HYBRID SOFTWARE GROUP

The heartbeat of packaging & industrial printing

2023 ANNUAL REPORT

Hybrid Software Group PLC annual report and financial statements for the year ended 31st December 2023.

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HYBRID SOFTWARE GROUP

Through its operating subsidiaries, Hybrid Software Group PLC (Euronext: HYSG) is a leading developer of enterprise software and printhead drive electronics for packaging and industrial print manufacturing. Customers include press manufacturers such as HP, Canon, Durst, Roland, Hymmen, and hundreds of packaging printers, trade shops, and converters worldwide.

Hybrid Software Group PLC is headquartered in Cambridge UK. Its subsidiary companies are colour technology experts ColorLogic, printing software developers Global Graphics Software, enterprise software developer HYBRID Software, 3D design and modelling software developers iC3D, industrial printhead drive solutions specialist Meteor Inkjet, and pre-press workflow developer Xitron.

Our company

Hybrid Software Group PLC is a public limited-liability company registered in England and Wales with its shares traded on Euronext Brussels under stock code HYSG. It is headquartered near Cambridge, UK. The Company employs approximately 280 employees worldwide and has a pedigree stretching back more than 30 years.

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

The Company is the only full stack supplier of all the critical core technologies needed for inkjet printing. Our principal customers are Original Equipment Manufacturers (OEMs) of digital printing equipment, including high-speed digital production presses, professional colour proofing devices, wide format colour printers, and industrial inkjet printers for ceramic tiles, packaging, textiles and additive manufacturing, as well as end users, primarily printing companies who purchase these devices to print and convert labels and packaging materials. Hybrid Software Group has traditionally provided software components and printhead drive electronics to OEMs to enable them to build their own solutions. However, the strategic acquisitions made over the last several years now enable the Company to provide full turnkey solutions for OEMs which enable them to bring new digital printing devices to market faster and with higher quality. These solutions are higher value and provide more revenue to the Company per device installed. Furthermore, the OEM business is synergistic with the Company's end-user products, accelerating revenue growth and increasing the Company's market share in the inkjet space.

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

Our investment case

- Inkjet adoption is increasing rapidly across multiple industry sectors.
- Analogue markets are converting to digital production.
- Hybrid Software Group enables customers to migrate their traditional manufacturing processes to digital inkjet.
- Hybrid Software Group is the only vertically integrated supplier to this market, supplying products and technology to both manufacturers of digital printing equipment and to manufacturers of packaging and other printed goods who operate them.
- Component businesses are award-winning technology leaders.
- Synergies between companies in the Group, following strategic acquisitions made during the past 4 years, will accelerate innovation and revenue growth.

The Team poses for a photo after the end of a successful show, Labelexpo Brussels. ↓

Hybrid Software Group PLC is headquartered near Cambridge, UK. ↓

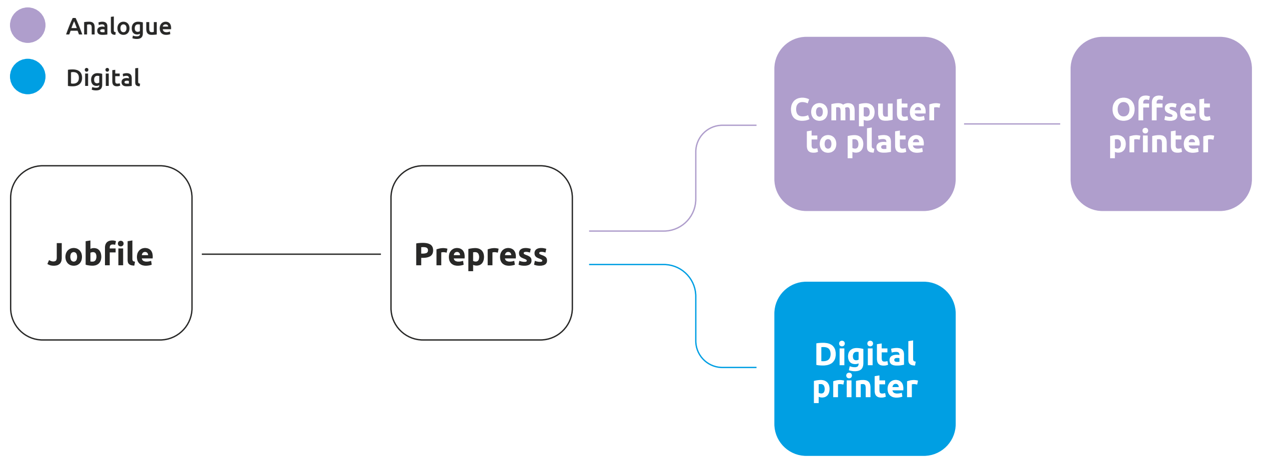
Digital revolution in print manufacturing

The print manufacturing market is transitioning from analogue to digital at a rapid pace. A number of factors have combined to accelerate this change: supply chain disruption caused by the COVID pandemic, changing consumer demand for customised products, and the growing realisation that the way for manufacturing industries to increase their business is to go digital.

At the heart of this change in the printing market are the innovations taking place in digital inkjet printing. Inkjet printing makes it possible to change what is being printed in real time on every object. It can be inserted at different points in the production process, for instance during product decoration, packaging or labelling. In addition, inkjet can print on any surface, resulting in a revolution in the way in which goods are produced and packaged and the speed with which they are ready for market.

Analogue versus digital workflow

In an analogue workflow, graphic designs are transferred to a printing plate which is fed to the press to produce multiples of the same item. In a digital workflow, a PDF file created by the designer encapsulates all the data required for printing. The PDF file is submitted to the digital printing press via a digital front end (DFE), and can contain different images and text for each product produced using a technology known as Variable Data Printing (VDP).



A typical labelling workflow

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

Other software embedded in the printing process ensures high-quality output through rasterisation and screening depending on the specifications of the printing device. As many as seven colours plus white and clear inks may be jetted with different sizes of ink drops to achieve the desired output after careful calibration to the printing device.

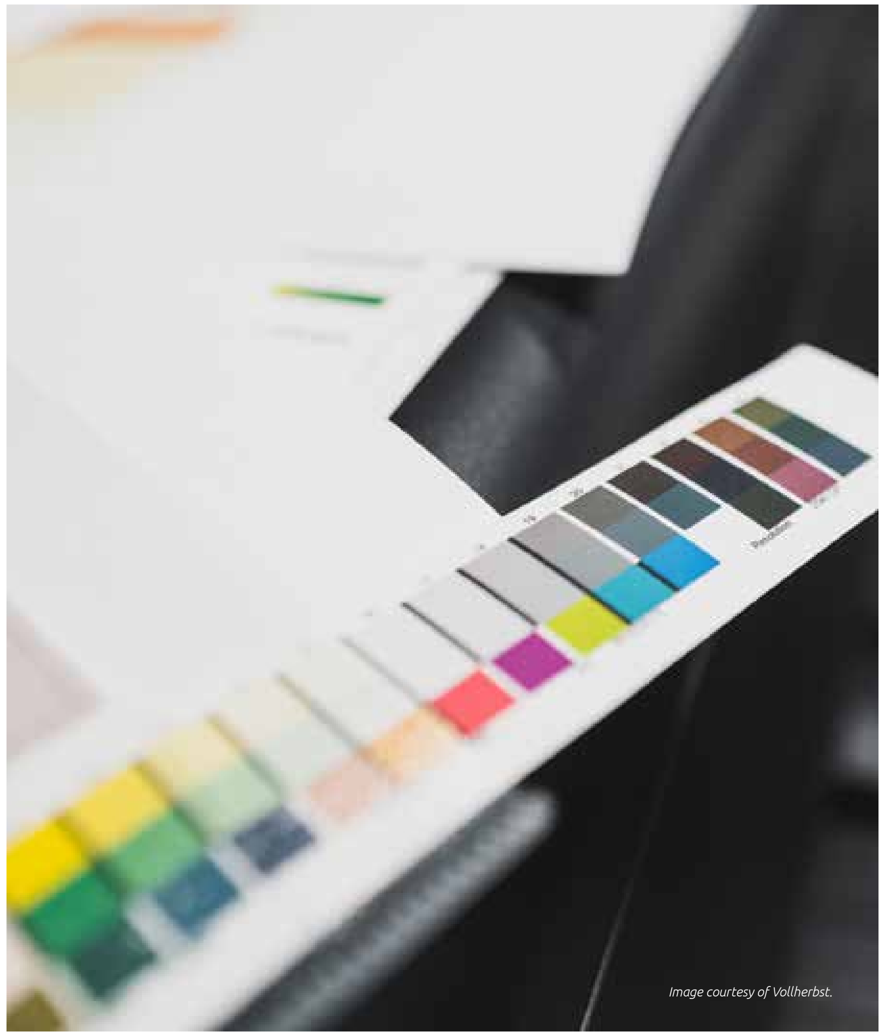


Image courtesy of Vollherbst.

Digital print for manufacturing

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

3D printed art

Direct to shape digital printing onto cosmetic tubes

Photovoltaic printing onto solar panels

Digital textile printing onto bedsheets

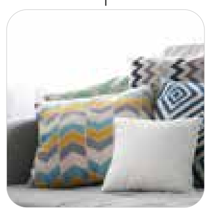
Digital print onto cereal boxes, wine bottles, beer cans...

Glass printing onto windows

2024 Copyright © Adobe Stock

Digital decor printing onto floors and surfaces

Digital textile printing onto furnishings and curtains



Functional printing onto screens

Digital inkjet printing onto corrugated boxes

Industrial / functional printing onto car windscreens and interiors

Our value propositions

Hybrid Software Group is the only full stack supplier of all the critical core technologies needed for inkjet printing. With a third of our headcount working in engineering and approximately a third of revenues reinvested in R&D, we are dedicated to innovation on behalf of our customers and maintain a strong IP position with numerous patents. Five new patent applications were granted for Hybrid Software Group companies in 2023.

Original Equipment Manufacturers (OEMs)

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

Print service providers and converters

Print service providers and converters are industrial manufacturers of products, such as labels, cartons, tiles, displays, fabrics, flooring, décor, etc. which are typically produced using digital printers made by OEMs. Our value proposition here is to offer a complete set of software applications to maximise efficiency in production workflows.

Image courtesy of Koenig & Bauer.

Photorealistic rendering of George Dickel Tennessee Whisky performed by iC3D operated by Diageo, PLC.

A year in review

February

Hybrid Software appoints Igor Vandromme as Business Manager, New Market Segments

To champion growth into new market segments, HYBRID Software, the innovative software solutions provider for labels and packaging, announces the appointment of Igor Vandromme as Business Manager for New Market Segments.

March

Announcing internal startup to focus on 3D software

HYBRID Software has created an internal startup unit to develop and advance the company's software solutions for the 3D & additive manufacturing sector. The unit is headed up by Kris Binon, the former director of Flam3D, the Benelux Additive Manufacturing Association.

Kris Binon, former director of Flam3D.

April

2023 FLAG Brad Brown Strategic Partner Award

Executive Vice President – Americas, Michael Agness, has been awarded the 2023 Brad Brown Strategic Partner Award from the Flexo Label Advantage Group (FLAG). Award recipients are chosen based on Commitment, Creativity, and Excellence – three character traits of Brad's – in their support of FLAG.

Michael Agness shown receiving the 2023 FLAG Brad Brown Strategic Partner Award.

July

Heath Luetkens has been appointed Business Manager for 3D Graphics

Heath was a key employee of iC3D Software for more than 10 years prior to their acquisition by HYBRID Software, making him the perfect candidate to champion further innovation in 3D graphics. With the recent acquisitions of iC3D visualization software and Quadraxis, HYBRID Software has increased its focus on 3D graphics software as a strategic growth opportunity. In his new role, Heath Luetkens will oversee the development of these products and their integration with HYBRID Software's PACKZ and STEPZ PDF editors and its CLOUDFLOW enterprise workflow software.

August

Leveraging Group synergy to win two 2023 Pinnacle Product Awards

The highly esteemed Printing United Alliance Pinnacle Product Awards recognize products that improve or advance the printing industry with exceptional contributions in quality, capability, and productivity. Global Graphics Software won a 2023 Pinnacle Product Award in the Technology category for SmartDFE™. This revolutionary digital front-end solution plays a pivotal role in bridging print jobs and printing devices and includes ColorLogic's cutting-edge color management technology. ColorLogic's CoPrA 9 also won a Pinnacle Product Award in the Non-Output Device category, raising the number of award-winning ColorLogic products to three.

Barbara Braun-Metz of ColorLogic holds the 2023 Product Pinnacle Award for CoPrA.

September

New orders at Labelexpo Europe

Guido Van der Schueren, Olivier Moeyersoms, and Pascal Pernot of Hybrid Software ring the bell to celebrate a new order with Christophe Seguin, Managing Director of ELC Etiquettes.

November

New partnerships at All in Print China

CEO Mike Rottenborn closes the deal on a new partnership with Zhejiang Weigang Machinery Co Ltd.

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

Our markets

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

Labels & packaging

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

Innovation

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

Flexibility

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

Sustainability

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

Smart factories

As more consumer brands seek to incorporate inkjet printing into their production lines, the Company has developed SmartDFE™, a solution to add print into Smart Factory and Industry 4.0 environments via a Smart Digital Front End (DFE). This solution went into full scale production with a number of OEM partners in 2022, with more new partners added in 2023.

A closer look

According to "The Future of Digital Printing to 2032" (b), in 2032 digital print will account for almost a quarter of the global value of all print and printed packaging by value, worth $230.5 billion. The same report indicates that inkjet accounted for 61.4% of digital print value with 62.4% of volume in 2022 and predicts that this will increase to 74.1% of value and 77.5% of volume in 2032. Packaging will see the biggest change, with digital print gaining traction in corrugated, cartons, flexible packaging, rigid plastics and metal. In 2022, Smithers estimated that the overall package printing market was worth $473.7 billion and would reach $551.3 billion by 2027 (constant 2021 prices), with a growth rate of 3.1% (c).

a. Dave Zwang https://whattheythink.com/articles/113241-time-thrive/

b. https://www.smithers.com/services/market-reports/printing/thefuture-of-digital-printing-to-2032

c. https://www.smithers.com/en-gb/services/market-reports/printing/ the-future-of-package-printing-to-2027

Ceramics

Inkjet printers for ceramic tiles have long been one of the strongest markets for Meteor Inkjet's printhead drive electronics, and 2023 brought strong growth both in China and in European markets.

Inkjet becoming standard

Digital printing has revolutionised the decoration of ceramic tiles. Industrial inkjet systems are now considered to be the industry standard and have rapidly replaced more than 90% of the screen printers worldwide printing applications for ceramic tiles in most worldwide markets. The ceramics market is heavily dependent on regional economic conditions and trends for new construction and renovation projects. As residential or commercial construction projects spring up around the globe there is more demand for ceramic tiles for interior and exterior decoration. China is a key producer and consumer of ceramics although there is also a dynamic industry in Europe, and growth opportunities in many other regions.

Dedicated features

The Company's software and electronics solutions are compatible with all the leading printheads used for ceramic tile decoration. Meteor Inkjet's printhead drive electronics and software provide scalable, customisable solutions for systems of any size, speed, or complexity. Special features for ceramic tile printers include recirculating printheads and ink systems to prevent the sedimentation and nozzle blocking to which heavily-pigmented ceramic inks are prone. The Company's products fully implement the necessary control functions required of such systems.

Economical and flexible

Digital printing of ceramic tiles offers significant cost advantages over analogue screen printing. Short production runs become economically feasible due to lower set-up requirements and reduced stock of finished goods. Other manufacturing benefits include less breakage/waste due to non-contact printing and ease of colour matching for repeat orders. Inkjet-printed ceramic tiles offer attractive design benefits including: the ability to produce realistic images of marble and other natural materials and to print large quantities of tiles without repeating patterns; and ink systems to prevent the sedimentation and nozzle blocking to which heavily-pigmented ceramic inks are prone. The Company's products fully implement the control functions required of such systems.

d. www.grandviewresearch.com/industry-analysis/ceramic-tilesmarket

A closer look

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

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

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

Textiles

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

Shorter cycles benefit fashion

Digital inkjet enables brands to respond to changing consumer behaviour as fashion cycles shorten and more goods are purchased on-line with scope for personalisation. In 2022, additional supply chain disruption and increasing de-globalisation has accelerated the trend towards producing closer to the consumer. Digital production provides more control over inventory shortening supply chains and facilitating smaller and more flexible production runs.

Many facets

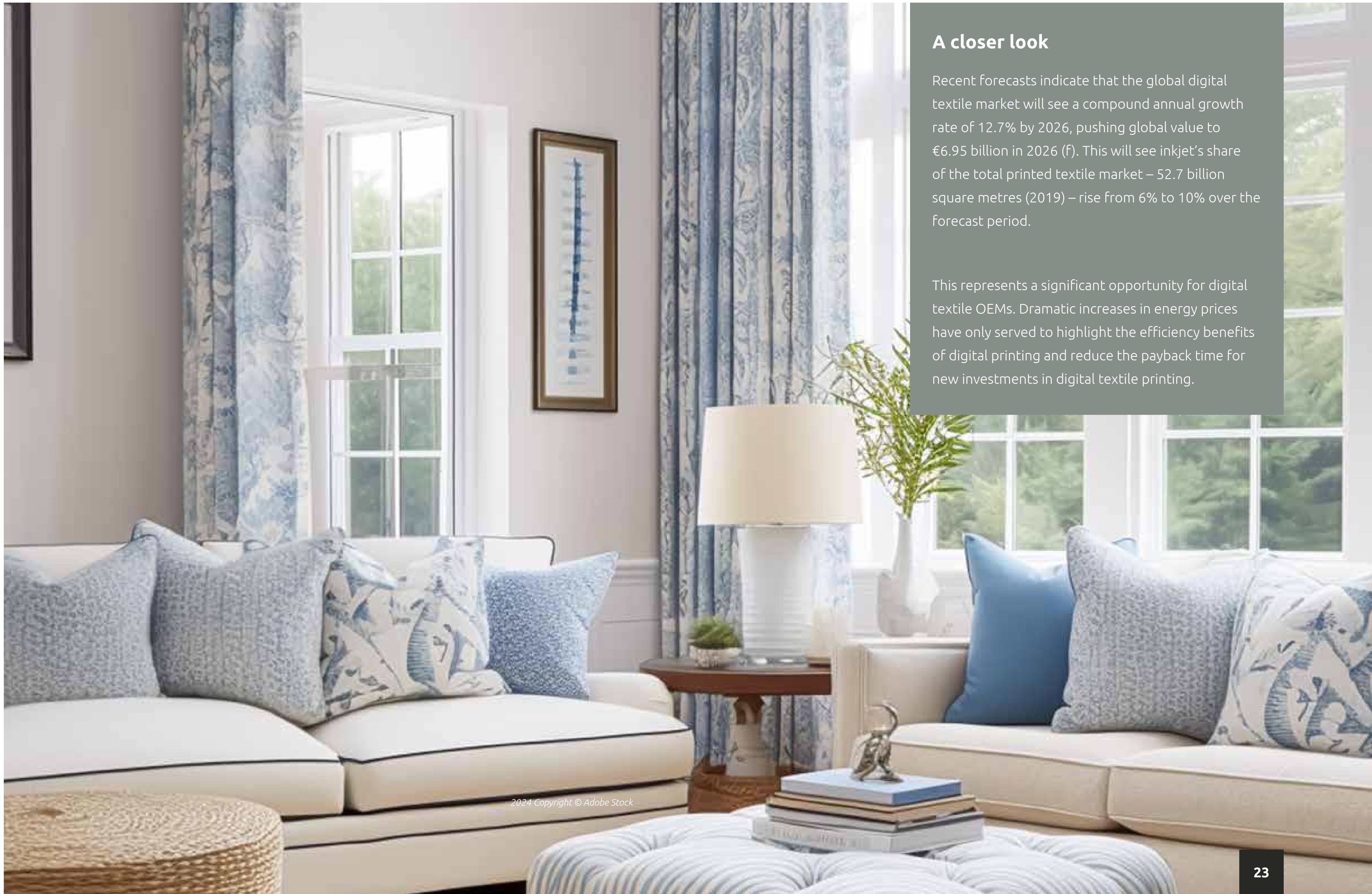
The global digital textile printing market is segmented into clothing/apparel, home décor, soft signage, and industrial. Clothing & apparel was the largest digital segment and made up of more than 53% of digital textile production in 2021 (e). Digital textile printing processes include either Direct-to-Fabric where the design is printed onto a roll of fabric that is later made into a garment, and Direct-to-Garment such as the printing of designs onto t-shirts or promotional merchandise. The disruption to supply chains caused by the global pandemic has led many to believe that a systemic change to the textile supply chain has begun and that transformation is underway towards an increase in digital production. In any event, the benefits of printing on demand using digital inkjet are increasingly appreciated by textile manufacturers. Smithers' data show that as more print service providers invest in dedicated inkjet textile presses, equipment sales will pass the €1 billion per year mark in 2026.

A key driver

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

e. Grand View Research. https://www.grandviewresearch.com/industry-analysis/ digital-textile-printing-market-report

f. The Future of Digital Textile Printing to 2026, Smithers. https://www.smithers.com/ services/market-reports/ printing/the-future-of-digital-textile-printing-to-2026



A closer look

Recent forecasts indicate that the global digital textile market will see a compound annual growth rate of 12.7% by 2026, pushing global value to €6.95 billion in 2026 (f). This will see inkjet's share of the total printed textile market – 52.7 billion square metres (2019) – rise from 6% to 10% over the forecast period.

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

Additive manufacturing

Inkjet-enabled additive manufacturing builds on the technology developed for digital printing. It is Industry 4.0 compliant, makes hardware development agile, enables just-in-time manufacturing for minimal inventory cost, and is inherently low-waste with more opportunity for sustainability.

Beyond prototyping

Inkjet 3D printing is one of the most flexible additive manufacturing technologies, supporting applications that range from robust metal components to co-moulded parts fabricated from multiple materials, including cutting edge "functional" printing for manufacturing electronics. This ability to create radical new products is helping to drive 3D printing adoption in the traditional manufacturing space. An industry that used to produce only prototypes is now shifting to volume production.

Agile and just-in-time

There are two types of inkjet additive manufacturing: the first type is known as binder jetting - using inkjet printheads to jet a glue or binder on a bed of sand or powder. The powder bed means there is less need for adding supports to overhanging structures; the second type is materials jetting - heating polymer filaments to a liquid state so they can be deposited in layers using inkjet printing technology, then cured with UV light. Materials jetting using UV cured polymers has excellent detail and accuracy and a unique capability for combining multiple materials and colours in a single print job. Materials jetting is also the only additive manufacturing technology capable of functional printing for applications like printed circuit boards, embedded electronics and batteries.

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

← *Kris Binon, AM Business Development Manager, poses with the Meteor Inkjet team during Formnext 2023 – the Hub for Additive Manufacturing.*

g. Extrapolated from "https://www.grandviewresearch.com/industryanalysis/additive-manufacturing-market" Additive Manufacturing Market Size Report, 2030

h. "https://www.fortunebusinessinsights.com/industry-reports/3d-printingmarket-101902" 3D Printing Market Size, Growth | Global Research Report [2029] (fortunebusinessinsights.com)

i. "https://www.grandviewresearch.com/industry-analysis/additive-manufacturingmarket" Additive Manufacturing Market Size Report, 2030 Copyright © Xaar Plc

A closer look

Inkjet additive manufacturing has all the benefits of digital printing. It is Industry 4.0 compliant, makes hardware development agile, enables just-in-time manufacturing for minimal inventory cost, and is inherently low-waste with more opportunity for sustainability. The estimated global market size rose to USD $17 billion in 2021 compared with USD $13.8 billion in 2020 (g). CAGR estimates are quite optimistic, ranging from around 21% to 30% over the next 7- 8 years. Key drivers for growth are aerospace, bio-medical/healthcare and automotive applications. Additive manufacturing for production applications represents 38% of the total additive manufacturing market in 2021 (h), a significant shift from the predominantly prototyping use cases where additive manufacturing first gained traction.

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

3D modelling

HYBRID Software purchased iC3D in early 2022 to provide a software platform for 3D modelling and photorealistic ray tracing for labels and packaging applications. By accurately modeling the appearance of labels, cartons, bottles, and other types of packaging in software, iC3D reduces the need for physical printing of product samples and speeds time to market. In late 2022, HYBRID Software made an additional investment by purchasing the intellectual property of Quadraxis, a French software company with very specialised software for image capture and accurate measurement of distortion for thermoformed packaging and metal containers.

Building on the recent purchase of the Quadraxis IP, HYBRID Software has created Capture 3D, a technology for on-the-mark 3D modelling and shrink sleeve quality. Reflex cameras are used to accurately scan 360 degrees of the model to perform 2D artwork to 3D modelling mapping. This allows distortion of artwork due to metal forming or heat shrinkage to be accurately compensated, and results can be shared in a visually realistic 3D preview. With this innovative technology, precise and easy grid distortion can take place in minutes instead of days, speeding up customers' time to market drastically while also increasing quality. In the last step, the 3D artwork is mapped to a 3D model, which can then be shared as part of the HYBRID workflow for approvals and then sent on its way to print. Processes which usually take days to perfect are integrated into a smooth workflow and completed in minutes.

Pascal Wybo, Product Manager of PACKZ and STEPZ, demonstrates Capture 3D technology to the market for the first time at Labelexpo Europe 2023. ↓

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

Xitron's KeySetter can reduce make-readies by an average of 20-50%, which increases operating profit by saving on labour, paper, and ink.

Our business segments

→ **Enterprise software**

file preparation and workflow automation for print manufacturing

→ **Printhead solutions**

electronics and software for industrial inkjet devices

→ **Printing software**

graphic processing engines for fast and high-quality digital output

Enterprise software

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

HYBRID Software's products are based on the company's extensive experience in the labels and packaging industry as well as their commitment to industry standards: no proprietary or legacy file formats are used by HYBRID Software's products, only industry standard formats like PDF and TIFF.

