ANNEX 4 – AUDITED CONSOLIDATED FINANCIAL RESULTS OF METRIS NV AS OF DECEMBER 31, 2008

Comprising Sections 8, 9 and 10 of the 2008 Annual Report of Metris

8 DIRECTORS REPORT

REPORT OF THE BOARD OF DIRECTORS TO THE GENERAL ASSEMBLY CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS OF THE METRIS GROUP

We hereby have the honour of reporting on the consolidated accounts, on our policy and on the activities of the Metris Group during the past financial year, ended 31 December 2008.

The consolidated accounts encompass the entire Metris Group: Metris nv, being the holding company, and its subsidiaries as listed in the table below:

Company	Registered seat
MM NV	Leuven, Belgium
MMS UK/Branch	Leuven, Belgium
MMS France SARL	Herblay, France
MSSE NV	Leuven, Belgium
MRE BVBA	Leuven, Belgium
Krypton Inc	Michigan, US
Metris US Inc.	Detroit, US
Metris UK Ltd	Castle Donington, Derby, UK
LK Group Ltd	Castle Donington, Derby, UK
LK Investment Ltd	Castle Donington, Derby, UK
LK France SARL	Paris, France
3DS Ltd	London, UK
LK MS Inc	Michigan, US
3 DES Ltd	Castle Donington, Derby, UK
Metris Deutschland GmbH	Alzenau, Germany
Metris Italia SpA	Torino, Italy
Metris Japan KK	Aichi Nagoya, Japan
Garda Srl	Villafranca, Italy
M-Cubed (Metrology) Ltd	Castle Donington, Derby, UK
Metris Canada Inc.	Toronto Ontario, Canada
X-Tek Systems Ltd	Tring, Herts, UK
MPPS	Shanghai, China
IQ Metrology Inc.	Ohio, US

8.1 Results, development, position of the Group

8.1.1 Consolidated accounts of Metris Group

Consolidated income statement

	2008	2007	growth % 2008 - 2007
	€ 000	€ 000	
Sales and other income	88,717	92,842	-4%
Gross profit	43,916	47,129	-7%
% sales	50%	51%	
Selling and marketing expenses	24,473	19,481	26%
General and administrative expenses	22,109	16,734	32%
Other expenses	7,013	3,559	97%
Net operational expenses	53,596	39,645	35%
EBIT	-9,680	7,484	-229%
% Sales	-11%	8%	
D&A	13,347	8,036	66%
%Sales	15%	9%	
EBITDA	3,667	15,520	-76%
% Sales	4%	17%	
Financial expenses net of Finance revenue	7,582	2,772	174%
Tax expense (income)	-3,230	-2,255	43%
%Sales	-4%	-2%	
Net result	-14,032	6,967	-301%
%Sales	-15.8%	7.5%	

The timing of the recession occurring in Q4 2008 has had a very significant negative impact on the entire year 2008 sales and earnings. Due to the seasonality in capex spending with its customers, Q4 usually is for Metris the most significant quarter in terms of sales and earnings. In Q4 08 however capex spending with Metris customers nearly has been frozen by the global recession. Although sales for the first three quarters of 2008 showed a growth of about 30%, the full year 2008 came in marginally lower than 2007 at €89 million, compared with €93 million in 2007. In 2008, Metris realized 28% of its sales in automotive, 35% in aerospace and 37% in the general industrial metrology market. 34% of sales was realized in Continental Europe, 31% in North America and 35% in the 'Rest of the World' region.

Gross profit margin was 50% in 2008, compared to 51% in 2007, mainly due to the increase of amortizations of capitalized developments in the cost of sales.

Opex has increased from €40 million in 2007 to €54 million in 2008. This increase is mainly resulting from the operating expenses of the acquired companies taken into consideration. When excluding depreciations, amortizations and other non-cash costs this signified an increase from €35 million in 2007 to €45 million in 2008. Based on the cost reduction programs executed today this cash opex level has been reduced back to €35 million for 2009, the same level as in 2007.

Due to write-offs associated with effects of the recession (€3.2 million), depreciations and amortizations came in higher than expected. EBIT came in at €9.7 million negative causing a loss of €14 million.

The back end loaded character of the sales seasonality typically causes the vast majority of the EBITDA to be realized in the second half year. Due to recession however this sales seasonality did not materialize in 2008 and EBITDA for 08H2 came in only at break-even causing the full year 2008 EBITDA to fall significantly short of plan at €3.7 million, compared to €15.5 million in 2007.

