', the debit balance of which is therefore increased from € 27,093,785 to € 29,763,559.

As required by applicable legal provisions, notably by article 243 bis of the French General Tax Code, please note that the Parent has not distributed a dividend since its inception.

The Board does not expect to change the existing policy with respect of dividend distribution, or to propose any dividend distribution in coming years.

6.1.3.5 Note 3e: Overview of corporate governance policies

Since the Company's shares have been admitted to trading on Nasdaq Europe in late June 1998, and on Euronext (now NYSE-Euronext) on 17 April 2001, the Company's management has made its best efforts to comply with legitimate requests of the Company's shareholders with regard to corporate governance, which notably resulted in the appointment of independent directors, the creation of the Company's audit and remuneration committees, as well as the adoption of an open communication policy.

6.1.3.5.1 Note 3e (i): Commitments given to Euronext

This policy has been strengthened by amendments made to the Company's articles of association following decisions voted by the shareholders at their 21 June 2002 meeting and by commitments given by the Company when pursuing admission to the Next Economy segment of Euronext, which became effective on 25 February 2002.

The corresponding commitments, which were given by the Company on a voluntary basis, were the following:

- To provide liquidity for the Company's shares through a continuous trading of the shares, with support, if required, of liquidity providers: given the liquidity of the Company's shares, the Company has not been required to use the services of liquidity providers to date.
- To provide transparent financial information through:
 - the issue, as from 1 January 2004, of quarterly earnings releases: as the Company has been issuing such releases since its admission on Easdaq in June 1998, it has been complying with such requirement since that latter date;
 - the dissemination of its financial information (annual report and quarterly earnings releases) and any other information in the English language: the Company has released financial information in English since its initial public offering, has also released all financial information in French since early 2003, and in Dutch for quarterly earnings releases;
 - the inclusion in the Company's annual report of its corporate governance policies: please refer to the Chairman of the Board's report in that respect;
 - the adoption of IFRSs as from 1 January 2004: since that date, all the Company's financial information has been prepared in accordance with those accounting principles;
 - the organization of a minimum of two analyst meetings each year: analysts were invited to attend conference calls following the release of quarterly results through 2010 as well as on 8 February 2011. An analyst meeting is expected to take place on 16 July 2011 at the close of the Company's annual meeting for the year ended 31 December 2010;
 - an easy access to financial information released by the Company on both the Company's and on Euronext websites: this has been the case since the admission of the Company's shares to trading on Euronext (now NYSE-Euronext);
 - the adoption of Euronext recommendations as to corporate governance, notably the appointment of independent directors and the creation of audit and remuneration committees: the Company has appointed two independent directors and created both an audit committee and a remuneration committee since its shares were admitted to trading on Easdaq in June 1998; and
 - the disclosure of transactions made by the Company's directors in the Company's shares and share options (see note 3i).

The regulatory changes with respect of the content and deadlines for releasing regulated information, notably pursuant to the implementation of the Transparency Directive, resulted in the termination of the Next Economy index on 31 December 2007.

6.1.3.5.2 Note 3e (ii) : Corporate governance principles which were adopted by the Company

With respect of corporate governance policies, on 13 March 2009 the Company elected to refer to corporate governance principles set out in the AFEP-MEDEF Code, with certain qualifications and exemptions.

You are kindly requested to refer to note 2a to the report of the Chairman of the Board as required by article L.225-37 of the French Commercial Code for further information on this adoption, and notably on those principles that the Company decided to adopt with qualifications, as well as explanations on those principles that the Company decided not to adopt given its size and organisation.

The Board has initiated a review with respect of adopting the Middlednext governance code, which was specifically designed for small- and mid-sized companies, and therefore may better fit the Company's needs in terms of corporate requirements than the AFEP-MEDEF Code.

6.1.3.5.3 Note 3e (iii) : Management of the Company

In its meeting held on 23 June 2008, after it was made aware of Mr. Freidah's decision to resign from both his positions of CEO and director of the Company, the Board voted that:

- firstly, the most appropriate way of managing the Company was that the roles of Chairman of the Board and of Chief Executive Officer of the Company would continue to be fulfilled by different individuals as had been the case since 27 April 2007; and
- secondly, Mr. Gary Fry was appointed as the Company's CEO for the duration of his director mandate, being noted that he had been provisionally appointed as a director by the Board on 23 June 2008 for the remaining duration of Mr. Freidah's director mandate, which was due to expire at the end of the annual meeting of the Company's shareholders convened in 2012 to approve the accounts of the last financial year then ended, and that such provisional appointment was confirmed by the shareholders in their meeting held on 24 April 2009.

Abovementioned changes had no effect on the mandate of Mr. Johan Volckaerts as the Company's Chairman of the Board, who was reappointed as a director of the Company for another four-year term by the shareholders in their meeting held on 27 April 2007. The renewal of the term of Mr. Johan Volckaerts as a director will be proposed to the Company's shareholders at the next annual meeting which will be convened on 16 June 2011 (see note 3f below).

6.1.3.6 Note 3f: The Board of Directors

6.1.3.6.1 Note 3f (i): Director mandates

6.1.3.6.1.1 Proposed reappointment of Mr. Johan Volckaerts for another term

The director mandate held by Mr. Johan Volckaerts expires at the end of the meeting of the Company's shareholders convened to approve the accounts for the year ended 31 December 2010.

You are therefore invited to approve his reappointment as a director of the Company for another four-year term which will expire at the end of the meeting of the Company's shareholders convened in 2015 to approve the accounts of the last financial year then ended.

6.1.3.6.1.2 Proposed appointment of Ms Clare Findlay as a director of the Company

In accordance with applicable provisions of Act n°2011-103 dated 27 January 2011 relating to a balanced representation of men and women in board positions and to professional equality, and because the Company's Board of Directors had no female board member on the date this report was drafted, it was mandatory that, as a minimum, one female board member would be appointed at the occasion of the first meeting of shareholders which will be convened after the law has been enacted and during which the shareholders will be proposed to appoint or reappoint a board member.

you are proposed to appoint Ms Clare Findlay, a British national, for a four-year term which will expire at the end of the meeting of the Company's shareholders convened in 2015 to approve the accounts of the last financial year then ended, given her significant professional experience in the software industry, notably as founder and Chief Executive Officer of Aspire Technology Limited between September 2003 and November 2010, when that company was acquired by Concentrix Corporation, the UK activities of which she has been managing since the latter date.

6.1.3.6.1.3 Other information relating to the Company's directors

Pursuant to article 15 of the Company's articles of association, each director must own a minimum of ten shares during his term of office.

No director was appointed by the Company's employees as set out by applicable provisions of article L.225-27 of the French Commercial Code.

6.1.3.6.1.4 Service agreements

No service agreement providing for post-employment benefits was entered into by the Company with any of its directors.

6.1.3.6.2 Note 3f (ii): Purpose and organisation of the Board of Directors

You are kindly requested to refer to the report drafted by the Chairman of the Board of Directors in accordance with the provisions of article L.225-37 of the French Commercial Code, which is attached to this report, for further information on this.

6.1.3.6.3 Note 3f (iii): Mandates held by the Company's directors in other companies

Please find below the list of mandates which were held by each director of the Company during the past five financial years, as it stood on the date this report was drafted, with indication, as the case may be, of the termination date for such mandates between 31 December 2010 and the date when this report was drafted.

No director of the Company is holding any director or executive officer position in any other company whose shares are admitted to trading than the Company, whether in France or in a foreign country. The professional address of all of the Company's directors is that of the Company's registered office.

6.1.3.6.3.1 Mr. Johan Volckaerts, Chairman of the Board of Directors

Aged 59, a Belgian national, Mr. Volckaerts was appointed as a director of the Parent when it was incorporated in November 1996. His current term will expire at the end of the meeting of the Company's shareholders which will be convened on 16 June 2011 to approve the accounts of the financial year ended 31 December 2010.

In addition to being the Company's Chairman of the Board, Mr. Volckaerts' main business is to be the managing director for Continental Europe of Andlinger & Co., a private equity investment firm.

Mr. Johan Volckaerts had the following mandates in the past five financial years:

■ Mandates held in French companies:

None, either in companies which are part of Global Graphics, or not.

■ Mandates held in foreign companies

Which are part of Global Graphics

- chairman of the Board of Directors of Global Graphics (UK) Limited;
- chairman of the Board of Directors of Global Graphics Software Limited; and
- chairman of the Board of Directors of Jaws Systems Limited.

Which are not part of Global Graphics

- director of Stichting Andlinger Europe, a Dutch foundation;
- director of Stichting Andlinger Group, a Dutch foundation;
- managing director of Andlinger & Co. CVBA, a Belgian company;
- chairman of the Board of Directors of Synerlab SA, a Belgian company;
- managing director of Timeless BVBA, a Belgian company;
- managing director of Primus Group BVBA, a Belgian company;
- managing director of Primus BVBA, a Belgian company;
- managing director of Interpares BVBA, a Belgian company;
- managing director of Gecova BVBA, a Belgian company;
- managing director, and since 27 December 2010, liquidator of Indulam BVBA, a Belgian company;
- director of Pres-Vac Engineering Aps, a Danish company;
- director of Nebus Loyalty Belgium CVBA, a Belgian company;

- director of Nebus Capital Cvba (now Salander BVBA), a Belgian company;
- managing director of Valpress GmbH, a Swiss company, since 25 June 2009;
- director of Nebus NV, a Belgian company, since 3 December 2010;
- director of Nebus SpZoo, a Polish company, since 17 December 2010;
- director of Nebus GmbH, a German company, since 7 December 2010; and
- director of Nebus Loyalty s.r.o., a Czech company, since 3 December 2010.

6.1.3.6.3.2 Mr. Gary Fry, director and Chief Executive Officer

Aged 42, a British national, Mr. Fry was appointed as a director of the Parent on 23 June 2008. His current term will expire at the end of the meeting of the Company's shareholders convened in 2012 to approve the accounts of the last financial year then ended.

Before being appointed as Chief Executive Officer of the Company in late June 2008, Mr. Fry has been General Manager for the Benelux countries at Adobe Systems Inc. since early December 2005.

In addition to being the Company's Chief Executive Officer and one of its directors, Mr. Fry had the following mandates in the past five financial years:

- Mandates held in French companies:

None, either in companies which are part of Global Graphics or not.

- Mandates held in foreign companies

Which are part of Global Graphics

- director of Global Graphics (UK) Limited since 1 July 2008;
- director of Global Graphics Software Limited since 1 July 2008;
- director of Jaws Systems Limited since 1 July 2008;
- Chief Executive officer of Global Graphics Software Incorporated since 1 July 2008; and
- Director of Global Graphics Kabushiki Kaishiya since 1 July 2008.

Which are not part of Global Graphics

Managing director of Fry and Fry Management Consultancy Limited, a UK company, since 23 December 2009.

6.1.3.6.3.3 Mr. Alain Pronost, director and Chief Financial Officer

Aged 44, a French national, Mr. Pronost was appointed as a director of the Parent on 16 June 2000. His current term will expire at the end of the meeting of the Company's shareholders convened in 2012 to approve the accounts of the last financial year then ended.

Mr. Pronost has been Global Graphics' Chief Financial Officer since 1 August 1999.

In addition to being the Company's Chief Financial Officer and one of its directors, Mr. Pronost had the following mandates in the past five financial years:

- Mandates held in French companies

- managing director of Sarl Financière de la Forge since 1 September 2006; and
- liquidator of SAS GL Investissements between 24 January and 29 December 2008.

- Mandates held in foreign companies

- director of Global Graphics (UK) Limited;
- director of Global Graphics Software Limited; and
- director of Global Graphics EBT Limited, since 3 February 2010.

6.1.3.6.3.4 Mr. Gareth Jones, director and chairman of the Company's audit committee

Aged 46, a British national, Mr. Jones was appointed as a director of the Parent on 21 June 2002. His current term will expire at the end of the meeting of the Company's shareholders convened in 2014 to approve the accounts of the last financial year then ended.

Mr. Jones was a director of Speedsix Software Limited, a UK company developing visual effect software until its acquisition on 20 January 2009 by Genarts Inc. Since that date, Mr. Jones has been Genarts' Senior Operations Manager for EMEA countries.

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6.1.3.6.3.4 Mr. Pierre Van Beneden, director and chairman of the Company's remuneration committee

Aged 56, a French national, Mr. Van Beneden was appointed as a director of the Parent on 20 March 2008. His current term will expire at the end of the meeting of the Company's shareholders convened in 2014 to approve the accounts of the last financial year then ended.

Mr. Van Beneden has been the Chief Executive Officer of RSD SA, a Swiss company, since 3 March 2008. Before joining RSD, Mr. Van Beneden was notably Adobe's vice president for EMEA countries between 15 March 2003 and 30 November 2007.

6.1.3.7 Note 3g: Remuneration paid to the Company's directors in the year ended 31 December 2010

As required by article L.225-102-1 of the Commercial Code, please find hereafter the remuneration paid to the Company's directors, by either the Parent or any of its subsidiaries, in the years ended 31 December 2009 and 2010.

Please also note that the directors are also granted with reimbursement of expenses incurred by them while fulfilling their duties of directors of the Company; such reimbursement is made on documentary evidence for the actual value of the expenses incurred.

For clarity, remuneration paid to the Company's executive officers is presented in tables which have been drafted based on those set out in the AMF Recommendation dated 22 December 2008 on information to be provided with respect of remuneration paid to executive officers, accompanied by narrative information which provides all required information on the amounts paid and the paying parties for the corresponding remuneration.

6.1.3.7.1 Note 3g (i): Mr. Johan Volckaerts, Chairman of the Board of Directors

6.1.3.7.1.1 Summary of amounts due, and paid, to Mr. Volckaerts

The following table provides information on the amounts due, and paid, to Mr. Volckaerts in the years ended 31 December 2009 and 2010:

In euros	Year ended 31 December 2010		Year ended 31 December 2009	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Cash-based remuneration				
- fixed remuneration	-	-	-	-
- variable remuneration	-	-	-	-
- exceptional remuneration	-	-	-	-
- directors' fees	40,040	40,040	35,287	35,287
- benefits in kind	-	-	-	-
Total cash-based remuneration	40,040	40,040	35,287	35,287
Share-based remuneration				
Value of share options granted during the year	-	-	-	-
Value of free shares granted during the year	-	-	-	-
Total share-based remuneration	-	-	-	-
Total	40,040	40,040	35,287	35,287

6.1.3.7.1.2 Remuneration paid to Mr. Volckaerts by the Parent

Mr. Volckaerts was not paid any remuneration by the Parent in either of the years ended 31 December 2009 or 2010, either in the form of directors' fees or otherwise, with respect of his office of Chairman of the Board of Directors.

6.1.3.7.1.3 Remuneration paid to Mr. Volckaerts by other entities of the Company

■ Directors' fees paid by Global Graphics Software Limited

Mr. Volckaerts was paid directors' fees amounting to € 40,040 (£ 34,188) with respect of his office of Chairman of the Board of Directors of Global Graphics Software Limited in and for the year ended 31 December 2010, compared with € 35,287 (£ 31,510) in and for the year ended 31 December 2009.

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■ Indemnity due or liable to be due on termination of his office

Mr. Volckaerts is not entitled to any indemnity which would be due or liable to be due on termination of his office.

■ Indemnity relating to a non-compete clause

Mr. Volckaerts is not entitled to any indemnity relating to a non-compete clause which would be due or liable to be due on termination of his office, being noted that, as any other member of the Board of Directors and as provided by the Board charter, he is subject to a non-compete obligation in the one-year period starting on the date of termination of his office, unless such period is either shortened or waived by the Board of Directors.

■ Pension scheme contributions

Mr. Volckaerts is not entitled to any contributions paid by the Company to any compulsory or additional pension schemes.

6.1.3.7.2 Note 3g (ii): Mr. Gary Fry, director and Chief Executive Officer

6.1.3.7.2.1 Summary of remuneration due, and paid, to Mr. Fry

The following table provides information on the amounts due, and paid, to Mr. Fry in the years ended 31 December 2009 and 2010:

In euros	Year ended 31 December 2010		Year ended 31 December 2009	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Cash-based remuneration				
- fixed remuneration	109,446	109,446	168,435	168,435
- variable remuneration	59,849	32,343	32,343	-
- exceptional remuneration	-	-	-	-
- directors' fees	15,000	15,000	15,000	15,000
- benefits in kind	11,969	11,969	12,127	12,127
Total cash-based remuneration	196,264	168,758	227,905	195,562
Share-based remuneration				
Value of share options granted during the year	-	-	-	-
Value of free shares granted during the year	-	-	-	-
Total share-based remuneration	-	-	-	-
Total	196,264	168,758	227,905	195,562

6.1.3.7.2. 2 Remuneration paid to Mr. Fry by the Parent

■ With respect of his position of Chief Executive Officer

Mr. Fry was not paid any remuneration by the Parent in either of the years ended 31 December 2009 or 2010 with respect of his position of Chief Executive Officer.

■ With respect of his office of member of the Board of Directors

Mr. Fry was paid directors' fees amounting to € 15,000 by the Parent (before effect of a 25% withholding tax on this amount) in each of the years ended 31 December 2009 and 2010, with respect of his office of member of the Board of Directors.

6.1.3.7.2.2 Remuneration paid to Mr. Fry by other entities of the Company

The structure of the remuneration due to Mr. Fry for the year ended 31 December 2010 with respect of the employment agreement which was entered into by Global Graphics Software Limited on 1 July 2008 was approved by the Company's remuneration committee on 16 December 2009 and by the Board on 16 December 2009 and 9 February 2010.

■ Cash-based remuneration

Fixed remuneration

Based on a proposal made by the Company's remuneration committee, the Board of Directors voted on 16 December 2009 to decrease Mr. Fry's fixed remuneration from a gross amount of £ 150,000 in the year ended 31 December 2009 to a gross amount of £ 90,000 in the year ended 31 December 2010.

On 22 April 2010, the Board of Directors voted to increase Mr. Fry's fixed remuneration to an annual gross amount of £ 94,500 with effect from 1 April 2010.

As a result, the gross amount which was due and paid to Mr. Fry in the year ended 31 December 2010 was £ 93,375 (or € 109,446), compared with a gross amount of £ 150,000 (or € 168,435) due and paid to Mr. Fry in the year ended 31 December 2009.