Our products are used by thousands of customers worldwide in all areas of pre-press and printing, including labels and packaging, folding cartons, corrugated, and wide format. HYBRID Software's products are used both for conventional and digital printing processes.

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

Customer La Commerciale uses the Proofscope module within CLOUDFLOW to ensure the wine label artwork is optimised for print. ↓

MyCLOUDFLOW

MyCLOUDFLOW was released to the market in April 2023, presenting customers with rapid, hassle-free access to CLOUDFLOW. Hosted by HYBRID Software on the fastest cloud computing platforms, MyCLOUDFLOW brings convenience and security to the label & packaging industry, without requiring in-house IT support or heavy capital investment.

Key products

→ **CLOUDFLOW**

A modular production workflow suite for file processing, asset management, soft proofing and workflow automation. It is a flexible application platform specifically tailored for packaging graphics with support for, among other things, PDF colour separation, trapping, layout, and variable data as well as rasterisation and screening using the Company's leading Harlequin Core RIP. CLOUDFLOW can run on physical hardware as well as in public or private cloud computing environments.

→ **MyCLOUDFLOW**

A multi-tenant version of CLOUDFLOW that is hosted in a dedicated Amazon Web Services cluster and maintained by HYBRID Software's IT professionals instead of by their customers' local IT departments. It provides very high uptime and data security with a cost-effective monthly Software-as-a-Service pricing model.

→ **PACKZ**

The leading professional PDF editor for packaging and label production using any printing method: flexography, offset lithography, gravure, as well as digital printing. PACKZ operates on native PDF files and uses 64-bit multi-processing and multithreading facilities for high performance. PACKZ provides a "Swiss Army Knife" containing a full set of tools for packaging pre-press, and its support for native PDF eliminates the need for file conversions or proprietary file formats.

→ **STEPZ**

A specialised production tool derived from PACKZ but with a feature set aimed specifically at digital printing of labels and packaging. STEPZ contains the same powerful tools for layout and variable data as PACKZ but drops functionality such as trapping which is not required for digital printing.

→ **iC3D**

A full software suite that generates photorealistic 3D virtual mock-ups and offers a large library of modelling templates for digital packaging design and prototyping.

→ **Capture3D**

Capture3D allows distortion of artwork due to metal forming or heat shrinkage to be accurately compensated, and results can be shared in a visually realistic 3D preview. With this innovative technology, precise and easy grid distortion can take place in minutes instead of days, speeding up customers' time to market drastically while also increasing quality.

PACKZ's Content XML for dynamic content creation using standard markup language. ↓

Printhead solutions

Under the brand of Meteor Inkjet, we develop and supply printhead drive electronics, software, tools and services for industrial inkjet systems and printing devices.

The industrial inkjet market is very broad and fast growing, and includes ceramic tiles, flooring and décor, wallpaper, labels and packaging, functional and 3D printing, product decoration, and textiles. Our software and proprietary drive electronics send data to printheads inside inkjet devices to control the output produced by these printheads. Printheads are a critical component of an inkjet press and generally contain multiple nozzles for jetting ink or other fluids onto substrates.

The major industrial printhead manufacturers are our route to identifying inkjet development projects around the world. Consequently, we work closely with all leading printhead vendors, including Xaar, FUJIFILM Dimatix, Kyocera, Konica Minolta, Memjet, Toshiba TEC, SII, Ricoh, Epson, and Xerox. We continually develop hardware and software drivers for new printhead models and partner with printhead manufacturers and OEMs to accelerate their route to production.

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

Customers

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

Meteor Inkjet has been granted a US patent for "Methods and Systems for Shell Formation in 3D Printing." Exploiting the powerful greyscale capability of inkjet, Meteor's patented ShellPro™ technology offers step-function savings in the energy and materials required to create complex 3D structures through binder jetting.

Key products

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

→ Electronics

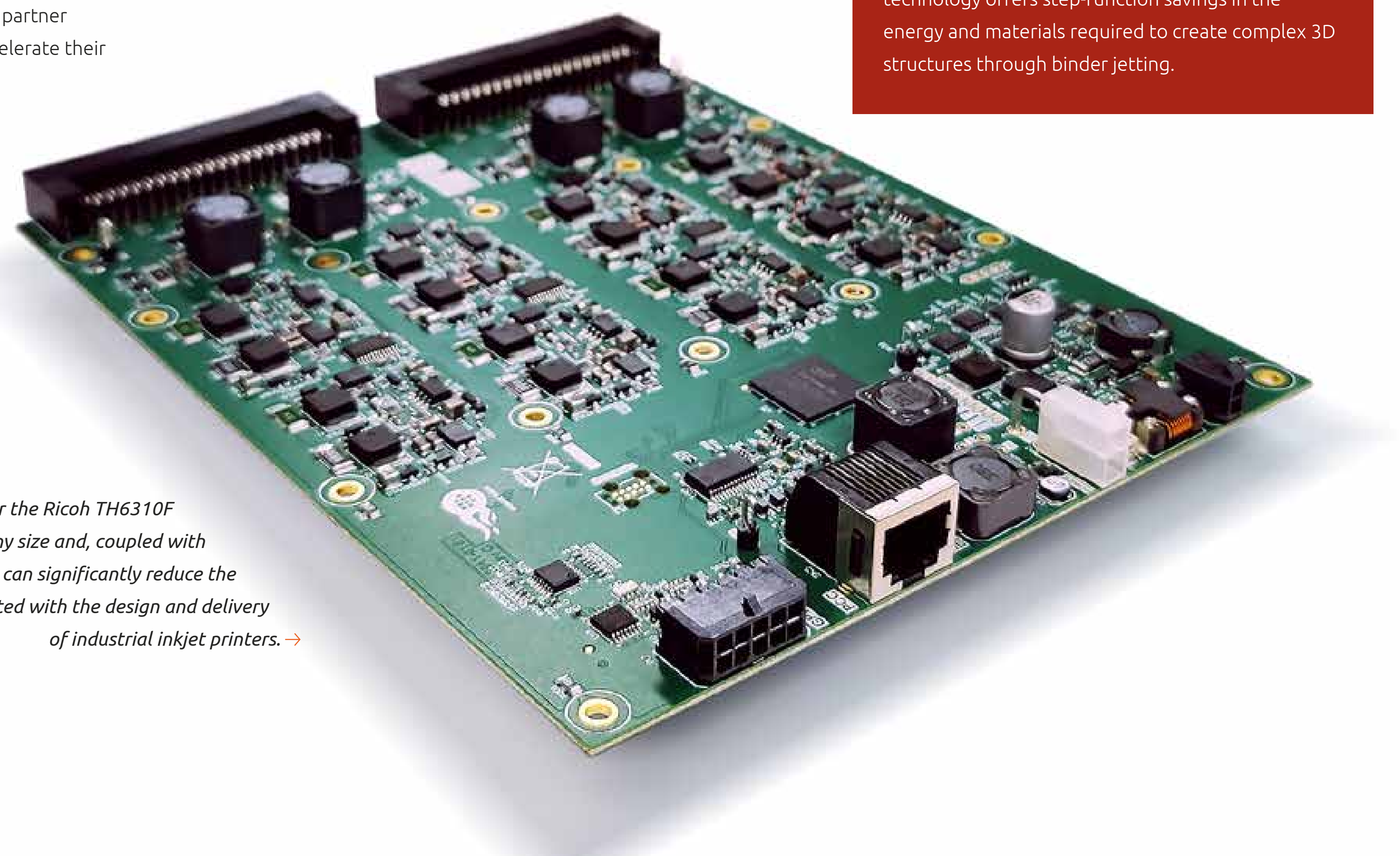
Powerful, flexible and scalable drive electronics for all major industrial inkjet printheads.

→ Software

OEMs can license an application-tuned Meteor Digital Front End or develop bespoke software using a Meteor Software Development Kit. Optional integrated Harlequin RIP and ScreenPro Advanced Inkjet Screens are available, along with NozzleFix™ and NozzleMask™ to compensate for missing nozzles that cause artefacts in printed output as well as the award-winning patented PrintFlat™ software for output uniformity.

→ Tools and services

DropWatcher™ for analysing and tuning ink drops in flight, as well as waveform development services for optimised output quality of any ink and substrate combination.



Meteor's HDC-2R26 drive electronics for the Ricoh TH6310F printhead are easily scalable to systems of any size and, coupled with Meteor's comprehensive software, OEMs can significantly reduce the effort and risk associated with the design and delivery of industrial inkjet printers. →

Printing software

For more than 30 years, our Printing Software business has been driven by the high-performance Harlequin RIP, a Raster Image Processor which forms a critical part of the print process for tens of thousands of customers worldwide. We have continued to enhance Harlequin to meet the needs of the digital printing market: high-speed processing which runs efficiently on off-the-shelf hardware while supporting fully variable print data.

Before graphic designs can be printed or displayed on a monitor, they must be broken down into vector data (mathematical drawing algorithms), raster data (image pixels), and/or screened data (calibrated areas of ink or pigment representing image data). Our Global Graphics Software brand is one of the world's foremost developers of the graphic processing engines, known as Raster Image Processors or RIPs, that are used for these tasks.

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

We develop software components and workflow solutions for the high-speed digital printing of photo books, labels, packaging, interior décor, textiles and ceramics. The company's combination of software and first-rate engineering skills enables it to help press manufacturers to respond to technical challenges with innovation, meeting their speed and quality requirements, and getting them to market quickly.

Customers

Customers include Group companies HYBRID Software, Meteor Inkjet, and Xitron plus OEMs such as Hewlett Packard, Mimaki, Mutoh, Canon, Durst, Roland, Agfa, Kodak, Kirk-Rudy, Postmark, Ryobi, Mitsubishi, Memjet, Presstek, Printware and Neopost, as well as many others who embed our printing software solutions into their own branded Digital Front Ends (DFEs).

Licensing

Solutions are typically licensed under technology agreements and reseller agreements. We are noted for our flexible approach to licensing technology and pride ourselves on being a trusted commercial and development partner. This is facilitated by a Technical Services team who work to accelerate each customer's time to market, and also by an experienced product support team.

Thorsten Braun with G7 System Certifications for CoPrA and ColorAnt →

Key products

→ Harlequin Core

A Raster Image Processor (RIP), specialised software that converts text and image data from many file formats including PDF, TIFF™ or JPEG into a format that a printing device can understand and output. It produces unmatched quality without sacrificing speed, which means that printing devices which incorporate Harlequin can be kept running at full rated speed, even on the most complex jobs, without incurring high costs for computing hardware.

→ SmartDFE

A turnkey Digital Front End (DFE) based on Harlequin Direct, CLOUDFLOW, and Meteor for digital printing of labels and packaging within Industry 4.0 automated manufacturing environments.

→ Harlequin Direct

Software that drives print data directly to the printer electronics instead of buffering them on mass storage devices, allowing the development of faster, wider and higher resolution printing devices.

→ ScreenPro

Software that converts continuous tone image data into ready-to-print halftones (dots of varying size and spacing) in real-time with no compromise on quality.

→ Mako SDK

Software that creates, rasterises, converts, analyses and optimises many different page description languages, allowing print software developers full control over colour, fonts, text, images, vector content and metadata with precision and performance.

→ Colour management software

Colour accurate matching of brand colours for digital production using four or up to seven process colours. Products include CoPrA, ColorAnt, ZePrA, as well as a full SDK for OEM licensing.

→ Navigator Harlequin RIP and workflow

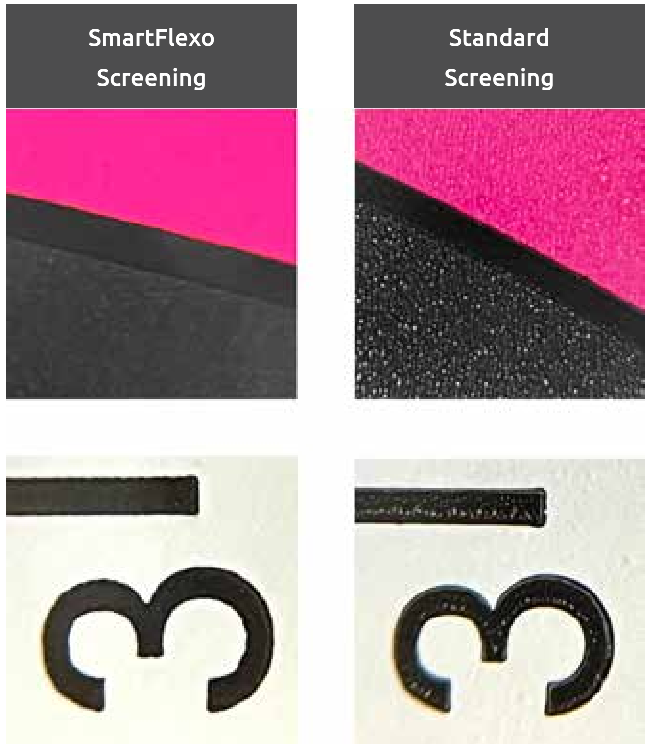
Software that provides prepress environments with fast, predictable, and reliable interpretation of PostScript, PDF, and EPS format files.

→ Navigator DFE

Software that helps prepare jobs, manage colour, and control digital output devices built with Memjet or any standard inkjet printhead.

→ Output device interfaces

Hardware and software solutions to connect RIPs to Computer-to-Plate devices, imagesetters, proofers, digital presses, high-speed copiers, and inkjet printers, extending the life of legacy equipment.



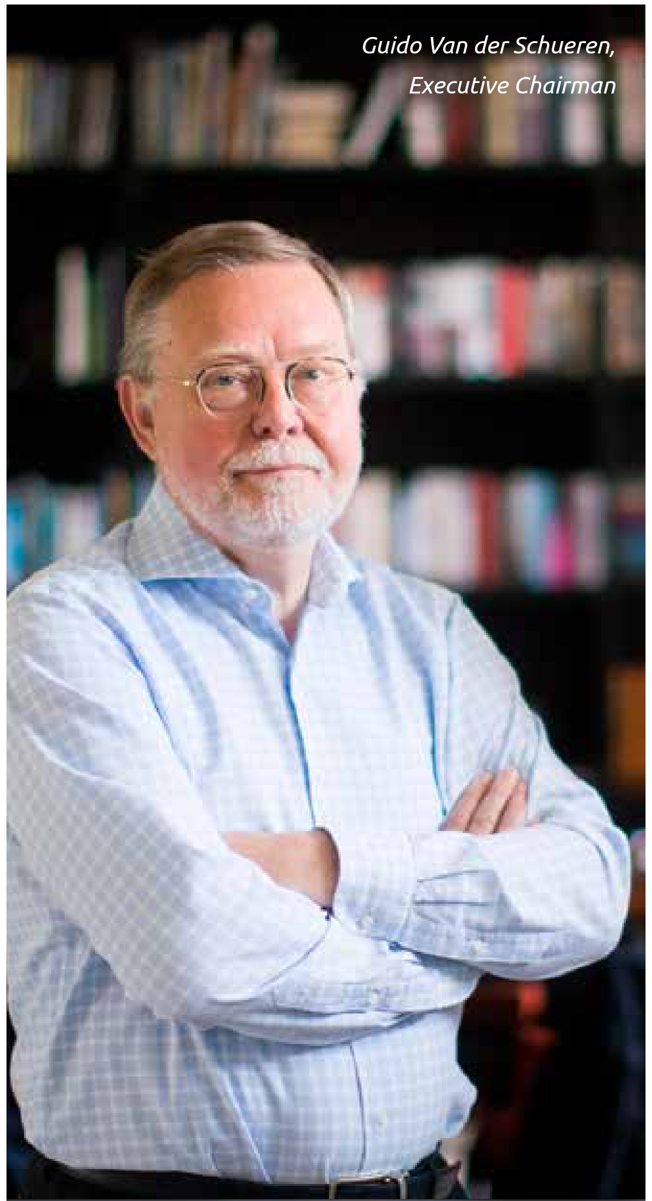
↑ *Xitron's SmartFlexo optimises plates and press response by selecting the AM to FM transition point. The technology eliminates trailing edge voids and maintains dots in hard-to-hold highlight areas with multiple SmartDot choices.*

COMPANY STRATEGIC REPORT

2023 proved to be another difficult year for many regions in the world and for the industries we serve: packaging and industrial printing. Nevertheless, we continued to invest in the development of innovative solutions for our customers.

Group revenues increased by 2.9% over 2022, and by careful cost management we delivered an adjusted net profit from continuing operations that was 51.5% higher than 2022.

Chairman's statement



Guido Van der Schueren, Executive Chairman

"We're deeply committed to innovation on behalf of the industry, and we listen to our customers' requests to help shape our development planning"

2023 proved to be another difficult year for most regions of the world and for the industries we serve: packaging and industrial printing. Interest rates rose quickly to try and curb inflation but this limited capital investment by many print providers, especially in the United States. In addition, the German "angst" over energy prices and the overall economy impacted our sales in that key region.

While we can't control the macroeconomic climate in which we operate, we can and do control how we invest for the growth of Hybrid Software Group. We're deeply committed to innovation on behalf of the industry, and we listen to our customers' requests to help shape our development planning. With limited growth forecasted for 2023, we invested in carefully selected areas to prepare for future growth.

In 2022 we began investing in a cloud-hosted, multi-tenant SaaS version of our workflow software called MyCLOUDFLOW which enables printing companies to add powerful workflow automation tools without making a heavy capital investment in servers and IT resources. Instead, Hybrid Software manages MyCLOUDFLOW's security and data integrity with our own expert resources. I'm pleased to report that 2023 brought real commercial success for MyCLOUDFLOW, with more than ten major customers migrating their workflow to our hosted environment and no unplanned outages or service interruptions. This helps accelerate our transition from revenues based largely on perpetual license sales to a much higher blend of subscriptions and SaaS revenues from print providers.

Additive manufacturing and 3D printing has been another area of investment in 2023, with some strategic hiring and sharing of R&D resources from our packaging business to focus on software for additive manufacturing. This builds on the success of Meteor Inkjet in the 3D space, where they supply printhead drive electronics to dozens of device manufacturers. As additive manufacturing moves from a novel concept to a high-volume manufacturing process, our experience in image processing and workflow automation will provide enabling technology for 3D printing and we expect to see real revenue growth in this segment beginning in 2024.

Economic conditions going into 2024 remain suboptimal in many of our most important markets. The wars in Ukraine and Gaza are still a major concern, and the economic conditions in Europe, China, and the UK could deteriorate further. But there are also reasons to be optimistic: we never stopped investing in our people, products and customers resulting in a stronger market position than ever before, hence we expect to continue to grow into 2024 without relying on ideal economic conditions in order to achieve this. Our sales to print providers in both Germany and the US (our two largest regions) have shown a turnaround starting in Q4 and continuing through the present (Q1 of 2024) from the disappointing results of early-mid 2023. To help support our customers, we have once again held the line on price increases for software and maintenance in 2024.

2024 also brings the return of a critical trade fair that is a milestone for our industry and for me personally. Drupa (from "Druck und Papier") returns to Düsseldorf on May 28 after an eight-year hiatus and will attract hundreds of thousands of suppliers and print providers over eleven days. The COVID-19 pandemic caused the unfortunate postponement and eventually the cancellation of Drupa 2020, so the last Drupa show took place in 2016. The packaging and graphic arts industry is constantly changing; that's the key to its longevity. But it changes to the rhythm of Drupa, with each fair bringing a new wave of innovation and advanced technology. This will be my eleventh Drupa, a real milestone for me personally. I look forward to meeting with thousands of customers, industry colleagues, and friends at Drupa and anticipate a strong year for the business as a result.

In closing, I would like to thank the stakeholders of Hybrid Software Group: our shareholders, our 277 employees, our Board and management team, and last but certainly not least, our customers for their continued support. Our investments in technology and personnel and our dedication to the market put us in a very good position for growth in revenue and profitability in 2024 and beyond.

Guido Van der Schueren,
Executive Chairman

CEO's review

Mike Rottenborn, Chief Executive Officer

"I expect to double our operating profit in 2024, as business activity is building within each of the segments, with an optimised cost structure in place and tailwinds from the Drupa show to be expected in the second and third quarter"

One of the unique aspects of Hybrid Software Group is the multiplicity of our revenue streams. Although we are structured as a software company, we derive revenues not just from software but from printhead drive electronics for inkjet printing devices. Additionally, we sell both to OEMs who manufacture inkjet printers and to the printing companies who operate them to produce labels, packaging, ceramic tiles, textiles, surfaces and wall coverings, and many other products. These revenue streams are not perfectly correlated—they rise and fall independently based on many different factors—and this hedges our risk in challenging economic environments like we encountered in 2023.

Our Enterprise Software segment creates software to automate the production of high-quality labels and packaging, which is sold mainly to print providers who produce packaging for retail brands and manufacturers of consumer goods. Interest rates rose rapidly in early 2023 to dampen inflation, but this also dampened consumer spending and made it more difficult (and less necessary) for packaging printers to invest in new equipment and software. We saw strong growth in France and Benelux but softer sales in the largest regions, North America and Germany. As a result, Enterprise Software revenues fell by 4.2% in 2023.

However, our sales to OEMs who manufacture printing devices were much stronger. Our Printhead Solutions segment was severely hampered in 2022 by the limited availability of various integrated circuits but they recovered significantly in 2023, with revenues up 30.4% from 2022. We attribute this to three factors: the emergence of China as a global leader in inkjet printing, the advancement of 3D and additive manufacturing based on inkjet technology, and the design and development of many new inkjet printers by our customers. Many of these machines are scheduled to be launched in May at Drupa, the largest global industry trade show, after which they will start shipping in volume.

Our Printing Software segment is the oldest part of Hybrid Software Group, with Xitron and Harlequin Raster Image Processors (RIPs) shipping for more than 30 years. This segment was the focus of a significant restructuring effort in 2023 to better align the products and staffing with the needs of our customers for the next 30 years. We added staff in the team that builds the SmartDFE—an intelligent Digital Front End for high-speed inkjet devices built on our Harlequin Direct™ technology—while redeploying or eliminating some positions in other areas. 2023 revenues dropped by 2.1% from the previous year, but as I write this (in Q1 of 2024), we've already announced substantial new sales of both Harlequin and SmartDFE in 2024, and with an improved cost structure I'm confident that 2024 will restore profitable growth to the Printing Software segment.

I'm not satisfied with our profitability in 2023. Wage inflation had a significant effect on staff cost, but careful cost management allowed us to deliver an adjusted net profit from continuing operations that was 137% higher than 2022 (more information on this is disclosed in the Alternative Performance Measures section of this report). I expect to double our operating profit in 2024, as business activity is building within each of the segments, with an optimised cost structure in place and tailwinds from the Drupa show to be expected in the second and third quarter.

2023 saw the arrival of Artificial Intelligence (AI) and Large Language Models in force, accompanied by lots of fanfare and hype but bringing uncertainty and doubt to many companies in the industrial print and packaging space. I believe that AI is an important technology—one of many—but will not fundamentally change the way packaging is produced in the decades to come. We've invested in AI and even received a US patent in 2023 for "…Enhancing Raster Image Processing Using Artificial Intelligence" (a patent which was filed long before AI became an everyday term and one of five patents we were awarded in 2023). But producing high-quality labels and packaging has always been part craftsmanship and part manufacturing, and AI will not change this. It will be useful in the initial design ideation phase and in automating repetitive tasks like inspecting printed packaging, but it will not replace human expertise in advanced production tasks anytime soon. Our own development roadmap will remain focused on increasing the productivity of our human customers, with AI as a useful tool but not an end in itself.

Our company vision, "The Heartbeat of Industrial Printing and Packaging", is what drives the team at Hybrid Software Group every day. We partner with our customers and share their heartbeat as we work together to move our industry into the future. The last two years have been challenging but I'm excited by the prospects for 2024 and beyond.

Mike Rottenborn
Chief Executive Officer

Michael A. Rottenborn

CFO's review

Joachim Van Hemelen, Chief Financial Officer

Revenue for the year was

€48.04 million

(2022: €46.69 million)

Gross profit for the year was

€39.37 million

(2021: €39.31 million)

Adjusted operating profit from continuing operations was

€2.52 million

(2022: €2.11 million)

EBITDA* for the year was

€7.31 million

(2022: €10.90 million)

Cash at 31st December was

€7.08 million

(2022: €6.32 million)

ⓘ The following financial information relates to continuing operations.

Revenue

Revenue from continuing operations for the year was €48.04 million compared with €46.69 million in 2022, an increase of €1.35 million (2.89%). Licence royalties accounted for 43.6% (2022: 51.4%) of revenue, drive electronics accounted for 20.4% (2022: 15.9%), maintenance and support accounted for 22.5% (2022: 20.6%), services accounted for 10.7% (2022: 9.8%), hardware and consumables accounted for 2.5% (2022: 2.2%) and other items accounted for 0.3% (2022: 0.1%).

Customer concentration and the dependence on a limited number of customers improved this year. In 2023, the ten largest customers represented 28.5% (2022: 29.9%) of the Group's revenue, the five largest customers represented 21.4% (2022: 24.5%) of the Group's revenue and the single largest customer represented 5.9% (2022: 9.8%) of the Group's revenue. There was no customer (2022: no customer) during the year that represented 10% or more of total revenue.

The Group's sales are made in several different currencies, thus fluctuations in exchange rates can affect the reported revenue. During the year 32.3% (2022: 35.9%) were in euros, 36.3% (2022: 40.5%) were in US dollars, 28.8% (2022: 20.8%) were in pounds sterling, 1.1% (2022: 0.5%) were in Japanese yen and 1.5% (2022: 2.3%) were in other currencies.

→ **Printing Software segment**

Revenue for the Printing Software was €14.94 million for the year (2022: €15.26 million). During 2023 a new contract was agreed with an existing customer which resulted in €2.6 million of revenue being recognised. (In 2022 a new contract was agreed with an existing customer which resulted in €1.6 million of revenue being recognised).

→ **Printhead Solutions segment**

Revenue for the Printhead Solutions segment was €11.30 million for the year (2022: €8.66 million). In 2022 revenue in this segment had been severely impacted by the shortage of its most commonly used chip. In 2023 it recovered significantly throughout the year.