Given the higher net financial debt, net financial costs increased from €2.8 million in 2007 to €7.6 million in 2008 mainly resulting from the financing of the different acquisitions. In the net financial costs a provision of €0.3 million was taken for the waiver of the breach of covenants for 2008 and €0.8 million for discounting long term receivables.

EBT decreased to €17.3 million negative in 2008.

The deferred taxes were €3.2 million. Given the lower activities in the future the Group has taken a conservative approach not to have deferred tax assets in Metris Italia. Hence, the Group has impaired the deferred taxes for Metris Italia for an amount of €1.7 million.

The net result came in at €14 million negative, compared to €7.0 million positive in 2007.

Earnings per weighted average undiluted share for 2008 amount to €1.1 negative compared to 0,57 positive for 2007.

Consolidated balance sheet

	2008 (1)		2007 (2)	
	€ 000	%	€ 000	%
ASSETS				
Cash and cash equivalents	13,922	6%	3,883	2%
Trade and other receivables	50,604	23%	63,355	31%
Inventories	21,823	10%	14,301	7%
Deferred income tax assets	12,823	6%	8,094	4%
Other Tangible assets	13,826	6%	12,397	6%
Intangible assets	108,065	49%	100,035	50%
TOTAL ASSETS	**221,062**	**100%**	**202,065**	**100%**
Non-current assets	145,221		122,879	
Current assets	75,842		79,186	
EQUITY AND LIABILITIES				
Total shareholders' Equity	82,063	37%	100,798	50%
Financial debt short and long term	100,766	46%	56,309	28%
Other long term liabilities	1,810	1%	2,901	1%
Trade and other payables and provision	35,686	16%	41,318	20%
Deferred income tax and tax liabilities	739	0%	739	0%
TOTAL EQUITY AND LIABILITIES	**221,062**	**100%**	**202,065**	**100%**
Non-Current liabilities	62,179		43,966	
Current liabilities	76,821		57,301	

(1): The asset deal in Metris Italia at the end of 2008 has been included in the balance sheet of 2008 (impact of €5,610k on total balance sheet)
(2): The equity of 31.12.2007 has been restated due to intercompany reconciliation from 2006 (€1,693k). There has been no impact on the earnings per share in 2007 and 2008.

The acquisition of IQ Metrology and MPPS and the associated financing have been consolidated in the balance sheet of 31 December, 2008. Also, the divestiture of the CMM production facilities of Metris Italia is reflected on the balance sheet (see 9.6.1).

On 31 December 2008, accounts receivable amounted to €37.4 million and inventories to €21,8million. Since the summer of 2008, Metris has been strongly focusing on improving working capital, which has resulted in a decrease of the accounts receivables from €52 million at the end of 2007 to €37 million at the end of 2008, representing a decrease of the days sales outstanding from 204 in 2007 to 153 in 2008. Inventories however increased from €14 million at the end of 2007 to €22 million at the end of 2008. During a normal year, inventory is built up during the year for sale at the end of the year, given the back end loaded sales seasonality. This year however this back end loaded sales seasonality did not materialize, leaving a high inventory stock level at the end of the year. This high inventory level at the end of last year is creating today a positive cash flow, because it is currently being sold off.

On 31 December 2008 Metris Group had 544 employees, compared to 668 employees in 2007. This decrease is explained by the cost reduction plans implemented in 2008 and the outsourcing of the CMM production facilities of Metris Italia.

Consolidated cash flow statement

	2008	2007
	€ 000	€ 000
Net cash flows from operation activities before working capital changes	4,145	15,889
Net working capital changes	-1,329	-14,954
Net cash flows from operating activities	2,816	935
Net cash flows from investing activities	-23,316	-53,146
Net cash flows from financing activities	30,156	35,525
Cash position at end of the period	13,921	3,883

Operational cash flow after working capital changes was €2.8 million in 2008, a higher level than during 2007 and 2006. The total investments in 2008 were €23 million, less than half the €53 million invested in 2007. For 2009 an investment stop has been introduced, enabling to limit investments to mainly capitalized development. While capitalized development still amounted €10 million in 2008, a reduction with about a quarter is anticipated for 2009. This is not just resulting from cost reduction programs induced by recession, but mainly because Metris products are reaching a maturity level that does no longer necessitate the same high level of investment in product development.