Variable remuneration

Mr. Fry was entitled to a bonus of a maximum gross amount of £ 90,000 for the year ended 31 December 2010. The payment of this bonus was subject to the achievement of certain targets relating to the amount of sales reported by the Company for the year ended 31 December 2010, the amount of operating expenses reported by the Company for that year, the amount of projected sales to be made in the year ending 31 December 2011 with respect of contracts entered into or firm proposals sent to customers in the year ending 31 December 2010, and finally to individual performance targets, each of the abovementioned four targets entitling Mr. Fry to the payment of a maximum gross amount of £ 22,500, being noted that more precise information is not provided on the abovementioned targets to protect the Parent's and Company's legitimate interests.

On 8 February 2011, the Board of Directors voted that the target set with respect of sales for the year ended 31 December 2010 was not achieved, that the target set with respect of operating expenses for that same year was 100% achieved, that the target set with respect of projected sales to be made in the year ending 31 December 2011 with respect of contracts entered into or firm proposals sent to customers in the year ending 31 December 2010 was 50% achieved, and that individual performance targets which were set to Mr. Fry by Mr. Volckaerts for the year ended 31 December 2010 were 75% achieved. As a result, on that same date, the Board approved the payment to Mr. Fry of a gross amount of £ 50,625 (or € 59,849) with respect of bonus for the year ended 31 December 2010; such amount, which was fully accrued for as at 31 December 2010, was paid to Mr. Fry in February 2011 by way of a contribution made by Global Graphics Software Limited to the Employee Benefit Trust which was set up for the benefit of employees and directors of the UK subsidiary of the Company.

On 9 February 2010, the Board approved the payment to Mr. Fry of a bonus amounting to a gross amount of £ 28,125 (or € 32,343) for the year ended 31 December 2009. Such amount, which was fully accrued for as at 31 December 2009, was paid to Mr. Fry in March 2010 by way of a contribution made by Global Graphics Software Limited to the Employee Benefit Trust which was set up for the benefit of employees and directors of the UK subsidiary of the Company in February 2010.

Car allowance

As certain employees of the UK subsidiary of the Company, Mr. Fry is entitled to a car allowance.

The amount due and paid to Mr. Fry with respect of such car allowance amounted to £ 10,800 in each of the years ended 31 December 2009 and 2010 (or € 12,127 and € 11,969, respectively), the payment of the 2010 car allowance being made to Mr. Fry by way of a contribution made by Global Graphics Software Limited to the Employee Benefit Trust in March 2010

Indemnity due or liable to be due on termination of his office

Mr. Fry is not entitled to any indemnity which would be due or liable to be due on termination of his Chief Executive Officer position. However, should his employment agreement be terminated by the Company, Mr. Fry would be entitled to the payment of a notice period, the duration of which was increased from 6 to 10 months by the Board on 15 December 2009.

Indemnity relating to a non-compete clause

In case of termination of his employment agreement with the Company, Mr. Fry is subject to a non-compete obligation of a minimum duration of 6 months, which may be increased up to a maximum of 12 months, reduced or waived by the Board as deemed appropriate.

During that non-compete period, Mr. Fry will be entitled to a monthly payment amounting to 100% of the average of the remuneration paid to him by the Company during the 12-month period preceding the termination of his employment agreement.

Contributions paid with respect of a defined contribution pension scheme

Mr. Fry is entitled to the payment by Global Graphics Software Limited of contributions on a defined contribution pension scheme, the amount of which was increased from 9% to 15% of his fixed remuneration with effect from 1 January 2010 as voted by the Board on 15 December 2009.

The amount contributed on this defined contribution pension scheme was £ 14,006 (or € 15,809) in and for the year ended 31 December 2010, compared with £ 13,500 (or € 15,159) in and for the year ended 31 December 2009.

■ Share-based remuneration

Grant of share options in August 2008

On 22 July 2008, the Board granted Mr. Fry a total of 400,000 options to subscribe for an equivalent number of new shares of the Company to be issued on the exercise of such options; the effective date of such option grant was 6 August 2008, and the exercise price for these options was € 2.08 per share, which was the average of the closing prices reported for the Company's share over the 20 trading day period ended 5 August 2008.

The exercise of these options may only occur when the average of the closing prices reported for the Company's share over the last 120 trading days has been that the average of the closing prices reported for the Company's share over the last 120 trading days is at least equal to € 4.00 for the first quarter of the total number of options granted to Mr. Fry, € 8.00 for the second quarter of the total number of options granted to him, € 12.00 for the third quarter of the total number of options granted to him, and to € 16.00 for the last quarter of the total number of options granted to him.

The exercise of these options must take place no later than 6 August 2016, an earlier exercise being possible under specific circumstances which are set out in note 9c (i) to the statutory financial statement for the year ended 31 December 2010.

The exercise of these options as well as the subsequent sale of newly issued shares resulting from such exercise may only occur in periods when such transactions are not prohibited by applicable provisions of the Company's Code of Dealing in Financial Instruments, which notably prohibits that such transactions are made in the period between the end of a reporting period and the date when corresponding results are released by the Company, in addition to all other applicable regulatory and legal provisions.

As voted by the Board on 22 July 2008, Mr. Fry will have to retain a minimum of 5% of the total number of newly issued shares which will be issued when options are exercised the disposal of which will not be required to pay for the exercise value of exercised options and the corresponding contributions and tax liabilities as long as he will continue to be the Company's Chief Executive Officer.

The cost of these 400,000 options was assessed by an independent valuator to approximately € 300,000, which is less than 1.5 times the total gross amount due to Mr. Fry in the year ended 31 December 2010 (including his bonus for that year). The amount which was expensed in the Company's consolidated accounts with respect of that grant of options was approximately € 70,000 in each of the years ended 31 December 2009 and 2010.

Grant of free shares in March 2011

36,000 free shares were granted to Mr. Fry by the Board on 10 March 2011, with immediate effect.

The total cost of this grant of 36,000 shares was estimated to approximately € 51,000, based on the opening price reported for the Company's share on the date of grant, which was € 1.43.

The irrevocable grant of these shares, which will be shares which have been previously repurchased by the Company as part of its share repurchase programme, will be made at the end of the four-year period starting on the date these shares were granted to Mr. Fry (i.e. on 10 March 2015), provided that Mr. Fry has been an employee or a director of the Company at any time during that period.

As voted the Board on 10 March 2011, Mr. Fry will have to retain a minimum of 25% of the total number granted to him on irrevocable grant date as long as he will continue to be the Company's Chief Executive Officer.

6.1.3.7.3 Note 3g (iii): Mr. Alain Pronost, director and Chief Financial Officer

6.1.3.7.2.1 Summary of remuneration due, and paid, to Mr. Pronost

The following table provides information on the amounts due, and paid, to Mr. Pronost in the years ended 31 December 2009 and 2010:

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In euros	Year ended 31 December 2010		Year ended 31 December 2009	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Cash-based remuneration				
- fixed remuneration	93,000	93,000	93,000	93,000
- variable remuneration	9,375	3,125	3,125	-
- exceptional remuneration	-	-	-	-
- directors' fees	46,071	46,071	42,574	42,574
- benefits in kind	200	200	200	200
Total cash-based remuneration	148,646	142,396	111,325	135,774
Share-based remuneration				
Value of share options granted during the year	-	-	-	-
Value of free shares granted during the year	-	-	-	-
Total share-based remuneration	-	-	-	-
Total	148,646	142,396	138,899	135,774

6.1.3.7.3. 2 Remuneration paid to Mr. Pronost by the Parent

- With respect of his employment agreement as Chief Financial Officer of the Company

Fixed remuneration

The gross amount which was due and paid to Mr. Pronost with respect of his employment agreement as Chief Financial Officer of the Company dated 1 August 1999 was € 93,000 in each of the years ended 31 December 2009 and 2010.

Variable remuneration

Mr. Pronost was entitled to a bonus of a maximum gross amount of € 25,000 for the year ended 31 December 2010. The payment of this bonus was subject to the achievement of certain targets relating to the amount of sales reported by the Company for the year ended 31 December 2010, the amount of operating expenses reported by the Company for that year, the amount of projected sales to be made in the year ending 31 December 2011 with respect of contracts entered into or firm proposals sent to customers in the year ending 31 December 2010, and finally to individual performance targets, each of the abovementioned four targets entitling Mr. Pronost to the payment of a maximum gross amount of € 6,250, being noted that more precise information is not provided on the abovementioned targets to protect the Parent's and Company's legitimate interests.

On 8 February 2011, the Board of Directors voted that the target set with respect of sales for the year ended 31 December 2010 was not achieved, that the target set with respect of operating expenses for that same year was 100% achieved, that the target set with respect of projected sales to be made in the year ending 31 December 2011 with respect of contracts entered into or firm proposals sent to customers in the year ending 31 December 2010 was 50% achieved, and that individual performance targets which were set to Mr. Pronost by Mr. Fry for the year ended 31 December 2010 were not achieved. As a result, on that same date, the Board approved the payment to Mr. Pronost of a gross amount of € 9,375 with respect of bonus for the year ended 31 December 2010; such amount, which was fully accrued for as at 31 December 2010, was paid to Mr. Pronost in February 2011.

On 9 February 2010, the Board approved the payment to Mr. Pronost of a bonus amounting to a gross amount of € 3,125 for the year ended 31 December 2009. Such amount, which was fully accrued for as at 31 December 2009, was paid to Mr. Pronost in February 2010.

Other items of cash remuneration

Mr. Pronost was paid an amount of € 200 in each of the years ended 31 December 2009 and 2010 with respect of petrol costs incurred by him.

Indemnity due or liable to be due on termination of his office

Mr. Pronost is not entitled to any indemnity which would be due or liable to be due on termination of his employment agreement in addition to the amount due to him with regards to his seniority with the Parent as provided by the applicable collective labour agreement.

Should his employment agreement be terminated by the Company, Mr. Pronost would be entitled to the payment of a six-month notice period.

Indemnity relating to a non-compete clause

In case of termination of his employment agreement with the Company, Mr. Pronost is subject to a non-compete obligation of a minimum duration of 6 months, which may be increased up to a maximum of 12 months, reduced or waived by the Board as deemed appropriate.

During that non-compete period, Mr. Pronost will be entitled to a monthly payment amounting to 50% of the average of the remuneration paid to him by the Company during the 12-month period preceding the termination of his employment agreement. Should such termination be decided by the Company, such monthly payment would amount to 100% of the average of the remuneration paid to Mr. Pronost by the Company during the 12-month period preceding the termination of his employment agreement, as long as he would not have found a new job.

Contributions paid with respect of a defined contribution pension scheme

Mr. Pronost is entitled to the payment by the Parent of contributions on a defined contribution pension scheme, the amount of which is equal to 1% of the gross remuneration paid to him in any given year, being noted that additional contributions on that defined contribution pension scheme may be made in any given year provided that such additional contributions are approved by the Board.

The amount contributed on this defined contribution pension scheme was € 961 in and for the year ended 31 December 2010, compared with € 1,860 in and for the year ended 31 December 2009, the latter amount including an exceptional contribution of € 930 which was approved by the Board on 16 December 2009.

Contributions made to savings plans

The Board of Directors decided on 16 December 2009 that employees of the Parent would be entitled to participate to a Plan d'épargne interentreprises ('PEI'), whose terms provide for an annual contribution by the Parent equal to 300% of the amount contributed by the employee during that year, within a maximum of 8% of the annual limit for the payment of French social security contributions, and to a Plan d'épargne retraite collectif interentreprises ('PERCO-I'), whose terms provide for an annual contribution by the Parent equal to 300% of the amount contributed by the employee during that year within a limit of 16% of the annual limit for the payment of French social security contributions.

Corresponding contributions made by the Parent Being to contributions made by Mr. Pronost on these savings plans in and for the year ended 31 December 2010 were € 2,769 and € 2,298, respectively, compared with respective contributions amounting to € 2,700 and € 2,298 in and for the year ended 31 December 2009.

Contributions made by the Parent to those made by Mr. Pronost on these savings plans are regarded as transactions which are referred to under article L.225-38 of the French Commercial Code, the conclusion of which require prior approval from the Board; these are set out in the special report on transactions and commitments with regulated related parties prepared by the statutory auditors for review and approval by the Company's shareholders.

Share-based remuneration

Grant of share options in December 2008

On 17 December 2008, with immediate effect, the Board granted Mr. Pronost a total of 25,000 options to subscribe for an equivalent number of new shares of the Company to be issued on the exercise of such options, having an exercise price of € 2.08 per share.

The exercise of these options may only occur when the average of the closing prices reported for the Company's share over the last 120 trading days has been that the average of the closing prices reported for the Company's share over the last 120 trading days is at least equal to € 4.00 for the first quarter of the total number of options granted to Mr. Pronost, € 8.00 for the second quarter of the total number of options granted to him, € 12.00 for the third quarter of the total number of options granted to him, and to € 16.00 for the last quarter of the total number of options granted to him.

The exercise of these options must take place no later than 6 August 2016, an earlier exercise being possible under the same circumstances than those mentioned for Mr. Fry.

The exercise of these options as well as the subsequent sale of newly issued shares resulting from such exercise may only in periods when such transactions are not prohibited by applicable provisions of the Company's Code of Dealing in Financial Instruments, which notably prohibits that such transactions are made in the period between the end of a reporting period and the date when corresponding results are released by the Company, in addition to all other applicable regulatory and legal provisions.

The cost of these 25,000 options was assessed by an independent valuator to approximately € 12,000. The amount which was expensed in the Company's consolidated accounts with respect of that grant of options was approximately € 3,000 in each of the years ended 31 December 2009 and 2010.

Grant of free shares in March 2011

4,000 free shares were granted to Mr. Pronost by the Board on 10 March 2011, with immediate effect.

The total cost of this grant of 4,000 shares was estimated to approximately € 6,000, based on the opening price reported for the Company's share on the date of grant, which was € 1.43.

The irrevocable grant of these shares, which will be shares which have been previously repurchased by the Company as part of its share repurchase programme, will be made at the end of the two-year period starting on the date these shares were granted to Mr. Pronost (i.e. on 10 March 2013), provided that Mr. Fry has been an employee or a director of the Company at any time during that period.

In addition, Mr. Pronost will be required to hold all of these shares for a subsequent two-year period ending on 10 March 2015.

■ With respect of his office of member of the Board of Directors

Mr. Pronost was paid directors' fees by the Parent which amounted to € 15,000 in each of the years ended 31 December 2009 and 2010.

6.1.3.7.3.2 Remuneration paid to Mr. Pronost by other entities of the Company

Mr. Pronost was paid directors' fees by Global Graphics Software Limited which amounted to € 31,071 (£ 26,632) in the year ended 31 December 2010, compared with € 27,574 (£24,569) in the year ended 31 December 2009.

6.1.3.7.4 Note 3g (iv): Mr. Gareth Jones, director

Mr. Jones was paid directors' fees amounting to € 15,000 by the Parent (before effect of a 25% withholding tax on this amount) in each of the years ended 31 December 2009 and 2010, with respect of his office of member of the Board of Directors.

6.1.3.7.4 Note 3g (v): Mr. Pierre Van Beneden, director

Mr. Van Beneden was paid directors' fees amounting to € 15,000 by the Parent (before effect of a 25% withholding tax on this amount) in each of the years ended 31 December 2009 and 2010, with respect of his office of member of the Board of Directors

6.1.3.8 Note 3h: Authorisations granted to the Board of Directors by the shareholders

The following table provides information on the authorisations which were granted to the Board of Directors by the shareholders on 25 April 2008, 24 April 2009 and 23 April 2010, and which are still valid on the date this report was issued.

It is also important to note that, on 23 April 2010, the shareholders granted the Board with applicable authority to use the authorisations referred to in notes 3h (i) to (iii) and 3h (vi) to (x) in case of a public offer on the Company's shares as set out in note 3h (xi) below.

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Nature of the authorisation	Corresponding possible transaction	Maximum nominal amount	Type of instruments	Unused portion	Expiry date
Authorisation to grant options to subscribe for new shares or purchase existing shares (granted on 25 April 2008)	Grant of options to subscribe for new ordinary shares or to purchase existing shares which were previously repurchased as part of the share repurchase programme	One million shares, such limit being shared with the authorisations to grant shares under or outside of the SIP (see below)	Ordinary shares	169,886 shares, after effect of the grant of 680,000 share options and of 150,114 free shares (of which 29,364 under the SIP) as set out below	25 June 2011
Authorisation to grant free shares (granted on 25 April 2008)	Grant of free shares previously repurchased as part of the share repurchase programme	Same as above	Ordinary shares	Same as above	25 June 2011
Authorisation to implement a Share Incentive Plan (granted on 24 April 2009)	Grant of free shares previously repurchased as part of the share repurchase programme	Same as above	Ordinary shares	Same as above	1 July 2011
Authorisation to implement a share repurchase programme, granted on 23 April 2010	Repurchase of ordinary shares at a maximum price of € 12.00 per share	One million shares	Ordinary shares	One million shares (unused in total on the date this report was drafted)	23 October 2011
Authorisation to decrease the share capital amount through the cancellation of own shares (granted on 23 April 2010)	Decrease of the share capital amount through the cancellation of own shares repurchased by the Parent	One million shares	Ordinary shares	One million shares (unused in total on the date this report was drafted)	23 April 2012
Authorisation to effect a share capital increase (granted on 23 April 2010)	Increase of the share capital amount through incorporation of profit, earnings or premiums	€ 10,000,000	Ordinary shares	€ 10,000,000 (unused in total on the date this report was drafted)	23 June 2012
Authorisation to effect a share capital increase (granted on 23 April 2010)	Increase of the share capital amount through an issue of shares or financial instruments, while maintaining the preferential subscription right	€ 2,000,000 (such limit being inclusive of that resulting from capital increases made while waiving the preferential subscription right)	Ordinary shares or other instruments giving access to the share capital	€ 2,000,000 (unused in total on the date this report was drafted)	23 June 2012
Authorisation to effect a share capital increase (granted on 23 April 2010)	Increase of the share capital amount through an issue of shares or financial instruments, while waiving the preferential right of subscription, to be made through either public or private offerings	€ 2,000,000 (such limit being inclusive of that resulting from capital increases made while maintaining the preferential right of subscription)	Ordinary shares or other instruments giving access to the share capital	€ 2,000,000 (unused in total on the date this report was drafted)	23 June 2012
Authorisation to increase the planned amount of capital increases in case of excess demand (granted on 23 April 2010)	Increase of the share capital amount through an issue of shares or financial instruments, as shown above	Possible increase of the planned amount by 15%, capped to the abovementioned € 2,000,000 limit	Ordinary shares or other instruments giving access to the share capital	Unused in total on the date this report was drafted	23 June 2012
Authorisation to effect a share capital increase to pay for contributions in kind (granted on 23 April 2010)	Increase of the share capital amount to pay for contributions in kind made to the Company	10% of the amount of the share capital (stand-alone limit)	Ordinary shares or other instruments giving access to the share capital	10% of the amount of the share capital (unused in total on the date this report was drafted)	23 June 2012
Authorisation to effect a share capital increase for the participants to the PEE (granted on 23 April 2010)	Increase of the share capital amount, while waiving the preferential right of subscription, for the sole benefit of the participants to the PEE	€ 40,000 (stand-alone limit)	Ordinary shares or other instruments giving access to the share capital	€ 40,000 (unused in total on the date this report was drafted)	23 June 2012

6.1.3.8.1 Note 3h (i): Authorisation to grant options on the Company's shares

By voting the nineteenth resolution in their extraordinary meeting on 25 April 2008, the shareholders granted the Board of Directors with appropriate authority, in accordance with the provisions of article L.225-177 of the French Commercial Code, to grant options to subscribe for new shares to be issued on the exercise of options, or to purchase existing shares which would have been previously repurchased by the Company as part of its share repurchase programme to employees of the Parent, or to employees of its direct or indirect subsidiaries as defined in article L.233-3 of the French Commercial Code, or to some of them, such authority being valid until 25 June 2011.