This segment is quite dependent on a limited number of customers for a significant portion of sales. In 2023, the top 10 customers generated 69.6% of revenue (2022: 56.9%), with the top customer generating 26.6% of revenue (2022: 21.9%).

→ **Enterprise Software segment**

Revenue for the Enterprise Software segment was €21.81 million for the year (2022: €22.78 million). In 2023 a five-year licensing agreement with its largest customer ended, resulting in a decline of €3.2 million in license revenues year-over-year. Additionally the segment experienced unfavourable business conditions in its two most important markets, the United States and Germany, leading to subpar results in these regions and for the segment as a whole. For the segment year-over-year license royalty income declined by €2.9 million which was partly offset by an increase in maintenance and after-sale support services income (€1.49 million) and services income (€0.37 million).

Pre-tax result

The consolidated pre-tax result for continuing operations was a loss of €1.67 million compared with a profit of €1.84 million in 2022. The decrease in profitability of €3.51 million is due to:

→ an increase in revenue of €1.35 million;

→ an increase in cost of sales of €1.28 million;

→ an increase in selling, general and administrative expenses of €0.73 million;

→ a decrease in research and development expenses of €0.34 million;

→ no change in other operating expenses;

→ a decrease in other income of €3.11 million (the 2022 figure was favourably impacted by the sale of approx. 69,000 IPv4 addresses);

→ a decrease in net finance expenses of €0.13 million;

→ an increase in foreign exchange losses of €0.21 million.

Gross profit for the period decreased to 82% of revenue (2022: 84.2%), primarily due to the higher mix of printing electronics sales during the year, which have a lower level of gross margin than software because of their manufacturing costs.

Included in selling, general and administrative expenses is amortisation of €0.97 million (2022: €1.17 million) related to intangible assets recognised as a result of acquisitions.

Research and development expenses includes the capitalisation and amortisation of internally generated intangible assets and the amortisation of certain intangible assets recognised as a result of acquisitions. During the period there was a net capitalisation of development expenditure of €1.39 million (2022: €2.02 million) and amortisation of acquired intangible assets of €4.76 million (2022: €5.14 million).

The net capitalisation of development expenditure was comprised of €3.82 million (2022: €4.0 million) of capitalised expenditure less €2.43 million (2022: €1.98 million) of amortisation.

The third quarter of 2022 results were favourably impacted by the sale of an unused asset (approximately 69,000 IPv4 internet addresses) for a net amount of €3.3 million which closed in July 2022. Given the nature of the sale this income is reported as "Other Income" and is not included in our revenue figures, but it is accretive to EBITDA in 2022. No comparable transaction occurred in 2023.

Total operating expenses increased by €0.4 million, or 0.96% compared to the same period in the prior year. The increase is mainly due to higher sales & marketing-related expenditures and increased amortisation of intangible assets.

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

Cashflow

Cash flow was positive for the year with a net cash inflow of €0.76 million (2022: net cash outflow of €2.74 million). Cash flow from operating activities was positive at €6.86 million (2022: €4.02 million).

Loan repayments of €0.53 million were made to Congra Software SARL, consisting of €0.29 million in principal repayments and €0.24 million of interest (see Note 26).

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

Alternative performance measures

ⓘ Alternative performance measures and adjusted financial information have not been audited by the Group's auditors.

→ Revenue

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

At constant exchange rates ("CER") (2023 restated at 2022 exchange rates):

In thousands of euros	Reported 2023	CER 2023	Reported 2022
Revenue from continuing operations	**48,043**	**48,671**	46,693

→ Adjusted operating result and net profit

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

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

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

In thousands of euros	2023	2022
IFRS reported operating (loss)/profit from continuing operations	(1,161)	2,274
Add severance costs	493	-
Deduct capitalised development expense (see note 16)	(3,824)	(3,981)
Add amortisation of capitalised development	2,434	1,974
Add amortisation of acquired intangibles	4,760	5,137
Add other operating expenses (see note 8)	11	3
Deduct other income (see note 9)	(196)	(3,301)
Total adjustments to reported operating profit from continuing operations	**3,678**	**(168)**
Adjusted operating profit from continuing operations	**2,517**	**2,106**

In the following tables the 2022 figures have been restated due to an error in the determination of the deferred tax liability. See Note 36 'Restatement of Comparatives' for further details.

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

In thousands of euros	2023	2022 Restated
IFRS reported net profit from continuing operations	1,319	1,063
Adjustments to operating result above	3,678	(168)
Tax effect of above-mentioned adjustments	(876)	(187)
Remeasurement of deferred tax liability	(2,445)	-
Total adjustments to reported net profit from continuing operations	357	(355)
Adjusted net profit from continuing operations	**1,676**	**708**
Adjusted net basic earnings per share for continuing operations	**€0.05**	**€0.02**
Adjusted net diluted earnings per share for continuing operations	**€0.05**	**€0.02**

→ EBITDA

EBITDA is also reported as an alternative measure of profit and is calculated by adding back interest, tax, depreciation and amortisation to net profit from continuing operations.

EBITDA from continuing operations was €7.30 million (2022: €10.90 million) and is reconciled to IFRS reported net profit from continuing operations as follows:

In thousands of euros	2023	2022 Restated
IFRS reported net profit from continuing operations	1,319	1,063
Net finance expenses	240	390
Tax (credit)/charge	(2,986)	772
Depreciation	1,529	1,559
Amortisation	7,204	7,111
EBITDA from continuing operations*	**7,306**	**10,895**
As a % of revenue from continuing operations	**15%**	**23%**

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

Principal risks and uncertainties

The Group does not have a dedicated risk management or internal audit function, consequently the risk management review is carried out by the executive management team. The risks and uncertainties described below are not necessarily set out in order of priority or potential impact on the Group's financial statements.

Global economic conditions

2023 was characterised by high inflation in the Western world and monetary tightening by most of the central banks. Higher interest rates increased financing costs for companies, which put more strain on our customers capital expenditure budgets.

In Germany, an important market for all of the Group's business segments, the situation is more aggravated due to political uncertainty and ecologically inspired governmental policy choices undermining Germany's competitiveness, all affecting negatively the business climate and economic activity.

In early 2024 Western economies have proven to be rather resilient or are showing early signs of recovering from the cyclical headwinds experienced in 2022 and 2023.

War in the Middle East

The Group does not have any operations in Israel but has significant customers in the country. Currently this has only marginally impacted business levels in the region.

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

Russia's invasion of Ukraine

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

Two years later, the Board remains concerned about the economic and political uncertainty across the world.

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

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

Risks related to the Group's financial situation

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

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

The current uncertainty around the global economy, international trade and the pace of growth in the countries and industries in which the Group's existing and prospective customers and suppliers operate may negatively affect the level of demand for the Group's products and services. A reduced demand for the Group's products and services will reduce the Group's revenue and profitability.

→ A significant portion of the Group's revenue comes from a small number of large customers

The Group is dependent on a relatively small number of large customers for a significant portion of its revenue. For the year ended 31 December 2023, the Group's ten largest customers represented 28.5% (2022: 29.9%) of the Group's revenue, with the single largest customer representing 5.9% (2022: 9.8%) of the Group's revenue. If one or more of these customers choose to source the products or services supplied by the Group from an alternative vendor the effect on revenue, and therefore profitability, could be material.

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

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

These products include some key electronic components which are subject to shortage of supply from time to time. There is a risk that some of the Group's products could not be manufactured if there is a disruption to that supply, therefore customer orders could be delayed or cancelled, which could result in a reduction in revenue and profits in the Group. Revenue for these products is reported in the Group's Printhead Solutions segment and for the year ended 31 December 2023, revenue from external customers for that segment was €11.29 million (2022: €8.66 million), which is equal to 23.51% (2022: 18.55%) of the Group's total revenue.

→ Certain contractual arrangements with customers contain extended payment terms which lead to an increased credit risk on such customers

The Group sells its products and services to a range of established customers and generally takes payments in advance for the sale of physical goods in the Printhead Solutions segment, thus minimising the credit risk. In the Printing Software and Enterprise Software segments, certain licensing arrangements allow payments to be made over an extended period of time, up to five years in some instances. These extended payment terms increase the credit risk and the chance that the Group may not be paid. During the year ended 31 December 2023, €3.11 million (2022: €3.86 million) of revenue was recognised in respect of a licensing arrangement that includes extended payment terms of up to five years. To date, for licensing arrangements where revenue has been recognised in previous years, all contractually due payments have been received in accordance with the contractual terms.

The current economic uncertainty has increased the likelihood of the materialisation of such risk, as the liquidity position of certain customers could be affected by the consequences of a downward economy and the payment behaviour of certain customers could change.

Risks related to the Group's business activities and industry

→ The Group is dependent on the graphic arts and digital printing industries

The Group derives all of its revenues from products and services provided to the graphic arts and digital printing industries. Accordingly, the Group's future success significantly depends upon the continued demand for its products within such industries.

The Board believes that an important factor to consider is the substantial change in the graphic arts and digital printing industries, as evidenced by sustained growth in digital printing and low growth in conventional printing. The shift in inkjet printing technology opens up opportunities to the Group when manufacturers develop new products.

If this environment of change were to slow, the Group could experience reduced demand for its products which could have a material adverse effect on its operational results.

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

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

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

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

38.8% of the Group's revenue for the year ending 31 December 2023 (2022: 38.9%) was generated by customers that are original equipment manufacturers ("OEMs"), such as industrial inkjet press manufacturers, who embed the Group's software in their own products that they sell to end-users.

Although HYBRID Software does have a limited amount of OEM customers who manufacture products for package printing, most of its customers are end-users (representing 98.8% of its revenue (2022: 96.1%)), i.e., companies that create packaging files and packaging converting companies. Those companies purchase, in addition to the software of HYBRID Software, the systems and equipment from OEMs including those who are customers of the Group. As a result of the HYBRID Software acquisition, the Group directly serves certain clients of its own clients.

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

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

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

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

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

→ Recruitment and retention of key personnel

An important part of the Group's future success depends on the continued service and availability of the Group's senior management, including its Chief Executive Officer and other members of the executive team. These individuals have acquired specialised knowledge and skills with respect to the Group. The loss of any of these individuals could harm the Group's business.

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

Legal and regulatory risk

→ Failure to adequately protect the Group's intellectual property could substantially harm its business and operating results

The Group's success is heavily dependent upon its proprietary technology. To protect its proprietary rights, the Group relies on a combination of patent, copyright, trade secret and trademark laws, as well as the early implementation and enforcement of non-disclosure and other contractual restrictions. As part of its confidentiality procedures, the Group enters into written non-disclosure agreements with its employees, prospective customers, OEMs and strategic partners and takes steps to limit access to, and distribution of, its software, intellectual property and other proprietary information.

Despite these efforts, if such agreements are not made on a timely basis, complied with or enforced, the Group may be unable to effectively protect its proprietary rights and the enforcement of its proprietary rights may be cost-prohibitive. Unauthorised parties may attempt to copy or otherwise obtain, distribute, or use the Group's products or technology. Monitoring unauthorised use of the Group's software products is difficult. Management cannot be certain that steps taken to prevent unauthorised use of the Group's proprietary technology, particularly in countries where the laws may not protect proprietary rights as fully as in the UK, the EU or the United States, will be effective.

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

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

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

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

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

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

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

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

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

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

Internal control risk

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

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

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

Key Performance Indicators

The Board monitors progress on the overall Group strategy and the individual strategic elements by reference to financial KPIs; specifically revenue, gross margin, operating expenses, adjusted operating profit, EBITDA* and cash. These KPIs have been addressed in more detail in the Business review and future developments section above.

Section 172(1)

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

It is a core duty of the Directors to promote the success of the company. To do so the Directors consider the main issues and stakeholders when making significant decisions. The Company has never paid a dividend, thus shareholders are invested for capital growth and due to the nature of the business, employees are critical to the success of the Group's products. The CEO and CFO communicate regularly with analysts and shareholders are encouraged to participate in an annual meeting.

Engagement with employees is two-way to ensure that employees are kept well-informed about the business and valuable feedback is received to ensure continuation of being a trusted employer. Initiatives to ensure the well-being of employees and their dependents are regularly reviewed and enhanced.

Considering the capital growth aims of shareholders, the Directors are focused on growing the revenue and product portfolio to ensure that the Group continues to grow, whilst remaining profitable, with the continuing move to digital printing and manufacturing in the marketplace. This is done by development of new products, for example ScreenPro™, PrintFlat™ and SmartDFE in recent years and by strategic acquisitions such as Meteor, Xitron, HYBRID Software, ColorLogic and iC3D.

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

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

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

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

The Directors consider the impact of the Company's operations on the environment and consider how it can reduce any negative impact it might have. The Company's technology and products enable its customers to produce more efficient and less resource-consuming products and services, thus saving energy and raw materials and the Company participates in a program to offset the carbon footprint of all its employees, in both their personal and work lives. For more information see page 54.

For the EBITDA calculation see page 45

Environmental matters

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

The Group's business is to develop and market software solutions for printing and electronics for inkjet printing in particular. As a result, management believes the Group has no activities that are likely to have significant, detrimental effects on the environment. In fact, an application of some of the Group's products is to limit ink use when printing and inkjet printing is inherently more sustainable than analogue printing: generating less waste in all aspects of production. The Group has shown leadership in the industry, advertising its commitment to Net Zero, and reiterating the strategic importance of sustainability issues at industry conferences.

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

The Group is implementing policies to reduce Scope 1 and Scope 2 footprint such as sourcing renewable energy and prioritising low-carbon forms of travel and is talking with supply chains to measure and push down on Scope 3 carbon footprint. Since 2021, through a partnership with Ecologi, the Group now offsets the carbon footprint of all Group employees, whether from personal activities at home or from Scope 1 and Scope 2 activities at work. Ecologi facilitates the funding of carbon-offset projects and tree planting around the world, to generate high-quality carbon offsets. Since this partnership with Ecologi started, the Group has achieved an offset of over 5,100 tonnes of CO2e and funded over 66,000 trees, which have contributed to 33 environmental projects across the globe.

Ecologi partnership

Since 2021, through a partnership with Ecologi, the Group now offsets the carbon footprint of all Group employees, whether from personal activities at home or from (Scope 1 and Scope 2) activities at work. Ecologi facilitates the funding of carbon offset projects and tree planting around the world, to generate high quality carbon offsets. Since this partnership with Ecologi started, the Group has achieved an offset of over 5000 tonnes of CO2e and funded over 66,000 trees, which have contributed to 33 environmental projects across the globe.

66,850 trees planted

33 projects funded

5,168 tCO2e avoided

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

Other employee events to encourage sustainability included hosting vegan lunches with invited speakers to discuss environment issues, a green commute to work scheme, and litter-picking around local streets.

"As a Board we are very aware of our responsibilities towards the environment and to our employees. Driving sustainability goals through the business is not only the right thing to do for future generations but it makes good business sense too. For instance, in many of our key growth markets, such as packaging and textiles, environmental factors are influencing how those markets develop. Improving our environmental credentials shows our commitment to the expansion of these markets as they continue to transition towards digital production."

Guido Van der Schueren - Executive Chairman

The Meteor Inkjet team rolled up their sleeves to collect more than 16kg of litter in their community. ↓

Social and community

Staff are encouraged to participate in charitable and community activities. The Group contributes to employee-led fundraising activities for local and national charities and staff are permitted to take paid time off to participate in charitable activities. Activities supported this year included Movember (focusing on men's health issues), the BBC's Children-in-Need Day and Save the Children's Christmas Jumper Day.

Donations

Donations to charities amounted to €19,375 (2022: €13,975) during the year. The Group operates a peer-to-peer recognition system which allows UK employees to nominate awards to colleagues for their outstanding performance. Some operating divisions also issues employee of the quarter awards.

Human rights

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

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Employee matters

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

Employment policies

The Group gives full and fair consideration to applications for employment from all persons where the candidate's aptitudes and abilities meet the requirements of the job. In the event of any staff becoming disabled while employed by the Group, every effort is made to ensure that their employment by the Group continues and that appropriate adjustments are made to their work environment. The Group provides long-term health insurance for all staff if they are unable to work due to illness or disability whilst in employment.

As a responsible employer, the Group provides modern and professional working environments in all locations. Compliant with all relevant human resources and health and safety regulations, the Group strives to offer competitive employment packages with opportunities for personal and professional development. Staff surveys are carried out with follow-up action plans alongside an internal communications programme to provide regular updates on performance.

Diversity

The Group does not discriminate on the grounds of age, race, sex, sexual orientation or disability. It has a clear and transparent recruitment process with annual appraisals to provide feedback on staff performance and to create individual objectives.

The table below shows the number of persons of each sex who were directors, management and employees of the Group as at 31 December 2023.

Company level	Number of females	Number of males	Total
Board	1	4	5
Management	3	29	32
Employees	36	204	240
Total Group	**40**	**237**	**277**

By order of the Board,
Mike Rottenborn
Chief Executive Officer

Michael A. Rottenborn

Employees from Global Graphics Software enjoyed an autumn lunchtime walk around the Cambourne Nature Reserve with The Wildlife Trust for Bedfordshire, Cambridgeshire & Northamptonshire, Global Graphics Software's featured charity for 2023.

The Xitron family gathered in September 2023 to celebrate and say "Bon Voyage" to Pat French, who retired following a stellar 25-year run at Xitron. Pat enjoyed success as National Sales Manager, VP of Sales, and VP of Business Development – serving countless customers both in the USA and abroad. Pat's impressive career in the printing industry spanned more than 40 years, including sales and management positions with Itek, Varityper, Purup Eskofot, and Taussigs Graphic Supplies.

In September, employees gathered to celebrate Mike Williams, Pekka Pirinen and Jian Peng each achieving an incredible milestone of 30 years' service with Global Graphics Software. Managing director, Justin Bailey, also achieved 10 years' service.

Hybrid Software Group team sharing great moments during the tour and dinner at Grimbergen Abbey in Belgium.

The Latin America HYBRID Software team, along with Pascal Wybo, Product Manager of PACKZ and STEPZ PDF editors, hosted the first PACKZ Operator Days in the region. The company values such events, as it is a great opportunity to connect in person and receive feedback directly from our customers.

GOVERNANCE

The Board of Directors of Hybrid Software Group believes in strong corporate governance and transparency, with open, clear, and frequent communications to our shareholders.

Board of directors

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

Guido Van der Schueren

→ Executive Chairman

Guido Van der Schueren has been Chairman of the Board since 2014 and has close to 50 years of experience in the graphic arts industry. In 1992 he co-founded Artwork Systems and from 1996 to 2007 served as Managing Director and Chairman of the Board of Artwork Systems Company. He served as Vice Chairman of the EskoArtwork Company from June 2007 until April 2011. He runs Powergraph, an investment company mainly active in graphic arts software and technology. He is also the Chairman of Congra Software, the holding company which owns a majority stake in Hybrid Software Group PLC.

Mike Rottenborn

→ Chief Executive Officer

Mike Rottenborn took up the position of Chief Executive Officer in January 2020. He was formerly the President and CEO of HYBRID Software Inc., which he founded in 2007. He has spent more than 34 years working in the graphic arts industry and began his career as an electrical engineer with DuPont Printing & Publishing. After DuPont, he joined PCC Artwork Systems to focus on prepress workflow software for packaging and commercial printing customers. He received his Bachelor of Science degree in Electrical Engineering from Virginia Tech and his Master of Science degree in Computer Science from Villanova University.

Joachim Van Hemelen

→ Chief Financial Officer

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

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

Clare Findlay

→ Non-executive Director

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

Luc De Vos

→ Non-executive Director

Luc De Vos was appointed an independent non-executive director in February 2021. An engineer by training, Luc is credited with championing the early implementations of the internet in Europe and was the founding father of the first sizeable pan-European Internet Service Provider. A notable business angel during the nineties' new media and internet boom, he was a key player in KPNQwest, Stepstone, and Starlab and more recently, CarsOnTheWeb (now ADESA Europe).

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

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2023.

Hybrid Software Group PLC (formerly Global Graphics PLC) is a public limited-liability company registered in England and Wales with its shares traded on Euronext Brussels under stock code HYSG. As analogue printing markets are converting to digital production, Hybrid Software Group is the only vertically integrated supplier to this market, supplying products and technology to both manufacturers of digital printing equipment and to manufacturers of packaging and other printed goods who operate them.

Directors

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

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

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

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

Guido Van der Schueren	Executive Chairman
Michael Rottenborn	Chief Executive Officer
Joachim Van Hemelen	Chief Financial Officer
Clare Findlay	Non-executive Director
Luc De Vos	Non-executive Director

The Company maintains director and officers' liability insurance.

Shareholdings

Ordinary shares are entitled to one vote each in any circumstance. Each share is entitled pari passu to dividend payments or any distribution. The shares are not redeemable and there are no transfer restrictions on the shares.

Subject to the Company's Articles, but without prejudice to the rights attached to any existing ordinary share, the Company may issue shares with such rights or restrictions as may be determined by ordinary resolution.

The breakdown of the Company's issued share capital as at 31 December 2023 was:

	Number of ordinary shares	% of issued share capital
Congra Software S.à r.l. ***	26,940,166	81.86%
Christian Friberg	381,732	1.16%
Company-owned shares	58,584	0.18%
Free float	5,529,255	16.80%
Total	**32,909,737**	**100.00%**

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

Investment in own shares

The Company holds some of its own shares in treasury to meet its obligations arising from the Group's employee share programmes (see note 23 and 29 to the consolidated financial statements).

The total number of shares held in treasury at 31 December 2023 was 58,584 (2022: 58,996). Further information can be found in note 23 to the consolidated financial statements.

During the year, the Company disposed of 19,000 treasury shares (2022: 15,000), transferred to employees to satisfy the Company's obligations under share schemes.

Corporate governance

Details of the Group's corporate governance can be found in the Corporate governance report on page 70.

Political contributions

The Group made no political contributions during the year (2022: €nil).

Dividends

The Directors do not recommend the payment of a dividend (2022: €nil).

Research and development

The Group spent €13.15 million (2022: €13.49 million) on research and development during the year. Under IAS 38 Intangible Assets, €3.82 million (2022: €4.0 million) of research and development was capitalised and €2.43 million (2022: €1.98 million) of capitalised research and development was amortised. There was no impairment of capitalised research and development during the year (2022: €nil). The net effect of capitalisation, amortisation and impairment on profit in the year was a decrease in expense of €1.39million (2022: €2.02 million decrease in expense).

Post balance sheet events

Details of post balance sheet events are detailed in note 35 to the consolidated financial statements.

Financial risk management

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

Streamlined Energy and Carbon Reporting (SECR)

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

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

		2023	2022
Energy used (kwh)			
Electricity (scope 2)		379,631	364,332
Gas (scope 1)		259,515	191,969
Fuel (scope 1)		938,438	946,099
Total energy used (kwh)		**1,577,584**	**1,502,400**
United Kingdom		228,781	242,120
Rest of the world		1,348,803	1,260,280
Total energy used (kwh)		**1,577,584**	**1,502,400**
GHG emissions (CO2e tonnes)			
Electricity (scope 2)		84.9	98.9
Gas (scope 1)		44.2	34.8
Fuel (scope 1)		224.4	242.5
Total GHG emissions (CO2e tonnes)	**(a)**	**353.5**	**376.2**
United Kingdom		47.3	46.6
Rest of the world		306.2	329.6
Total GHG emissions (CO2e tonnes)		**353.5**	**376.2**
Intensity ratio			
Average number of employees		**277**	**289**
GHG emissions per employee (CO2e kilogram)		**1,276**	**1,301**
Effect of the carbon offset program with Ecologi (CO2e tonnes)	(b)	**(1,669.6)**	**(2,751.0)**
Net GHG offset (CO2e tonnes)	**(a+b)**	**(1,316.1)**	**(2,374.8)**

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

There has been a continuation of the existing strategy to reduce the physical number of computers to consolidate into more efficient servers where possible. A senior manager has been appointed to head up and implement group-wide sustainability initiatives, including to reduce energy consumption across the Group's offices.

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

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

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

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework. In addition, the Group financial statements are required to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards and IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

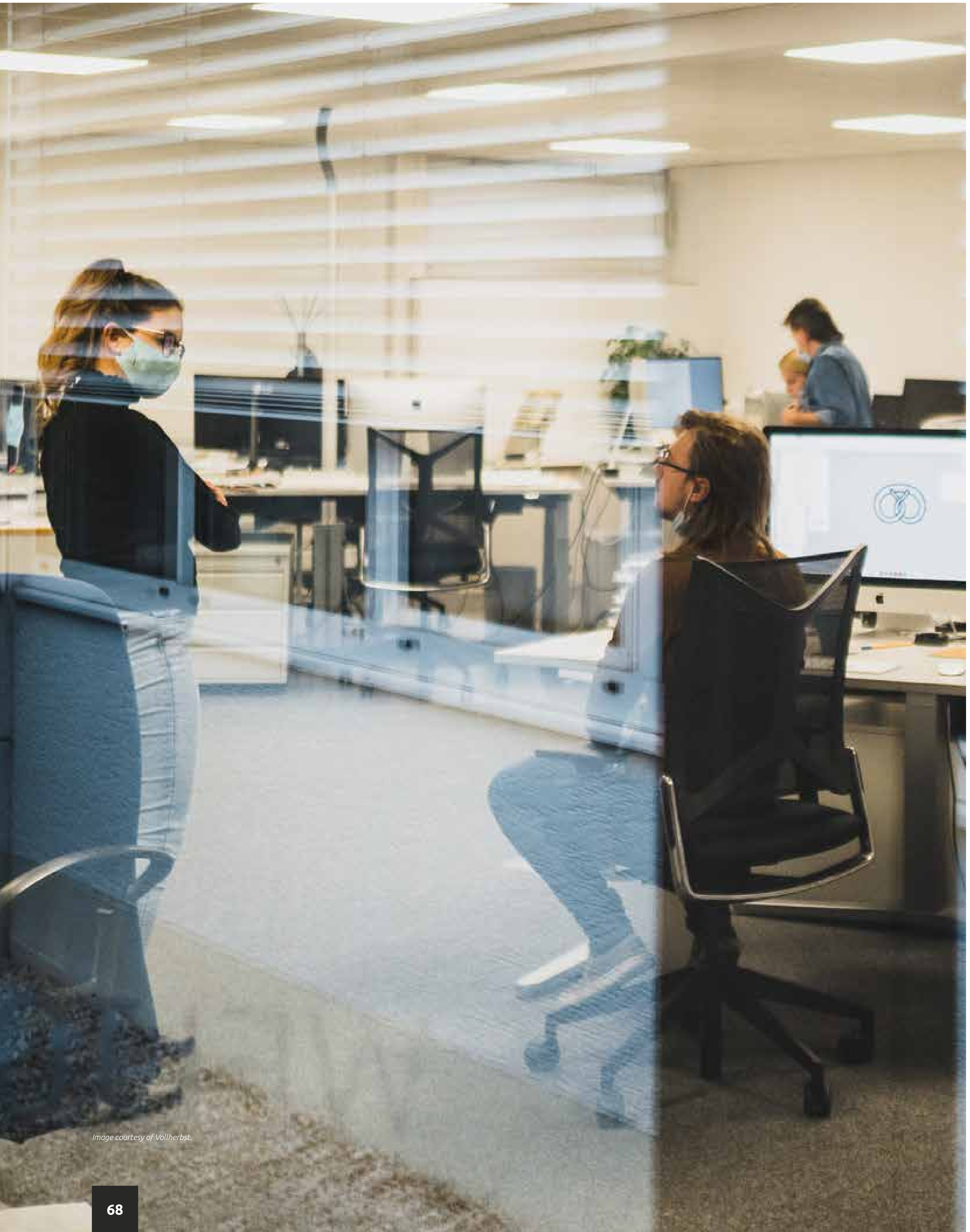


Image courtesy of Vollherbst.