The cash position on December 31 2008 was €14 million, compared to €4 million at the end of 2007. The net debt position at the end of 2008 was €87 million. This increase of net debt mainly results from the financing of acquisitions and of the recession in the last quarter of 2008. Before the date the debt became callable, Metris reached in March 2009 an agreement with all important debt providers to waive the threatening debt covenant breaches over 2008 as well as for the senior long term loans until the end of 2009.

The total equity and quasi equity amounted to €122 million or 55% of total assets.

8.1.2 Development and position of the company

Operations and sales

In the world of measurement, the target segment of Metris is the micro metrology segment. Global manufacturers of precision components for the aerospace, automotive and general engineering industries are experiencing continuously increasing demands to guarantee that their manufacturing and assembly processes are working within ever-tighter specifications. The need to maintain control of the manufacturing process is the force lying behind the opportunity to provide a new generation of solutions to a well-established market. The micro metrology market developed into a €2.7 billion market in 2007 and is forecasted to grow globally by 8.3% CAGR (Compound Annual Growth Rate) up to €3.4 billion in 2010 (Frost and Sullivan).

Metris is active in the micro segment of the global measurement market and focuses specifically on automotive and aerospace clients but also increasingly on other industries like medical devices, consumer electronics and green energy. Metris is challenging the traditional suppliers to the micro segment by offering innovative and complete solutions to meet customer needs for dimensional quality control and reverse engineering. Metris has an overall market share of 3%.

Metris supplies total metrology solutions to the engineering and manufacturing departments of automotive, aerospace and other industries as well as their suppliers. Total solutions include measuring hardware, application software and customer services. The product portfolio of Metris includes both new upcoming optical metrology technologies (laser scanning, laser radar, indoor GPS (iGPS), optical CMM) as well as the more classical mechanical metrology technologies (horizontal arm and bridge coordinate measuring machines (CMMs)), complemented with associated services and application software.

Metris generated revenues of €89 million in 2008 on a consolidated basis.

In 2008, Metris realized 28% of its sales to the automotive market, 35% of the sales to the aerospace market and 37% to the general industrial metrology market. Thanks to its innovative product offering, Metris has one of the broadest customer portfolios in the automotive and aerospace industry and increasingly in other industries as well.

The objective of Metris remains to create customer and shareholder value by investing in (product and market) development of new groundbreaking technologies for quality control in the automotive and aerospace industries. These groundbreaking technologies are selected based on their complementarities to form a total solution and to position Metris as the number one innovator in the market.

Metris Precision Products Shanghai ('MPPS')

In March 2008, Metris acquired 100% of the Chinese SLK joint venture (which was renamed into Metris Precision Products Shanghai (MPPS)), enabling Metris to further extend its strong presence in China and to expand its manufacturing capacity for increased production output. Manufacturing CMMs and subassemblies of other Metris products in the newly acquired Chinese manufacturing entity will reduce overall cost of sale.

In 2004, Shanghai Machine Cutting Tool - a division of Shanghai Electric Company -, Well

Resources -a Hong Kong trading Company- and LK formed a manufacturing joint venture SLK, where LK held 33% ownership. LK was acquired by Metris in January 2006. Now Metris has acquired 100% ownership of the joint venture which was renamed “Metris Precision Products Shanghai” and has become Metris’ manufacturing and component sourcing headquarters in China. The Shanghai based operation produces CMMs primarily for the Asian market and also delivers components and subassemblies to worldwide Metris manufacturing and assembly plants.

Acquisition of IQ Metrology

IQ Metrology was acquired at the end of June 2008.

IQ Metrology is a US company specialized in developing software for Coordinate Measuring Machines (CMM). The key benefit of IQ software is its easy operation, making it the ideal tool to retrofit existing CMMs or equip new metrology installations. The IQ software has been specifically developed from the perspective of CMM operators, with the purpose to maximize the shop floor inspection productivity without compromising on usability. This acquisition fits in the Metris acquisition strategy to strengthen its product portfolio and to extend its distribution channels to the market. As a result of this acquisition, Metris can offer mid-segment, easy-to-use CMM software that interfaces with nearly all Coordinate Measuring Machine brands.

Divestiture

At the end of 2008, Metris has outsourced its Italian CMM operations by transferring manufacturing of CMMs and the Italian sales and customer service team, totalling about 70 employees, to an independent player. Metris continues to source its aluminum-based C3 range of CMMs from this spin-off. The divestment of the Italian operations fits Metris’ strategy to variabilize fixed operational costs to deal with declining demand due to the global recession. A total asset of €5,610k has been divested. The price for this transaction was €1.463 million, booked as a receivable in the balance sheet and in other income in P&L statement.