The total number of options which may be granted pursuant to this authorisation may not result in the number of new shares to be issued or shares to be purchased to be higher than one million shares, provided all other legal limits are complied with, being noted that such limit will include all free shares which may be allotted pursuant to the authorisation to allot free shares which was granted to the Board by the shareholders on 25 April 2008 (see note 3h (ii) below) as well as pursuant to the authorisation to implement a Share Incentive Plan (see note 3h (iii) below), whether or not such allotments of shares have become irrevocable.

On the date this report was drafted, after effect of the 25,000 options to subscribe for an equivalent number of shares which were granted by the Board on 8 February 2011 with effect on 1 March 2011, a total of 680,000 options to subscribe for an equivalent number of shares were granted pursuant to this authorisation, of which 655,000 options were still outstanding.

The Board of Directors applies for this authorisation to be renewed for another thirty-eight month period, allowing for a maximum number of 350,000 shares to be granted, being noted that this limit would also include all allotments of free shares which would be granted under the SIP or otherwise pursuant to the authorisations referred to in notes 3h (ii) and 3h (iii) below, which the Board of Directors also applies to be renewed.

6.1.3.8.2 Note 3h (ii): Authorisation to allot free shares

By voting the twentieth resolution in their extraordinary meeting on 25 April 2008, the shareholders granted the Board of Directors with appropriate authority, in accordance with the provisions of articles L.225-197-1 and L.225-197-2 of the French Commercial Code, to allot free shares to employees of the Parent, or to employees of its direct or indirect subsidiaries as defined in article L.233-3 of the French Commercial Code, or to some of them, such authority being valid until 25 June 2011.

Free shares may be either new or existing, ordinary shares of the Company, and may result in a maximum number of shares to be granted to be one million, being noted that such limit will include all options of the Company's shares which may be granted pursuant to the authorisation to grant such options which was granted to the Board by the shareholders on 25 April 2008 (see note 3h (i) above) as well all free shares which be allotted pursuant to the authorisation to implement a Share Incentive Plan (see note 3h (iii) below).

On the date this report was drafted, after effect of the allotment of 96,000 free shares which was made by the Board on 10 March 2011, a total of 120,750 shares were allotted pursuant to this authorisation, of which 117,750 were still outstanding.

The Board of Directors applies for this authorisation to be renewed for another thirty-eight month period, allowing for a maximum number of 350,000 shares to be granted, being noted that this limit would also include all grants of share options and all allotments of free shares which would be granted under the SIP pursuant to the authorisations referred to in note 3h (i) above and note 3h (iii) below, which the Board of Directors also applies to be renewed.

6.1.3.8.3 Note 3h (iii): Authorisation to implement a Share Incentive Plan

By voting the eighth resolution in their ordinary meeting on 24 April 2009, the shareholders granted the Board of Directors with appropriate authority to implement a Share Incentive Plan (SIP), under which the Board may allot free shares, notably to employees or directors of its UK subsidiary, on the condition of a prior purchase by the recipients of such allotments of free shares ('Matching Shares') of ordinary shares of the Company ('Partnership Shares') in those proportions which were voted by the Board on 17 December 2008). As a result, a participant to the SIP which would have acquired 2,000 Partnership Shares may be granted a maximum of 2,750 Matching Shares, provided that he would comply with holding obligations provided in the SIP rules.

The maximum number of shares (which have to be existing shares) which may be granted pursuant to this authorisation is one million shares, being noted that this limit also includes all grants of share options and all allotments of free shares which would be made pursuant to the authorisations referred to in notes 3h (i) and 3h (ii) above.

As indicated in the Board' report on grants of free shares which is attached to this report, a total of 22,527 shares were allotted as Matching Shares in the year ended 31 December 2010 pursuant to this authorisation which is valid until 1 July 2011, and a total of 3,637 of these 22,527 Matching Shares were irrevocably granted in the same period.

On the date this report was drafted, after effect of the allotment of 6,837 Matching Shares pursuant to the purchase of a total of 5,097 Partnership Shares on 23 February and 8 March 2011, the total number of free shares which were allotted as Matching Shares was 29,364 shares, of which 25,727 were still outstanding.

The Board of Directors applies for this authorisation to be renewed for another thirty-eight month period, allowing for a maximum number of 350,000 shares to be granted, being noted that this limit would also include all grants of share options and all allotments of free shares which would be made pursuant to the authorisations referred to in notes 3h (i) and 3h (ii) above.

6.1.3.8.4 Note 3h (iv): Authorisation to implement a share repurchase programme

By voting the tenth resolution in their ordinary meeting on 23 April 2010, the shareholders granted the Board of Directors with appropriate authority to implement a share repurchase programme through which the Board may repurchase, on or several occasions, at times it shall consider appropriate, up to one million shares (i.e. up to 9.71% of the total number of shares forming the Company's share capital as at 31 December 2010) at a maximum price of € 12.00 per share.

Such repurchases of shares would be made to pursue the following objectives:

- to meet obligations arising from the Company's share option programme or other allocations of shares to the employees and/or directors of the Company, in the forms and conditions as prescribed by applicable law, including the allocation of shares as the result of the implementation of a plan d'épargne d'entreprise, or the grant of free shares;
- to cancel some or all of the ordinary shares which would be repurchased; and
- to provide liquidity on the secondary market for the shares of the Company through the appointment of an investment service provider and the conclusion of a liquidity providing contract.

Such share repurchases may be undertaken when a take-over bid or a public offer exchange of shares is in progress, provided that such repurchases are made in compliance with provisions of article 232-15 of the Règlement général of the Autorité des marchés financiers, and also that the offer is a cash offer only, and that the share repurchases are effected as part of an ongoing share repurchase programme and are not used as a way to counter the take-over bid or public exchange of shares.

On the date this report was drafted, the Board had not used this authorisation, which is valid until 23 October 2011; the Board applies for a renewal of this authorisation for another eighteen-month period.

6.1.3.8.5 Note 3h (v): Authorisation to decrease the share capital through the cancellation of own shares

By voting the eleventh resolution in their extraordinary meeting on 23 April 2010, the shareholders granted the Board of Directors with appropriate authority to decrease, on or several occasions, at times it shall consider appropriate, the amount of the share capital through the cancellation of a maximum of one million of its own shares which were repurchased as part of the Company's share repurchase programme.

On the date this report was drafted, the Board had not used this authorisation, which is valid until 23 April 2012.

6.1.3.8.6 Note 3h (vi): Authorisation to increase the share capital through the incorporation of share premiums, retained earnings or otherwise retained profit

By voting the twelfth resolution in their extraordinary meeting on 23 April 2010, the shareholders granted the Board of Directors with appropriate authority, which is valid until 23 April 2012, to increase the share capital of the Company through the incorporation in the share capital of share premiums, retained earnings, otherwise retained profit, or any other amounts the capitalisation of which is possible, in the form of either the allotment of free, newly issued shares, or an increase in the par value of existing shares, or a combination of these two methods.

The total nominal amount of capital increases which may be effected pursuant to this authorization shall not exceed an aggregate amount of € 10 million, being noted that this figure would exclude the nominal amount of any additional ordinary shares the issue of which would be required to maintain the rights of those holding financial instruments giving access to the Company's share capital as required by law. The abovementioned limit would also be separate from any other limit set in the authorizations granted to the Board by the shareholders on 23 April 2010, which are set out in notes 3h (vii) to (x) below.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.7 Note 3h (vii): Authorisation to increase the share capital through a cash contribution

6.1.3.8.7.1 While maintaining the existing shareholders' preferential rights of subscription

By voting the thirteenth resolution in their extraordinary meeting on 23 April 2010, the shareholders granted the Board of Directors with appropriate authority, which is valid until 23 April 2012, to increase the share capital of the Company at times it shall consider appropriate through an issue of ordinary shares or any other financial instruments giving right, immediately or in a deferred way, to ordinary shares of the Company, while maintaining the existing shareholders' preferential rights of subscription.

The amount of the capital increases which would be effected pursuant to this authorisation may not exceed an aggregate nominal amount of € 2 million, being noted that this figure would include the nominal amount of any additional ordinary shares the issue of which would be required to maintain the rights of those holding financial instruments giving access to the Company's share capital as required by law. Such figure would also include the nominal amount of any share capital increases which would be effected pursuant to the authorisations to increase the share capital of the Company through an issue of ordinary shares or any other financial instruments giving right, immediately or in a deferred way, to ordinary shares of the Company, while waiving the existing shareholders' preferential rights of subscription. (see below).

As required by law, financial instruments which would be issued pursuant to this authorisation would allow for the issue of ordinary shares of any company which, directly or indirectly, owns more than 50% of the capital of the Company, or of any company the Company owns, directly or indirectly, more than 50% of the capital.

Should these subscriptions have not reached the proposed increase in the number of the Company's shares, the Board of Directors would be granted with appropriate authority to either restrict the amount of the planned share capital increase to the amount of subscriptions which were received by the Company provided that this would meet corresponding legal requirements, or freely allocate all or part of shares which would not have been subscribed for, or also make an offer to the public of all or part of shares which would not have been subscribed for.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.7.2 While waiving the existing shareholders' preferential rights of subscription

By voting the fourteenth and fifteenth resolutions in their extraordinary meeting on 23 April 2010, the shareholders granted the Board of Directors with appropriate authority, which is valid until 23 April 2012, to increase the share capital of the Company at times it shall consider appropriate through an issue of ordinary shares or any other financial instruments giving right, immediately or in a deferred way, to ordinary shares of the Company, while waiving the existing shareholders' preferential right of subscription, such issues being made by way of either of a public offering (fourteenth resolution) or a private placement of shares (fifteenth resolution), as allowed by the Ordinance dated 22 January 2009.

■ Made by way of a public offering of shares

Any issues made pursuant to this authorization would be made while waiving existing shareholders' preferential subscription rights, by way of a public offering, being noted that the Board of Directors is granted with appropriate authority to grant the Company's shareholders with a priority delay for subscribing for the new shares.

The total nominal value of shares which be issued pursuant to this authorization may not exceed € 2 million. Such figure would include the par value of any shares which would be issued pursuant to the authorizations to increase the share capital of Company while maintaining the existing shareholders' preferential subscription rights (see above), or while waiving such rights and effecting the share issue by way of a private placement (see below).

The total nominal value of financial instruments giving right to the share capital which be issued pursuant to this authorization may not exceed € 2 million. Such figure would include the par value of any financial instruments giving right to the share capital which would be issued pursuant to the authorizations to increase the share capital of Company by issuing ordinary shares or financial instruments giving right to the share capital while maintaining the existing shareholders' preferential subscription rights (see above), or while waiving such rights and effecting the share issue by way of a private placement (see below).

The amount to be received by the Company for each of the new shares issued or to be issued, after giving effect, in the case of an issue of warrants the exercise of which would allow for the subscription of ordinary shares, of the issue price of such warrants, shall be at least equal to the minimum required by applicable legal and regulatory provisions in force at the time the Board will use the authorization, and will therefore be equal to the minimum price which is set out in article R.225-119 of the French Commercial Code.

In the case of an issue made to satisfy the contribution of shares brought to the Company through a public exchange of shares, and within the limits mentioned above, the Board of Directors shall be granted with appropriate authority to draft the list of shares brought into the exchange, set the conditions of the issue, the exchange formula, as well as the amount to be paid in cash as the case may be, and also define the precise terms of the issue.

On the date this report was drafted, the Board had not used this authorisation.

■ Made by way of a private placement

Any issues made pursuant to this authorization would be made while waiving the existing shareholders' preferential subscription rights, by way of an offer referred to under paragraph II of article L.411-2 of the French Financial and Monetary Code.

The total nominal value of shares which would be issued pursuant to this authorization may not exceed € 2 million. Such figure would include the par value of any shares which would be issued pursuant to the authorizations to increase the share capital of Company while maintaining the existing shareholders' preferential subscription rights (see above) or while waiving such rights and effecting the share issue by way of a public offer (see above).

The total nominal value of financial instruments giving right to the share capital which be issued pursuant to this authorization may not exceed € 2 million, being noted that, in any given year, it may also not be higher than 20% of the outstanding share capital amount before effect of the increase. Such figure would include the par value of any financial instruments giving right to the share capital which would be issued pursuant to the authorizations to increase the share capital of Company by issuing ordinary shares or financial instruments giving right to the share capital while maintaining the existing shareholders' preferential subscription rights (see above) or while waiving such rights and effecting the share issue by way of a public offer (see above).

The amount to be received by the Company for each of the new shares issued or to be issued, after giving effect, in the case of an issue of warrants the exercise of which would allow for the subscription of ordinary shares, of the issue price of such warrants, shall be at least equal to the minimum required by applicable legal and regulatory provisions in force at the time the Board will use the authorization, and will notably be equal to the minimum required by article R.225-119 of the Commercial Code.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.8 Note 3h (viii): Authorisation to increase the amount of issues when the demand exceeds the number of shares which was initially planned to be issued

By voting the sixteenth resolution in their extraordinary meeting on 23 April 2010, the shareholders granted the Board of Directors with appropriate authority, which is valid until 23 April 2012, to increase the amount of share capital increases, in accordance with conditions set out in article L.225-135-1 of the French Commercial Code (i.e. a maximum increase of 15% of the planned amount of the capital increase in accordance with the provision of article R.225-118 of the same Code), and within the limits set by the shareholders on 23 April 2010, when the demand for the Company's shares exceeds the number of shares which was initially planned to be issued.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.9 Note 3h (ix): Authorisation to increase the share capital to pay for contributions in kind

By voting the seventeenth resolution in their extraordinary meeting on 23 April 2010, the shareholders granted the Board of Directors with appropriate authority, which is valid until 23 April 2012, to increase the amount of the share capital through an issue of ordinary or financial instruments giving right to the share capital to pay for any contribution in kind made to the Company, consisting of either shares or financial instruments giving right to the share capital, within the limit of 10% of the amount of the share capital before effect of the share capital increase.

The par value of ordinary shares to be issued pursuant to this authorization may not exceed 10% of the total par value of the shares forming the share capital of the Company before taking into account the effect of the transaction.

This limit is to be considered independently from any other share capital increase limits set pursuant to other authorisations given to the Board of Directors to increase the Company's share capital.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.10 Note 3h (x): Authorisation to increase the share capital through an issue of shares which would be reserved to employees participating to the Parent's PEE

By voting the eighteenth resolution in their extraordinary meeting on 23 April 2010, the shareholders granted the Board of Directors with appropriate authority, On the date this report was drafted, the Board had not used this authorisation, to increase the amount of the share capital through an issue of ordinary shares which would be reserved to those employees participating to the Parent's Plan d'Epargne Entreprise and which would effected in accordance with the conditions set out in article L.3332-18 and subsequent articles of the French Labour Code, either through the issue of ordinary shares of the Company or through the allotment of free shares or other financial instruments giving right to the share capital of the Company, being noted that the existing shareholders' preferential subscription rights would then be waived as required by law.

The price for the shares to be issued may neither be lower than 80% of the average of the first price traded in each of the twenty trading days immediately preceding the decision of the Board of Directors to increase the share capital and to issue new shares (or 70% of such average, when the period over which corresponding shares may not be disposed of by the recipient is a minimum of ten years, as allowed by article L.3332-18 of the French Labour Code), nor higher than such average.

The maximum cumulative amount of any capital increases which would be made pursuant to this authorisation shall be € 40,000, being noted that this limit is to be considered independently from any other share capital increase limits set pursuant to other authorisations given to the Board of Directors to increase the Company's share capital.

On the date this report was drafted, the Board had not used this authorisation.

6.1.3.8.11 Note 3h (xi): Authorisation to use authorisations in case of a public offer on the Company's shares

By voting the nineteenth resolution in their extraordinary meeting on 23 April 2010, the shareholders granted the Board of Directors with appropriate authority to use which were granted by the shareholders notably relating to share capital increases as set out in notes 3h (vi) to 3h (x) in case of a public offer on the Company's shares.

On the date this report was drafted, the Board had not used this authorisation, which is valid until 23 October 2011. The Board applies for this authorisation to be renewed for another eighteen-month period.

6.1.3.9 Note 3i: Director shareholdings

6.1.3.9.1 Note 3i (i): Measures to mitigate the risk of insider trading by the Company's directors

6.1.3.9.1.1 Applicable provisions of the Board charter

Prior approval from the Chairman of the Board (and for the latter, prior approval from two other members of the Board) is mandatory before a director may purchase, sell or otherwise deal (this including any exercise of share options) in the Company's financial instruments.