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

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

Responsibility statements under the disclosure and transparency rules

We confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditor

The Directors confirm that:

- so far as each director is aware there is no relevant audit information of which the Company's Auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

PKF Littlejohn LLP were appointed during the year as auditor of the company.

By order of the Board,
Michael Rottenborn, Director
2030 Cambourne Business Park
Cambourne
Cambridge
CB23 6DW
21 March 2024

Michael A. Rottenborn

Corporate governance report

The content of this report is unaudited.

The Financial Conduct Authority's Listing Rules ("the Listing Rules") require that listed companies (but not companies traded on an overseas EU market) incorporated in the UK should state in their report and accounts whether they comply with the UK Corporate Governance Code ("the Code") and identify and give reasons for any area of non-compliance. The Company is listed on Euronext Brussels and therefore is not required to comply with the Listing Rules or the Code, however, several voluntary disclosures have been given. The Board supports the principles and aims of the Code and intends to ensure that the Group observes the provisions of the Code as it grows, as far as is practical. However, the Board considers that at this stage in the Group's development the expense of full compliance with the Code is not appropriate.

Directors and Board

The Board comprises two executive directors, an executive chairman and two non-executive directors. The Board considers that the non-executive directors are independent. See page 62 for further details about the Board of Directors.

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

Board committees

Audit and remuneration committees provide additional review and scrutiny of the Group's activities.

Relations with shareholders

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

Internal financial control

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

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

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

All significant projects require specific Board approval.

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

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements and have no reason to believe that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern, notably because of a cash position of €7.08 million as at 31 December 2023 (2022: €6.32 million). Those forecasts take into account reasonably possible downsides, including the potential impact for increased costs of inflation. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

Audit committee report

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

Luc De Vos
Non-executive Director

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

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

As announced on 27 September 2023, the Company has changed auditors and has appointed PKF Littlejohn LLP ("PKF") as the Group's auditor for the year ending 31 December 2023 following a competitive tender process.

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

Additionally, the Committee will:

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

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

Luc De Vos
Chair of the Audit Committee

Directors' remuneration report

This report, prepared by the Remuneration Committee (the "Committee"), is on the activities of the Board in respect of the remuneration of directors for the year ending 31 December 2023. It sets out the remuneration policy and remuneration details for the executive and non-executive directors of the Group. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations").

Clare Findlay
Non-executive Director

The members of the Committee are the independent, non-executive directors, Clare Findlay (Chair of the Committee) and Luc De Vos.

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

The policy report will be subject to a binding shareholder vote at the 2024 Annual General Meeting and the policy will take effect for the financial year beginning on 1 January 2024. The annual report on remuneration provides details on remuneration in the period and some other information required by the Regulations. It will be subject to an advisory shareholder vote at the 2024 Annual General Meeting.

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

The chair's annual statement

The information provided in this part of the Directors' remuneration report is not subject to audit.

The remuneration committee reviewed the current level of Board fees and salaries payable to the chairman, the CEO and CFO.

Annual report on remuneration

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

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

For the year ended 31 December 2023:

In euros	Salary and fees	Benefits	Bonus	LTIP	Pension	Total	Total fixed	Total variable
Executive directors								
Guido Van der Schueren[1]	459,744	66,567	45,000	-	1,392	**572,703**	527,703	45,000
Michael Rottenborn, CEO	274,264	17,291	45,000	-	9,126	**345,681**	300,681	45,000
Joachim Van Hemelen, CFO	270,151	-	33,750	-	-	**303,901**	270,151	33,750
Total executive directors	**1,004,159**	**83,858**	**123,750**	**-**	**10,518**	**1,222,285**	**1,098,535**	**123,750**
Non-executive directors								
Clare Findlay	25,426	-	-	-	-	**25,426**	25,426	-
Luc De Vos	20,000	-	-	-	-	**20,000**	20,000	-
Total non-executive directors	**45,426**	**-**	**-**	**-**	**-**	**45,426**	**45,426**	**-**
Total directors	**1,049,585**	**83,858**	**123,750**	**-**	**10,518**	**1,267,711**	**1,143,961**	**123,750**

For the year ended 31 December 2022:

In euros	Salary and fees	Benefits	Bonus	LTIP	Pension	Total	Total fixed	Total variable
Executive directors								
Guido Van der Schueren[2]	469,681	24,000	50,000	-	1,850	**545,531**	495,531	50,000
Michael Rottenborn, CEO	285,736	13,732	50,000	-	8,700	**358,168**	308,168	50,000
Joachim Van Hemelen, CFO[3]	82,133	-	40,000		-	**122,133**	82,133	40,000
Graeme Huttley, CFO[4]	123,439	6,129	-	-	27,619	**157,187**	157,187	-
Total executive directors	**960,989**	**43,861**	**160,000**	**-**	**38,169**	**1,183,019**	**1,043,019**	**140,000**
Non-executive directors								
Clare Findlay	21,605	-	-	-	-	**21,605**	21,605	-
Luc De Vos	20,000	-	-	-	-	**20,000**	20,000	-
Total non-executive directors	**41,605**	**-**	**-**	**-**	**-**	**41,605**	**41,605**	**-**
Total directors	**1,002,594**	**43,861**	**160,000**	**-**	**38,169**	**1,224,624**	**1,084,624**	**140,000**

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

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

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

→ up to 40% for achieving the Board approved group adjusted operating profit target,

→ up to 40% for achieving the Board approved group's components adjusted operating profit targets, and

→ up to 20% for achieving specific KPIs as agreed and signed off by the Remuneration Committee.

Payments are made after approval by the Board. Whilst the Board approved targets for the year were not achieved, the remuneration committee has approved the bonus amounts in the table above due to achieving individual objectives.

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

Contributions totalling €11,000 (2022: €38,000) were made to the personal pension schemes of two (2022: three) of the directors in accordance with their employment contracts. The Group operates a defined contribution scheme where contributions are calculated as a percentage of gross salary. There are no defined benefit schemes.

→ Scheme interests awarded during the financial year

There were no share-based awards during the year and there are no outstanding share options as at 31 December 2023.

The aggregate amount of gains made by directors on the exercise of share options during the year was €nil (2022: €nil).

→ Directors and their interests in shares of the Company

The directors held the following interests in the shares of Hybrid Software Group PLC as at 31 December 2023:

	Guido Van der Schueren *	Michael Rottenborn **	Joachim Van Hemelen ***	Clare Findlay	Luc De Vos
Shares beneficially owned	26,940,166	2,475	-	100	5,000
Total interest in shares	**26,940,166**	**2,475**	**-**	**100**	**5,000**

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

In thousands of euros	2023	2022
Matching shares awarded for participating in the Share Incentive Plan	-	-
Total	**-**	**-**

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

*** Michael Rottenborn is also a shareholder of Congra Software S.à r.l., he owns approximately 0.47% of the shares of Congra Software S.à. r.l..*

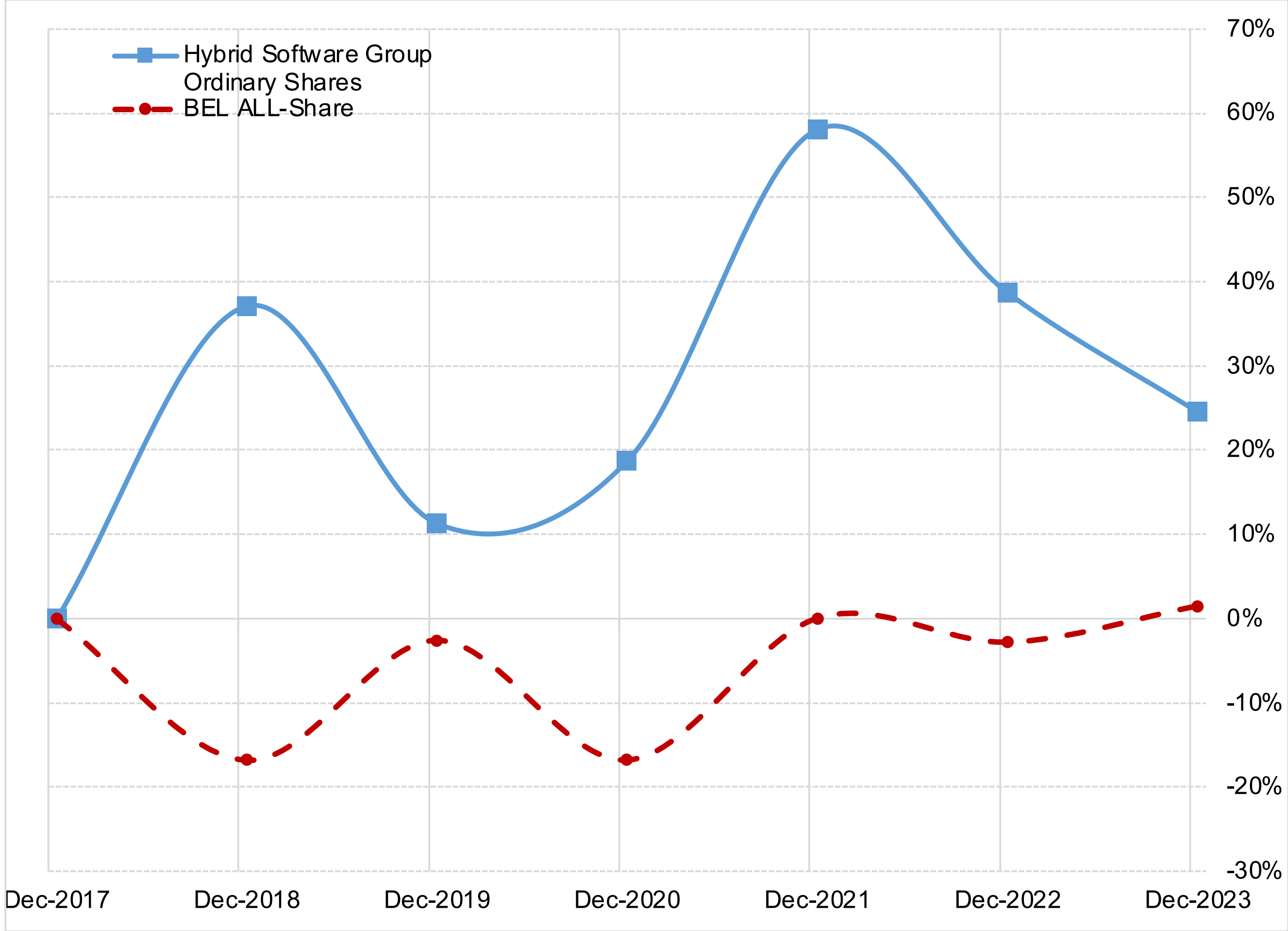
**** Joachim Van Hemelen is also a shareholder of Congra Software S.à r.l., he owns approximately 0.60% of the shares of Congra Software S.à. r.l..*

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

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

Performance graph

The following graph shows the Company's ordinary share price performance compared with the performance of the BEL ALL-SHARE index from 31 December 2017 to 31 December 2023. The BEL ALL-SHARE index has been selected for this comparison because the Company has been a constituent of that index throughout the period. No dividends have been paid by the Company, so total shareholder return is the change in value of the share price.



Over the above six-year period, the Company's share price has increased by 24.5% and the BEL ALL-SHARE index has remained essentially flat.

CEO remuneration table

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

	2019	2020	2021	2022	2023
Total CEO remuneration (in thousands of euros)	523	325	458	358	346
Annual bonus pay-out against maximum opportunity	75%	87.5%	100%	76%	18%
Long term incentive vesting rates against maximum opportunity	n/a	n/a	n/a	n/a	n/a

Percentage change in remuneration of directors

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

	Salary and fees		Benefits		Bonus	
Director	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**
Guido Van der Schueren	0.0%	(2.1%)	0.0%	177.4%	(50.0%)	(10.0%)
Michael Rottenborn[5]	5.0%	(1.2%)	0.0%	29.6%	(50.0%)	(10.0%)
Joachim Van Hemelen[6]	n/a	5.0%	n/a	0.0%	n/a	(15.6%)
Graeme Huttley[7]	5.0%	n/a	0.0%	n/a	n/a	n/a
Clare Findlay[8]	5.0%	20.1%	0.0%	0.0%	0.0%	0.0%
Luc De Vos[9]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
All employees average	3.9%	4.4%	0.0%	0.0%	0.0%	0.0%

For further information with regards to the changes in 2021 and 2022, please refer to the annual report for the relevant financial year.

Relative importance of spend on pay

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

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

In thousands of euros	2023	2022	% change
Staff expenses (see note 12 to the consolidated financial statements)	28,084	27,586	1.8%
Dividends paid to shareholders	-	-	0%

Statement of implementation of remuneration policy in the following financial year

There are no significant changes in the way that the remuneration policy will be implemented in the next financial year compared to how it was implemented during this financial year.

The remuneration policy will be voted upon during the next AGM to be held during 2024.

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

Remuneration policy

The information provided in this part of the Directors' remuneration report is not subject to audit.

The Board determines the Group's policy for employee, executive and non-executive remuneration and the individual remuneration packages for executive directors. In setting the remuneration packages, the Board considers the pay and benefits that are offered to existing Group employees and the salaries, bonuses and benefits available to directors of comparable companies and the continued commitment to the Group through appropriate long-term incentive schemes, such as the award of shares and share options.

The Board did not consult with employees when drawing up the remuneration policy set out in this part of the report and no views about the policy have been expressed by shareholders of the Company to the Board.

→ Remuneration of executive directors

Consistent with this policy, remuneration packages awarded to executive directors include a mix of basic salary and performance related remuneration that is designed to incentivise the director to achieve the Group's strategic objectives. The remuneration packages usually include some or all of the following elements:

- base salary, as agreed by the Board;
- bonus scheme, with performance measured against annually set targets and personal objectives all reviewed and approved by the Board;
- equity, by way of shares and share options;
- other benefits, such as car allowance, company contribution into a personal pension scheme, private medical insurance, life assurance and long-term sickness insurance;
- and recruitment fee, notice period for termination of contract or payments for loss of office.

All of the above elements are negotiable between the Board and the prospective director.

There are no fixed term contracts and each director must resign and be reappointed at each AGM.

In the forthcoming year the above policy will be applied. The bonus payment for the Chairman, CEO and CFO is divided into three elements:

- up to 40% for achieving the Board approved group adjusted operating profit target;
- up to 40% for achieving the Board approved group's components adjusted operating profit targets;
- and up to 20% for achieving specific KPIs as agreed and signed off by the Remuneration Committee.

→ Remuneration of non-executive directors

The fees paid to non-executive directors are determined by the Board. The non-executive directors do not receive any other fixed forms of remuneration or benefits.

Future policy table

The information provided in this part of the Directors' remuneration report is not subject to audit.

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

Salary and fees	
Purpose	Rewards skills and experience and provides the basis for a competitive remuneration package.
Operation	Salaries and fees, including recruitment and loss of office payments, are agreed with the director with reference to the role, the individual's experience, and market practice and market data.
Opportunity	100% of contractual salary and fees are paid for services rendered to the Group.
Performance measures	Reviewed annually and executive directors' salaries are generally increased in line with company-wide pay increases. Exceptional changes are tied to significant changes in the Group or exceptional performance.
Recovery	No provision for recovery or withholding of payments unless breach of contract.

Taxable benefits	
Purpose	Protects against risks and provides other benefits.
Operation	The provision of benefits to executive directors includes private medical cover, life insurance and ill-health income protection.
Opportunity	100% of the premiums due are paid on behalf of the executive director.
Performance measures	There are no performance measures associated with the benefits other than being a current executive director.
Recovery	No provision for recovery or withholding of payments unless breach of contract.

Bonuses	
Purpose	Rewards delivery of the near-term business targets set each year, the individual performance of the executive directors in achieving those targets, and contribution to delivering the Group's strategic objectives.
Operation	Bonuses are agreed in the employment contract with the executive director. The level of bonus payable is determined based on the role, the individual's experience, and market practice and market data.
Opportunity	Generally 50% to 100% of the annual bonus is achievable on meeting the revenue and expense targets as set by the Board. Adjustments can be made to the plan for specific, strategic objectives.
Performance measures	The performance objectives include only financial measures. The financial measures are generally related to revenue and controlling expenses.
Recovery	Payment of annual bonuses is usually withheld until the Group's auditors have cleared the audit and the Board have approved payment of the bonuses.

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

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

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

→ Recruitment remuneration

For the appointment of a new director, the aforementioned components will be included in their remuneration package and negotiated with consideration of the role, their experience and market data. The fees that may be agreed may include sign-on payments to incentivise the director to take the appointment. These sign-on fees will be negotiated taking into consideration the role, their experience and market data.

→ Pay policy for other employees

The Company values its total workforce and aims to provide remuneration packages that are geographically competitive, comply with any local statutory requirements and are applied fairly and equitably across the Group. Where remuneration is not determined by statutory regulation, the following key principles are applied:

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

→ Service contracts

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

All Directors offer themselves for annual re-election at each AGM in accordance with the UK Corporate Governance Code. Service agreements and letters of appointment are available for inspection at the registered office address of the Company

None of the directors are entitled to any specific indemnity which would be due or liable to be due on termination of their appointment.

	Date of contract	Date of appointment	Notice from the Company	Notice from the director	Unexpired term on 31 December 2023
Guido Van der Schueren	4 April 2017	16 May 2014	12 months	12 months	-
Michael Rottenborn	1 January 2020	2 January 2020	12 months	12 months	-
Joachim Van Hemelen	1 January 2021	1 September 2022	12 months	12 months	-
Clare Findlay	1 March 2019	1 March 2019	-	-	14 months
Luc De Vos	4 February 2021	15 February 2021	-	-	37 months

→ Application of the policy

The table below shows the level of remuneration that would be received by the directors in accordance with the directors' remuneration policy.

Euro 000s	Minimum performance	Medium performance	Maximum performance	2023 actual
Guido Van der Schueren	528	592	657	573
Michael Rottenborn	301	354	408	346
Joachim Van Hemelen[10]	270	316	363	304
Clare Findlay	25	25	25	25
Luc De Vos	20	20	20	20

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

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

The report was approved by the Board of directors on 21 March 2024 and signed on its behalf by:

Clare Findlay
Chair of the Remuneration Committee

C. Findlay

[10] appointed with effect from 1 September 2022

Independent auditor's report

PKF Accountants & business advisers

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HYBRID SOFTWARE GROUP PLC

Opinion

We have audited the financial statements of Hybrid Software Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with UK Generally Accepted Accounting Practice ('UK GAAP') and the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK GAAP, including FRS 101 Reduced Disclosure Framework, and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as adopted by the European Union

As explained in note 2 to the group financial statements, the group, in addition to complying with its legal obligation to apply UK-adopted International Accounting Standards, has also applied International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union (EU-endorsed IFRSs).

In our opinion, the group financial statements give a true and fair view of the consolidated financial position of the group as at 31 December 2023 and of its consolidated financial performance and its cash flows for the year then ended in accordance with EU-endorsed IFRSs.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included the following audit procedures:

- Obtaining an understanding of the controls in place around the preparation of the going concern forecast and future plans for the group through discussions with management;
- Obtaining management's assessment for the going concern period to 31 March 2025 and checking the mathematical accuracy of the cash flow forecasts and budgets prepared;
- Comparing budgeted performance for the year ended 31 December 2023 against actual to assess management's historical forecasting accuracy;
- Challenging management where appropriate on the reasonableness of key inputs and assumptions underpinning the going concern model. These challenges included but not limited to:
  - Performing sensitivity analysis on key inputs and assumptions to assess the headroom across the going concern period. Key inputs and assumptions included: (i) sales growth rates, (ii) loss of key customers and (iii) levels of operating expenditure.
  - Assessing management's reverse stress testing performed and corresponding mitigating actions;
  - Assessing the prospective accuracy of management's forecast in 2024 against post year-end bank statements and management financial reports;
- Reviewing the terms of loan facilities within the group to confirm their availability across the forecast period and to ensure compliance with any conditions attached;
- Undertaking a review of subsequent events on matters impacting the going concern assessment; and
- Considering the adequacy of the disclosures and accounting policies in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of audit procedures on the individual financial statement line items and disclosures in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

	Financial statements - group	**Financial statements – parent company**
Overall materiality	€480,000	€400,000
Basis for determining overall materiality	1% of revenue	2% of net assets as constrained by the allocation of overall group materiality
Rationale for the benchmark applied	The group derives the majority of its revenue from software licensing, subscription sales and service contracts. While revenue is not the sole financial metric with which management and stakeholders measure and assess financial performance, the nature of the business activities and operations result in the group being highly revenue-driven. We consider total revenue to be the most appropriate basis for determining overall materiality for the group as it provides users of the financial statements with a more stable measure year-on-year of financial performance, compared to profit before tax which has historically been volatile. On this basis, revenue was determined to be an appropriate basis for determining overall materiality.	We considered the nature of the parent company, being a holding company for the investment activities of the group, and determined that net assets was an appropriate basis for the calculation of the overall materiality given the significant asset base as at 31 December 2023.
Performance materiality	€312,000	€260,000
Basis for determining performance materiality	65% of the group overall materiality	65% of the parent company overall materiality
Rationale for the benchmark applied	In determining the performance materiality, we have considered the following factors: - The level of significant judgements and estimates; - The risk assessment and aggregation of risk and the effectiveness of controls; - The control environment and the group's financial reporting controls and processes; - First year audit engagement; and - The stability of key management personnel.	

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €24,000 for the audit of the consolidated financial statements and €20,000 for the parent company financial statements as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

For each component in the scope of the group audit, we allocated a materiality that was less than the overall group materiality. The range of overall materiality allocated across the components was between €117,000 and €312,000.

Our approach to the audit

In designing our audit approach, we determined materiality and assessed risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgements by the directors, including the recognition of revenue, the impairment of goodwill and other identifiable intangible assets and the capitalisation of development costs. Procedures were then performed to address the risk identified and for the most significant assessed risks of misstatement, the procedures performed are outlined below in the key audit matters section of this report. We re-assessed the risks throughout the audit process and concluded that the scope remained in line with that determined at the planning stage of the audit.

An audit was performed on the financial information of the group's significant operating components which, for the year ended 31 December 2023, were located in the United Kingdom (UK), the United States of America (USA) and Belgium. The audit of the group and parent company financial statements was undertaken by the group audit team based in London, with meetings being held with group management over video-link or in person in Belgium. The component in Belgium was audited by a component auditor operating under our instruction. We communicated regularly with the component audit team during all stages of the audit and we were responsible for the scope and oversight of the audit process. This, in conjunction with additional procedures performed by the group audit team, provided sufficient appropriate audit evidence for our opinion on the group and parent company financial statements.

As a result of our materiality and risk assessments, we determined which components required a full scope audit of their financial information, with consideration of their significance to the group based on their contribution to overall revenue and their risk characteristics. On this basis. we scoped in four components requiring a full scope audit of their financial information for group purposes and three components which were subjected to specified audit procedures due to specific risk characteristics and due to the presence of material classes of transactions and account balances. The remaining components were subjected to analytical procedures at the group level.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Revenue recognition (note 7)	
Under ISA (UK) 240, there is presumption that revenue recognition is a significant fraud risk. The risk is further increased as the group has three revenue streams across all components, being Printing Software, Printhead Solutions and Enterprise Software. Each revenue stream has a unique recognition criterion which is applicable, with contracts containing multiple performance obligations crossing over the year-end. Significant judgement is therefore required of management in relation to the recognition of revenue at a point in time or over time. In addition, the use of different IT systems across material components within the group adds additional risk of misstatement around revenue recognition. A material error in this balance could affect the decision making of users of the financial statements. As a result, there is a risk of fraud or error in revenue recognition due to the potential to inappropriately recognise revenue, and therefore revenue recognition is a key audit matter.	In addition to the procedures required by ISA (UK) 240, our work on this key audit matter included: → Documenting our understanding of the information system and related controls relevant to each material revenue stream; → Evaluating the appropriateness of the information system and the effectiveness of the design and implementation of the related controls; → Substantive transactional testing of income recognised in the financial statements, including deferred and accrued income balances recognised at the year-end. This included selecting a sample of sales from the ledger and vouching to customer order, invoice and delivery information; → Verifying the recognition of revenue through review of supporting information regarding the satisfaction of performance obligations; and → Reviewing revenue contracts active during the current year and particularly around the year end to ensure revenue had been recognised in the correct period and that performance obligations had been met.