8.2 Important events after the end of the financial year

Before the date the debt became callable, Metris reached in March 2009 an agreement with all important debt providers, for both senior and mezzanine financing, confirming a waiver for a breach of financial covenants over 2008 as well as for the senior long term loans until the end of 2009. In the net financial costs of 2008, a provision of €0.3 million was taken for the waiver of the breach of covenants for 2008.

No other important events occurred after the end of the financial year.

8.3 Information about circumstances that could have a considerable impact on the development of the company: risks and uncertainties

8.3.1 Risk related to technology evolutions and competition

Metris' business environment is characterized by rapid technological progress, complexity and high competition. The industry has been characterized by the entrance of new technologies and by an increasing consolidation trend. The changing competitive landscape is one of the main issues facing the metrology industry. Metris competes with other companies based on several factors, including knowledge of these new technologies, the ability to introduce new products with enhanced functionality, the completeness of the product offering, reputation, geographic presence, and pricing. The Company's success depends on its ability to establish a competitive position with respect to all of these factors. There can be no assurance that the Company's competitors will not succeed in developing and introducing products that are less costly or more efficient than Metris, or that customers will not prefer solutions, technologies or products offered by Metris' competitors.

8.3.2 Risk related to the development of the business cycle

Metris is active in the metrology sector, offering products to the engineering and manufacturing departments of mainly automotive and aerospace companies. Consequently, the Company's future results will in part be dependent upon the evolution of these industries. Based on market research data from Frost & Sullivan, the Company expects that industry growth will mainly be driven by the need for advanced and more accurate inspection. However, unexpected changes in customer investment cycles, major developments at the manufacturer level, and market technology adoption may impact these industries, and, as a consequence, influence the Company's results.

8.3.3 Risk related to Metris' activities

Metris has substantial international operations and is therefore subject to risks relating to general economic conditions, and/or unfavourable political, regulatory, labour and/or tax conditions in other countries. Risks inherent in international operations include, amongst others, the following:

- agreements may be difficult to enforce and receivables difficult to collect through a foreign country's legal system;
- foreign countries may impose additional withholding taxes or otherwise tax Metris' foreign income, impose tariffs or adopt other restrictions on foreign trade or investment, including currency exchange controls;
- general economic conditions, in the countries in which Metris operates, could have an

adverse effect on the earnings from operations in those countries;

- unexpected adverse changes in foreign laws or regulatory requirements may occur, including those regarding export duties and quotas.

8.3.4 Risk related to acquisitions

Since its inception, Metris has integrated 16 acquisitions in the metrology market and believes that so far the acquired businesses have been successfully integrated. Metris has carefully investigated its acquisitions. While Metris will carefully investigate every future potential acquisition, the risk remains, amongst others, that corporate cultures do not match, expected synergies do not fully realize, restructurings prove to be more costly than initially anticipated, and acquired companies prove to be more difficult to integrate than foreseen. Furthermore, as the Company grows through acquisitions, the Company may have to recruit additional personnel and improve its managerial, operational and financial systems. If the Company fails to address these challenges, this could adversely impact its operations and financial position.

8.3.5 Risk related to currency fluctuations

Metris is subject to risks of currency exchange to the extent that some of its sales and purchasing is conducted in different currencies. Currency fluctuations between the Euro and the other currencies in which the Company does business could cause foreign currency transaction gains and losses. The Company cannot fully predict the effects of exchange rate fluctuations on its future operating results.

8.3.6 Global recession

The recession occurring in Q4 2008 has had a significant negative impact on the entire year 2008 sales and earnings. Metris has already implemented a broad scale of measures such as the executed cost reduction programs and the working capital reduction program in order to face the impact of the recession. Metris remains influenced by the impact of economic cycles on its future operations.

8.3.7 Financial instruments

Credit risk i.e. the risk of a customer being unable to settle its balances with Metris, is another financial risk. There is no significant concentration of credit risk in terms of geography. Metris' treasury function is responsible for coordinating currency and interest exposure as well as managing the credit risk. The Treasury function is also responsible for the Group's external and internal funding. Besides the accounts receivables of €37.4 million, Metris also grants loans to customers for a total amount of €9.8 million, which results in a total credit risk of €47.2 million.

Interest risk is the risk of a negative impact on earnings as a result of change of interest rates.

The Groups' interest risk is managed by the parent company. Interest risk primarily arises because of the Group's borrowing. The Group uses interest rate swaps to hedge the interest volatility of interest rates.