6.1.3.9.1.2 Applicable provisions of the Code of Dealing in Financial Instruments

Under the Company's Code of Dealing in Financial Instruments, any transaction of the Company's shares including the exercise of share options is prohibited during certain closed periods, notably in the periods between quarter-end date and the date when corresponding quarterly results are released, of within the two trading period before the release by the Company of any price-sensitive information, confirmation of the closed period for trading in the Company's financial instruments being announced by the Company's Chief Financial Officer in an email sent to all of the Company's employees.

6.1.3.9.2 Note 3i (ii): Director shareholdings

The information which is provided hereafter relates to the Company's shares which were held by the members of the Board of Directors in their own names, in the names of their spouses and children living with them as the case may be, as at 31 December 2010.

6.1.3.9.2.1 Mr. Johan Volckaerts, Chairman of the Board of Directors

- Number of shares held as at 1 January 2010: 225,766 shares;
- Shares purchases during the year ended 31 December 2010: none;
- Shares disposals during the year ended 31 December 2010: none;
- Number of shares held as at 31 December 2010: 225,766 shares.

6.1.3.9.2.2 Mr. Gary Fry, director and Chief Executive Officer

- Number of shares held as at 1 January 2010: 1,910 shares;
- Shares purchases during the year ended 31 December 2010: none;
- Shares disposals during the year ended 31 December 2010: none;
- Number of shares held as at 31 December 2010: 1,910 shares.

6.1.3.9.2.3 Mr. Alain Pronost, director and Chief Financial Officer

- Number of shares held as at 1 January 2010: 14,919 shares (of which 1,000 in his spouse's name);
- Shares purchases during the year ended 31 December 2010: none;
- Shares disposals during the year ended 31 December 2010: none;
- Number of shares held as at 31 December 2010: 14,919 shares.

6.1.3.9.2.4 Mr. Gareth Jones, director and Chairman of the Company's audit committee

- Number of shares held as at 1 January 2010: 10 shares;
- Shares purchases during the year ended 31 December 2010: none;
- Shares disposals during the year ended 31 December 2010: none;
- Number of shares held as at 31 December 2010: 10 shares.

6.1.3.9.2.5 Mr. Pierre Van Beneden, director and Chairman of the Company's remuneration committee

- Number of shares held as at 1 January 2010: 12,180 shares;
- Shares purchases during the year ended 31 December 2010 : none;
- Shares disposals during the year ended 31 December 2010 : none;
- Number of shares held as at 31 December 2010: 12,180 shares.

6.1.3.9.3 Note 3i (iii): Share options granted to the Company's directors

Please refer to the report of the Board of Directors on the Company's share options which is attached to this report, and provide all required information on the 400,000 options granted to Mr. Fry on 6 August 2008, and to the 25,000 options granted to Mr. Pronost on 17 December 2008.

6.1.3.9.4 Note 3i (iv): Free shares allotted to the Company's directors

Please refer to note 23 to the statutory financial statements for the year ended 31 December 2010 which provides all required information on the allotment of 36,000 and 4,000 free shares made by the Board to Messrs. Fry and Pronost, respectively, on 10 March 2011.

6.1.3.10 Note 3j: Criminal conviction, liquidation or public sanctions of the Company's directors

To the Company's knowledge, on the date when this report was drafted, no member of the Company's Board of Directors has been in the past five years subject to a fraud or other criminal conviction, or to public sanction by statutory or regulatory authorities, associated with a bankruptcy, a sequestration of goods or liquidation, nor has been prevented by a court from acting as a member of a management of supervisory body of an issuer or from involvement in managing the business of an issuer.

6.1.3.11 Note 3k: Conflicts of interest

Article 5.5 of the Board charter mandates that any member of the Company's Board of Directors who considers he may be in a potential conflict of interest position must provide the Board with full, precise and complete information of what he feels to become an actual, likely or even potential conflict of interest which he may have, either directly or indirectly.

Such information shall be given either orally during any Board meeting to other Board members, or in writing by way of a letter sent for the attention of the Chairman of the Board who has then a duty to bring this to the attention of all other Board members by including this item on the agenda of the next Board meeting so that the situation may be assessed and a vote may be organised on the matter, being noted that the director who is involved in such conflict of interest may not participate in any vote on it.

To the Company's knowledge, on the date when this report was drafted, there were no conflicts of interest between the duties of the members of the Company's Board of Directors with regards to the Company and their private interests or duties.

6.1.3.12 Note 3l: Family relationships

To the Company's knowledge, on the date when this report was drafted, there were no family relationships between any members of the Company's Board of Directors.

6.1.4 Note 4: Additional disclosures which are required by law

6.1.4.1 Note 4a: Board fees for the current year

You are proposed to set the aggregate amount of board fees to be allocated among the members of the Board of Directors to € 60,000 in the year ending 31 December 2011, as was already the case in the year ended 31 December 2010.

6.1.4.2 Note 4b: Schedule of results for the past five financial years

Please see the schedule, which is attached to this report and provides an overview of the Parent's financial performance for the years ended 31 December 2006 to 2010 inclusively.

6.1.4.3 Note 4c: Statutory auditors' mandates and fees

6.1.4.3.1 Note 4c (i): Statutory auditors' mandates

6.1.4.3.1.1 Statutory auditors' mandates

The mandate of KPMG SA as first statutory auditor of the Company was renewed for a period of six financial years by the shareholders on 25 April 2008.

The mandate of Secef Sarl as second statutory auditor of the Company was renewed for a period of six financial years by the shareholders on 23 April 2010.

6.1.4.3.1.2 Deputy statutory auditors' mandates

■ Mr. Serge Peiffer

The mandate of Mr. Serge Peiffer as first deputy statutory auditor of the Company was renewed for a period of six financial years by the shareholders on 25 April 2008.

Unofficial translation of the French language original

In a letter dated 25 February 2011, Mr. Serge Peiffer made the Company aware of his wish to resign from his mandate of statutory deputy auditor pursuant to his decision not to work as a statutory auditor any longer.

On 10 March 2011, the Board of Directors voted to propose to the shareholders to appoint KPMG Audit IS SAS as first deputy statutory auditor of the Company to replace Mr. Peiffer for the remaining duration of his term of office. In accordance with the provisions of article L.225-228 of the French Commercial Code, Mr. Fry did not take part to the vote in his capacity of Chief Executive Officer of the Parent.

KPMG Audit IS SAS confirmed that they did not provide any services with regards to any merger or contribution involving either the Company or any of its subsidiaries as defined in article L.233-16 of the French Commercial Code in the past two financial years.

■ Mr. Patrick Baci

The mandate of Mr. Patrick Baci as first deputy statutory auditor of the Company was renewed for a period of six financial years by the shareholders on 23 April 2010.

6.1.4.3.2 Note 4c (ii): Statutory auditors' fees

The table which is presented below provides information on the amount of fees which were expensed in the Company's consolidated accounts for the year ended 31 December 2010 with respect of audit fees. Please note that the amounts which are presented below are exclusive of VAT, as well as of any amounts which expensed by the Company with respect of travel and subsistence expenses by the Company's statutory auditors, or the contributions borne on them with regards to the Haut conseil du commissariat aux comptes (H3C).

In euros	KPMG SA		Secef Sarl	
	Fee amount	% of total	Fee amount	% of total
Audit and review of statutory and consolidated financial statements				
Global Graphics SA	82,000	50.5%	19,600	92.9%
Subsidiaries	77,440	47.7%	-	-
Audit-related fees				
Global Graphics SA	3,000	1.8%	1,500	7.1%
Subsidiaries	-	-	-	-
TOTAL AUDIT FEES	162,440	100.0%	21,100	100.0%
TOTAL NON-AUDIT FEES	-	-	-	-
TOTAL FEES	162,440	100.0%	21,100	100.0%

Fees which were expensed in the year ended 31 December 2010 with respect of audit-related fees related firstly, to the portion of fees which were billed to the Company for the work undertaken by the Company's statutory auditors with respect of the special reports which were required for the meeting of the Company's shareholders which was held on 23 April 2010 for a total of € 2,000, and secondly to the fees relating to the review of the draft Reference document for the year ended 31 December 2010, for a total of € 2,500.

6.1.4.4 Note 4d: Transactions and commitments with related regulated parties

You are proposed to vote for each of the transactions as defined in article L.225-38 of the French Commercial Code, which have all been authorized by the Board, and are presented in the special report of the Company's statutory auditors.

6.1.4.5 Note 4e: Elements likely to have an influence in case of a public offer

As required by article L.225-100-3 of the French Commercial Code, please find hereafter the elements which are likely to have an influence in the case of a take-over bid or a public offer of exchange of the Company's shares:

- the structure of the Parent's share capital, as well as any direct or indirect holdings in the Parent's share capital which are known to the Board to the Directors, are set out in note 3c (iii) above;
- the Parent's articles of association do not provide for any restriction in the exercise of voting rights which would be more stringent than provide by applicable legal and regulatory provisions;
- on the date this report was drafted, the Company's management was not aware of any agreements regarding its shares which were entered into by its shareholders;
- in accordance with provisions of the fourth paragraph of article 13 of the Parent's articles of association, any shareholder which would come to hold, alone or in concert, whether directly or indirectly, for a minimum of two consecutive years, a minimum of 34% of the total number of the Company's shares or voting rights attached to such shares, and provided he is the principal shareholder, may request that the shareholders may be proposed a list of candidates among which they are to elect the majority of the members of the Board of Directors
- there is no share to which would be attached specific control rights;
- there are no control mechanisms provided in any employee share plan including control rights which are not exercised;
- all outstanding authorizations granted to the Board by the shareholders which are under validity are set out in note 3h above; and
- the 655,000 options to subscribe for an equivalent number of ordinary shares of the Company (including the 25,000 options which were granted by the Board on 8 February 2011 with an effective grant date on 1 March 2011) which were granted with respect of the authority granted to the Board by the shareholders on 25 April 2008 and were still outstanding on the date this report was drafted, may be exercised regardless of the minimum share price conditions attached to the grant of such options, in case of a change in the control of the Company (please refer to the Board's report on share options for further details on circumstances allowing for such early exercise of options).

6.1.5 Note 5: Authorisations requested from the Company's shareholders

6.1.5.1 Note 5a: Authorisation to grant options on the Company's shares

By voting corresponding resolutions on 26 May 1999, 10 December 1999, 21 June 2002, 22 April 2004, 20 April 2006 and 25 April 2008, the shareholders granted the Board of Directors with various authorisations to grant options to subscribe for or purchase shares of the Company.

As set out in note 3h (i) above, the authorisation which was granted to the Board on 25 April 2008, was valid until 25 June 2011, and allowed the grant of options for a maximum number in which were also included any grants of free shares made pursuant to the authorisation granted to the Board on 25 April 2008 and grants of free shares under the Share Incentive Plan made pursuant to the authorisation granted to the Board on 23 April 2009, was partly used only, while prior similar authorisations had been fully used as set out in the Board's report on options on the Company's shares.

You are proposed to grant to the Board a new authorisation, which would cancel the unused portion of the authorisation which was granted on 25 April 2008, and would give the Board appropriate authority to grant options to subscribe for or purchase shares of the Company over the next 38 months, to either employees, or some of them, or some classes of them, or directors of the Parent or of any related companies as specified in article L.225-180 of the French Commercial Code.

The aggregate number of options which would be granted by the Board pursuant to this authorisation would give right to subscribe for or purchase a maximum of 350,000 shares, with respect to all other limits set out by applicable laws, notably those set in articles L.225-182 and R.225-143 of the French Commercial Code, being noted that would also be included in the computation of such limit all of the free shares which would be granted pursuant to the authorisations to be granted to the Company's Board of Directors by the shareholders as set out in notes 5b and 5c below.

The subscription price or purchase price of shares by beneficiaries would be set by the Board on the day the options would be granted and could not be lower than the minimum price as specified by applicable regulatory and legal provisions.

As a result, and within the abovementioned limits, the Board of Directors would be granted with authority to set the other terms and conditions of the grants and exercises of options, notably to set all conditions pursuant to which these options would be granted; draft the list of recipients or of categories of such recipients in accordance with above mentioned provisions; set the exercise periods for these options; conduct any required formalities in order to register the capital increase or increases resulting

from the exercise of such options if applicable, amend the Company's articles of association pursuant to these changes in the amount of the share capital; and more generally do whatever is required to do.

6.1.5.2 Note 5b: Authorisation to grant free shares

By voting corresponding resolutions on 20 April 2006 and 25 April 2008, the shareholders granted the Board of Directors with authorisations to grant free shares.

As set out in note 3h (ii) above, the authorisation which was granted to the Board on 25 April 2008, was valid until 25 June 2011, and allowed the grant of a maximum number of free shares in which were also included any grants of options to subscribe for or purchase shares made pursuant to the authorisation granted to the Board on 25 April 2008, and grants of free shares under the Share Incentive Plan made pursuant to the authorisation granted to the Board on 23 April 2009, was partly used only, as was already the case for the previous similar authorisation which was granted on 20 April 2006 as set out in the Board's report on free shares which is attached to this report for your review.

You are proposed to grant to the Board a new authorisation, which would cancel the unused portion of the authorisation which was granted on 25 April 2008, and would give the Board appropriate authority to grant either existing shares of the Company or new shares which would be issued as a result of the incorporation in the share capital of share premiums, retained earnings or otherwise retained profit, in accordance with the terms and conditions set out in article L.225-197-1 of the French Commercial Code. Recipients of such grants of shares would be either the employees of the Parent, or of any directly or indirectly related company as defined in article L.225-197-2 of the Commercial Code, or those members of the Board of Directors who would meet the criteria set out in article L.225-197-1 of the French Commercial Code for being eligible to such grants of shares.

The maximum number of shares which may be granted by the Board of Directors pursuant to this authorisation would be 350,000 shares, being noted that would also be included in the computation of such limit all of the grants options to subscribe for or purchase shares and grants of free shares under the SIP which would be made pursuant to the authorisations to be granted to the Company's Board of Directors by the shareholders as set out in notes 5a above and 5c below.

The grant of such shares to recipients would be irrevocable as follows:

- for those recipients who were French tax residents at the date of the grant of shares by the Board of Directors (as set out by article 4B of the French General Tax Code and applicable provisions of tax treaties entered into by France), at the end of an vesting period which would be a minimum of two years from provisional grant date. In addition, such shares could not be disposed of by the recipient of such share grant for a subsequent holding period of a minimum of two years.
- for those recipients who were not French tax residents at the date of the provisional grant of shares by the Board of Directors, at the end of an vesting period which would be a minimum of four years from grant date. Such shares could be disposed of by the recipient as soon as they would be granted to the recipient of such grant, except in case of tax regulations providing for such a holding period.

You are proposed to decide that the shares would be granted before the term of the abovementioned acquisition period should the recipient meet the criteria required to fit in either the second or the third categories of disability as set out in article L. 341-4 of the French Social Security Code.

You are reminded that, by voting this authorization, you specifically agree to waive your right in any capital increase resulting from the use of this authorization by the Board which would be made by way of the incorporation in the share capital of share premiums, retained earnings or otherwise retained profit

As a result, and within the abovementioned limits, the Board of Directors would be granted with authority to set the terms and conditions of such grants, including, as the case may be, all criteria attached to such grants; decide who may be granted such free shares among those meeting those criteria as well as the number of shares granted to each of them; determine the effect on the recipient's rights of any transactions affecting the amount of the share capital or the value of shares granted, during either the vesting period or the subsequent holding period; note, as the case may be, that the amount of retained earnings is sufficient and decide to transfer to an account of non-distributable reserves the amount corresponding to the par value of the new shares to be granted; decide to increase the share capital of the Company through the incorporation of retained earnings, share premiums, or otherwise retained profit resulting from the issue of free, new shares; purchase the required number of shares as part of the share repurchase programme and allot these shares to the share grant programme;

and more generally take any step and action required for using this authorization in accordance with applicable legal and regulatory provisions.

6.1.5.3 Note 5c: Authorisation to grant free shares under the SIP

By voting the corresponding resolution on 24 April 2009, the shareholders granted the Board to implement a Share Incentive Plan ('SIP') under which the Board granted free shares, which were shares which were previously repurchased as part of the share repurchase programme, to certain employees and directors of the Company ('Matching Shares'), in proportion of the shares purchased by these persons ('Partnership Shares'). As set out in note 3h (iii) above, the authorisation which was granted to the Board on 24 April 2009, was valid until 1 July 2011, and allowed the grant of a maximum number of free shares under the SIP in which were also included any grants of options to subscribe for or purchase shares made pursuant to the authorisation granted to the Board on 25 April 2008, and grants of free shares made pursuant to the authorisation granted to the Board on that same date, was partly used only, as set out in the Board's report on free shares which is attached to this report for your review.

You are proposed to grant to the Board a new authorisation, which would cancel the unused portion of the authorisation which was granted on 24 April 2009, and would give the Board appropriate authority to free shares under the SIP over the next 26 months, to either employees, or some of them, or some classes of them, or directors of the Parent or of any related companies as specified in article L.225-180 of the French Commercial Code.

The Board of Directors would be granted with appropriate authority to decide whether a grant of shares would be made:

- either on the condition of the prior purchase by recipients of such grant of the following number of shares of the Company, as was voted by the Board of Directors on 17 December 2008:
 - one free share would be granted to the SIP participant for each of the first 1,000 shares he would have acquired under the SIP;
 - 3 free shares would be granted to the SIP participant for each two of the following 500 shares he would have acquired under the SIP; and
 - 2 free shares would be granted to the SIP participant for each of the following 500 shares he would have acquired under the SIP.

As a result, a SIP participant may be granted a total of 2,750 free shares provided that he would have acquired a total of 2,000 shares under the SIP.

- or without any such prior share purchase condition; in that case, grants of free shares:
 - would be made on a provisional basis as long as certain conditions (including a minimum holding period, a minimum seniority with the Company, etc.) be met; and
 - would not be made as part of the authorization to be granted to the Board of Directors by the shareholders in accordance with the provisions of article L.225-197-1 of the Commercial Code, which could be used by the Board of Directors separately from this authorization.