<table>
<tr><th>Impairment of goodwill and other identifiable intangible assets (note 16)</th><th></th></tr>
<tr><td>Goodwill on consolidation arises from the acquisitions of multiple subsidiaries acquired throughout the existence of the group as follows at 31 December 2023:
<table>
<tr><td>Cash Generating Unit</td><td>€'000</td></tr>
<tr><td>Global Graphics Software</td><td>6,784</td></tr>
<tr><td>Meteor Inkjet</td><td>2,238</td></tr>
<tr><td>Xitron</td><td>1,793</td></tr>
<tr><td>HYBRID Software</td><td>51,110</td></tr>
<tr><td>ColorLogic</td><td>1,202</td></tr>
</table>
In line with the requirements of IAS 36 Impairment of Assets, goodwill is tested annually for impairment by management for each Cash Generating Unit (CGU) identified. Management determine the recoverable amount of each CGU by calculating a value-in-use (VIU) which is based on financial forecasts for five years to 31 December 2028 and then into perpetuity using a terminal growth rate. Impairment is recognised thereon where the carrying amount of the CGU exceeds the recoverable amount calculated by management.
Significant judgement is required from management in the determination of the carrying amounts of each CGU with respect to the allocation of only those assets and liabilities that can be directly attributed, or assigned on a reasonable and consistent basis, to the CGU and that will generate future cash inflows used in arriving at the VIU of the CGU.
The calculation of the VIU of each CGU is based on significant assumptions and estimations by management. Such key areas of subjectivity and uncertainty include revenue growth rates, gross margins, pre-tax discount rates, terminal growth rates and forecasted cash flows incorporated by management.
Given recent financial performance and the inherent uncertainty and subjectivity of key inputs and assumptions within the impairment assessment, there is a significant risk of material misstatement that the goodwill balances are not recoverable and require impairment. On this basis, we have determined that the carrying value of goodwill as at 31 December 2023 is a key audit matter. </td>
<td>Our work in this key audit matter included the following:

→ Understanding the design and implementation of the group's controls over the impairment assessment process;

→ Evaluating the appropriateness of management's identification of the Group's CGUs in line with the requirements of IAS 36;

→ Challenging management on the appropriateness of the impairment models and the reasonableness of the assumptions used through performance of the following:

- Reviewing the group's key market-related assumptions in the impairment models, including discount rates, long-term growth rates and cash flows against external data;

- Assessing the reliability of management's forecasts by comparing historical budgets against actual performance;

- Testing the mathematical accuracy of management's impairment models;

- Performing a range of sensitivity analysis on key assumptions;

- Obtaining an understanding of the commercial viability of projects and assets;

- Using a PKF internal valuation specialist to test the appropriateness of the key inputs and assumptions within the determination of the discount rates for each CGU; and

→ Assessing the disclosures made in the financial statements for their adequacy and appropriateness.</td></tr>
</table>

Capitalisation of development costs (note 15)	
Software development costs are recorded as assets on the balance sheet as and when they meet the criteria to be capitalised in line with IAS 38 Intangible Assets. During the financial year a total of €3.8m of internally developed research and development costs were capitalised to Intangible assets. The capitalisation of costs has a material impact on the group's profitability. Management exercises significant judgement in determining whether projects, and subsequently development costs, meet the qualifying criteria set out under IAS 38. Incorrect application of the accounting standard and qualifying criteria by management could result in a material misstatement and significantly impact the user's view of the group's performance and financial statements. On this basis, we have determined the capitalisation of development costs as a key audit matter.	Our work in respect of this key audit matter included the following: → Obtaining an understanding of the group's process for capitalising development costs, including the criteria used to determine whether development costs meet the definition of an internally generated intangible asset under IAS 38. This included the group's procedures for identifying, measuring and recording development costs; → Substantively testing the accuracy and classification of a sample of employee and contractor time capitalised as internally generated development costs by vouching to the timesheets and pay rates and ensuring the project met the criteria for capitalisation as per IAS 38; and → Reviewing the associated disclosures in the financial statements and assessing the appropriateness of such disclosures.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

→ the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

→ the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

→ adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

→ the parent company financial statements are not in agreement with the accounting records and returns; or

→ certain disclosures of directors' remuneration specified by law are not made; or

→ we have not received all the information and explanations we require for our audit.

European Single Electronic Format (ESEF)

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

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

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

In our opinion, based on our work performed, the format and the tagging of information in the digital consolidated financial statements as per 31 December 2023, complies in all material respects, with the ESEF requirements under the EU Delegated Regulation.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

→ We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and experience of the sector.

→ We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:

- The Companies Act 2006;
- UK-adopted International Accounting Standards;
- EU-endorsed International Financial Reporting Standards (EU-endorsed IFRSs)
- United Kingdom Generally Accepted Accounting Practice (UK GAAP);
- The UK Corporate Governance Code;
- General Data Protection Regulation;
- The Bribery Act 2010;
- Serious Organised Crime and Police Act 2005;
- Proceeds of Crime Act 2002;
- Euronext Listing Rules;
- UK tax legislation; and
- Tax legislation applicable in other jurisdictions.

→ We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:

- Making enquiries of management;
- Reviewing Board minutes;
- Reviewing legal expenditure nominal ledger accounts; and
- Reviewing Regulatory News Services announcements.

→ We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to revenue recognition, the impairment of goodwill and other intangible assets and the capitalisation of development costs. We addressed this by challenging the assumptions and judgements made by management when auditing these significant accounting estimates. Please refer to the Key audit matters section of our report for further information.

→ As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

→ As part of the group audit, we have communicated with the component auditor the risks associated with the components of the group, including the risk of fraud as a result of management override of controls. To ensure that this has been completed, we reviewed the component auditor working papers in this area and obtained responses to our group instructions from the component auditors.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Joseph Archer

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

21 March 2024

15 Westferry Circus
Canary Wharf
London E14 4HD

FINANCIAL STATEMENTS

The following pages contain the detailed audited financial statements for Hybrid Software Group PLC and its subsidiary companies.

Consolidated statement of comprehensive income

In thousands of euros	Note	For the year ended 31 December 2023	2022 Restated
Continuing operations			
Revenue	7	**48,043**	**46,693**
Cost of sales		**(8,671)**	**(7,388)**
Gross profit		**39,372**	**39,305**
Selling, general and administrative expenses		**(27,569)**	**(26,841)**
Research and development expenses		**(13,149)**	**(13,488)**
Other operating expenses	8	**(11)**	**(3)**
Other income	9	**196**	**3,301**
Operating (loss)/profit		**(1,161)**	**2,274**
Finance income	13	**174**	**43**
Finance expenses	13	**(414)**	**(424)**
Net finance expenses		**(240)**	**(381)**
Foreign currency exchange losses		**(266)**	**(58)**
(Loss)/Profit before tax		**(1,667)**	**1,835**
Tax credit/(charge)	18	**2,986**	**(772)**
Profit from continuing operations		**1,319**	**1,063**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		**241**	**(282)**
Other comprehensive income/(loss) for the year		**241**	**(282)**
Total comprehensive income attributable to equity holders		**1,560**	**781**
Earnings per ordinary share			
Basic earnings per share (euro)	28	**0.04**	**0.03**
Diluted earnings per share (euro)	28	**0.04**	**0.03**

The notes on pages 98 to 141 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

In thousands of euros	Note	For the year ended 31 December 2023	2022 Restated	1 January 2022 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	14	**1,547**	**1,702**	**1,662**
Right-of-use assets	24	**2,201**	**2,912**	**3,606**
Other intangible assets	15	**40,607**	**43,959**	**45,205**
Goodwill	16	**63,127**	**63,085**	**61,836**
Financial assets	17	**947**	**955**	**935**
Deferred tax assets	18	**1,633**	**2,069**	**2,236**
Trade and other receivables due after more than one year	7, 20	**22**	**37**	**215**
Contract assets due after more than one year	7	**4,408**	**3,664**	**3,467**
Other assets due after more than one year		**18**	**17**	**-**
Total non-current assets		**114,510**	**118,400**	**119,162**
Current assets				
Inventories	19	**3,912**	**3,913**	**2,308**
Current tax assets		**174**	**-**	**71**
Trade and other receivables	7, 20	**5,409**	**6,173**	**7,200**
Contract assets	7	**4,185**	**4,720**	**3,715**
Other current assets	21	**375**	**425**	**297**
Prepayments		**1,827**	**1,611**	**1,684**
Cash and cash equivalents	22	**7,079**	**6,317**	**9,234**
Total current assets		**22,961**	**23,159**	**24,509**
TOTAL ASSETS		**137,471**	**141,559**	**143,671**
EQUITY AND LIABILITIES				
Equity attributable to owners of the Parent				
Share capital	23	**13,164**	**13,164**	**13,164**
Share premium	23	**1,979**	**1,979**	**1,979**
Merger reserve	23	**67,015**	**67,015**	**67,015**
Treasury shares	23	**(179)**	**(161)**	**(202)**
Retained earnings		**40,638**	**39,373**	**38,387**
Foreign currency translation reserve		**(10,670)**	**(10,911)**	**(10,629)**
Total equity		**111,947**	**110,459**	**109,714**
Non-current liabilities				
Deferred tax liabilities	18	**2,401**	**6,296**	**7,041**
Lease liabilities	24	**1,777**	**2,560**	**3,060**
Retirement benefit obligations		**982**	**797**	**837**
Accrued liabilities		**52**	**350**	**479**
Loans & borrowings	26	**7,800**	**8,000**	**5,600**
Other liabilities	25	**352**	**1,031**	**1,807**
Contract liabilities	7, 27	**477**	**44**	**427**
Total non-current liabilities		**13,841**	**19,078**	**19,251**
Current liabilities				
Current tax liabilities		**506**	**1,366**	**821**
Trade and other payables		**3,502**	**2,919**	**1,931**
Lease liabilities	24	**824**	**834**	**761**
Accrued liabilities		**1,940**	**2,287**	**4,261**
Loans & borrowings	26	**-**	**93**	**2,800**
Other liabilities	25	**543**	**688**	**967**
Contract liabilities	7,27	**4,368**	**3,835**	**3,165**
Total current liabilities		**11,683**	**12,022**	**14,706**
Total liabilities		**25,524**	**31,100**	**33,957**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**137,471**	**141,559**	**143,671**

The notes on pages 98 to 141 are an integral part of these consolidated financial statements.

These financial statements on pages 94 to 97 were approved and authorised for issue by the Board of Directors on 21 March 2024 and were signed on its behalf by:

Michael Rottenborn
Director
Company registered number: 10872426

Michael A. Rottenborn

Consolidated statement of changes in equity

In thousands of euros	Note	Share capital	Share premium	Merger reserve	Treasury shares	Retained earnings	Foreign currency translation reserve	Total equity
Balance at 31 December 2021 as previously reported		**13,164**	**1,979**	**67,015**	**(202)**	**38,624**	**(10,629)**	**109,951**
Prior year adjustment	36	-	-	-	-	(237)	-	(237)
Balance at 31 December 2021 as restated		**13,164**	**1,979**	**67,015**	**(202)**	**38,387**	**(10,629)**	**109,714**
Total comprehensive income for the year								
Net profit for the year as previously reported		-	-	-	-	1,300	-	1,300
Foreign currency translation differences		-	-	-	-	-	(282)	(282)
Total comprehensive income for the year as previously reported		**-**	**-**	**-**	**-**	**1,300**	**(282)**	**1,018**
Prior year adjustment	36	-	-	-	-	(237)	-	(237)
Total comprehensive income for the year as restated		**-**	**-**	**-**	**-**	**1,063**	**(282)**	**781**
Transactions with owners								
Share-based payment transactions	24,29	-	-	-	41	(41)	-	-
Acquisition – newly issued shares	24,33	-	-	-	-	(36)	-	(36)
Total transactions with owners		**-**	**-**	**-**	**41**	**(77)**	**-**	**(36)**
Balance at 31 December 2022 as restated		**13,164**	**1,979**	**67,015**	**(161)**	**39,373**	**(10,911)**	**110,459**
Total comprehensive income for the year								
Net profit for the year		-	-	-	-	1,319	-	1,319
Foreign currency translation differences		-	-	-	-	-	241	241
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**1,319**	**241**	**1,560**
Transactions with owners								
Share-based payment transactions	23	-	-	-	54	(54)	-	-
Own shares re-purchased	23	-	-	-	(72)	-	-	(72)
Total transactions with owners		**-**	**-**	**-**	**(18)**	**(54)**	**-**	**(72)**
Balance at 31 December 2023		**13,164**	**1,979**	**67,015**	**(179)**	**40,638**	**(10,670)**	**111,947**

The notes on pages 98 to 141 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

In thousands of euros	Note	For the year ended 31 December 2023	2022 Restated
Cash flows from operating activities:			
Net profit for the year		**1,319**	**1,063**
Adjustments to reconcile net profit to net cash:			
- Depreciation of property, plant, equipment and right-of-use assets	14,25	**1,532**	**1,559**
- Amortisation of other intangible assets	15	**7,204**	**7,111**
- Gain on disposal of IPv4 addresses	9	**-**	**(3,297)**
- Gain on disposal of tangible fixed assets		**(11)**	**-**
- Net finance expense, net of loan forgiveness	13	**240**	**381**
- Net foreign currency exchange losses		**266**	**58**
- Tax (credit)/charge	18	**(2,986)**	**772**
- Change in fair value of contingent consideration	9,26	**-**	**(4)**
- Other items		**(36)**	**104**
Total adjustments to net profit		**6,209**	**6,684**
Change in operating assets and liabilities:			
- Financial assets	17	**82**	**(20)**
- Inventories	20	**(17)**	**(1,605)**
- Trade and other receivables	19,21	**854**	**(1,497)**
- Contract assets		**140**	**1,202**
- Other current assets	22	**476**	**(128)**
- Prepayments		**(102)**	**73**
- Retirement benefit obligations		**120**	**(40)**
- Trade and other payables		**(551)**	**988**
- Accrued liabilities		**(238)**	**(2,103)**
- Contract liabilities	27	**464**	**287**
Total change in operating assets and liabilities		**1,228**	**(2,843)**
Cash generated from operating activities		**8,756**	**4,904**
Interest received	13	**59**	**43**
Interest paid	13	**(414)**	**(424)**
Taxes paid		**(1,385)**	**(504)**
Net cash flow from operating activities		**7,016**	**4,019**
Cash flows from investing activities:			
Capital expenditures on property, plant & equipment	14	**(635)**	**(805)**
Capital expenditures on other intangible assets	15	**(5)**	**(75)**
Capitalisation of development expenses	15	**(3,824)**	**(3,981)**
Proceeds on disposal of discontinued operation, net of cash disposed of		**-**	**500**
Proceeds on disposal of IPv4 addresses	9	**-**	**3,297**
Acquisition, net of cash acquired	33	**-**	**(3,430)**
Net cash flow used in investing activities		**(4,464)**	**(4,494)**
Cash flows from financing activities:			
Repayment against loans and borrowings	26	**(293)**	**(307)**
Deferred consideration paid	26	**(310)**	**(310)**
Contingent consideration paid	26	**(367)**	**(715)**
Principal payments on lease liabilities	25	**(880)**	**(935)**
Net cash flow used in financing activities		**(1,850)**	**(2,267)**
Net increase/(decrease) in cash		**702**	**(2,742)**
Cash and cash equivalents at 1 January		**6,317**	**9,234**
Effect of exchange rate fluctuations on cash at 1 January		**60**	**(175)**
Cash and cash equivalents at 31 December		**7,079**	**6,317**

The notes on pages 98 to 141 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. REPORTING ENTITY

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

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

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

These consolidated financial statements were authorised for issue by the Company's Board of Directors on 21 March 2024.

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

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis. Non-current assets are stated at the lower of amortised cost and fair value less disposal costs when applicable. The methods used to measure fair value are discussed in Note 4 'Determination of fair values'.

Functional and presentation currency

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

Company name	Functional currency
Hybrid Software Group PLC	Euro (EUR)
Global Graphics (UK) Limited	Pound sterling (GBP)
Global Graphics Software Limited	Pound sterling (GBP)
Global Graphics Software Incorporated	United States dollar (USD)
Global Graphics Kabushiki Kaisha	Japanese yen (JPY)
Global Graphics EBT Limited	Pound sterling (GBP)
Meteor Inkjet Limited	Pound sterling (GBP)
Xitron, LLC	United States dollar (USD)
HYBRID Software Group S.à r.l.	Euro (EUR)
eXplio NV	Euro (EUR)
HYBRID Software Development NV	Euro (EUR)
HYBRID Integration LLC	United States dollar (USD)
HYBRID Software NV	Euro (EUR)
HYBRID Software China Co. Limited	Chinese yuan (CNY)
HYBRID Software GmbH	Euro (EUR)

2. BASIS OF PREPARATION (CONTINUED)

Company name	Functional currency
HYBRID Software Italy SRL	Euro (EUR)
HYBRID Software France SAS	Euro (EUR)
HYBRID Software UK Limited	Pound sterling (GBP)
HYBRID Software Australia Pty Limited	Australian dollar (AUD)
HYRBID Software Iberia S.L.U.	Euro (EUR)
ColorLogic GmbH	Euro (EUR)

These consolidated financial statements are presented in euros and all information which is presented in the following notes has been rounded to the nearest thousand, unless otherwise specified.

Use of accounting estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in Note 5 'Critical accounting estimates and judgements'.

Disaggregation of the Consolidated Statement of Financial Position

The Group's Consolidated Statement of Financial Position has been disaggregated in the year ended 31 December 2023 to provide additional granular detail in one of the primary statements. The Directors believe this will give our stakeholders a better and quicker understanding of our financial position. Comparative disclosures for the year ended 31 December 2022 have also been disaggregated.

Consolidated Statement of Financial Position disaggregation:

Previous disclosure	New disclosure
Non-current assets – trade and other receivables due after more than one year	Non-current assets – trade and other receivables due after more than one year Non-current assets – contract assets Non-current assets – other assets
Current assets – trade and other receivables	Current assets – trade and other receivables Current assets – contract assets
Non-current liabilities – other liabilities	Non-current trade and other payables Non-current loans & borrowings Non-current other liabilities
Non-current liabilities – accrued liabilities	Non-current employee benefit obligations Non-current accrued liabilities
Current liabilities – other liabilities	Current loans & borrowings Current other liabilities

Going concern

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

As a result of the multiple factors playing out at the same time, monetary tightening by central banks in the Western world, a near deflationary economic situation in China, wars in Ukraine & Israel there is more uncertainty across the global economy. The Group has

2. BASIS OF PREPARATION (CONTINUED)

considerable financial resources, together with long-standing relationships with customers through its licence and support sales model. The Group's forecasts and projections, taking account of potential and realistic changes in trading performance, and also including worst case, severe, yet plausible downside scenarios, continue to indicate that the Group is able to operate within the level of existing cash resources.

The Directors have considered the impact of a significant reduction in sales against forecasts, which may arise if the economic conditions further worsen in the company's main markets, being the United States, Europe & Asia. This impact has been considered against a backdrop of rising employment and operating costs due to inflation and increases in cost of living. The Directors have prepared Group cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

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

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

→ Alternative performance measures

The Strategic Report includes IFRS revenue and profit, constant exchange rate ("CER") revenue, adjusted profit and EBITDA. See page 44 for further details.

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

Adjusted profit, in management's view, reflects the underlying operating performance of the business and provides a more meaningful comparison of how the business is managed and measured from year to year by adjusting for non-recurring or uncontrollable factors which affect the IFRS reported amounts.

EBITDA is also reported as an alternative measure of profit and is calculated by adding back interest, tax, depreciation and amortisation to net profit. EBITDA is a common measure used by investors and analysts to comparatively evaluate the financial performance of companies.

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

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

→ Parent Company financial statements

The parent Company financial statements present information about the Company as a separate entity and not about its group. The Company has elected to prepare its parent company financial statements in accordance with FRS 101. These are presented on pages 142 to 149.

3. MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

In addition, the Group adopted *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed within Note 3 in certain instances. There are no other new or amended interpretations or standards effective for the financial year commencing 1 January 2023 that have had a material impact on the Group.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

→ Subsidiaries

Subsidiaries are all entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

→ Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealised income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

→ Business combinations

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

For business combinations with acquisition dates on or after 1 January 2023, the Group has determined whether a particular set of activities and assets is a business by assessing whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. This election can be applied on a transaction by transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identified asset or group of similar identifiable assets.

Foreign currency translation

→ Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognised in profit or loss.

→ Translation of financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated on a monthly basis to euro at average exchange rates for each month. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

Financial instruments

→ Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, other current assets, cash, trade payables, and other liabilities. Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

→ Derivative financial instruments

The Group only uses derivative financial instruments (notably foreign currency forward and option contracts) to manage exposure to foreign exchange risk. In accordance with guidelines established by the Board, the Group does not permit the use of derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately. At 31 December 2023 the Group had no derivative financial instrument contracts in place (2022: none).

→ Property, plant and equipment

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

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

leasehold improvements	3 to 10 years, or the remaining lease term
computer equipment and office equipment	3 to 5 years
motor vehicles	5 years

→ Right-of-use assets

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

→ Group as lessor

The Group only acts as a lessor in the context of sub-lease arrangements. When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease as being either a finance lease or an operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. To classify each sub-lease, an overall assessment is made as to whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the right-of-use asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. The group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of selling, general and administrative expenses within the consolidated income statement.

Goodwill and intangible assets

→ Goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange of control. For acquisitions before IFRS 3 (revised) became effective, costs directly attributable to the acquisition are also included. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, thus giving rise to negative goodwill (a bargain purchase), the difference is recognised directly in the income statement within other income. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing. Goodwill is not amortised but is tested annually for impairment or more frequently if facts and circumstances warrant a review. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity, if any.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. The amortisation of patents is included in cost of sales, the amortisation charge for software technology and driver electronics is included in research and development expenses and amortisation charges related to any other intangible assets acquired through business combinations are included in selling, general and administrative expenses.

→ Trademarks, know-how, patents and patent applications

Trademarks, know-how, as well as patent and patent applications are carried at historical cost (which was estimated to be their fair value on the purchase date by the Group) less accumulated amortisation. Amortisation is calculated over their useful estimated lives from respective acquisition dates, as follows:

trademarks	10 years
patents and patent applications	3 to 10 years
know-know	1 year

→ Customer relationships

Customer relationships are carried at historical cost (which was estimated to be their fair value on the acquisition date by the Group) less accumulated amortisation. Amortisation is calculated over the estimated useful lives of the respective relationships, over periods ranging from five to ten years from respective acquisition dates.

→ Computer software technology

Computer software technology is capitalised on the basis of the costs directly incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives from respective acquisition dates over periods ranging from three to twelve years. Costs associated with maintaining existing computer software technology and programmes are recognised as an expense when incurred.

→ Driver electronics

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

→ Capitalised development costs

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

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

Capitalised development costs recognised as intangible assets are amortised from the point the asset is ready for use on a straight-line basis over its estimated useful life, over periods ranging from three (Printing Software segment) to twelve (Enterprise Software segment) years.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Printing Software technology has existed for a longer period of time than Enterprise Software technology, therefore any development costs are deemed to have a shorter useful life. The amortisation charge is included in research and development expenses in the income statement.

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

→ Impairment of non-current assets

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

→ Impairment of financial assets

Financial assets and contract assets are assessed at each reporting date to determine whether there is any objective evidence that an asset is impaired. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

→ Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("cash-generating unit"). An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds its estimated recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss had decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

→ Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the standard costing principle, and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs expected to be incurred to complete the sale.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

→ Trade receivables

Trade receivables are recognised initially at fair value and subsequently held at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are first assessed individually for impairment, or collectively where the receivables are not individually significant. Where there is no objective evidence of impairment for an individual receivable, it is included in a group of receivables with similar credit risk characteristics and these are collectively assessed for impairment. Movements in the provision for doubtful debts are recorded in the statement of comprehensive income within selling, general and administrative expenses.

→ Cash

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

Share capital

→ Ordinary shares

Ordinary shares, which are the only class of shares issued by the Company, are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares (whether they are resulting from the exercise of share options or the acquisition of a business) are recognised as a deduction from equity, net of any tax effects.

→ Own shares re-purchased

When share capital recognised in equity is re-purchased, the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity. Any resulting surplus over the purchase price is transferred to share premium and any deficit is transferred to retained earnings.

→ Current liabilities

Trade payables and accrued liabilities are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method. Trade payables and accrued liabilities with a short duration are not discounted, as the carrying amount is a reasonable approximation of fair value.

Employee benefits

→ Pension obligations

Contributions to the Group's defined contribution pension schemes and employees' personal pension plans are charged to the income statement as employee benefit expenses when they are due. The Group has no further payment obligation once the contributions have been paid.

→ Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal, detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be measured reliably.

→ Other short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount to be paid under short-term cash bonus or commission plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be measured reliably.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

→ Provisions

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

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Revenue recognition

→ Software

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

Multi-year license and distribution agreements generally provide for the periodic payment of licence royalties, the unit value of which has been contractually agreed at the outset of the agreement, and which is typically based upon either the volume sold by the customer or the sale value of those products into which the Group's software has been integrated. These agreements also include specific provisions with respect to the delivery of maintenance and after-sale support services over the duration of the agreement. Such services are rendered against the payment of a fixed fee, which has been contractually agreed at the outset of the agreement and is typically charged on the anniversary date of the agreement. These agreements may also provide for the delivery of engineering services to ensure a seamless integration of the Group's software into the customer's products.

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

Fees from arrangements involving licences, after-sale customer support, and other related services such as training, are allocated to the performance obligations identified in the contract. The stand-alone selling price of each of the elements of the arrangement is typically established by the contract or the price charged when the same element is sold separately. Where there is no stand-alone selling price, a percentage estimation of the total licence value is performed to identify the stand-alone price.

The Group's performance obligations under software contracts with customers are to deliver a distribution licence, deliver a master copy of the software, at times provide licence keys to enable the use of software and to provide ongoing support and maintenance services. The Group also provides engineering and consulting services under some contracts to enhance functionality or assist with integration.

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

- signing of the license agreement
- no additional significant production, modification or customisation of the software is required
- performance obligations are complete
- the fee is fixed or determinable

Fees from perpetual licences relating to software are recognised in the period in which the delivery to the end-customer takes place and based on customer-usage reports, at which point there is no further performance obligation of the Group. Revenue from time-limited licences to use the software is recognised rateably over the period of the licence only if there is an ongoing performance obligation for that licence on the Group during the licence period. If there are no ongoing performance obligations, the licence revenue is recognised when the Group's performance obligation to deliver the software has been fulfilled. All licence fees are non-refundable.

Software support and maintenance revenue is recognised over the duration of the support and maintenance period. Engineering and consultancy services revenue is recognised upon satisfaction of the relevant performance obligation where the customer substantially obtains the benefit of the engineering or consultancy work and usually makes a payment for those services rendered. Amounts received in advance of the related services being performed are included in deferred revenue and recognised in revenue based on hours delivered only when the services are provided.

Fees are non-refundable and are generally on payment terms of 30 days from date of invoice. For long-term engineering services, payments will be due on the achievement of the performance obligation. License agreements may have extended payment terms and support and maintenance is payable in advance of the period of coverage.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

→ Physical goods

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

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

→ Contract assets and contract liabilities

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

Cost of sales

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

Tax

Tax expense comprises current and deferred tax. Current tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous tax years.

Deferred tax is recognised using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, they relate to income taxes levied by the same tax authority on the same taxable entity, and they have similar maturities.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all potential dilutive ordinary shares.

Government grants

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

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker has been identified as the Group's Chief Executive Officer.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Effect of interpretations and amendments to existing and new standards

For the purposes of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 January 2023.

New standards which were not adopted by the Group in 2023

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements for the year ended 31 December 2023 and they are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

4. DETERMINATION OF FAIR VALUES

Several of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

→ Other intangible assets

The fair value of other intangible assets which were acquired in business combinations is based on either the discounted cash flows expected to be derived from the use of these intangible assets, or the average of the discounted cash flows and the total replacement cost of these intangible assets.

→ Non-derivative financial instruments

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

→ Share-based payments

The fair value of share options which are granted are valued by using a Black-Scholes valuation model. Measurement inputs include the share price on the measurement date, the exercise price of the share option, the expected volatility, the weighted average expected life of the option, the expected absence of dividends, and a risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value of the options.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information in conformity with IFRS requires the Directors to make critical accounting estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. An assessment of the impact of these estimates and judgements on the financial statements is set out below.

Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information is available.

Estimates

- **Identification and valuation of separately identifiable intangibles related to acquisitions**

Where a business combination is considered significant, the Group commissions and relies upon independent valuation reports to identify and value the intangible assets related to that acquisition. For less significant business combinations, internal estimates to calculate a discount rate are determined by the Directors to apply a consistent approach with previous acquisitions.

- **Assessing whether goodwill and acquisition-related intangibles have been impaired**

The Group tests annually whether the goodwill has been impaired and assesses acquisition-related intangible assets for indicators of impairment by reference to expected future generation of cash from the relevant intangible assets. In estimating the cash flow, the Directors make estimates, based on forecasts, about the amount of future profits from the relevant products that will be generated and the timing of when these will be realised. See Note 17 'Goodwill' for further details.

- **Deferred tax recognition**

Deferred tax assets are reviewed at each reporting date and are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The Directors make estimates about future sales and expenses, and the timing of their realisation, to derive an estimate of the future profits. The Directors have recognised an amount that they expect to recover in the foreseeable future of €2.06 million (2022: €2.07 million) and if there was a reduction in this period by 2 years the impact would be to reduce the asset by €0.86 million (2022: €0.82 million). See Note 19 'Tax' for further details.

- **Provisions for obsolete inventory**

Inventory items are reviewed at each reporting date for possible obsolescence. Estimates are made in respect of the future demand and net realisable value of items that are deemed to be slow moving. The estimates of demand are based on a variety of factors, including the number of customers for that have purchased that item and historical transactions. As at 31 December the total gross inventory balance is €4,237,000 (2022: €4,178,000) and the provision against slow moving and obsolete inventory is €325,000 (2022: €265,000).

Judgements

- **Assessing whether development costs meet the criteria for capitalisation**

The point at which development costs meet the criteria for capitalisation is critically dependent on management's judgement of the point at which technical feasibility is demonstrable, that the asset will probably generate future economic benefit, the intention to complete the asset and that the expenditure can be reliably measured.

Furthermore, the useful economic lives of capitalised development costs are based on management's knowledge of the life cycle of the Group's products and technology.

The carrying value of development assets also depends on management's ability to demonstrate the future economic benefits they will deliver. This judgement requires assumptions about factors outside the business's control such as medium-term economic conditions, technological developments, and market changes.

The Directors have made a judgement that €3,824,000 (2022: €3,981,000) has been capitalised as eligible, qualifying expenditure for the purposes of IAS 38. A movement of 10.0% in this judgement would result in a material misstatement. There is judgement in determining whether development activity constitutes a substantial enhancement to the underlying assets, and in quantifying the time spent on these substantial enhancements. The Group utilise a timesheet tracking system to monitor the nature of development being undertaken and the time spent on this activity.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

- **Allocation of value to performance obligations in contracts with customers**

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

6. OPERATING SEGMENTS

→ Identification of reportable segments

Management has determined the operating segments based on the reports reviewed by the Group's Chief Executive Officer ("CEO") that are used for deciding how to allocate resources and also in assessing both operating and financial performance of each segment. The Group's CEO is considered as the Group's chief operating decision maker ("CODM").

The Group's segments are:

- Enterprise Software, for enterprise workflow software used primarily for the production of labels & packaging;
- Printhead Solutions, for electronics and software developed for industrial inkjet printing;
- Printing Software, for digital printing and colour management software; and
- Group, for group related expenses that are not allocated to another segment.

Measurement of the operating segments' profit is assessed against revenue forecasts and expense budgets, excluding non-operating IFRS items such as the amortisation of intangible assets acquired through acquisition.

The following tables provide information on revenue, operating profit, interest, depreciation and amortisation and tax as reported to the CODM for each of the Group's operating segments for the years ended 31 December 2022 and 31 December 2023. The Group has disclosed these amounts for each reportable segment because they are regularly provided to the CODM or are required to be disclosed by IFRS 8. Assets and liabilities by segment are not regularly reported to the CODM, hence are not disclosed within this note.

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

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

The operating segments are unchanged from the previous year.

6. OPERATING SEGMENTS (CONTINUED)

Year ended 31 December 2023:

In thousands of euros	Printing Software	Printhead Solutions	Enterprise Software	Group	Total
Revenue from external customers	14,937	11,293	21,813	-	48,043
Inter-segment revenue	322	-	1,012	-	1,334
Segment revenue	**15,259**	**11,293**	**22,825**	**-**	**49,377**
Segment operating profit/(loss) after tax	**158**	**753**	**5,416**	**(1,126)**	**5,201**
Included in the operating profit/(loss) after tax are:					
Interest income	140	23	11	-	174
Interest expense	(59)	(20)	(294)	(41)	(414)
Depreciation and amortisation	(2,398)	(703)	(873)	-	(3,974)
Tax (charge)/credit	(257)	43	2,323	-	2,109
Segment EBITDA	**2,732**	**1,410**	**4,249**	**(1,085)**	**7,306**

Year ended 31 December 2022 Restated:

In thousands of euros	Printing Software	Printhead Solutions	Enterprise Software	Group	Total
Revenue from external customers	15,262	8,657	22,774	-	46,693
Inter-segment revenue	274	-	109	-	383
Segment revenue	**15,536**	**8,657**	**22,883**	**-**	**47,076**
Segment operating profit/(loss) after tax	**2,515**	**(414)**	**3,527**	**(591)**	**5,037**
Included in the operating profit/(loss) after tax are:					
Interest income	34	1	-	-	35
Interest expense	(73)	(26)	(311)	(15)	(425)
Depreciation and amortisation	(2,265)	(564)	(747)	-	(3,576)
Tax (charge)	(1,150)	(5)	(737)	-	(1,892)
Segment EBITDA	**5,969**	**180**	**5,322**	**(576)**	**10,895**

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

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

In thousands of euros	2023	2022 Restated
Segment total operating profit after tax	5,201	5,037
Amortisation of acquired intangible assets	(4,760)	(5,094)
Tax effect of above-mentioned items	878	1,120
Consolidated profit after tax	**1,319**	**1,063**

7. REVENUE

→ Printing Software segment

The segment licenses its software directly to end users as a standalone software licence and directly to equipment manufacturers through multi-year license and distribution agreements, some of which provide for the periodic payment of license royalties, the unit value of which has been contractually agreed at the outset of the agreement, and which is typically based upon either the volume sold by the customer or the sale value of those products into which the Group's software has been integrated. These multi-year agreements also include specific provisions with respect to the delivery of maintenance and after-sale support services over the duration of the agreement. Such services are rendered against the payment of a fixed fee, which has been contractually agreed at the outset of the agreement and is typically charged on the anniversary date of the agreement. These agreements may also provide for the delivery of engineering services to ensure a seamless integration of the Group's software into the customer's products.

→ Printhead Solutions segment

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

→ Enterprise Software segment

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

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

	Printing Software		Printhead Solutions		Enterprise Software		Total	
In thousands of euros	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Revenue type								
Licence royalties	11,514	11,729	872	808	8,582	11,462	20,968	23,999
Maintenance and after-sale support	1,903	2,208	66	65	8,817	7,329	10,786	9,602
Services	488	318	383	360	4,266	3,893	5,137	4,571
Printer hardware and consumables	984	956	146	-	59	90	1,189	1,046
Driver electronics	-	-	9,809	7,424	-	-	9,809	7,424
Other items	48	51	17	-	89	-	154	51
Total sales	**14,937**	**15,262**	**11,293**	**8,657**	**21,813**	**22,774**	**48,043**	**46,693**
Primary geographical markets								
United Kingdom	499	1,828	495	726	1,400	1,160	2,394	3,714
Europe, excluding United Kingdom	4,939	2,490	2,306	1,925	10,684	9,966	17,929	14,381
North & South America	6,177	9,217	2,318	2,312	8,296	10,684	16,791	22,213
Asia	3,322	1,727	6,174	3,694	1,433	964	10,929	6,385
Total sales	**14,937**	**15,262**	**11,293**	**8,657**	**21,813**	**22,774**	**48,043**	**46,693**
Timing of revenue recognition								
Recognised at a point in time	13,032	12,736	11,227	8,232	11,666	14,278	35,925	35,246
Recognised over time	1,905	2,526	66	425	10,147	8,496	12,118	11,447
Total sales	**14,937**	**15,262**	**11,293**	**8,657**	**21,813**	**22,774**	**48,043**	**46,693**

7. REVENUE (CONTINUED)

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

For continuing operations, the ten largest customers represented 28.5% (2022: 29.9%) of the Group's revenue, the five largest customers represented 21.4% (2022: 24.5%) of the Group's revenue and the single largest customer represented 5.9% (2022: 9.8%) of the Group's revenue. There was no customer (2022: nil) during the year that represented 10% or more of total revenue.

Within the North & South America geographical market, €16.01 million of revenue was generated in the United States of America (2022: €18.13 million).

During the year a customer in the Printing Software segment signed a new contract with an existing customer which resulted in €2.6 million of revenue being recognised in the year. In 2022 a different customer exercised an option in their contract which resulted in €1.5 million of revenue being recognised in that year.

The following table shows revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2023.

In thousands of euros	next 12 months	12-24 months	after 24 months	Total
After-sale support	2,032	346	131	2,509
Products and services	2,232	13	-	2,245
Total	**4,264**	**359**	**131**	**4,754**

The Group applies the practical expedient in paragraph 63 of IFRS 15 and does not adjust the promised amount of consideration for the effects of a significant financing component for contracts where payments are due within one year.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

In thousands of euros	2023	2022
Trade receivables (see note 20)	5,431	6,210
Contract assets	8,593	8,384
Contract liabilities (see note 27)	(4,845)	(3,879)

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

The movement in the Group's provision for impairment of trade receivables and accrued revenue was €257,000 (2022: €202,000).

Revenue recognised in the year that was included in the contract liability balance at the beginning of the year was €0.85 million (2022: €1.05 million).

8. OTHER OPERATING EXPENSES

Other operating expenses incurred during the year were:

In thousands of euros	2023	2022
Acquisition related expenses (see note 33)	-	3
Loss on disposal of tangible fixed assets	5	-
Other operating expenses	6	-
Total other operating expenses	**11**	**3**

9. OTHER INCOME

In thousands of euros	2023	2022
Fair value adjustment to contingent consideration	-	4
Gain on disposal of IPv4 addresses	-	3,297
Gain on disposal of tangible fixed assets	18	-
Government grants	63	-
Other income	115	-
Total other income	**196**	**3,301**

On 25 July 2022 the Group completed the sale of a range of IPv4 addresses that were no longer in use and had an historic acquisition cost of €nil. The pre-tax proceeds after commissions were €3.30 million, which have been received in full. No comparable transaction occurred in 2023.

10. EXPENSES BY NATURE

In thousands of euros	2023	2022
Employee benefit expense	26,473	26,343
Depreciation expenses (see note 14 and 25)	1,532	1,559
Capitalisation of R&D expenses (see note 15)	(3,824)	(3,981)
Amortisation of intangible assets (see note 15)	7,194	7,101
Other operating expenses, net of other operating income (1)	9,158	6,009
Total operating expenses, net of other operating income	**40,533**	**37,031**

(1) The increase in Other operating expenses is mainly attributable to lower operating income in 2023 versus 2022 with a main element the sale of a range of IPv4 addresses for €3.30 million in 2022.

11. REMUNERATION OF DIRECTORS

The aggregate amount of remuneration (all salary, fees and bonuses, sums paid by way of expense allowance and money value of other non-cash benefits) paid or receivable by the five Directors for the year was €1,267,000 (2022: €1,225,000).

The aggregate value of gains made by Directors during the year on the exercise of share options was €nil (2022: €nil).

The Group only operates defined contribution pension schemes for the Directors. During the year, for two Directors (2022: two), €11,000 (2022: €38,000) of pension contributions were paid.

Further information is available in the Directors' remuneration report on pages 73 to 81.

12. EMPLOYEE INFORMATION

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

	2023	2022
By activity		
Research and development	99	102
Sales, maintenance and support	139	146
General and administrative	39	41
Total average number of people employed	**277**	**289**

Employee benefit expenses were made up of:

In thousands of euros	2023	2022
Wages and salaries	22,970	22,942
Social security contributions	2,856	2,757
Medical insurance contributions	437	478
Pension contributions to defined contribution plans	773	986
Other employee related expenses	1,048	423
Total employee benefit expenses	**28,084**	**27,586**

Of the total employee benefit expenses, €1,611,000 (2022: €1,243,000) was recognised in cost of sales and €26,473,000 (2022: €26,343,000) was recognised in operating expenses within Selling, general and administrative expenses and Research and development expenses.

13. FINANCE INCOME AND EXPENSES

In thousands of euros	2023	2022
Interest income	41	23
Finance income on net investment in leases	18	20
Total interest income	**59**	**43**
Other financial income	115	-
Total finance income	**174**	**43**
Interest expense	(1)	(29)
Interest expense on loan from related undertaking (see note 31)	(235)	(245)
Interest on lease liabilities (see note 24)	(127)	(150)
Remeasurement of deferred consideration on ColorLogic GmbH acquisition	(41)	-
Other financial charges	(10)	-
Total finance expenses	**(414)**	**(424)**
Net finance expenses	**(240)**	**(381)**

14. PROPERTY, PLANT AND EQUIPMENT

In thousands of euros	Leasehold improvements	Computer equipment	Office equipment	Motor vehicles	Total
Cost					
At 31 December 2021	1,025	1,983	1,515	483	5,006
Additions	35	230	177	363	805
Additions – business combinations (see note 33)	-	16	-	-	16
Disposals	-	(9)	(117)	(72)	(198)
Effect of movement in exchange rates	(46)	(78)	(65)	(9)	(198)
At 31 December 2022	**1,014**	**2,142**	**1,510**	**765**	**5,431**
Additions	9	272	-	354	635
Transfers	-	678	(678)	-	-
Disposals	-	(97)	(36)	(84)	(217)
Effect of movement in exchange rates	17	46	(6)	3	60
At 31 December 2023	**1,040**	**3,041**	**790**	**1,038**	**5,909**
Depreciation					
At 31 December 2021	762	1,483	1,081	18	3,344
Charge for the year	84	278	232	144	738
Disposals	-	(6)	(111)	(72)	(189)
Effect of movement in exchange rates	(39)	(68)	(55)	(2)	(164)
At 31 December 2022	**807**	**1,687**	**1,147**	**88**	**3,729**
Charge for the year	83	376	95	215	769
Transfers	-	656	(656)	-	-
Disposals	-	(92)	(32)	(43)	(167)
Effect of movement in exchange rates	15	20	(5)	1	31
At 31 December 2023	**905**	**2,647**	**549**	**261**	**4,362**
Net book value					
At 31 December 2022	207	455	363	677	1,702
At 31 December 2023	**135**	**394**	**241**	**777**	**1,547**

15. OTHER INTANGIBLE ASSETS

In thousands of euros	Software technology	Customer relationships	Patents	Trademarks	Know-how	Driver electronics	Total
Cost							
At 31 December 2021	83,089	21,476	2,879	617	1,032	3,712	112,805
Additions – purchased	75	-	-	-	-	-	75
Additions – internally developed	3,349	-	-	-	-	632	3,981
Additions – business combinations (see note 33)	1,458	-	-	-	378	-	1,836
Effect of movement in exchange rates	(2,020)	(694)	(144)	(31)	(6)	(211)	(3,106)
At 31 December 2022	**85,951**	**20,782**	**2,735**	**586**	**1,404**	**4,133**	**115,591**
Additions – purchased	5	-	-	-	-	-	5
Additions – internally developed	3,301	-	-	-	-	523	3,824
Effect of movement in exchange rates	1,761	256	54	12	(3)	90	2,170
At 31 December 2023	**91,018**	**21,038**	**2,789**	**598**	**1,401**	**4,746**	**121,590**
At 31 December 2021	44,718	15,333	2,735	617	857	3,340	67,600
Charge for the year	5,512	908	10	-	458	223	7,111
Effect of movement in exchange rates	(2,025)	(705)	(137)	(31)	(6)	(175)	(3,079)
At 31 December 2022	**48,205**	**15,536**	**2,608**	**586**	**1,309**	**3,388**	**71,632**
Charge for the year	5,875	871	10	-	95	353	7,204
Effect of movement in exchange rates	1,751	259	59	12	(3)	69	2,147
At 31 December 2023	**55,831**	**16,666**	**2,677**	**598**	**1,401**	**3,810**	**80,983**
Net book value							
At 31 December 2022	37,746	5,246	127	-	95	745	43,959
At 31 December 2023	**35,187**	**4,372**	**112**	**-**	**-**	**936**	**40,607**

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

The amortisation of patents is included in cost of sales, the amortisation charge for software technology and driver electronics is included in research and development expenses, and amortisation charges related to any other intangible assets acquired through business combinations are included in selling, general and administrative expenses.

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

In thousands of euros	2023	2022
Cost of sales	10	10
Selling, general and administrative expenses	966	1,366
Research and development expenses	6,228	5,735
Total amortisation charge	**7,204**	**7,111**

15. OTHER INTANGIBLE ASSETS (CONTINUED)

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

There was no significant change during the year to the indicators that were used at 31 December 2022 to identify the requirement to impair any of these intangible assets. It was concluded that no impairment was required hence the Directors' have assessed that full recoverability is expected for all other intangible assets for the year ended 31 December 2023 (2022: €nil).

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

In thousands of euros	Remaining amortisation period	2023	2022
Cloudflow	9 to 11.5 years	16,342	17,480
ColorLogic	1.5 to 8 years	2,439	2,647
EDL	1.1 years	252	418
Harlequin RIP	1.4 years	1,927	1,649
iC3D	8 to 10 years	1,300	1,385
Other software	2 to 6 years	120	125
Packz	9 to 11.5 years	11,826	12,652
Xitron	0.2 to 4.8 years	981	1,390
Total software technology		**35,187**	**37,746**
Customer relationships	0.8 to 7.8 years	**4,372**	**5,246**
Patents	11 years	**112**	**127**
Know-how	-	**-**	**95**
Driver electronics	0.2 to 4.8 years	**936**	**745**

16. GOODWILL

In thousands of euros	Total Goodwill
Cost	
At 31 December 2021 as previously reported	70,729
Prior year adjustment (see note 36)	(2,842)
At 31 December 2021 as restated	67,887
Additions – business combinations (see note 33)	1,578
Effect of movement in exchange rates	(630)
At 31 December 2022 as restated	**68,835**
Effect of movement in exchange rates	97
At 31 December 2023	**68,932**
Amortisation or impairment	
At 31 December 2021	6,051
Effect of movement in exchange rates	(301)
At 31 December 2022	**5,750**
Effect of movement in exchange rates	55
At 31 December 2023	**5,805**
Net book value	
At 31 December 2022 as restated	63,085
At 31 December 2023	**63,127**

The Group is required to test annually whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment during the year in accordance with the policy set out in Note 3 'Significant accounting policies'

Goodwill is allocated to cash-generating units (CGUs) for the purposes of impairment testing. The CGUs identified were Global Graphics Software, Meteor Inkjet, Xitron, HYBRID Software and ColorLogic.

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

In thousands of euros	2023	2022 Restated
Global Graphics Software	6,784	6,721
Meteor Inkjet	2,238	2,195
Xitron	1,793	1,857
HYBRID Software	51,110	51,110
ColorLogic	1,202	1,202
Total goodwill	**63,127**	**63,085**

The recoverable amount of the CGUs has been determined using an estimate of their value in use as at 31 December 2023. These calculations employed cash flow projections based on financial forecasts approved by management covering a five-year period ending 31 December 2028 and then into perpetuity using a terminal growth rate. The financial forecasts are most sensitive to changes in the customer base and associated revenues and to changes in staff costs. Revenues were forecasted based on historical trends and anticipated growth. Staffing levels were reviewed against the additional revenue and an average increase in staff costs was applied to account for future potential pay increases that could be awarded to employees.

Projected cash flows were converted into euros based on the rates used for preparing the Group's budget for the year ending 31 December 2023. The exchange rates were determined with reference to market forecasts and were 1.1764 euros for 1 pound sterling, 0.9091 US dollars for 1 euro, and 140 Japanese yen for 1 euro.

Management considers that the use of a five-year forecast and then into perpetuity is justified because the core of the products and technology that make up the CGUs have been generating revenue for between 10 and 25 years. The Group's technology has evolved to meet the changing requirements of the industries in which it operates, and it continues to do so. Combining acquisitions with the continual shift to digital printing and manufacturers looking to differentiate their products, new opportunities continue to be created for the Group and its products.

16. GOODWILL (CONTINUED)

Key assumptions

The following key assumptions have been adopted in the calculations.

Global Graphics Software CGU

- The pre-tax discount rate used was 19.64% (2022: 14.83%);
- Revenue growth rates used in the estimation process are consistent with the approved budget for 2024, outlook for periods between 2025 to 2028 was projected at 5%;
- Gross margin was increased to 93% compared to recent actual gross margins (2022: 89%), mainly due to a decrease in intercompany sourcing of software components;
- The staff costs growth rate used was 1.5% for 2024 and 3% for the following years (2022: 1%); and
- The terminal growth rate used was 2% (2022: 2%).

Meteor Inkjet CGU

- The pre-tax discount rate used was 19.6% (2022: 15.06%);
- Revenue growth rates used in the estimation process are consistent with the approved budget for 2024, outlook for periods between 2025 to 2028 was projected at 7.5%;
- Gross margin was aligned to recent actual gross margins of 58% (2022: 58%);
- The staff costs growth rate used was 2% for 2024 and 7.5% for the following years (2022: 4.5%); and
- The terminal growth rate used was 2% (2022: 0%).

Xitron CGU

- The pre-tax discount rate used was 19.3% (2022: 15.45%);
- Revenue growth rates used in the estimation process are consistent with the approved budget for 2024, outlook for periods between 2025 to 2028 was projected at 5%;
- Gross margin was increased to 65% compared to recent actual gross margins (2022: 63%);
- The staff costs growth rate used was 1.5% for 2024 and 3% for the following years (2022: 5.3%); and
- The terminal growth rate used was 2% (2022: 0%).

HYBRID Software CGU

- The pre-tax discount rate used was 11.44% (2022: 15.46%). The CGU has a significantly lower discount rate than the other group CGU's due to the following elements: (I) an optimised capital structure, and (II) a lower effective tax rate due to a preferential tax regime obtained in 2023 by the intellectual property owner of the CGU: Hybrid Software Development NV.
- Revenue growth rates used in the estimation process are consistent with the approved budget for 2024, outlook for periods between 2025 to 2028 was projected at 12.5% for 2025, 10% for 2026, 7.5% for 2027 and 5% for 2028;
- Gross margin was reduced to 96.8% compared to recent actual gross margins (2022: 97.6%);
- The staff costs growth rate used was the same as the revenue growth rates each year (2022: 7.5%); and
- The terminal growth rate used was 3% (2022: 3%). HYBRID Software enjoys significant competitive advantages in the markets it is active providing for above average pricing power hence the ability to grow its income more than the long term inflation rates of the countries in which it is active.

16. GOODWILL (CONTINUED)

ColorLogic CGU

- The pre-tax discount rate used was 20.3% (2022: 14.3%);
- Revenue growth rates used in the estimation process are consistent with the approved budget for 2024, outlook for periods between 2025 to 2028 was projected at 5%;
- Gross margin was increased to 90% compared to recent actual gross margins (2022: 83%);
- The staff costs growth rate used was 1.5% for 2024 and 2% for the following years (2022: 5%); and
- The terminal growth rate used was 2% (2022: 0%).