Such authorisation could result in the grant of a maximum of 350,000 shares, subject to any additional limits as set by applicable legal provisions, being noted that would also be included in the computation of such limit all of the options to subscribe for and/or purchase shares of the Company, as well as all free shares, referred to in notes 5a and 5b above, which would be granted pursuant to the authorisations to be granted to the Company's Board of Directors by the shareholders.

All shares granted by the Company's Board of Directors pursuant to this authorisation will be considered for the computation of this limit, whether such grant of shares was provisional or final

6.1.5.4 Note 5d: Authorisation to implement a share repurchase programme

As set out in note 3h (iv) above, the existing authorisation which was granted to the Board of Directors to implement a share repurchase programme in accordance with the provisions of article L.225-209 of the French Commercial Code will expire on 23 October 2011.

You are proposed to grant the Board of Directors with appropriate authority to effect the purchase of ordinary shares of the Company, on one or several occasions, at times deemed appropriate within the next eighteen months, up to a limit of one million shares, representing 9.71% of the total number of shares forming part of the Company's share capital as at 31 December 2010.

This new authorisation shall cancel any unused portion of any existing authorisation which had the same purpose from the date it is granted by the shareholders.

Such repurchases of shares would be made to pursue the following objectives:

- to meet obligations arising from the Company's share option programme or other allocations of shares to the employees and/or directors of the Company, in the forms and conditions as prescribed by applicable law, including the allocation of shares as the result of the implementation of a plan d'épargne d'entreprise, or the grant of free shares,
- to cancel some or all of the ordinary shares which would be purchased pursuant to the authorisation given by the Company's shareholders in their ordinary meeting held on 23 April 2010 when voting the eleventh resolution (see note 3h (v) above); and
- to provide liquidity on the secondary market for the shares of the Company through the appointment of an investment service provider and the conclusion of a liquidity providing contract.

Such shares repurchases could notably be undertaken when a take-over bid or a public offer exchange of shares is in progress, provided that such repurchases would be made in compliance with provisions of article 232-15 of the Règlement général of the Autorité des marchés financiers, and also that the offer would be a cash offer only, and that the share repurchases would be effected as part of an ongoing share repurchase programme and would not be used as a way to counter the take-over bid or public exchange of shares.

The maximum unit price at which shares could be purchased would be set at € 12.00 a share; as a result, the maximum amount of the share repurchase programme would be € 12 million.

6.1.5.5 Note 5e: Authorisation to use the authorisations in case of a public offer on the Company's shares

As set out in note 3h (xi) above, the authorisation which was granted to the Board to use the authorisations given by the shareholders in their extraordinary meeting on 23 April 2010 (twelfth, thirteenth, fourteenth, fifteenth, sixteenth, seventeenth, and eighteenth resolutions) which are referred to in notes 3h (iv) to 3h (x) above, as well as the authorisations which the Board requests from the shareholders in notes 5a to 5c above, in the case of a take-over bid or a public exchange offer on the Company's shares, will expire on 23 October 2011.

You are therefore proposed to grant the Board of Directors with appropriate authority to use the abovementioned authorisations in the case of a take-over bid or a public exchange offer on the Company's shares in the next eighteen months, being noted that such authorisation could only be used with respect of the reciprocity exception in accordance with applicable legal provisions.

This new authorisation would cancel any unused portion of any existing authorisation which had the same purpose from date it would be granted by the shareholderse.

6.1.6 Amendment to article 14 of the Company's articles of association

The purpose of the proposed amendment to article 14 of the Company's articles of association is to ensure it complies with the latest changes in legal and regulatory provisions applicable to shareholding threshold notifications and intention declarations.

Such article would therefore be drafted as follows:

"Article 14 - Shareholding threshold notifications and intention declarations

Any natural or legal person, acting alone or in concert with others, who would come to hold any number of the Company's outstanding shares or voting rights in excess of one of the reporting thresholds as defined by law, shall comply with applicable reporting requirements within the timeframe indicated by law.

Such reporting requirements shall also apply when the person comes to dispose of such a number of shares or voting rights that one or several reporting thresholds are reached.

All terms and conditions specified for such reporting requirements in article L233-7 and subsequent articles of the French Commercial Code are applicable.

This is notably the case of the following reporting requirements:

Unofficial translation of the French language original

- Any person on whom fall any reporting requirements in accordance with the above-mentioned legal provisions shall also notify his intention regarding the Company's shares or voting rights over the next six months from the reporting date as soon as that person comes to hold in excess of one tenth, three twentieths, one fifth or one quarter of the outstanding number of the shares forming the Company's share capital or of the voting rights attached to such shares.
- Such person shall specifically indicate how the acquisition of shares was financed, whether he is acting alone or in concert with others, whether he contemplates to purchase additional shares or not, whether he intends to take control of the Company, what strategy he contemplates with respect of the Company and how he expects to implement such strategy, as well as any temporary sale agreement relating to the Company's shares and/or voting rights.
- Such person shall also indicate whether the acquirer contemplates to request his appointment or the appointment of one or several persons as a director of the Company.
- This notification shall be sent to the Company and the market regulators, and also made available to the general public, in accordance with applicable regulations.
- In case of a change in intentions within the next six month period starting on the date of filing of such intention declaration, a new intention declaration, which must indicate the intentions for the next six months and provide the rationale for such change in intentions, must be sent to the Company and to the market regulators without any delay, and also made available to the general public in the same terms and conditions than for the initial intention declaration.

Should a shareholder fail to provide any required notification (in the terms and conditions set out in article L.233-7 and subsequent articles of the French Commercial Code), he would face the sanctions which are set out in article L.233-14 of such Code, and would notably be deprived from the voting right attached to each share above the number of shares or voting rights giving rise to a notification duty for any meeting of shareholders which would take place during a period of two years following the date at which the appropriate notification had been done.

Similarly, a shareholder who would not have made the notifications required as to his intention regarding the Company's shares when holding in excess of one tenth, three twentieths, one fifth or one quarter of the outstanding number of the shares forming the Company's share capital or of the voting rights attached to such shares would be deprived from the voting right attached to each share above the number of shares or voting rights giving rise to such notification duty for any meeting of the shareholders which would take place during a period of two years following the date at which the appropriate notification had been done.

The voting rights attached to the shares which were not properly notified may not be exercised or delegated during that same period."

You are proposed to give full discharge to the Board of Directors and to the Company's statutory auditors for the fulfillment of their respective duties for the year ended 31 December 2010.

You will now hear the reports prepared by the Company's auditors.

The Board of Directors recommends that you vote to approve the resolutions which are proposed to you.

6.2 Schedule of statutory results for the last five financial years

Unless otherwise stated, and except share number, all amounts which are provided in the following table are in euros.

	Note	Years ended 31 December				
		2006	2007	2008	2009	2010
Share capital at 31 December						
Share capital amount		4,099,012	4,115,912	4,115,912	4,115,912	4,115,912
Number of outstanding shares		10,247,530	10,289,781	10,289,781	10,289,781	10,289,781
Max. number of additional shares to be issued following:						
- the conversion of bonds		-	-	-	-	-
- the exercise of options	1	172,277	117,426	673,841	594,940	654,940
Operations and results						
Sales for the year		488,000	528,000	497,172	480,401	574,178
Profit (loss) before income tax and employee profit-sharing scheme expense, as well as depreciation and allowances on provisions	2	91,080	40,414	(162,449)	2,400	(64,642)
Income tax expense (benefit)		(3,150)	770	70	353	124
Employee profit-sharing scheme expense		-	-	-	-	-
Profit (loss) after income tax and employee profit-sharing scheme expense, depreciation and allowances on provisions et provisions	3	372,446	(24,260,787)	(34,775,271)	982,788	(2,669,774)
Distributed result		-	-	-	-	-
Results per share						
Profit (loss) per share after income tax and employee profit-sharing expenses, but before depreciation and allowances on provisions	3	0.01	0.00	(0.01)	0.00	(0.01)
Profit (loss) per share after income tax and employee profit-sharing expenses, depreciation and allowances on provisions et provisions		0.04	(2.33)	(3.17)	0.09	(0.24)
Gross amount of the dividend per share		-	-	-	-	-
Information on personnel						
Average number of employees		1	1	1	1	1
Wages and salaries for the year	4	99,667	98,000	93,000	96,125	113,089
Total employee benefits and employer contributions for the year	4	44,276	43,692	42,161	49,750	58,333

Notes:

1. Taking into account, at each year-end date presented above, all share options which have been granted by the Company's Board of Directors since the inception of the Company, as well as all options which were exercised or forfeited to date.
2. Depreciation charges and allowances are presented net of any write-backs, as applicable.
3. The number of shares used for the computation of per share amounts is equal, at each year-end date presented, to the sum of the outstanding number of ordinary issued shares, and the number of new shares which would be issued following the exercise of share options outstanding at such year-end date.
4. Including the year-end bonus and vacation pay accruals, and related contributions, as applicable.

6.3 Report of the Board of Directors on options on the Company's shares

Pursuant to article L.225-184 of the French Commercial Code, please find hereafter the report prepared by the Board of Directors on transactions which are specified under the provisions of articles L.225-177 to L.225-186 of this Code and relate to options to subscribe for, or purchase, shares of Global Graphics SA (the "Company") for the year ended 31 December 2010.

This report was drafted by the Company's Board of Directors on 8 February 2011.

When voting the nineteenth decision on 25 April 2008, the Company's shareholders:

- gave the Board of Directors appropriate authority to grant, in accordance with article L.225-177 of the French Commercial Code, at its discretion, a maximum of one million options to employees of the Company, or employees of companies which are, directly or indirectly, under the control of the Company (as defined in article L.233-3 of the French Commercial Code) and are part of the Global Graphics group of companies, of some of these employees, giving the right to subscribe to ordinary shares of the Company to be issued upon exercise of such option rights, or to purchase existing shares of the Company which were previously repurchased by the Company as part of its share repurchase programme. This authority was granted to the Company's Board of Directors for a thirty-eight month period which started on the date the shareholders voted on it, and which was due to expire on 25 June 2011;
- voted that the abovementioned limit will also include the par value of the free shares which would be granted as the result of the utilisation by the Board of Directors of the authority granted by the Company's shareholders when they voted the twentieth resolution of the same meeting; and,
- also voted that this authorisation would cancel the unused portion of the authorisation having the same purpose which was granted by the Company's shareholders.

Please find hereafter information which is required by law on:

- share options which were outstanding as at 31 December 2010 ;
- share options which were granted to each of the Company's directors and were outstanding as at 31 December 2010, as well as information on share options which were exercised by the Company's directors in the year ended 31 December 2010.

Because the Company has one employee, who is also one of the Company's directors, it is not required to provide any information on:

- options which were granted by the Company to its ten employees who are not one of its directors and were granted the largest numbers of options during the year ended 31 December 2010, in the absence of such beneficiaries;
- options which were exercised during the year ended 31 December 2010 by its ten employees who are not one of its directors and exercised the largest numbers of options during the year ended 31 December 2010, in the absence of such beneficiaries.

6.3.1 Note 1: Summary of the main rules of the Company's share option plan

6.3.1.1 Note 1a: Rules which are common to all grants of share options

- Each option when exercised gives the right to one newly issued, ordinary share of the Company having a par value of € 0.40.
- Options can only be granted to, and exercised by, an individual who is either an employee or a director of the Company or one of its subsidiaries at both grant and exercise dates. Should the beneficiary no longer be fulfilling such continuous employment condition, he may only exercise the portion of options which are vested at the termination date of his employment with the Company. Unvested options may not be exercised at any future date.
- Option rights once granted cannot be sold by the individual receiving them. Only newly issued shares following the exercise of these options are freely transferable, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments.
- Neither the exercise of options nor the subsequent sale of resulting newly issued shares can create any incidental tax or social security liabilities for either the Company or the subsidiary of which the individual is an employee or a director.

6.3.1.2 Note 1b: Rules which are specific to certain grants of share options

6.3.1.2.1 Note 1b (i): Grants of share options made prior to 1 January 2008

- The exercise of options may be done in one or several transactions, at the discretion of the recipient of the share option grant. Up to a maximum of one third of total options granted may be exercised after one year from the date of grant; up to a maximum of two thirds of total options granted may be exercised after two years from the date of grant, and all options may be exercised after three years from the date of grant.
- Options have to be exercised within five years of the date of grant. All options which are not exercised within the five-year period following the date of grant are forfeited. They cannot be exercised at a future date, except by the heirs of an individual who was granted options who can exercise the options in the year following the date of death of that individual.
- When the Company disposes of one of its subsidiaries, employees of that subsidiary who were granted options may exercise part or all of these options within the three-month period following such disposal date. This period may be extended by the Company's Board of Directors at its sole discretion: in this case, the extended period would apply to all beneficiaries who are employees of the disposed subsidiary. The same rule would apply in case of a change in control of the Company.

6.3.1.2.2 Note 1b (ii): Grants of share options made since to 1 January 2008

- The exercise of options may be done by the recipients of the share option grants in one or several transactions, at the discretion of the recipient of the share option grant, but only from the date when that the average of the closing prices reported by NYSE-Euronext for the Company's share over the last 120 trading days is at least equal to € 4.00 for the first quarter of the total number of options granted, € 8.00 for the second quarter of the total number of options granted, € 12.00 for the third quarter of the total number of options granted, and to € 16.00 for the last quarter of the total number of options granted.
- All unvested options will automatically vest and may therefore be exercised, regardless of whether or not the above mentioned minimum share price conditions are met, should one or several shareholders acting in concert come to hold more voting rights than the Company's reference shareholder, Stichting Andlinger & Co. Euro-Foundation, which held 2,883,001 shares of the Company's shares (or 28.02% of the Company's share capital) to which were attached 2,883,021 voting rights ('de facto control'), or one third or more of the total number of voting rights attached to the Company's shares ('legal control'), being noted that such threshold was reduced to 30% of the total number of shares forming the Company's share capital or the voting rights attached to the Company's shares with effect from 1 February 2011, pursuant to the decrease to that level of the threshold the crossing of which mandates to initiate a public offer.

6.3.2 Note 2: Grants of share options made up to 31 December 2010

6.3.2.1 Note 2a: Outstanding and exercisable options as at 31 December 2010

The following table provides information and options to subscribe for new shares of the Company which were outstanding and exercisable as at 31 December 2010, being noted that no option to purchase shares of the Company was granted at that date.

Share option grant date	Share option expiry date	Outstanding options	Exercise price in €	Exercisable options	Exercise price in €
12 December 2006	12 December 2011	24,940	10.00	24,940	10.00
6 August 2008	6 August 2016	400,000	2.08	-	-
18 September 2008	6 August 2016	20,000	1.94	-	-
17 December 2008	6 August 2016	150,000	2.08	-	-
24 February 2010	6 August 2016	25,000	1.55	-	-
24 February 2010	6 August 2016	25,000	1.64	-	-
28 July 2010	6 August 2016	10,000	1.65	-	-
Total		654,940	2.33	24 940	10.00

Assuming that all options which were outstanding as at 31 December 2010 be exercised, the number of shares forming the Company's share capital would increase from 10,289,781 shares as at 31 December 2010 to 10,944,721 shares, or a theoretical maximum dilution of 6.36%

6.3.2.2 Note 2b: Grants made to the Company's directors

6.3.2.2.1 Note 2b (i): Mr. Johan Volckaerts, Chairman of the Board of Directors

At both 31 December 2009 and 2010, Mr. Johan Volckaerts was not granted any share options on the Company's shares, either granted by the Company, or by a company of which he is a director and which either a subsidiary of, or related to, the Company.

6.3.2.2.2 Note 2b (ii): Mr. Gary Fry, Chief Executive Officer and director

At both 31 December 2009 and 2010, Mr. Gary Fry was granted 400,000 options to subscribe for the same number of newly issued ordinary shares of the Company upon exercise of these options, which were granted to him on 6 August 2008, at an exercise price of € 2.08 per share.

At both 31 December 2009 and 2010, Mr. Gary Fry was not granted any share options on the Company's shares by a company of which he is a director and which either a subsidiary of, or related to, the Company.

6.3.2.2.3 Note 2b (iii): Mr. Alain Pronost, Chief Financial Officer and director

At both 31 December 2009 and 2010, Mr. Alain Pronost was granted 25,000 options to subscribe for the same number of newly issued ordinary shares of the Company upon exercise of these options, which were granted to him on 17 December 2008, at an exercise price of € 2.08 per share.

At both 31 December 2009 and 2010, Mr. Alain Pronost was not granted any share options on the Company's shares by a company of which he is a director and which either a subsidiary of, or related to, the Company.

6.3.2.2.4 Note 2b (iv): Mr. Gareth Jones, director

At both 31 December 2009 and 2010, Mr. Gareth Jones was not granted any share options on the Company's shares, either granted by the Company, or by a company of which he is a director and which either a subsidiary of, or related to, the Company.

6.3.2.2.5 Note 2b (v): Mr. Pierre Van Beneden, director

At both 31 December 2009 and 2010, Mr. Pierre Van Beneden was not granted any share options on the Company's shares, either granted by the Company, or by a company of which he is a director and which either a subsidiary of, or related to, the Company.

6.3.2.3 Note 2c: Grants to the ten employees who were granted the largest number of options

A total of 60,000 share options were granted to the ten employees who are not directors of the Company and were granted the largest numbers of options during the year ended 31 December 2010, being noted that these options were granted to a total of 3 employees (no such grants were made in the year ended 31 December 2010).

6.3.3 Note 3: Exercise of options by the Company's directors in the year ended 31 December 2010

No option was exercised by any of the Company's directors or executive officers in either of the years ended 31 December 2010 or 2009.

6.4 Report of the Board of Directors on grants of free shares

Pursuant to article L.225-197-4 of the French Commercial Code, please find hereafter the report prepared by the Board of Directors on transactions which are specified under the provisions of articles L.225-197-1 to L.225-197-3 of this Code and relate to grants of free shares of Global Graphics SA (the "Company").