Sensitivity to changes in assumptions

Global Graphics Software CGU

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

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

	Change required for carrying amount to equal recoverable	
	2023	**2022**
Revenue growth rate	(44bps)	(94bps)
Discount rate	41bps	356bps

HYBRID Software CGU

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

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

	Change required for carrying amount to equal recoverable	
	2023	**2022**
Revenue growth rate	(237bps)	(61bps)
Discount rate	79bps	201bps

ColorLogic CGU

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

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

	Change required for carrying amount to equal recoverable	
	2023	**2022**
Revenue growth rate	(41bps)	(232bps)
Discount rate	44bps	831bps

16. GOODWILL (CONTINUED)

Meteor Inkjet and Xitron CGU's

For the Meteor Inkjet and Xitron CGUs, no reasonably possible change in revenue growth rate and discount rate assumptions would cause a material impairment and therefore no sensitivity analysis has been disclosed.

As a result of these projections, no impairment was required for goodwill for the year ended 31 December 2023 (2022: €nil).

17. FINANCIAL ASSETS

Financial assets measured at amortised cost.

In thousands of euros	2023	2022
Rent and other deposits	32	49
Financial assets not classified as cash or cash equivalent	803	726
Non-current finance lease receivables (see note 24)	112	180
Total financial assets	**947**	**955**

18. TAX

Corporation tax

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

In thousands of euros	2023	2022 Restated
Current tax		
Current year charge	(500)	(1,579)
Withholding tax	-	(8)
Credit related to previous periods	49	-
Total current tax	**(451)**	**(1,587)**
Deferred tax		
Arising from the capitalisation and amortisation of development expenses	(47)	(269)
Impact of rate change	-	-
Recognition of previously unrecognised tax losses	(26)	199
Origination and reversal of temporary differences	3,510	885
Total deferred tax	**3,437**	**815**
Total tax credit / (charge)	**2,986**	**(772)**

18. TAX (CONTINUED)

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

In thousands of euros	2023	2022 Restated
(Loss) / Profit before tax	(1,667)	1,835
Expected tax credit / (charge) at the Company's tax rate of 23.5% (2022: 19%)	392	(349)
Effect of differences in tax rates in foreign jurisdictions	200	(527)
Effect of expenses not deductible and items not taxable	1,156	8
Deferred tax not recognised	(1,713)	(984)
Impact of rate change	2,445	(237)
Effect of R&D enhanced expenditure	498	674
Effect of withholding tax	(16)	(8)
Recognition of previously unrecognised tax asset	24	651
Total tax credit / (charge) recognised	**2,986**	**(772)**

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

Deferred tax

The Group had recognised deferred tax as follows:

In thousands of euros	2023	2022 Restated
Deferred tax assets		
Capital allowances	1,756	1,677
Unused tax losses	1,085	1,109
Total recognised deferred tax assets before set-off	**2,841**	**2,786**
Deferred tax set-off	(1,208)	(717)
Net deferred tax assets	**1,633**	**2,069**
Deferred tax liabilities		
Capitalised development expenses	966	834
As a result of business combinations	2,643	6,179
Total recognised deferred tax liabilities before set-off	**3,609**	**7,013**
Deferred tax set-off	(1,208)	(717)
Net deferred tax liabilities	**2,401**	**6,296**

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The deferred tax asset at 31 December 2023 has been calculated based on the rates expected to be in force at the time of utilisation. The deferred tax liability at 31 December 2023 has been recognised as a result of acquisitions in different tax jurisdictions at the rates prevailing in those jurisdictions. The rates range from 17% to 30%.

Deferred tax assets on trading losses of €25.96 million (2022: €21.25 million) and fixed asset temporary differences of €4.04 million (2022: €2.18 million) have not been recognised.

18. TAX (CONTINUED)

The movement in deferred tax is as follows:

In thousands of euros	2023	2022 Restated
Deferred tax assets		
Balance as at 1 January	2,786	2,756
Amounts (charged)/credited to profit & loss	(26)	199
Foreign currency translation differences recognised in other comprehensive income	81	(169)
Total recognised deferred tax assets before set-off as at 31 December	**2,841**	**2,786**
Deferred tax liabilities		
Balance as at 1 January as previously reported	9,381	10,166
Prior year adjustment (see note 36)	(2,368)	(2,605)
Balance as at 1 January as restated	7,013	7,561
Amounts credited to profit & loss	(3,463)	(853)
Prior year adjustment (see note 36)	-	237
Foreign currency translation differences recognised in other comprehensive income	59	68
Total recognised deferred tax liabilities before set-off as at 31 December	**3,609**	**7,013**

19. INVENTORIES

In thousands of euros	2023	2022
Finished goods	1,823	2,174
Components	2,089	1,739
Total inventories	**3,912**	**3,913**

20. TRADE AND OTHER RECEIVABLES

In thousands of euros	2023	2022
Trade receivables	6,024	6,546
Allowance for doubtful debts	(593)	(336)
Total trade and other receivables	**5,431**	**6,210**

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

In thousands of euros	2023	2022
Under 90 days	4,970	5,860
Over 90 days and provided for	461	336
Over 90 days but not provided for	-	14
Total trade receivables	**5,431**	**6,210**

Impairment losses during the year were €0,000 (2022: €9,000).
Movements in the Group's provision for impairment of trade receivables are as follows:

In thousands of euros	2023	2022
At 1 January	336	134
Charge during the year	257	202
At 31 December	**593**	**336**

The Directors have considered the nature of the customers, the historic levels of bad debts and the payment profile of customer contracts in reaching the value of the expected credit losses above. See Note 30 'Financial risk management' for further disclosure regarding the credit quality of the Group's trade debtors.

21. OTHER CURRENT ASSETS

In thousands of euros	2023	2022
VAT receivable	260	294
Current finance lease receivables (see note 24)	60	85
Other items	55	46
Total other current assets	**375**	**425**

22. CASH AND CASH EQUIVALENTS

In thousands of euros	2023	2022
Cash at bank and in hand	7,079	6,317
Total cash and cash equivalents	**7,079**	**6,317**

23. CAPITAL AND RESERVES

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

	2023		2022	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
As at 31 December	**32,909,737**	**13,164**	**32,909,737**	**13,164**

Share premium:

In thousands of euros	2023	2022
As at 31 December	**1,979**	**1,979**

Merger reserve:

In thousands of euros	2023	2022
As at 31 December	**67,015**	**67,015**

Treasury shares:

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

	2023		2022	
In thousands of euros, except number of shares	**Number**	**Value**	**Number**	**Value**
As at 1 January	58,996	161	73,996	202
Disbursement of shares to employees	(19,000)	(54)	(15,000)	(41)
Own shares re-purchased	18,588	72	-	-
As at 31 December	**58,584**	**179**	**58,996**	**161**

24. LEASES

Group as lessee

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

Right-of-use assets

In thousands of euros	Land and buildings	Motor vehicles	Total
Balance at 31 December 2021	**3,469**	**137**	**3,606**
Additions	-	67	67
Remeasurements	123	-	123
Disposals	-	(11)	(11)
Depreciation charge for the year	(722)	(99)	(821)
Effect of movement in exchange rates	(36)	(16)	(52)
Balance at 31 December 2022	**2,834**	**78**	**2,912**
Additions	-	45	45
Depreciation charge for the year	(694)	(69)	(763)
Effect of movement in exchange rates	8	(1)	7
Balance at 31 December 2023	**2,148**	**53**	**2,201**

These right-of-use assets are depreciated on a straight-line basis over the remaining term of the rental agreement. As at the date of these financial statements, the remaining terms range from 1 month to 6 years. Remeasurements are the result of an extension to the term of an existing lease.

Lease liabilities

In thousands of euros	2023	2022
Current	824	834
Non-current	1,777	2,560
Total lease liabilities	**2,601**	**3,394**

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

Amounts recognised in the Consolidated Statement of Comprehensive Income:

In thousands of euros	2023	2022
Interest on lease liabilities	127	150
Expenses relating to short-term leases	93	99
Total recognised in profit or loss	**220**	**249**

24. LEASES (CONTINUED)

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

The short-term leases are leases for office space with a duration of 12 months or less.

Cash out flow for leases:

In thousands of euros	2023	2022
Lease liability interest	127	150
Principal payments	880	935
Total cash outflow for leases	**1,007**	**1,085**

Maturity analysis of contractual undiscounted cash flows for lease payments:

In thousands of euros	2023	2022
Within 1 year	953	972
Between 1 and 2 years	911	919
Between 2 and 3 years	547	883
Between 3 and 4 years	164	527
Between 4 and 5 years	160	160
After 5 years	160	320
Total undiscounted lease liabilities at 31 December	**2,895**	**3,781**

Group as lessor – finance leases

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

In thousands of euros	2023	2022
Income received from subleasing right-of-use assets	96	49
Finance income on net investment in leases	(18)	(20)
Total amount recognised in profit or loss	**78**	**29**

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

In thousands of euros	2023	2022
Within 1 year	72	103
Between 1 and 2 years	72	78
Between 2 and 3 years	52	72
Between 3 and 4 years	-	53
Between 4 and 5 years	-	-
After 5 years	-	-
Total undiscounted lease payments receivable	196	306
Unearned finance income	(24)	(41)
Net investment in the lease	**172**	**265**

In thousands of euros	2023	2022
Current (see note 21)	60	85
Non-current (see note 17)	112	180
Total finance lease receivable	**172**	**265**

25. OTHER LIABILITIES

Financial liabilities measured at fair value.

In thousands of euros	2023	2022
Contingent consideration	233	635
Deferred consideration	662	932
Other liabilities	-	152
Total other liabilities	**895**	**1,719**

In thousands of euros	2023	2022 Restated
Current	543	688
Non-current	352	1,031
Total other liabilities	**895**	**1,719**

→ Contingent consideration

Certain assumptions about revenue growth were used when calculating the acquisition date fair value of contingent consideration for the acquisition of TTP Meteor Limited (now Meteor Inkjet Limited) in the year ending 31 December 2016.

During the year, cash payments of €367,000 (2022: €717,000) were paid against the contingent consideration due for the acquisition of Meteor Inkjet Limited. The underlying liability is denominated in pounds sterling, thus there is a movement due to changes in exchange rates used to convert to Euros at the reporting date.

→ Deferred consideration

Deferred consideration primarily relates to the acquisition of ColorLogic GmbH. During the year, cash payments of €310,000 (2022: €310,000) were paid against the deferred consideration.

26. LOANS AND BORROWINGS

In thousands of euros	2023	2022 Restated
Current	-	93
Non-current	7,800	8,000
Total loans and borrowings	**7,800**	**8,093**

Unsecured loan from related party

An unsecured loan has been granted by Congra Software S.à.r.l. ("Congra")' to HYBRID Software Development NV ("HYBRID"). During the year, payments totalling €528,000 (2022: €552,000) have been made to Congra. €293,000 (2022: €307,000) has been paid as a repayment against the principal and €235,000 (2022: €245,000) has been paid for interest. Interest is calculated and payable at a fixed rate of 3% per annum on the outstanding balance. The balance of the loan outstanding at 31 December 2023 was €7,800,000 (2022: €8,093,000).

On 16 February 2023, an addendum to the loan agreement was executed in which an adjustment to the repayment scheme has been agreed to. Subject to the amended repayment scheme, €93,000 was to be repaid in 2023 and the balance in 8 equal quarterly instalments of €1,000,000 each of which the first in the 1st quarter of 2025 and the last in the 4th quarter of 2026. The loan is due to be fully repaid on 31 December 2026.

It has been contractually agreed that HYBRID is entitled to accelerate repayments by making any additional repayments without any additional cost. In 2023 additional payments for the total amount of €200,000 have been made.

27. CONTRACT LIABILITIES

In thousands of euros	2023	2022
Customer advances	1,477	1,015
Deferred revenue	3,368	2,864
Total contract liabilities	**4,845**	**3,879**

In thousands of euros	2023	2022
Current	4,368	3,835
Non-current	477	44
Total contract liabilities	**4,845**	**3,879**

The contract liabilities relate to consideration received in advance of the provision of goods and services. Customer advances relate to consideration received in advance of the provision of physical goods, engineering and consultancy services. Deferred revenue relates to the consideration received for support and maintenance performance obligations that will be recognised as revenue over a period of time. Movements in the balance are driven by individual contracts and are not expected to necessarily be consistent year on year.

28. EARNINGS PER SHARE

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

In thousands of euros unless otherwise stated	2023	2022 Restated
Weighted average number of shares (basic), in thousands of shares	32,852	32,850
Profit from continuing operations	1,319	1,063
Basic earnings per share, in euros	**0.04**	**0.03**
Diluted earnings per share, in euros	**0.04**	**0.03**

29. SHARE BASED PAYMENTS

At 31 December 2023, the Group has the following shared based payment arrangements.

→ Free shares

On 24 April 2009 the Group established an HMRC approved Share Incentive Plan ("SIP") in the UK and also operates an Enterprise Management Incentive Scheme ("EMI") to enable its UK employees and Directors to participate in a tax efficient manner in the ownership of the Company's shares. Under these schemes, free shares can be granted by the Board to eligible employees and Directors. For non-UK employees and Directors, free shares can be granted directly to the employee. Free shares granted by the Board to employees and Directors, either directly or through the SIP or EMI, have a 3 or 4 year vesting period and free shares granted outside of the SIP or EMI have vesting periods of either 12 or 24 months.

Employees participating in the SIP are also granted free matching shares in proportion to the partnership shares that they purchased through a deduction from their gross pay before tax, subject to current HMRC limits. The matching shares have a vesting period of 3 years.

29. SHARE BASED PAYMENTS (CONTINUED)

The number of free shares granted, exercised, lapsed or withdrawn during the year was as follows:

	As at 31 December 2022	Granted	Exercised	Withdrawn	Lapsed	As at 31 December 2023
	Number	Number	Number	Number	Number	Number
SIP matching shares	23,366	-	(3,788)	(4,304)	-	15,274
Free shares granted	58,112	-	(22,506)	(15,606)	-	20,000
	81,478	**-**	**(26,294)**	**(19,910)**	**-**	**35,274**

→ Measurement of fair value

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

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

During the year the Group recognised €nil (2022: €nil) of share-based payment expense in these financial statements.

30. FINANCIAL RISK MANAGEMENT

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

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

→ Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters. To help manage these foreign exchange risks the Group may utilise foreign currency option or forward contracts transacted with high-credit-quality financial institutions, after review and approval by the Group's CFO. There were no such contracts outstanding as at 31 December 2023 (2022: none).

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

In thousands of euros	Euros	US dollars	Pounds sterling	Japanese yen	Canadian dollars	Chinese yuan	Australian dollars
At 31 December 2023							
Trade and other receivables	1,688	2,664	836	160	-	45	16
Contract assets	1,646	1,415	899	56	40	121	8
Other current assets	171	-	161	9	-	34	-
Trade and other payables	(1,904)	(636)	(924)	(31)	-	-	(7)
Accrued liabilities	(925)	(76)	(894)	(19)	-	(24)	(2)
Other liabilities	(276)	(34)	(233)	-	-	-	-
Net exposure	**400**	**3,333**	**(155)**	**175**	**40**	**176**	**15**
At 31 December 2022 Restated							
Trade and other receivables	2,262	2,459	1,131	125	10	110	76
Contract assets	1,661	1,846	202	728	47	219	17
Other current assets	208	2	168	13	-	34	-
Loans & borrowings	(93)	-	-	-	-	-	-
Trade and other payables	(1,626)	(614)	(654)	(10)	-	(13)	(2)
Accrued liabilities	(1,072)	(186)	(1,015)	(14)	-	-	-
Other liabilities	(269)	-	(419)	-	-	-	-
Net exposure	**1,071**	**3,507**	**(587)**	**842**	**57**	**350**	**91**

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

In thousands of euros	Euros	US dollars	Pounds sterling	Japanese yen	Canadian dollars	Chinese yuan	Australian dollars
At 31 December 2023							
Trade and other receivables	-	22	-	-	-	-	-
Contract assets	1,930	1,052	1,309	13	104	-	-
Other non-current assets	8	8	-	-	-	-	2
Retirement benefit obligations	(982)	-	-	-	-	-	-
Loans & borrowings	(7,800)	-	-	-	-	-	-
Accrued liabilities	(52)	-	-	-	-	-	-
Other liabilities	(352)	-	-	-	-	-	-
Net exposure	**(7,248)**	**1,082**	**1,309**	**13**	**104**	**-**	**2**
At 31 December 2022 Restated							
Trade and other receivables	-	37	-	-	-	-	-
Contract assets	2,137	1,336	13	62	116	-	-
Other non-current assets	6	10	-	-	-	-	1
Retirement benefit obligations	(797)	-	-	-	-	-	-
Loans & borrowings	(8,000)	-	-	-	-	-	-
Accrued liabilities	(24)	(113)	(213)	-	-	-	-
Other liabilities	(814)	-	(217)	-	-	-	-
Net exposure	**(7,492)**	**1,270**	**(417)**	**62**	**116**	**-**	**1**

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Average rate for		Rate at 31 December	
	2023	2022	2023	2022
US dollar	0.9261	0.9506	0.9060	0.9382
Pound sterling	1.1497	1.1734	1.1527	1.1303
Japanese yen	0.0066	0.0073	0.0064	0.0071
Canadian dollar	0.5934	0.7303	0.5928	0.6897
Chinese yuan	0.1316	0.1413	0.1279	0.1354
Australian dollar	0.6156	0.6595	0.6165	0.6348

If sales and results for the year had been converted using the exchange rates prevailing in the prior year, the Group's 2023 sales would have increased by approximately €0.69 million and the operating loss for the year would have decreased by approximately €0.01 million.

→ Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is mainly exposed to credit risk from sales to customers. It is Group policy to assess the credit risk of new customers before entering contracts and to have a frequent and proactive collections process. Historically, bad debts across the Group have been extremely low and full or part payment in advance by some customers helps to reduce the overall risk. Credit risk also arises from cash deposits held at banks. At the year-end, the Group's cash deposits were held with major banks such as HSBC (UK and United States), Sumitomo Mitsui Banking Corporation (Japan), KBC Bank (Europe) and The PNC Financial Services Group (United States).

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date. These are summarised within Note 20 'Trade and other receivables' and Note 22 'Cash and cash equivalents'. The Group's management considers that all the above financial assets that are not impaired at the balance sheet date under review are of good credit quality, including those that are past due.

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

In thousands of euros	2023	2022 Restated
Equipment manufacturers	1,891	899
Resellers and end users	3,540	5,311
Total trade receivables	**5,431**	**6,210**

At 31 December 2023, the ten largest accounts receivable represented 36.6% (2022: 24.2%) of the Group's accounts receivables and the single largest accounts receivable represented 9.9% (2022: 5.9%) of the Group's accounts receivables.

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

The Group has recognised a loss allowance of €593,000 (2022: €336,000) against trade receivables. The loss allowance applies to debt over 90 days and relates to a small number of customers where none of the debt is expected to be recovered through normal trading. A provision is made against trade receivables until such time as the Group believes the amount to be irrecoverable, after which the trade receivable balance is written off. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

→ Liquidity risk

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

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

In thousands of euros	Within 1 year	Between 1 and 10 years	Total
At 31 December 2023			
Retirement benefit obligations	-	982	982
Loans & borrowings	-	7,800	7,800
Trade payables	3,502	-	3,502
Accrued liabilities	1,940	52	1,992
Other liabilities	543	352	895
Total	**5,985**	**9,186**	**15,171**
At 31 December 2022 Restated			
Retirement benefit obligations	-	797	797
Loans & borrowings	93	8,000	8,093
Trade payables	2,919	-	2,919
Accrued liabilities	2,287	350	2,637
Other liabilities	688	1,031	1,719
Total	**5,987**	**10,178**	**16,165**

→ Interest rate risk

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

→ Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders, maintain investor, creditor and market confidence, and sustain future development of the business. There were no changes in the Group's approach to capital risk management during the year ended 31 December 2023.

In thousands of euros	2023	2022 Restated
Capital		
Total equity	111,947	110,459
Less cash and cash equivalents	7,079	6,317
	104,868	**104,142**
Overall financing		
Total equity	111,947	110,459
Plus borrowings	7,800	8,093
	119,747	**118,552**
Capital to overall financing ratio	**1:1.14**	**1:1.14**

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

→ Accounting classifications and fair values

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

	Carrying amount				Fair value
In thousands of euros	**FVTPL**	**Financial assets at amortised cost**	**Other financial liabilities**	**Total**	**Level 2**
At 31 December 2023					
Financial assets not measured at fair value					
Financial assets (see note 17)	-	947	-	947	947
Trade and other receivables (see note 20)	-	5,431	-	5,431	5,431
Cash and cash equivalents (see note 22)	-	7,079	-	7,079	7,079
	-	**13,457**	**-**	**13,457**	**13,457**
Financial liabilities measured at fair value					
Contingent consideration (see note 25)	233	-	-	233	233
Deferred consideration (see note 25)	662	-	-	662	662
Unsecured loan from related party (see note 26)	7,800	-	-	7,800	7,800
	8,695			**8,695**	**8,695**
Financial assets not measured at fair value					
Trade and other payables	-	-	3,502	3,502	3,502
	-	**-**	**3,502**	**3,502**	**3,502**
At 31 December 2022 Restated					
Financial assets not measured at fair value					
Financial assets (see note 17)	-	955	-	955	955
Trade and other receivables (see note 20)	-	6,210	-	6,210	6,210
Cash and cash equivalents (see note 22)	-	6,317	-	6,317	6,317
	-	**13,482**	**-**	**13,482**	**13,482**
Financial liabilities measured at fair value					
Contingent consideration (see note 25)	635	-	-	635	635
Deferred consideration (see note 25)	932	-	-	932	932
Other liabilities (see note 25)	152	-	-	152	152
Unsecured loan from related party (see note 26)	8,093	-	-	8,093	8,093
	9,812	**-**	**-**	**9,812**	**9,812**
Financial assets not measured at fair value					
Trade and other payables	-	-	2,919	2,919	2,919
	-	**-**	**2,919**	**2,919**	**2,919**

31. RELATED PARTIES

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

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

→ Remuneration of key management personnel

The remuneration paid to the Directors, who are key management personnel of the Group, is detailed in the Directors' remuneration report on pages 73 to 81.

A service agreement between Hybrid Software Group PLC and Powergraph BV provides an arrangement for the remuneration of Guido Van der Schueren.

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

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

In thousands of euros	**2023**	**2022**
Short-term employee benefits	3,066	3,289
Post-employment benefits	136	172
Other long-term benefits	-	20
Termination payments	115	-
Shares sold to Hybrid Software Group PLC	22	-
Total key management personnel expenses	**3,339**	**3,481**

→ Unsecured loan from related party

An unsecured loan has been granted by Congra to HYBRID Software Development NV. ("HYBRID"). During the year, payments totalling €528,000 (2022: €552,000) have been made to Congra in respect of the loan. €293,000 (2022: €307,000) has been paid as a repayment against the principal and €235,000 (2022: €245,000) has been paid for interest. Interest is calculated and payable at a fixed rate of 3% per annum on the outstanding balance. The balance of the loan outstanding at 31 December 2023 was €7,800,000 (2022: €8,093,000).

On 16 February 2023, an addendum to the loan agreement was executed in which an adjustment to the repayment scheme has been agreed to. Subject to the amended repayment scheme, €93,000 was to be repaid in 2023 and the balance in 8 equal quarterly instalments of €1,000,000 each of which the first in the 1st quarter of 2025 and the last in the 4th quarter of 2026. The loan is due to be fully repaid on 31 December 2026.

It has been contractually agreed that HYBRID is entitled to accelerate repayments by making any additional repayments without any additional cost. In 2023 additional payments for the total amount of €200,000 have been made.

Additionally, Congra recharges some minor expenses to HYBRID and HYBRID was liable for some additional consideration that was payable in respect of a transfer of the Cloudflow intangible assets prior to joining the Group. The minor expenses totalled €15,000 (2022: €8,000) and the additional consideration was €200,000 (2022: €nil). At 31 December 2023, €200,000 (2022: €nil) was owed to Congra in respect of these items.

→ Powergraph

A total of €542,000 (2022: €420,000) was paid during the year by HYBRID to Powergraph in respect of the aforementioned service agreement for Guido Van der Schueren. This amount is included in the amounts presented in the Directors' remuneration report on pages 73 to 81. €145,000 (2022: €nil) was owed at the 31 December 2023.

31. RELATED PARTIES (CONTINUED)

Other related parties

Powergraph and Congra have interests in other companies, namely Tallon Graphic Solutions NV and Husky Marketing Planner BV. During the year, HYBRID Software NV made sales of €9,000 (2022: €11,000) to these companies and at 31 December 2023 €nil (2022: €nil) was owed to HYBRID Software NV by them, all of which is considered as recoverable in full.

A total of €270,000 (2022: €256,000) was paid during the year by HYBRID to Bellevarde Financial BV in respect of the aforementioned service agreement for Joachim Van Hemelen. This amount is included in the amounts presented in the Directors' remuneration report on pages 73 to 81. €54,000 (2022: €nil) was owed as per 31 December 2023.

32. GROUP ENTITIES

			Ownership interest %	
Company name	**Registered office address**	**Country of incorporation**	**2023**	**2022**
Global Graphics (UK) Limited	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	100%
Global Graphics Software Limited*	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	100%
Global Graphics Software Incorporated*	6601 S.Tamiami Trail, Suite 176, Sarasota, FL 34231, USA	United States of America	100%	100%
Global Graphics Kabushiki Kaisha*	610 AIOS Nagatacho Bldg, 2-17-17 Nagatacho, Chiyoda-ku, Tokyo 100-0014, Japan	Japan	100%	100%
Global Graphics EBT Limited^	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	-	100%
Meteor Inkjet Limited	Harston Mill, Royston Road, Harston, Cambridge, CB22 7GG, UK	United Kingdom	100%	100%
Xitron, LLC*	4750 Venture Drive, Suite 200A, Ann Arbor, Michigan 48108, USA	United States of America	100%	100%
HYBRID Software Group S.à r.l.	19-21 route d'Arlon, LU-8009 Strassen, Luxembourg	Luxembourg	100%	100%
eXplio NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Belgium	100%	99.93%
HYBRID Software Development NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Belgium	100%	100%
HYBRID Integration LLC*	Eight Neshaminy Interplex, Suite 111, Trevose, Pennsylvania 19053, USA	United States of America	100%	100%
HYBRID Software NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Belgium	100%	100%
HYBRID Software China Co. Limited*	Room 2504, 25th Floor, Building 2, No. 900 Yishan Road, Xuhui District, Shanghai, China	China	100%	100%
HYBRID Software GmbH*	Uhlandstrabe 9, 79102 Freiburg, Germany	Germany	100%	100%
HYBRID Software Italy SRL*	Viale Sondrio 2, IT-20124 Milano, Italy	Italy	100%	100%
HYBRID Software France SAS*	15 Rue Marsollier, F-75002 Paris, France	France	100%	100%
HYBRID Software UK Limited*	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	United Kingdom	100%	100%
HYBRID Software Australia Pty Limited*	Suite 2, Level 14, 9 Castlereagh Street, Sydney, NSW 2000, Australia	Australia	100%	100%
HYBRID Software Iberia S.L.U.*	Riera dels Frares, 8 – E08907 L'Hospitalet, Barcelona, Spain	Spain	100%	100%
ColorLogic GmbH	Landersumer Weg 40, D-48431 Rheine	Germany	100%	100%

See Note 3 'Investments' of the company financial statements for the principal activities of each company.