This report was drafted by the Company's Board of Directors on 8 February 2011

When voting the twentieth decision on 25 April 2008, the Company's shareholders:

- voted that the maximum number of shares of the Company which may be granted pursuant to such resolution was one million, such number also including the number of options to subscribe for or purchase new shares of the Company which might be granted by the Board of Directors pursuant to the authority granted by the shareholders when voting the nineteenth resolution of the same extraordinary meeting;
- decided that any grants of shares which would be made would be of either existing, issued ordinary shares or new shares to be issued on irrevocable grant date;
- granted in accordance with provisions of articles L.225-197-1 and L.225-197-2 of the French Commercial Code, the Board of Directors with appropriate authority to grant free shares to directors and employees of the Company, or any company, which is, directly or indirectly, a subsidiary of the Company as defined in article L.233-3 of the French Commercial Code, or some of them, such authority being granted to the Board of Directors for a 38-month period starting on the date it was granted by the shareholders;
- also voted that this authorisation would cancel the unused portion of the authorisation having the same purpose which was granted by the Company's shareholders.

Please find hereafter information which is required by law on:

- grants of free shares made up to 31 December 2010; and
- grants of free shares made up to 31 December 2010 to each of the Company's directors.

Because the Company has only one employee who is also one of the Company's directors, it is not required to provide any information relating to grants of shares made by the Company to the ten employees of the Company who are not one of its directors and were granted the largest number of shares during the year ended 31 December 2010, as there are none of them.

Such information is however provided with respect of the grants of free shares made to the ten employees of the Global Graphics group of companies who are not directors of the Company and were granted the largest number of shares during the year ended 31 December 2010.

6.4.1 Note 1: Main rules of the Company's share grant plans

6.4.1.1 Note 1a: Grant of free shares made by the Company's Board of Directors on 29 July 2009

On 29 July 2009, the Company's Board of Directors made a grant of 24,750 free shares to certain employees of the UK- and US-based subsidiaries of the Company; the irrevocable grant of these shares will occur at the end of a four-year period ending on 29 July 2013 ('vesting period') provided that the following conditions are met:

- Continuing employment condition: free shares will be irrevocably granted at the end of the vesting period to an individual who, at any time during such two-year (if a resident in France for income tax purposes at grant date) or four-year (in all other cases) vesting period starting on share grant date to the recipient by the Company's Board of Directors and ending on irrevocable grant date of such shares, is either an employee or a director of one of Global Graphics group of companies.
- Neither the irrevocable grant of these shares nor their subsequent sale may create any incidental income tax or social security liability for either the Company or one of its subsidiaries of which the beneficiary is an employee or a director; instead, the individual remains liable for any corresponding liability.

On that same date, the Company's Board of Directors also decided that all of the free shares which would be irrevocably granted at the end of the vesting would be shares which would have been repurchased by the Company as part of its share repurchase programme, and that these shares would be freely transferable once irrevocably granted to those beneficiaries who are not resident in France for income tax purposes, provided that such transfer is made in compliance with rules set up by the Company with respect of transactions on its financial instruments. On the contrary, beneficiaries who are resident in France for income tax purposes are required to hold their shares once irrevocably granted to them during a subsequent two-year period (the 'holding period').

6.4.1.2 Note 1b: Grants of free shares made under the Share Incentive Plan

Pursuant to the authorization granted by the shareholders on 29 April 2009, a Share Incentive Plan ('SIP') was implemented in May 2009 for the benefit of those employees of the UK subsidiary of the Company who decide to participate to the SIP, who may be granted free, ordinary shares of the Company ('Matching Shares') in proportion of the purchase of ordinary shares of the Company ('Partnership Shares') made through a deduction on their net pay.

The irrevocable grant of these shares will only take place at the end of a three-year period starting on the date of purchase of each lot of Partnership Shares; however an irrevocable grant would be made earlier should the SIP participant be made redundant by the Company's subsidiary before the end of that vesting period; in such case, the irrevocable grant of Matching Shares would occur on the last day of the redundant employee's notice period.

6.4.2 Note 2: Grants of free shares made up to 31 December 2010

6.4.2.1 Note 2a: Summary of free share grants as at 31 December 2010

6.4.2.1.1 Note 2a (i): Grants of free shares made by the Board of Directors on 29 July 2009

On 29 July 2009, the Company's Board of Directors made a grant of 24,750 free shares to certain employees of the UK- and US-based subsidiaries of the Company; the irrevocable grant of these shares will occur at the end of a four-year period ending on 29 July 2013 ('vesting period') provided that the abovementioned conditions are met.

As at 31 December 2010, the residual number of shares granted by the Company's Board on 29 July 2009 which may be granted at the end of the vesting period is 21,750, affect effect of the termination of certain employees who were granted shares pursuant to the implementation of the Company's reorganization plan in April 2010, who were irrevocably granted a total of 2,250 shares, or resignation of an employee who was granted 750 shares..

6.4.2.1.2 Note 2a (ii): Grants of free shares made under the Share Incentive Plan

During the year ended 31 December 2010, 22,527 shares were granted to employees of the UK subsidiary of the Company. During that same period, 3,637 shares were irrevocably granted to the participants to the SIP who left the Company's employment pursuant to the implementation of the Company's reorganization plan in April 2010.

Accordingly, at 31 December 2010, a total of 18,890 own shares were allocated as SIP Matching Shares.

6.4.2.1.3 Note 2a (iii): Potential dilutive effect of grants of free shares

Grants of free shares have no dilute effect because all grants of free shares made up to 31 December 2010, either under the SIP or otherwise, the relate to shares which have been previously repurchased as part of the Company's share repurchase programme.

6.4.2.2 Note 2b: Grants of free shares made to the Company's directors as at 31 December 2010

No grant of free shares was made to the Company's directors, either by the Company or by a company which is a subsidiary of, or related to, the Company.

6.4.2.3 Note 2c: Grants of free shares to the 10 employees granted the largest numbers of shares

The total of free shares which were granted to the ten employees who are not directors of the Company and were granted the largest numbers of shares during the year ended 31 December 2010 was 18,229 shares, all of these shares being granted as SIP Matching Shares.

CHAPTER 7 - REPORTS ON INTERNAL CONTROL AND RISK MANAGEMENT

7.1 Report of the Chairman of the Board of Directors

7.1.1 Note 1: Introduction

As required by the provisions of article L.225-37 of the French Commercial Code, please find hereafter information on corporate governance principles which the Company elected to adopt (note 2), on the composition of the Board of Directors, including the application of the principle of a balanced representation of both genders in the Board (note 3), the conditions of preparation and organisation of board meetings (note 4), the ways for shareholders to participate to general meetings (note 5), as well as the internal control and risk management procedures which have been implemented within the Company, notably those relating to the preparation and processing of financial information with respect of both the Company's statutory and consolidated accounts (note 6).

This report was drafted by the Company's Board of Directors on 10 March 2011.

7.1.2 Note 2: Corporate governance principles which were elected by the Company

7.1.2.1 Note 2a: Election, with exceptions, of the AFEP-MEDEF Code

With respect of corporate governance principles, on 13 March 2009, the Company elected to refer to corporate governance principles which are set out in the corporate governance code which was drafted by the AFEP and the MEDEF (the 'AFEP-MEDEF Code'), in October 2003, with subsequent revisions in December 2008 and April 2010.

The up-to-date version of this code may be found at: www.medef.com.

The provisions which the Company adopted with certain qualifications notably included the following:

- the evaluation of the Board's performance, which is to be performed each year, and every third year in a formal way: the Board has not undertaken such evaluation to date; and
- the possibility to depart from the principle relating to the compensation of executive directors of companies whose shares are admitted to trading on a regulated market when it comes to set the relative proportion of grants of share options or free shares made to executive officers compared with their total remuneration, or the obligation to terminate an existing employment agreement in the event of the appointment to an executive position.

In addition, the Company elected not to comply with certain of the AFEP-MEDEF Code for the following reasons:

- the Board has no appointment committee as it considers that selecting and appointing executive officers is indeed a mission which is performed in a better way when performed by the whole Board rather than such a committee;
- directors who are members of the Board's committees (see note 4a below) are not paid any specific remuneration with respect of such memberships, by way of board attendance fees or otherwise;
- information of the remuneration packages of executive officers is not made public immediately after the close of the Board meeting approving such packages, as the Board considers that the provision of such information in its report on the Company's operations is sufficient with respect of the size of the Parent and of the Company;
- The Company does not always disclose the remuneration of its executive officers in those tables which are set as appendices to the AFEP-MEDEF Code as it considers that these tables are not appropriate with respect of the extent of information the Company provides on the remuneration paid to its directors.

Please refer to note 3g to the Board's report on operations for the year ended 31 December 2010 for further information on remuneration paid to the Company's directors in and for the years ended 31 December 2009 and 2010.

7.1.2.2 Note 2b: Ongoing cogitation about the adoption of the Middenext code

The Company's Board has initiated some cogitation about the relevance to continue to refer to the AFEP-MEDEF Code as its set of corporate governance principles, or to elect for the corporate governance code for small- and midcaps which was drafted by Middenext in December 2009, since the latter seems to be more appropriate for the Company with respect of its size.

7.1.3 Note 3: Composition of the Company's Board

7.1.3.1 Note 3a: Number of directors and duration of their term of office

As set out in note 3f of the Board's report on 2010 operations, the Board currently consists of five members which were elected for a four-year term of office, as provided by the third paragraph of article 15 of the Company's articles of association.

On the date this report was drafted, none of the Board members was appointed by the Company's employees.

7.1.3.2 Note 3b: Applicable age limits

As set out in the fourth paragraph of article 15 of the Company's articles of association, no more than a third of the total number of Board members may be over seventy years old. Should such limit be reached, the oldest director is deemed to retire immediately.

As set out in the tenth paragraph of the same article, the age limit for a natural person to be appointed as the Company's Chairman of the Board is also seventy years.

7.1.3.3 Note 3c: Balanced representation of genders in the Board

In accordance with the provisions of the law n°2011-103 dated 27 January 2011 relating to a balanced representation of genders in boards and to professional equality, and because the Board only comprise male directors, on 10 March 2011, the Board acknowledged that it was required that a female director be appointed at the next meeting on the Company's shareholders, which is scheduled to be convened on 16 June 2011 to approve the statutory and consolidated accounts for the financial year ended 31 December 2010, and also to reappoint Mr. Johan Volckaerts as a director of the Company.

7.1.3.4 Note 3d: Independent directors

7.1.3.4.1 Note 3d (i): Independent directors who are currently in office

As set out in the Board charter, the Company's Board currently comprises two independent directors:

- Mr. Gareth Jones, who was appointed as director of the Company for a first term of office on 21 June 2002; such term of office was renewed on 20 April 2006 and 23 April 2010; and
- Mr. Pierre Van Beneden, who was appointed on a provisional basis on 20 March 2008 to replace a director who resigned for the remaining duration of the latter's mandate, being noted that such provisional appointment was confirmed by the shareholders on 25 April 2008, and that his term of office was renewed on 23 April 2010.

7.1.3.4.2 Note 3d (ii): Criteria used to assess whether a director may or not qualify as independent

The criteria used by the Company's to assess whether a director may or not qualify as an independent director, which are set out in article 4 of the Board charter, are directly derived from those set out in the AFEP-MEDEF Code.

As a result, an independent director is considered to be any member of the Board who has no specific interest, either direct or indirect, in his relationship with the Parent, Company, nor the Company's management, or the Company's main shareholders, which would interfere with the exercise of that individual's independent judgment in carrying out the responsibilities of a member of the Company's Board or a member of any committee set up by the Board.

Accordingly, the persons who have or have had one of the following relationships with the Company over the past five years may not be considered as independent directors of the Company:

- a present or former employee or senior executive of the Company, or a senior executive or a member of the board of directors of an associated company; or
- a close family member of one of the Company's directors, executive officers or senior employees; or

- a controlling or dominant shareholder, or an executive, a board member or otherwise a representative of an entity that is a controlling or a dominant shareholder; of the Company; or
- an individual with business, financial or close family relationships with a controlling or dominant shareholder; or
- a person being bound, directly or indirectly, to any customer or supplier that is either material for the Company or for which the Company accounts for a significant part of its business; or
- a person having any other type of relationship that might interfere with the exercise of objective judgment, including, but not restricted to, benefiting from related party transactions; or
- a person holding a notifiable holding or interest, or serving as a director or an executive officer of another company which holds a notifiable holding or interest in the Company, or in which the Company holds a notifiable holding or interest; or
- a person who is having a service contract, who is holding share options or other conditional share awards, or receiving remuneration other than attendance fees, including, but not restricted to, consultancy payments, pension benefits or bonuses from the Company; or,
- a person who was one of the Company's auditors or worked for one of the Company's auditors.

Moreover, a person who was a director for more than 12 consecutive years may no longer be considered as independent.

Messrs. Jones and Van Beneden confirmed in writing on 2 and 4 March 2010, respectively, that they both met the abovementioned independence criteria: such compliance was confirmed by the Board on 10 March 2010, being noted that Mr. Gareth Jones may no longer qualify as an independent Board member at the end of his current term of office, as he will then have been a director of the Company for 12 consecutive years.

7.1.3.5 Note 3e: Management of the Parent and of the Company

7.1.3.5.1 Note 3e (i): Fulfilment of Chairman of the Board and CEO positions by different individuals

The Board voted on 27 April 2007 that the roles and duties of Chairman of the Board were no longer compatible with those of Chief Executive Officer ('CEO') and that having the same person to fulfil both roles was no longer the most appropriate solution for the Company.

On the same day, the Board also voted that Mr. Johan Volckaerts be re-appointed as Chairman of the Board until the expiry of his current term of office, which is scheduled to end at the close of the general meeting held in 2011 to vote on accounts for the year ended 31 December 2010, and that Mr. James Freidah be appointed as CEO of the Company for a one-year period, being noted that Mr. Freidah's CEO mandate was renewed on 25 April 2008.

Pursuant to Mr. Freidah's resignation from both his positions of CEO and director of the Company on 20 June 2008, Mr. Gary Fry was appointed as CEO of the Company for the remaining duration of his predecessor's term of office which is scheduled to end at the close of the general meeting held in 2012 to vote on accounts for the year ending 31 December 2011, and may then be renewed.

7.1.3.5.2 Note 3e (ii): Restrictions to the powers granted to the Company's CEO

No restrictions to the powers of the Chief Executive Officer have been voted so far.

Nevertheless, article 7 of the Company's Board charter requires that certain transactions be approved by the Board before they are entered into by the Company (see note 4a below).

7.1.4 Note 4: Purpose and organisation of the Company's Board

7.1.4.1 Note 4a: The Board charter

On 10 December 2002, the Board established a first draft charter of the Board of Directors (the 'Board charter'), which was subsequently completed and amended on 6 May 2003 and resulted in a final charter. Compliance with the provisions of the Board charter is mandatory for every member of the Board whether an individual or the representative of a legal person appointed as a director of the Company.

A revised version of the Board charter was voted by the Board on 19 January 2006, which was completed and subsequently amended on 27 July 2007, 22 July 2008 and 28 July 2010:

- article 3 of the Board charter clarifies the respective roles of the Board and management of the Company;

- article 4 of the Board charter clarifies the criteria used to consider whether a director may be considered as independent, notably by providing a list of relationships that may impede director independence (see note 3d above), and also requires that a review of the actual independence of the directors who consider themselves as independent be undertaken each year;
- article 5 of the Board charter sets out the directors' duties which notably include a duty of loyalty to the Company, the requirement to own a minimal number of shares of the Company (each director must own a minimum of ten shares of the Company during his term as required by the second paragraph of article 15 of the Company's articles of association), a non-competition obligation during the term of the director's office and in the year after the termination of such office, a duty to prevent potential conflicts of interest by disclosing these to the Board, a duty of confidentiality on any information which has been provided to him in connection with his functions and which has not yet been publicly released, a duty to prepare and attend meetings, and the prohibition to undertake insider trading;
- article 7 of the Board charter defines the nature of transactions for which Board approval is required before they are entered into by the Company, which are as follows:
 - the acquisition of a business segment, an asset or a group of assets, for an aggregate value in excess of Euro 0.5 million;
 - the disposal of a business segment, an asset or a group of assets, for an aggregate net book value in excess of 10% of total consolidated assets, or implying a reduction in the consolidated net sales estimated to be in excess of 20% of such consolidated sales,
 - the incorporation, the decision to make a company dormant, the wind-up or liquidation of any Group company representing more than 20% of total consolidated sales, or more than 10% of total adjusted operating result; and,
 - any material transaction which cannot be considered as part of the normal course of the Company's business or of the Company's strategy which would have been made public, either relating to the Company's operating or financing activities, notably those which would potentially result in additional liabilities, either contingent or not, or would create additional off balance sheet obligations for the Company, a list of which is included as an appendix to the Board charter, which notably includes a prior approval requirement for any agreement by which any third party would be granted an exclusive right on any item of the Company's intellectual property.

7.1.4.2 Note 4b: Other mandates or positions held by the Company's directors

Please see note 3f (iii) to the Board's report on the Company's operations for the year ended 31 December 2010 for further information on other mandates or position held by the Company's directors at the end of that year as well as in the past five financial years.

7.1.4.3 Note 4c: Remuneration paid to the Company's directors and executive officers

7.1.4.3.1 Note 4c (i): Remuneration paid in and for the years ended 31 December 2009 and 2010

Please see note 3g to the Board's report on the Company's operations for the year ended 31 December 2010 for further information on remuneration paid to the Company's directors and executive officers in and for the years ended 31 December 2009 and 2010.

7.1.4.3.2 Note 4c (ii): Board attendance fee

7.1.4.3.2.1 Allocation of board attendance fee for the years ended 31 December 2009 and 2010

Please see note 3g to the Board's report on the Company's operations for the year ended 31 December 2010 for further information on Remuneration paid to the Company's directors and executive officers in and for the years ended 31 December 2009 and 2010.

7.1.4.3.2.2 Contemplated allocation for the current year

As set out in note 4a to the Board's report on the Company's operations for the year ended 31 December 2010, the shareholders will be proposed to grant a total amount of € 60,000 as board attendance fees for the year ending 31 December, as was already the case in each of the years ended 31 December 2009 and 2010.

The allocation of such amount will be voted by the Board in its meeting held at the close of the meeting of the Company's shareholders scheduled on 16 June 2011, being noted that, in 2011, as was already the case in 2009 and in 2010, the membership to Board committees will not result in additional board fee payment.