* indirectly held by the Company.
^ Company was dissolved on 17 October 2023.

33. ACQUISITION

Acquisition of iC3D

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

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

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

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

The identifiable assets acquired and liabilities assumed were:

In thousands of euros	**Book value**	**Fair value adjustment**	**Total**
Property, plant and equipment (see note 14)	16	-	16
Other intangible assets (see note 15)	-	1,836	1,836
Total identifiable net assets acquired	**16**	**1,836**	**1,852**

The intangible assets recognised have been valued as follows:

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

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

In thousands of euros	
Total consideration payable	3,430
Fair value of identifiable net assets	(1,852)
Total Goodwill (see note 16)	**1,578**

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

During the year, the Group incurred acquisition-related costs of €3,000 in respect of this acquisition, which have been included in 'Other operating expenses' in the consolidated statement of comprehensive income.

For the period from acquisition to 31 December 2022, the revenues and the loss before tax generated by this acquisition were €589,000 and €135,000 respectively.

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

34. MOVEMENTS IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

In thousands of euros	Lease liabilities	Other liabilities	Total
Balance at 31 December 2022	**3,394**	**9,812**	**13,206**
Loan repayment	-	(293)	(293)
Deferred consideration paid	-	(310)	(310)
Contingent consideration paid	-	(367)	(367)
Principal payments of lease liabilities	(880)	-	(880)
Total cashflows	**(880)**	**(970)**	**(1,850)**
Contingent consideration fair value adjustment	-	41	41
Recognition of new lease liabilities	84	-	84
Disposal of expired lease liabilities	(59)	-	(59)
Other non-cash items*	127	(235)	(108)
Exchange rate effects	(65)	47	(18)
Total non-cash items	**87**	**(147)**	**(60)**
Balance at 31 December 2023	**2,601**	**8,695**	**11,296**

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

*Other non-cash items include the unwinding of discounts on lease liabilities and interest on loans and borrowings.

35. SUBSEQUENT EVENTS

There are no post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2023.

36. RESTATEMENT OF COMPARATIVES

As part of the annual impairment test analysis management identified that a significant error had been made in the determination of the deferred tax liability position which has arisen from the acquisition of HYBRID Software in January '21, leading to a material misstatement in the consolidated group figures. Under the initial modelling certain elements have not been included properly, in effect the intragroup transfers of both the Cloudflow and Packz intellectual property rights by respectively Congra Software S.a.r.l. and Hybrid Software Group S.a.r.l. to Hybrid Software Development NV in September 2020 and June 2021. Under the initial modelling, a deferred tax liability has been computed based on the values as determined in the initial purchase price allocation study. The initial modelling failed to consider the intragroup transfers hence the amortization of the acquired intangibles by Hybrid Software Development NV and the effects on corporate income taxes thereof.

This correction affected the following items in the 2022 income statement:

- Tax charge – increase by €237,000 (2021: €237,000)
- Profit from continuing operations – decrease by €237,000 (2021: €237,000)

This correction affected the following items in the balance sheet as at 1 January 2022:

- Goodwill – decrease by €2,842,000 (1 January 2021 €2,842,000)
- Deferred tax liabilities – decrease by €2,605,000 (1 January 2021 €2,842,000)
- Retained earnings – decrease by €237,000 (1 January 2021 €nil)

This correction affected the following items in the balance sheet as at 31 December 2022:

- Goodwill – decrease by €2,842,000 (31 December 2021 €2,842,000)
- Deferred tax liabilities – decrease by €2,368,000 (31 December 2021 €2,605,000)
- Retained earnings – decrease by €474,000 (31 December €237,000)

A decrease in retained earnings of €474,000 was restated in the year ended 31 December 2022.

In accordance with IAS1.40B the Company has presented a third Statement of Financial Position as at 1 January 2022.

In thousands of euros	31 December 2021 as previously reported	Adjustment	Re-presented	1 January 2022 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	1,662	-	-	1,662
Right-of-use assets	3,606	-	-	3,606
Other intangible assets	45,205	-	-	45,205
Goodwill	64,678	(2,842)	-	61,836
Financial assets	935	-	-	935
Deferred tax assets	2,236	-	-	2,236
Trade and other receivables due after more than one year	3,682	-	(3,467)	215
Contract assets due after more than one year	-	-	3,467	3,467
Other assets due after more than one year	-	-	-	-
Total non-current assets	122,004	(2,842)	-	119,162
Current assets				
Inventories	2,308	-	-	2,308
Current tax assets	71	-	-	71
Trade and other receivables	10,915	-	(3,715)	7,200
Contract assets	-	-	3,715	3,715
Other current assets	297	-	-	297
Prepayments	1,684	-	-	1,684
Cash and cash equivalents	9,234	-	-	9,234
Total current assets	24,509	-	-	24,509
TOTAL ASSETS	146,513	(2,842)	-	143,671
EQUITY AND LIABILITIES				
Equity attributable to owners of the Parent				
Share capital	13,164	-	-	13,164
Share premium	1,979	-	-	1,979
Merger reserve	67,015	-	-	67,015
Treasury shares	(202)	-	-	(202)
Retained earnings	38,624	(237)	-	38,387
Foreign currency translation reserve	(10,629)	-	-	(10,629)
Total equity	109,951	(237)	-	109,714
Non-current liabilities				
Deferred tax liabilities	9,646	(2,605)	-	7,041
Lease liabilities	3,060	-	-	3,060
Retirement benefit obligations	-	-	837	837
Accrued liabilities	1,316	-	(837)	479
Loans & borrowings	-	-	5,600	5,600
Other liabilities	7,407	-	(5,600)	1,807
Contract liabilities	427	-	-	427
Total non-current liabilities	21,856	(2,605)	-	19,251
Current liabilities				
Current tax liabilities	821	-	-	821
Trade and other payables	1,931	-	-	1,931
Lease liabilities	761	-	-	761
Accrued liabilities	4,261	-	-	4,261
Loans & borrowings	-	-	2,800	2,800
Other liabilities	3,767	-	(2,800)	967
Contract liabilities	3,165	-	-	3,165
Total current liabilities	14,706	-	-	14,706
Total liabilities	36,562	(2,605)	-	33,957
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	146,513	(2,842)	-	143,671

In thousands of euros	31 December 2022 as previously reported	Adjustment	Re-presented	31 December 2022 Restated
ASSETS				
Non-current assets				
Property, plant and equipment	1,702	-	-	1,702
Right-of-use assets	2,912	-	-	2,912
Other intangible assets	43,959	-	-	43,959
Goodwill	65,927	(2,842)	-	63,085
Financial assets	955	-	-	955
Deferred tax assets	2,069	-	-	2,069
Trade and other receivables due after more than one year	3,718	-	(3,681)	37
Contract assets due after more than one year	-	-	3,664	3,664
Other assets due after more than one year	-	-	17	17
Total non-current assets	121,242	(2,842)	-	118,400
Current assets				
Inventories	3,913	-	-	3,913
Current tax assets	-	-	-	-
Trade and other receivables	10,893	-	(4,720)	6,173
Contract assets	-	-	4,720	4,720
Other current assets	425	-	-	425
Prepayments	1,611	-	-	1,611
Cash and cash equivalents	6,317	-	-	6,317
Total current assets	23,159	-	-	23,159
TOTAL ASSETS	144,401	(2,842)	-	141,559
EQUITY AND LIABILITIES				
Equity attributable to owners of the Parent				
Share capital	13,164	-	-	13,164
Share premium	1,979	-	-	1,979
Merger reserve	67,015	-	-	67,015
Treasury shares	(161)	-	-	(161)
Retained earnings	39,847	(474)	-	39,373
Foreign currency translation reserve	(10,911)	-	-	(10,911)
Total equity	110,933	(474)	-	110,459
Non-current liabilities				
Deferred tax liabilities	8,664	(2,368)	-	6,296
Lease liabilities	2,560	-	-	2,560
Retirement benefit obligations	-	-	797	797
Accrued liabilities	1,147	-	(797)	350
Loans & borrowings	-	-	8,000	8,000
Other liabilities	3,931	-	(2,900)	1,031
Contract liabilities	44	-	-	44
Total non-current liabilities	16,346	(2,368)	5,100	19,078
Current liabilities				
Current tax liabilities	1,366	-	-	1,366
Trade and other payables	2,919	-	-	2,919
Lease liabilities	834	-	-	834
Accrued liabilities	2,287	-	-	2,287
Loans & borrowings	-	-	93	93
Other liabilities	5,881	-	(5,193)	688
Contract liabilities	3,835	-	-	3,835
Total current liabilities	17,122	-	(5,100)	12,022
Total liabilities	33,468	(2,368)	-	31,100
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	144,401	(2,842)	-	141,559

Company statement of financial position

In thousands of euros	Note	For the year ended 31 December 2023	2022
Non-current assets			
Investments	3	**101,121**	101,121
Trade and other receivables	4	**10,000**	1,755
Total non-current assets		**111,121**	102,876
Current assets			
Trade and other receivables	4	**289**	548
Cash and cash equivalents		**420**	39
Total current assets		**709**	587
Current liabilities			
Creditors: Amounts falling due within one year	5	**(1,847)**	(11,759)
Net current liabilities		**(1,138)**	(11,172)
Creditors: Amounts falling due in more than one year	6	**(343)**	(866)
Net assets		**109,640**	90,838
Capital and reserves			
Called up share capital	8	**13,164**	13,164
Share premium account	8	**1,979**	1,979
Merger reserve	8	**67,015**	67,015
Treasury shares	8	**(179)**	(161)
Profit and loss account		**27,661**	8,841
Total shareholders' funds		**109,640**	90,838

The notes on pages 144 to 149 form part of these financial statements.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement and related notes. The result for the year ended 31 December 2023 was a profit of €18,874,000 (2022: €184,000).

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

These financial statements were approved and authorised for issue by the Board of Directors on 21 March 2024 and were signed on its behalf by:

Michael Rottenborn
Director

Michael A. Rottenborn

Company statement of changes in equity

In thousands of euros	Note	Called up share capital	Share premium account	Merger reserve	Treasury shares	Profit and loss account	Total equity
Balance at 31 December 2021		**13,164**	**1,979**	**67,015**	**(202)**	**8,734**	**90,690**
Total comprehensive income for the year							
Net profit for the year		-	-	-	-	184	184
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**184**	**184**
Transactions with owners							
Share-based payment transactions	9	-	-	-	41	(41)	-
Acquisition – newly issued shares	8	-	-	-	-	(36)	(36)
Total transactions with owners		**-**	**-**	**-**	**41**	**(77)**	**(36)**
Balance at 31 December 2022		**13,164**	**1,979**	**67,015**	**(161)**	**8,841**	**90,838**
Total comprehensive income for the year							
Net profit for the year		-	-	-	-	18,874	18,874
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**18,874**	**18,874**
Transactions with owners							
Share-based payment transactions	9	-	-	-	54	(54)	-
Own shares re-purchased	8	-	-	-	(72)	-	(72)
Total transactions with owners		**-**	**-**	**-**	**(18)**	**(54)**	**(72)**
Balance at 31 December 2023		**13,164**	**1,979**	**67,015**	**(179)**	**27,661**	**109,640**

The notes on pages 144 to 149 form part of these financial statements.

Notes to the company financial statements

1. PRINCIPAL ACCOUNTING POLICIES

Hybrid Software Group PLC is a company incorporated and domiciled in the United Kingdom.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

→ Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 - Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards but makes amendments where necessary to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company is an ultimate parent undertaking and is included in the Company's consolidated financial statements. The consolidated financial statements are prepared in accordance with IFRS and are available to the public and may be obtained from 2030 Cambourne Business Park, Cambourne, CB23 6DW.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capitals;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRS; and
- Disclosures in respect of the compensation of Key Management Personnel.

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

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Group accounting policies also apply to the Company, in addition to those stated below.

→ Investments

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

→ Foreign currencies

The functional and presentation currency of the Company is euro.

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

→ Provisions

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

→ Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as required by IAS 12.

→ Share based payments

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

→ Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements and have no reason to believe that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern, notably because of a cash position of €7.08 million as at 31 December 2023 (2022: €6.32 million). Those forecasts take into account multiple reasonably possible downsides. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Refer to Note 2 'Basis of preparation' of the consolidated financial statements for further details.

→ Estimates and Judgements

Investments are assessed 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.

Amounts owed by group undertakings are assessed for impairment but are deemed by the Directors to be recoverable in more than 12 months.

2. EMPLOYEES AND REMUNERATION OF DIRECTORS

The Company employed an average of nil employees (including executive Directors) during the year (2022: nil). Directors' emoluments are disclosed in the Directors' remuneration report on pages 73 to 81 and in Note 12 'Remuneration of Directors' of the consolidated financial statements.

3. INVESTMENTS

In thousands of euros	Shares in subsidiary undertakings
Cost	
At 31 December 2022 and 31 December 2023	**158,879**
Provision	
At 31 December 2022 and 31 December 2023	**57,758**
Net book value	
At 31 December 2022	**101,121**
At 31 December 2023	**101,121**

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

The estimated fair value of the investments has been determined by the present value of future cash flows over a five-year period from 2024 to 2028 using the same discount rate and exchange rates that were used for the impairment review of Goodwill in the consolidated financial statements (see Note 16 'Goodwill' of the consolidated financial statements). Management considers the use of a five-year period is justified because the underlying businesses have been established for between 10 and 25 years, have recurring revenues and continue to develop new products and gain new customers.

At 31 December 2023 the Company had the following interests in the ordinary share capital of group undertakings:

Company name	Registered office address	Principal Activities	Class of shares held	Ownership interest 2023	Ownership interest 2022
Global Graphics (UK) Limited	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	Dormant holding company.	Ordinary	100%	100%
Global Graphics Software Limited*	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	Computer software development, sales and technical support.	Ordinary	100%	100%
Global Graphics Software Incorporated*	6601 S.Tamiami Trail, Suite 176, Sarasota, FL 34231, USA	Computer software development, sales and technical support.	Ordinary	100%	100%
Global Graphics Kabushiki Kaisha*	610 AIOS Nagatacho Bldg, 2-17-17 Nagatacho, Chiyoda-ku, Tokyo 100-0014, Japan	Technical support of computer software.	Ordinary	100%	100%
Global Graphics EBT Limited^	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	Dormant.	Ordinary	-	100%
Meteor Inkjet Limited	Harston Mill, Royston Road, Harston, Cambridge, CB22 7GG, UK	Design and supply of technology for digital inkjet printing.	Ordinary	100%	100%
Xitron, LLC*	4750 Venture Drive, Suite 200A, Ann Arbor, Michigan 48108, USA	Computer software development, sales and technical support.	n/a	100%	100%
HYBRID Software Group S.à r.l.	19-21 route d'Arlon, LU-8009 Strassen, Luxembourg	Holding company.	Ordinary	100%	100%
eXplio NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Computer software development, sales and technical support.	Ordinary	100%	99.93%
HYBRID Software Development NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Computer software development, sales and technical support.	Ordinary	100%	100%
HYBRID Integration LLC*	Eight Neshaminy Interplex, Suite 111, Trevose, Pennsylvania 19053, USA	Computer software sales and technical support.	Ordinary	100%	100%
HYBRID Software NV*	Guldensporenpark 18, Block B, 9820 Merelbeke, Belgium	Computer software sales and technical support.	Ordinary	100%	100%

3. INVESTMENTS (CONTINUED)

Company name	Registered office address	Principal Activities	Class of shares held	Ownership interest 2023	Ownership interest 2022
HYBRID Software GmbH*	Uhlandstrabe 9, 79102 Freiburg, Germany	Computer software sales and technical support.	Ordinary	100%	100%
HYBRID Software Italy SRL*	Viale Sondrio 2, IT-20124 Milano, Italy	Computer software sales and technical support.	Ordinary	100%	100%
HYBRID Software France SAS*	15 Rue Marsollier, F-75002 Paris, France	Computer software sales and technical support.	Ordinary	100%	100%
HYBRID Software UK Limited*	2030 Cambourne Business Park, Cambourne, CB23 6DW, UK	Computer software sales and technical support.	Ordinary	100%	100%
HYBRID Software Australia Pty Limited*	Suite 2, Level 14, 9 Castlereagh Street, Sydney, NSW 2000, Australia	Computer software sales and technical support.	Ordinary	100%	100%
HYBRID Software Iberia S.L.U.*	Riera dels Frares, 8 – E08907 L'Hospitalet, Barcelona, Spain	Computer software sales and technical support.	Ordinary	100%	100%
ColorLogic GmbH	Landersumer Weg 40, D-48431 Rheine, Germany	Computer software development, sales and technical support.	Ordinary	100%	100%

* indirectly held by the Company.
^ Company was dissolved on 17 October 2023.

4. TRADE AND OTHER RECEIVABLES

In thousands of euros	2023	2022
Amounts owed by group undertakings	10,000	1,755
Other receivables	289	548
Total trade and other receivables	**10,289**	**2,303**

In thousands of euros	2023	2022
Current	289	548
Non-current	10,000	1,755
Total trade and other receivables	**10,000**	**1,755**

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

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

In thousands of euros	2023	2022
Trade and other payables	154	72
Amounts owed to group undertakings	582	10,255
Accruals	578	762
Contingent consideration (see note 6)	233	411
Deferred consideration (see note 6)	300	259
Total creditors due within one year	**1,847**	**11,759**

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

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

In thousands of euros	2023	2022
Contingent consideration	-	224
Deferred consideration	343	642
Total other liabilities	**343**	**866**

→ Fair value adjustment to contingent consideration

Certain assumptions about revenue growth were used when calculating the acquisition date fair value of contingent consideration for the acquisition of TTP Meteor Limited (now Meteor Inkjet Limited) in the year ending 31 December 2016.

During the year, cash payments of €367,000 (2022: €717,000) were paid against the contingent consideration due for the acquisition of Meteor Inkjet Limited. The underlying liability is denominated in pounds sterling, thus there is a movement due to changes in exchange rates used to convert to Euros at the reporting date.

→ Deferred consideration

Deferred consideration relates to the acquisition of ColorLogic GmbH. During the year, cash payments of €300,000 (2022: €300,000) were paid against the deferred consideration.

7. TAX

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Company had no recognised or unrecognised deferred tax assets as at 31 December 2023 (2022: €nil).

8. SHARE CAPITAL AND RESERVES

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

	2023		2022	
In thousands of euros, except number of shares	Number	Value	Number	Value
As at 31 December	**32,909,737**	**13,164**	**32,909,737**	**13,164**

8. SHARE CAPITAL AND RESERVES (CONTINUED)

→ Share premium:

In thousands of euros	2023	2022
As at 31 December	**1,979**	**1,979**

→ Merger reserve:

he movement during the year is as follows:

In thousands of euros	2023	2022
As at 31 December	**67,015**	**67,015**

→ Treasury shares:

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

	2023		2022	
In thousands of euros, except number of shares	Number	Value	Number	Value
As at 1 January	58,996	161	73,996	202
Disbursement of shares to employees	(19,000)	(54)	(15,000)	(41)
Own shares re-purchased	18,588	72	-	-
As at 31 December	**58,584**	**179**	**58,996**	**161**

9. SHARE BASED PAYMENTS

Information about share based payments for Directors and employees is detailed in Note 30 'Share based payments' of the consolidated financial statements.

10. RELATED PARTY TRANSACTIONS

The controlling party is Congra Software S.à r.l. ("Congra"), which owns the majority of the voting rights of the Company. Congra is controlled by Powergraph BV and Powergraph BV is controlled by the Group's chairman, Guido Van der Schueren.

The remuneration paid to the Directors is detailed in the Directors' remuneration report on pages 73 to 81. Other related party relationships are detailed in Note 31 'Related parties' of the consolidated financial statements.

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

11. SUBSEQUENT EVENTS

Details of post balance sheet events requiring disclosure in the financial statements for the year ended 31 December 2023 are in Note 35 'Subsequent events' of the consolidated financial statements.

OTHER INFORMATION

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Industrial inkjet
A term that is used with various different meanings, but is best applied to printing where the substance being printed is a part of the final product, as opposed to carrying information (e.g. in commercial print) orto protect a product (e.g. in packaging). Examples of industrial print include applications of colour and functional coatings to textiles, ceramics and other décor.

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

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

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

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

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

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

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

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

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

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

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

Image courtesy of Vollherbst.

Printheads

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

Proofer

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

Rasterisation

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

RIP/ RIPping

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

Screening

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

Screen printing

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

Smart factory

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

Trapping

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

Variable data processing or VDP

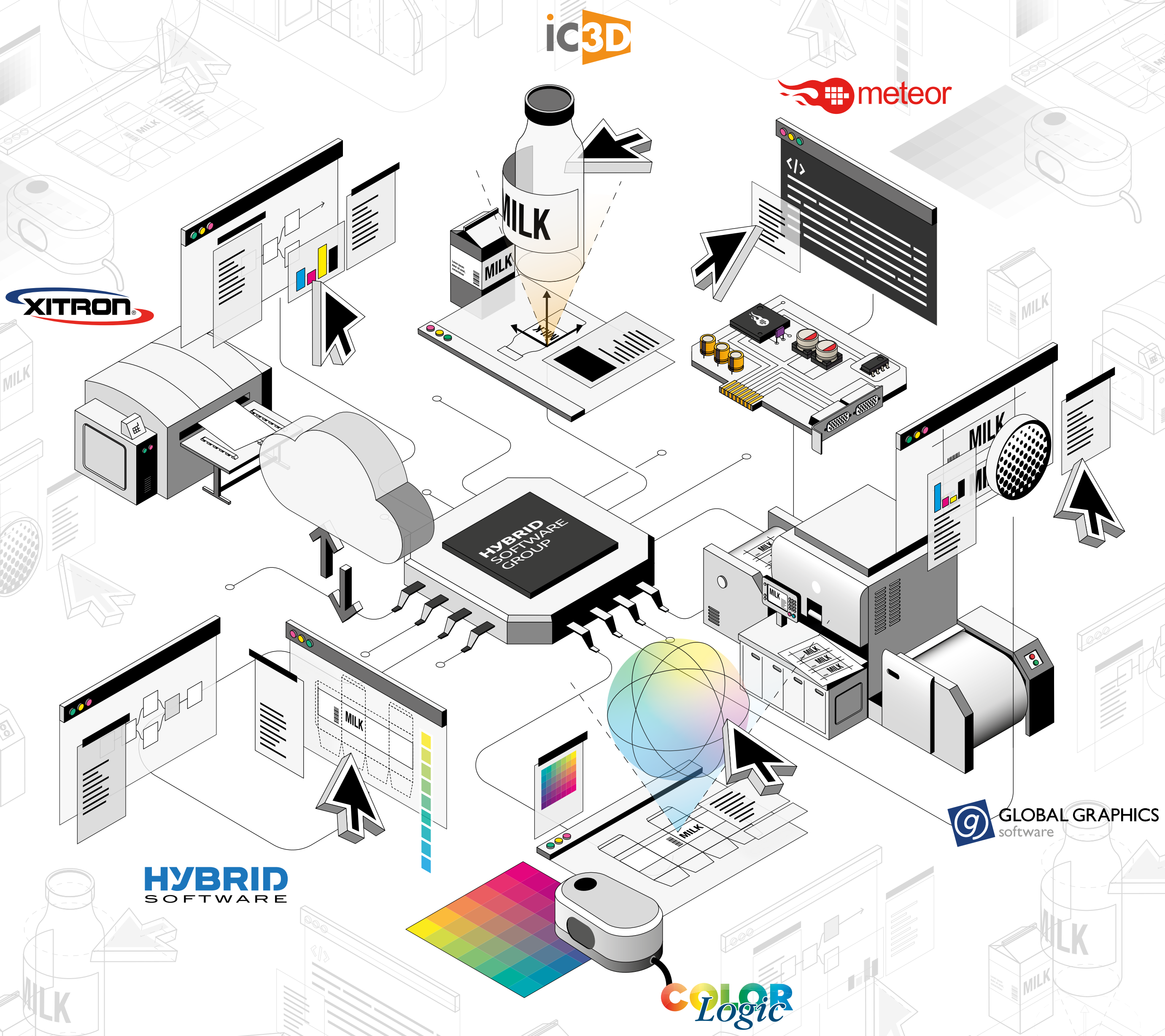
Printing items where every instance varies at least slightly from the others, often with some graphics in common as well. Examples range from adding serial numbers to labels, through direct mail and variations designed to ensure that packaging has more shelf appeal.

Waveform

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

Wide format

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



HYBRID SOFTWARE GROUP

Country of incorporation: England and Wales

Legal form: Public limited company

Company number: 10872426

Directors

- Guido Van der Schueren
- Michael Rottenborn
- Joachim Van Hemelen
- Clare Findlay
- Luc De Vos

Secretary
Peter Goodwin

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Lawyers
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Stock market: Euronext Brussels

Stock ticker: HYSG

Legal Entity Identifier (LEI): 213800ZFW446QIHAB654

Shares ISIN: GB00BYN5BY03