7.1.4.3.3 Note 4c (iii): Executive officers' remuneration

7.1.4.3.3.1 Guiding principles

As indicated in article 2 of the charter of the Company's Remuneration committee, the Company's objective is to provide remuneration to the executive directors as well as any other employee in such a manner as to attract and retain the best available personnel for positions of responsibility with the Company, to provide short- and long-term financial incentives for such persons to perform the best of their abilities for the Company, and to create the conditions for the success of the Company's business.

7.1.4.3.3.2 Remuneration paid to the Company's CEO in and for the year ended 31 December 2010

Please see note 3g (ii) to the Board's report on the Company's operations for the year ended 31 December 2010 for further information on remuneration paid to the Company's Chief Executive Officer in and for the year ended 31 December 2010.

7.1.4.4 Note 4d: Organisation on the Company's Board in the year ended 31 December 2010

7.1.4.4.1 Note 4d (i): Number of meetings held in the year ended 31 December 2010

The Board held 8 meetings in the year ended 31 December 2010 (7 in the year ended 31 December 2009), a number which exceeds the minimum number of 5 meetings a year which is required by article 6 of the Board charter.

The main purpose of two of these eight meetings, which were held respectively on 9 February and on 10 March 2010, was to review drafts of the statutory and consolidated accounts of the Company for the year ended 31 December 2009, as well as all documents required by French Company Law in connection with the ordinary and extraordinary meeting of the Company's shareholders which was held on 23 April 2010.

The main purpose of another three of these seven meetings, which were held respectively on 22 April, 28 July and 19 October 2010, was to review drafts of the Company's interim consolidated accounts and management reports thereon for the periods ended 31 March, 30 June and 30 September 2010, respectively. The other main purpose of the meetings held on 28 July and 15 December 2010 were to assess and approve strategic options for the three-year period ending 31 December 2012, while the meeting held on 13 April 2010 approved the terms of the Company's reorganization plan which was initiated in late April 2010 (see note 2b (iii) to the Board's report on the Company's operations for the year ended 31 December 2010 for further information on this plan, including on its effect on the Company's staff which were made redundant).

7.1.4.4.2 Note 4d (ii): Attendance at meetings

Messrs. Johan Volckaerts, Gary Fry, and Alain Pronost attended each of the eight meetings of the Board held in the year ended 31 December 2010, while Messrs. Pierre Van Beneden and Gareth Jones attended seven and six of the eight meetings of the Board held in the year ended 31 December 2010, respectively.

7.1.4.4.3 Note 4d (iii): Notices of Board meetings

7.1.4.4.3.1 Notices of Board meetings to directors

Notices of meetings to directors may be done by all appropriate means (and most often, by e-mail) within a reasonable period of time ahead of the meeting date. Such date together with the timing, venue and draft agenda of the meeting has most often been set at the close of the previous Board meeting.

Article 6 of the Board charter requires that attached to such notice are all documents informing them of the agenda of the meeting as well as on all topics which will be discussed during the meeting.

7.1.4.4.3.2 Notices of Board meetings to the Company's statutory auditors

The Company's statutory auditors are requested to attend every Board meeting when such request to attend the meeting is mandatory by law (notably when the Company's annual statutory or consolidated accounts or interim accounts are reviewed by the Board) or is found appropriate by the Chairman of the Board.

The Company's auditors were given notice of five of the eight Board meetings which were held during the year ended 31 December 2010, including the meeting during which the Company's statutory accounts and consolidated accounts and the management report on operations for the year ended 31 December 2009 were drafted by the Board on 9 February and 10 March 2010 respectively, as well as the three meetings during which the interim consolidated accounts for the first three quarters of the year ended 31 December 2010 were reviewed by the Board on 22 April, 28 July and 19 October 2010, respectively.

7.1.4.4.4 Note 4d (iv): Board discussions and votes

Article 6 of the Board charter states that topics discussed during Board meetings are settled through a vote by the Board members under the terms and conditions of the Commercial Code, notably on annual statutory accounts or quarterly accounts approval, and on draft resolutions submitted to a vote of the shareholders as well as, more generally, any major decision affecting the Company.

7.1.4.4.5 Note 4d (v): Use of video- or teleconference

In accordance with the provisions of article 15 of the Company's articles of association, all members of the Board attending the meeting of the Board by means of video-conferencing shall be considered as attending the meeting and having full capacity to vote.

However, in accordance with the applicable legal provisions, this means of participation is subject to restrictions, which require that members of the Board should attend meetings in person to have full voting capacity to vote when drafting either the statutory or consolidated accounts as well as the Board's report on the Company's operations for a given year.

The Company made use of video-conferencing for two of the eight Board meetings held in 2010 (one meetings in 2009), being noted that attending to Board meetings is a possible option for any Board member who could not physically attend any meeting of the Company's Board.

7.1.4.5 Note 4e: The Board committees

The Board decided that it was appropriate to appoint two committees, the audit committee and the remuneration committee, as set out below. A report of decisions voted by each of these committees is provided to the Board, initially in an oral statement by the chairman of the corresponding committee, and subsequently under the form of written minutes of the committee's meetings, a copy of which is provided to the Chairman of the Company's Board of Directors.

7.1.4.5.1 Note 4e (i): The Company's audit committee

7.1.4.5.1.1 Purpose and objectives of the Company's audit committee

According to article 1 of the charter of the Company's audit committee, its primary role is to oversee the Company's financial reporting and audit process to ensure the balance, transparency and integrity of statutory and consolidated financial information which is released by the Company.

The audit committee must also review:

- the effectiveness of the Company's internal financial control and risk management systems;
- the existence of an efficient, independent audit process, including recommending the appointment and assessing the performance and independence of the Company's statutory auditors; and
- the relevance of the Company's procedures for monitoring compliance with laws and regulations affecting financial reporting, as part of its duty to monitor the process used by the Company to prepare its financial information as required by applicable provisions of article L.823-19 of the French Commercial Code.

7.1.4.5.1.2 Composition of the Company's audit committee

The current members of the Company's audit committee are Messrs. Johan Volckaerts, Pierre Van Beneden, and Gareth Jones, who was appointed Chairman of the Company's audit committee, initially on 12 January 2004; Mr. Jones was reappointed as chairman of the Company's audit committee on 28 July 2010 pursuant to his reappointment as a director on 23 April 2010.

The Board considers that the criteria which were used to decide of the composition of the Company's audit committee, including the independence of a majority of its members, or their skills in accounting and/or financial matters, are identical to those set out in the 22 July 2010 report drafted by the workgroup on audit committees which was set up by the AMF.

■ Criteria used to nominate members of the Company's audit committee

The Board will nominate the members of the Company's audit committee and the Chairman of that committee, who is always an independent director.

Members of the Company's audit committee are appointed for the duration of their term of office as directors, i.e. for four years.

As required by its charter, the Company's audit committee must comprise a minimum of three members and the majority of members shall be independent directors of the Company, as defined in article 3 of the charter of the Company's audit committee, the definition of an independent member being identical to that used for the Board (see note 3d above).

During the year ended 31 December 2010, the Company's audit committee comprised three members, two of which were independent, or a proportion of two thirds of its members as required by corresponding provisions of the AFEP-MEDEF Code.

■ Minimum skill requirements for audit committee members

Each member of the Company's audit committee must have a sufficient knowledge of the Company's activities and business and have minimal background in accounting of financer matters.

In addition, at least of the members of the Company's audit committee must have a significant experience in accounting of financer matters, as required by applicable provisions of article L.823-19 of the French Commercial Code.

Given their academic background and business experience (see note 3 f (iii) to the Board's report on operations for the year ended 31 December 2010 for further information on this), the Board considered that each of the members of the Company's audit committee, starting with its two independent members, Messrs. Gareth Jones and Pierre Van Beneden, were having the required significant experience in accounting of financer matters.

7.1.4.5.1.3 Meetings of the Company's audit committee

As indicated in article 5 of the charter of the Company's audit committee, meetings are held not less than four times a year and should correspond to the Company's financial reporting cycle.

In 2010, the Company's audit committee held 4 meeting, to review drafts of statutory and consolidated accounts for the year ended 31 December 2009 on 9 February 2010, and to review drafts of interim consolidated accounts for the first three quarters of the year ended 31 December 2010 on the same dates these accounts were approved by the Board.

All of the members of the Company's audit committee attended each of these four meetings.

7.1.4.5.2 Note 4e (ii): The Company's remuneration committee

7.1.4.5.2.1 Purpose and objectives of the Company's remuneration committee

According to its charter, the primary purpose of the Company's remuneration committee is to set the terms and conditions of the remuneration paid by the Company to its directors and senior management, notably the variable part of their remuneration (such as bonuses) or the deferred part of their remuneration (such as grants of share options or free shares).

7.1.4.5.2.2 Composition of the Company's remuneration committee

The Board will nominate the members of the Company's remuneration committee as well as its Chairman, who shall always be an independent director.

Members are appointed for the duration of their term of office as directors, i.e. for four years.

The Company's remuneration committee must comprise a minimum of three members and the majority of members shall be independent directors of the Company, as defined in article 4 of the charter of the Company's remuneration committee.

The current members of the Company's remuneration committee are Messrs. Gareth Jones, Johan Volckaerts, and Pierre Van Beneden, who was appointed Chairman of the remuneration committee initially on 22 July 2008; Mr. Van Beneden was reappointed as chairman of the Company's remuneration committee on 28 July 2010 pursuant to his reappointment as a director on 23 April 2010

7.1.4.5.2.3 Meetings of the Company's remuneration committee

As set out in the charter of the Company's remuneration committee, meetings are held as often as required and at least once a year.

The Company's remuneration committee had one meeting on 15 December 2010, with all members present to review the proposals made by management with respect of the fixed and variable remuneration for each of the senior management team members for the year ending 31 December 2011, as well as the proposed change in the structure of Messrs. Fry's and Pronost's salary packages for that same year.

7.1.5 Note 5: Shareholders' meetings

7.1.5.1 Note 5a: Attendance to meetings and information on voting procedures

7.1.5.1.1 Note 5a (i): Attendance to meetings

7.1.5.1.1.1 No minimum shareholding condition

Any shareholder may attend or participate to shareholders' meetings regardless of his/her holding in the Company, notwithstanding any contrary provisions of the Company's articles of association.

7.1.5.1.1.2 How to demonstrate you are a shareholder of the Company

Any shareholder of a company whose shares are admitted to trading on a regulated market or to performing transactions of a central depository is entitled to participate in a meeting of the shareholders of such company provided that the shares he/she holds in that company are registered in his/her name or in the name of the registered intermediary on behalf of him/her as set out in the seventh paragraph of article L.228-1 of the Commercial Code, no later than three business days before the date of the shareholders' meeting at midnight, Paris time, either with the Company's share registrar for shares registered in the name of the shareholder, or with a registered intermediary entitled to keep securities' accounts.

The record of bearer shares in securities' accounts kept by a registered intermediary is duly evidenced by a certificate which may be delivered by the registered intermediary, including by electronic means provided that conditions set out in article R.225-61 of the Commercial Code are then met, which has to be attached to the postal vote form, the proxy statement, or to the request to get an entrance card mentioning the name of the shareholder or the name of the registered intermediary which represents the shareholder.

That certificate may also be delivered to the shareholder willing to attend the meeting should he not have received his entrance card at midnight, Paris time on the third business day immediately preceding the meeting date.

7.1.5.1.2 Note 5a (ii): Information on voting procedures

Should they not be in a position to attend the meeting, shareholders may vote by postal vote, send a proxy statement to the Company, or give a mandate, being noted that, in that case, pursuant to the provisions of the decree n°2010-1619 dated 23 December 2010, and under the conditions of articles L.225-106 of the French Commercial Code, this mandate may be given to any legal or natural person whether or not a shareholder of the Company.

Any shareholder who has followed any of the above-mentioned procedures may still dispose of part or all of the shares he holds in the Company. However, should such disposal occur no later midnight, Paris time, on the third business day immediately preceding the meeting date, the Company will be entitled to cancel or amend the postal vote, proxy statement, entrance card or certificate of participation of the shareholder based on information of such disposal provided by the registered intermediary to the Company or its share registrar.

The registered intermediary has no obligation to notify the Company of any share disposal or other types of share transactions which would be entered into after midnight Paris time on the third business day immediately preceding the meeting date, even in the existence of an agreement providing for the opposite.

A single form which may be used either to vote by proxy statement or by postal vote will be mailed to all shareholders who have registered their shares with the Company's share registrar.

The holder of bearer shares may obtain the proxy statement and postal vote form by sending a registered letter to the Company's share registrar no later than six days before the meeting date.

To be valid, the postal vote, once completed and duly signed, must be sent back to the Company's share registrar no later than three days before the meeting date.

Should a shareholder decide to vote by postal vote or by proxy statement, or request an entrance card, he/she will no longer be entitled to vote by any other means, notwithstanding any contrary clause of the Company's articles of association.

7.1.5.2 Note 5b: Written question from shareholders

Any shareholder is entitled to put questions in writing to the Company until the fourth business day immediately preceding the date of the shareholders' meeting.

Questions shall be asked by sending either a registered letter to the registered office of the Company, or an e-mail to: investor-relations@globalgraphics.com no later than four business days ahead of the date when the meeting is scheduled.

In order to be taken into account, questions must be accompanied by a statement of ownership in the Company's shares.

7.1.5.3 Note 5c: Addition to the meeting's agenda of points or draft resolutions

7.1.5.3.1 Note 5c (i): Ways to request the addition of points or draft resolutions

The addition to the meeting's agenda of points or draft resolutions by those shareholders who meet the conditions which are required by law must be made by one of the ways referred to in note 5b above.

7.1.5.3.2 Note 5c (ii): Period during which such requests may be made

In accordance with the provisions of article R.225-73 of the French Commercial Code, requests for the addition to the meeting's agenda of points or draft resolutions must be sent within the twenty days following the date of issue of the notice of the meeting at the Bulletin des Annonces Légales et Obligatoires (which must be made no later than thirty-five days before the meeting date), and no later than the twenty-fifth day preceding the date of the shareholders' meeting.

7.1.5.3.3 Note 5c (iii): Conditions to be made for making such request

7.1.5.3.3.1 Minimum holding in the Company's shares

Shareholders requesting the addition to the meeting's agenda of points or draft resolutions must justify that they own or represent the required number of shares by attaching to their request a statement of ownership in the Company's shares, either in the Company's registered accounts or in the bearer shares accounts maintained by an authorised intermediary, on the date they issue such request.

The examination by the shareholders during the meeting of the additional points and draft resolutions which will be filed by the shareholders shall be subject to the provision by the authors of a new statement of ownership proving the registration of the Company's shares in the same conditions than indicated above, no later than midnight, Paris time, on the third business day immediately preceding the date of the meeting.

7.1.5.3.3.2 Rationale for such request

Any request for the addition to the meeting's agenda of any points must be supported by appropriate evidence in accordance with the provisions of article R225-71 of the French Commercial Code.

Any request for the addition to the meeting's agenda of draft resolutions must be supported by the text of the draft resolutions, which may be accompanied by a brief summary of the grounds, as well as the information required at 5° of article R.225-83 of the French Commercial Code if the draft resolution deals with the proposed appointment of a member of the Company's Board of Directors.

7.1.5.4 Note 5d: Elements likely to have an influence in case of a public offer

Please see note 4e to the Board's report on the Company's operations for the year ended 31 December 2010 for further information on these elements.

7.1.6 Note 6: Internal control environment and procedures.

7.1.6.1 Note 6a: Basic principles of internal control

7.1.6.1.1 Note 6a (i): Definition and objectives of internal control

Internal control is not a function but a set of means implemented by management to control the Company's operations.

Internal control can be defined as a process implemented by the Company's Board with support of senior management within the Company designed to provide reasonable assurance that the Company's strategy is properly deployed within the organization and to achieve the following objectives:

- best use of existing resources;
- quality and reliability of financial and management information;
- compliance of the Company's policies with existing legislation and regulations;
- best operating processes; and
- best use and safeguarding of assets.

One of the objectives of an internal control system is to prevent and master error and fraud risk; however, as any control system, no full guarantee may be provided that such error or fraud risks will be completely mastered or eliminated.

7.1.6.1.2 Note 6a (ii): Framework used by the Company

As no other relevant framework was available before the end of the year 2006, the Company adopted a definition of internal control, which was substantially similar to that of the internationally adopted "COSO" framework.

Internal control, defined as indicated above, consists of five interrelated components:

- control environment;
- internal risk assessment;
- control activities;
- information and communication; and
- monitoring.

7.1.6.1.3 Note 6a (iii): Importance given to internal control

The control environment sets the tone in an organization, influencing the control consciousness of its people.

It is the foundation for all other components of internal control.

Control environment factors include.

- the integrity, ethical values and competence of the Company's people, notably of its management;
- the way management develops the Company's employees;
- management philosophy and operating style;
- the way management organises the Company; and
- the way management assigns authority and responsibility.

On 22 July 2008 the Board adopted the Company's business conduct and ethics code, which has been updated since then including on 28 July 2010, which governs the way management expects the Company to be managed, and which deals with the following items: transparency of financial information, importance of internal control, prohibition of certain transactions, conflict of interest identification and reporting, confidentiality obligations, compliance with law and regulations, enforcement of the policy and reporting of policy infringements.

For the internal control system to be efficient, the Company must develop a process to identify and assess relevant internal risks, which may affect the achievement of its objectives. It must also adopt mechanisms needed to identify and deal with the special risks associated with change.

In addition to internal risk assessment, the Company must implement activities to control them. This is the objective of control activities, a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

7.1.6.1.4 Note 6a (iv): Scope of application

The assessment of internal risks and the identification of control components have been done in an informal way, notably for the Company's operating subsidiaries.

The risk that major internal control issues would occur appears low. The Company's management is satisfied with local management competence, the monthly management reporting package produced by its main subsidiaries, the local auditors' annual review, and also the procedures which have been implemented at subsidiary level regarding the incurrence and approval of expenditures, whether capital expenditures or not, and regarding cash management and control.

7.1.6.2 Note 6b : Organisation and assessment of internal control

7.1.6.2.1 Note 6b (i): What has been done to date

The Company has no dedicated internal audit department. Following the vote of the Act dated 1 August 2003, the Company initiated a review of its internal control system through a preliminary identification of processes and of the related major internal risks based on discussions with the key operational and administrative people; the identification of key controls (including computer(-based controls, as applicable; and the identification and review of existing internal control procedures, notably at a subsidiary level where they are predominantly documented.

7.1.6.2.2 Note 6b (ii): Assessment of control environment

Though not fully completed, the identification and formalization of internal risks which was undertaken by the Company resulted in the identification of a number of operational and financial risks, which are set out in note 2 to the Board's report of the Company's operations for the year ended 31 December 2010, in the implementation of appropriate control procedures or a better formalisation of existing internal procedures, notably for managing foreign exchange risk by entering into foreign currency option contracts, for managing credit risk by a specific monitoring of certain customers which were identified as likely to create a potential risk for the Company, or a periodic monitoring (typically done on a monthly basis) on amounts receivable from customers to identify any significant overdue amounts and report on this to the Company's CEO.

7.1.6.2.3 Note 6b (iii): Assessment of control environment for the preparation and processing of accounting and financial information

7.1.6.2.3.1 Overview

The reliability of the accounting and financial information provided by the Company is based on a set of bodies, rules, procedures, operating modes and controls.

Accounting procedures are designed to achieve primary objectives of completeness and compliance of accounting transactions with applicable local rules and of consistency with the Company's accounting principles (IFRS since 1 January 2004) and those used for the preparation of the financial statements, either for statutory purposes or for the Company's management.

7.1.6.2.3.2 Procedures relating to significant financial statements captions

Specific procedures are in effect regarding the presentation of the statement of financial position or income (loss), notably for those captions which are based on accounting estimates or, more generally, those requiring management to exercise its judgement.

The following captions are subject to a systematic, detailed review at each interim or annual period-end date, by the CFO, which reports its findings and conclusions to the CEO, which in turn reports to the Company's audit committee and to the Board during the meeting when the corresponding interim or annual consolidated accounts are drafted:

■ Intangible assets

A critical review of development projects which may meet the capitalisation criteria set out under paragraphs 57 to 62 of IAS 38, *Intangible Assets*, is performed on a quarterly basis to identify any new development project giving rise to such capitalisation.

At the same time, a review of the continuing relevance of their amortisation periods is performed for each development project giving rise to capitalisation to ensure the absence of any indicators providing for a revision of such amortisation periods.

A third review is also performed to identify any elements of any kind which could indicate that one or several items of intangible assets (including goodwill which has been fully allocated to the Print segment of the Company's business) needed to be impaired at the end of a given quarter, because of the end of the distribution of the corresponding software technology or the loss of a significant customer contract for this technology.

In addition, a detailed impairment review is performed at the end of each financial year (or at any point through a financial if deemed appropriate as was the case as at 30 June 2010 for capitalised development costs relating to gDoc applications), as set out in note 6a to the Company's consolidated financial statements for the year ended 31 December 2010.

■ Deferred tax

A critical review of the assumptions which were used to prepare future taxable profit computations which form the basis for the estimate of tax losses which may result in the recognition in a deferred tax asset is performed on a quarterly basis; in addition, a detailed review is performed when financial statements for the first six months of a given year and for that given year are prepared, which is based on actual results for the corresponding period and the latest management forecasts for the remainder of that year of the following year, as set out in note 6a to the Company's consolidated financial statements for the year ended 31 December 2010.

■ Revenue recognition

When the Company enters into a customer contract of any significance, as was the case in November 2006 when the Company announced it entered into three significant customer agreements, the policy which is used for recognised the revenue relating to products delivered and/or services rendered is put into a written document by the Company's CFO, before it reviewed by the Company's CEO, and brought to the attention of the Company's audit committee and Board for review and approval, after it was reviewed by the Company's statutory auditors as deemed appropriate.

7.1.6.2.3.3 Financial reporting procedures

The financial reporting and budget procedures are key activities for the Company to monitor its performance. Any issue can be identified, assessed and dealt with in the course of the year, which results in reduced uncertainty for the preparation of accounts at quarter-end and year-end dates.

■ Monthly financial reporting

Since the start of the current financial year, the monthly financial reporting document is a two-page document providing information on sales made in the month under reporting as well as since the start of the financial year, with comparison with respective budgeted figures; a similar information on operating expenses by nature; a breakdown of amounts receivable from customers by entity and by aging (with provision of the total figure for amounts overdue by more than 30, 60 and 90 days, and a list of 'problematic' customers); information on cash available at the start and the end of the reporting period and on cash flow forecast for the coming 30 and 60 days; the breakdown of staff by nature of employment with a comparison with budgeted figures; the list of software releases made in the month under reporting; the list of customer contracts which were entered into or lost during the month under reporting; the list of patents granted and patent applications filed during the reporting month, and a status report on progress made for those projects which may result in the payment of a portion of the year-end bonus for the financial year ending 31 December 2011.

This report is prepared by the Software finance director, and then reviewed by the Company's CEO and CFO, before it is provided to the Company's senior management team for being discussed during its monthly meeting, and sent for information to the Company's Board by Mr. Alain Pronost.

■ Quarterly reporting

Information provided by the Company's operating entities is analysed and checked by Mr. Alain Pronost, either through enquiry and discussion with relevant people within the Company, or through analysis of the various schedules included in the reporting package and the variances reflected in those schedules. He will then consolidate such financial data with that of the Company's non-operating entities (including the Parent) and presents this consolidated data to the Company's Board, including to those who are not members of the Company's audit committee under the form of condensed consolidated financial statements prepared in accordance with requirements of IAS 34, *Interim Financial Reporting*, to which is attached a condensed management report providing quantitative and qualitative information (including management comments) on the financial and operational performance of the Company during the quarter

This consolidated data is presented by the Company's CEO to the Company's audit committee, which performs a thorough analysis of this data, before it is voted by the Board, subject to limited review by the Company's statutory auditors (for interim accounts), and released by the Company.

■ Year-end reporting

The procedure used by the Company is similar to the one used for periodic reporting, excepted that financial information provided by the subsidiaries has been audited (or reviewed as a minimum) by local auditors and that consolidated financial information (including notes thereto) prepared by the CFO has been audited by the Company's statutory auditors.

7.1.6.2.3.4 Budget process

It is substantially identical to the periodic reporting procedure but only occurs once a year. The budget for the financial year ending 31 December 2011 was reviewed and approved by the Board on 15 December 2010. An update of this budget is scheduled to be reviewed during each meeting of the Board held during the year ending 31 December 2011, and notably during the meeting when consolidated accounts for the quarter and the six-month period ending 30 June 2011 will be drafted, which is expected to held on 27 July 2011.

7.1.6.2.3.5 Strategy review

A review of the Company's strategy for the years ending 31 December 2011 to 2013 was initiated in the second quarter of the year ended 31 December 2010 by the Company's Chief Executive Officer. Salient features resulting from such strategy review were presented and approved during the Board meeting held on 27 July 2010, which also involved the members of the Company's senior management team; they were used as the basis for preparing the budget for the year ending 31 December 2011 in September 2010.

The strategy for the three-year period ending 31 December 2013 was further discussed on 14 December 2010 in a meeting in which the members of the Company's senior management team were involved, before it was approved by the Board on 15 December 2010. An update of the strategy is scheduled to be made by the Board at each meeting of the Board held in the year ending 31 December 2011 when interim consolidated accounts are reviewed, and notably on 26 July 2011, in a meeting also involving the Company's members of the senior management team, on the eve of the date when a Board meeting is scheduled to draft the Company's consolidated accounts for the quarter and the six-month period ending 30 June 2011.

7.2 Statutory auditors' report on the Chairman of the Board's report

Report prepared in accordance with article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Company's Board of Directors

To the shareholders,

In our capacity as statutory auditors of Global Graphics SA and in accordance with article L.225-235 of the French Commercial Code ("Code de commerce"), we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial Code for the year ended 31 December 2010.

Unofficial translation of the French language original

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by article L.225-37, particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by article L.225-37 of the French Commercial Code ("Code de commerce"), it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with Article L.225-37 of the French Commercial Code ("Code de Commerce").

We hereby attest that the Chairman's report includes the other disclosures required by article L.225-37 of the French Commercial Code ("Code de commerce").

Schiltigheim and Nancy, on 18 March 2011

KPMG Audit,
A division of KPMG S.A.

SECEF

Pascal Maire

Philippe Gibello

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

CHAPTER 8 - OTHER INFORMATION ON THE COMPANY

8.1 Financial calendar for the year ending 31 December 2011

The Company expects to release information on its consolidated results in the year ending 31 December 2011 on the following dates:

- Friday 6 May 2011: consolidated results for the quarter ended 31 March 2011;
- Thursday 28 July 2011: consolidated results for the quarter and the six-month period ended 30 June 2011;
- Friday 21 October 2011: consolidated results for the quarter and the nine-month period ended 30 September 2011.

The Company expects to release information on its consolidated results before market opening on each of the abovementioned dates.

8.2 Information on the Company's share

8.2.1 Information on the Company's share

- **Trading location:** NYSE-Euronext (Brussels)
- **Ticker:** GLOG
- **Market:** Eurolist - C list (Small caps)
- **ISIN code:** FR0004152221
- **Reuters code:** GLOG.BR
- **Bloomberg code:** GLOG.BB
- **Indices:** BEL All Shares, BEL Technology and BEL Software & Computer Services
- **Eligibility to the PEA** (Plan d'Epargne en Actions): Yes.
- **Eligibility to the SRD** (Deferred Settlement Service): No.

8.2.2 Share price data

8.2.2.1 Years ended 31 December 2009 and 2010

In euros, unless otherwise specified	FY 2010	FY 2009
Highest traded price	2.05	2.64
Highest closing price	2.00	2.46
Lowest traded price	1.20	0.81
Lowest closing price	1.21	0.86
Closing price on 31 December	1.33	1.67
Outstanding number of shares as at 31 December	10,289,781	10,289,781
Market capitalisation as at 31 December (in millions of euros)	13.7	17.2
Traded volume during the year	2,352,146	2,672,095
Capital turnover rate (in years)	4.4	3.9
Daily average number of shares traded	9,297	10,646

8.2.2.2 From 1 January to 27 April 2011

- Highest traded and closing prices: € 1.80 and € 1.73, respectively on 21 February 2011;
- Lowest traded and closing prices: € 1.25 and € 1.26 , respectively on 21 February 2011;
- Closing price for the Company’s share on 27 April 2011: € 1.58;
- Traded volume between 1 January and 27 April 2011: 1 ,485,033;
- Daily average number of shares traded during that period: 18,334

8.3 List of patents and registered trademarks

8.3.1 Patents

8.3.1.1 Patent filing policy

The Company has an active policy to protect technologies it has invented or improved, which notably includes a financial incentive provided to people who invented or developed technologies which may be patent protected, as well as to the Company’s senior management team, as applicable.

As North American countries, and notably the United States, are the first market for the Company’s products, patent applications are typically filed with the US Patent and Trademark Office (‘USPTO’) before they are filed with its European equivalent (European Patent Organisation, or ‘EPO’), or similar organisations throughout the world.

8.3.1.2 List of patents and patent applications

Please find below the list of patents which were granted and of patent applications which were filed, as available to general public on the date the annual financial report for the year ended 31 December 2010 was drafted. No information is provided on patent applications which were filed by the Company in the years ended 31 December 2009 and 2009 which was not publicly available on the date the annual financial report for the year ended 31 December 2010 was drafted to protect the Company’s legitimate interests.

8.3.1.2.1 Patents granted

8.3.1.2.1.1 Patents granted by the USPTO

Purpose of the patent granted by the USPTO	Patent number	Patent expiry date
Image display using irregularly placed curving structures	5,579,457	29 July 2014
Image display using irregularly placed curving structures (13 additional claims)	5,808,622	8 June 2016
Image display using evenly distributed intensity clusters	5,784,049	18 December 2016
Color imaging system and process with high-speed rendering	5,862,253	5 March 2016
Color imaging system and process with high-speed rendering (10 additional claims)	6,343,145	29 January 2019
Method and apparatus for combining and ordering objects from a plurality of separation color PDL files to a single display list	6,330,072	21 March 2017
Prepress workflow method using Raster Image Processor	6,483,524	10 January 2019
Prepress workflow method and program	6,380,951	10 January 2019
Method of arranging a prepress workflow	6,624,908	1 October 2019
Establishing a reference printer state using recursive tone scale matching	6,755,498	15 April 2022
System and method for rendering printer traps with application of color transformation	6,809,839	30 November 2022
System and method for flattening spans	6,996,284	4 February 2024
Method for confirming correct separation of output profile	7,298,526	27 December 2025
Object-based raster trapper	7,359,530	11 May 2026

Unofficial translation of the French language original

8.3.1.2.1.2 Patents granted by the EPO

Purpose of the patent granted by the EPO	Patent number	Patent expiry date
Image display using irregularly placed curving structures	0,803,160	28 July 2015
Image display using evenly distributed intensity clusters	0,772,934	28 July 2015
Color imaging system and process with high-speed rendering	0,896,771	30 April 2017
Color imaging system and process with high-speed rendering (10 additional claims)	1,158,780	29 January 2019

8.3.1.2.2 Demandes de brevets déposées auprès de l'USPTO qui ont été rendues publiques

Purpose of the patent application filed with the USPTO	Reference and inventor(s)	Filing date
System and method for providing advertising to printers	12/212,463 M. Williams	September 2008
Method and systems for printing documents with semi-transparent graphical elements	12/259,801 M. Bailey	October 2008
Methods, devices and systems for printing bar codes	12/337,146 M. Bailey	December 2008
Methods and systems for increasing performance of server-based rendering	12/426,107 A. Duggan/J. Wilson	April 2009
Methods, devices and systems for encoding graphical primitives	12/426,115 A. Duggan/M. Jones	April 2009

8.3.2 Registered trademarks

The Company owns all of the trademarks it is using, most of which have been registered in a number of jurisdictions throughout the world.

It is notably the case for the following trademarks:

- Global Graphics (trademark and logo), which have been filed in the European Union and in Japan;
- Harlequin (trademark and logos), which have been filed in the US and in the UK for the trademark as well as in the European Union for the logo ;
- gDoc (trademark and logos), which have been filed in the US and in the European Union;
- gDoc Binder (trademark and logo), which have been filed in the US, in Australia and in the European Union;
- Harlequin RIP (trademark), which has been filed in the European Union;
- Jaws (trademark), which has been filed in the European Union;
- Jaws PDF Editor (trademark), which has been filed in the European Union.

GLOSSARY OF TECHNICAL TERMS USED IN THIS REPORT

Please find below a definition of the main technical terms which were used in this annual financial report for the year ended 31 December 2010, including, whenever applicable, a link to a web page where further explanations and illustrations are provided on that term.

Original Equipment Manufacturer (OEM)

This term typically refers to a company which develops and manufactures hardware for its own purposes by using hardware or software components which were manufactured or developed by third parties, such as the Company's software solutions.

Independent Hardware Vendor (IHV)

This term typically refers to a company which develops and manufactures hardware on behalf of another party which will sell such hardware under its own brand.

Independent Software Vendor (ISV)

This term typically refers to a company which develops software solutions, for mass or niche markets, which are typically running under different platforms and operating systems (Windows, Mac OS, Linux, etc.), and sells them under its own brand

Value-Added Reseller (VAR)

A value-added reseller is a company that adds features or services to an existing product, and then resells it (usually to end-users) as an integrated product or complete 'turnkey' solution.

See also: http://en.wikipedia.org/wiki/Value-added_reseller

Raster Image Processor (RIP)

A raster image processor is a software component used in a printing system which produces a raster image, also known as a bitmap, of text and images forming a page. The bitmap is then sent to a printing device for output.

See also: http://en.wikipedia.org/wiki/Raster_Image_Processor

Page description language (PDL)

A page description language specifies the arrangement of a printed page through commands from a computer that the printer carries out.

PDLs which are directly interpreted by a printing system are referred to as printing protocols.

Most commonly used PDLs are PostScript, PDF, PCL and XPS.

See also: http://en.wikipedia.org/wiki/Page_description_language

PostScript

PostScript is a page description language which was developed by Adobe between 1982 and 2007, and which is based on vector translations of elements and allows to create a single file containing all of the elements forming the page (text, images, fonts, colours, etc.)

PostScript has become an industry standard for printing and most of laser printers can interpret PostScript files.

See also: <http://en.wikipedia.org/wiki/PostScript>

Portable Document Format (PDF)

PDF is a page description language, which was developed by Adobe since 1993, initially as an evolution of the PostScript format. It is used for representing documents in a manner which is independent from application software, hardware and operating systems, since each PDF file encapsulates a complete description of a fixed-layout flat document, including the text, fonts, graphics, and other information needed to display it

PDF has become an industry standard for electronic documents and is notably used for storing and distributing documents via email or the Internet.

See also: http://en.wikipedia.org/wiki/Portable_Document_Format

XML Paper Specification (XPS)

XPS is a page description language, which was developed by Microsoft based on a specification and a reference architecture provided by Global Graphics, which was initially provided with Windows Vista® and has since become a standard document format which is managed by all successive releases of Microsoft Windows, as well as by Windows XP.

See also: http://en.wikipedia.org/wiki/Open_XML_Paper_Specification

Printer Command Language (PCL)

PCL is a page description language, which has been developed by HP since 1984, and has become an industry standard, notably for high-end inkjet and laser printers.

See also: http://en.wikipedia.org/wiki/Printer_Command_Language

Tagged Image File Format (TIFF)

TIFF (originally standing for Tagged Image File Format) is a file format for storing digital images, which has been under the control of Adobe, after it purchased it from Aldus which co-developed it with Microsoft.

See also: http://en.wikipedia.org/wiki/Tagged_Image_File_Format

Joint Photographic Experts Group (JPEG)

JPEG (also known as ISO/IEC IS 10918-1/ ITU-T Recommendation T.81), is a standard which defines the recording format and the decoding algorithm to obtain a compressed digital representation of an image, such as a digital photography.

See also: <http://en.wikipedia.org/wiki/JPEG>

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