Liquidity risk is the risk that the Group will be unable to meet its obligations as they come, because of an inability to liquidate assets or obtain adequate funding. In addition to the cash of €13.9 million, the Group has for €1 million additional unused credit lines.

8.4 Research and Development

The capitalized development cost of the Metris Group for the year ended 31 December 2008 amounts to €10 million compared to €9,0 million for the year ended 31 December 2007.

8.5 Outlook

Based on the current data provided by the Metris sales forecasting system 2009 sales are forecasted at a similar sales as during 2008 and 2007, within +10% to -10%. While this forecast declined during 08H2, it has no longer been declining during Q1 09. The cost reduction plans that have been executed today have brought operational cash expenses for 2009 back in line with the 2007 level. For 2009 an investment stop has been introduced, enabling to limit investments to mainly capitalized development. While capitalized development still amounted €10 million in 2008, a reduction with about a quarter is anticipated for 2009. This is not just resulting from cost reduction programs induced by recession, but mainly because Metris products are reaching a maturity level that does no longer necessitate the same high level of investment in product development. The investment stop and working capital programs further enable Metris to generate in 2009 a substantial free cash flow of 15% to 20% of sales. This free cash flow will be used to reduce the net debt position.

8.6 Board of Directors

On 30 April 2009, the members of the Board approved the annual report concerning the consolidated accounts per 31 December 2008.

J.-P. Kruth

E. Barrientos

B. Diels

A. Oosterlinck

Bart Van Coppenolle Management BVBA

A. Bogaert

L. Vandenbroucke

De Wilde J. Management BVBA

8.7 Consolidated financial statements

8.7.1 Consolidated Income Statement (for the year ended 31 December 2008)

	Notes	2008 € 000	2007 € 000
Sales	9.6.3.b	87,254	92,713
Cost of sales	9.6.3.c	-44,801	-45,585
Gross profit		**42,453**	**47,129**
Other income	9.6.3.a	1,463	129
Selling and marketing expenses	9.6.3.e,d	-24,473	-19,481
General and administrative expenses	9.6.3.e,d	-22,109	-16,734
Other expenses	9.6.3.e,d	-7,013	-3,559
Earnings before interest and taxes (EBIT)		**-9,680**	**7,484**
Finance costs	9.6.3.f	-9,275	-3,144
Finance revenue	9.6.3.f	1,692	372
Earnings before taxes		**-17,262**	**4,712**
Income tax (expense)	9.6.4	3,230	2,255
Profit for the year from continuing operations		**-14,032**	**6,967**
Profit for the year		**-14,032**	**6,967**
Attributable to:			
Equity holders of the parent		-14,032	6,967
Minority interests		0	0
		-14,032	**6,967**

Earnings per share	9.6.5		
- basic, for profit for the year attributable to ordinary equity holders of the parent		-1.11	0.57
- basic, for profit from continuing operations attributable to ordinary equity holders of the parent		-1.11	0.57
- diluted, for profit for the year attributable to ordinary equity holders of the parent		-1.11	0.48
- diluted, for profit from continuing operations attributable to ordinary equity holders of the parent		-1.11	0.48

8.7.2 Consolidated Balance Sheet (at 31 December 2008)

	Notes	2008 € 000	2007 € 000
ASSETS			
Non-Current Assets			
Property, plant and equipment, net	*9.6.6*	13,826	12,397
Goodwill	*9.6.7*	77,028	75,628
Other intangible assets, net	*9.6.7*	31,037	24,407
Other receivables	*9.6.10*	10,507	2,353
Deferred income tax assets	*9.6.4*	12,823	8,094
Total non-current assets		**145,221**	**122,879**
Current assets			
Inventories	*9.6.13*	21,823	14,301
Trade receivables, net	*9.6.14*	37,391	52,445
Other receivables, net	*9.6.14*	2,706	8,556
Cash and cash equivalents	*9.6.15*	13,922	3,883
Total current assets		**75,842**	**79,186**
TOTAL ASSETS		**221,062**	**202,065**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued share capital		46,063	46,036
Share premium		48,369	48,366
Other reserves		-6,578	-1,846
Retained earnings		8,242	1,274
Profit of the period		-14,033	6,967
Total shareholders' Equity		**82,063**	**100,798**
Non-Current liabilities			
Interest-bearing loans and borrowings	*9.6.17*	19,415	11,883
Subordinated & vendor notes loans	*9.6.17*	39,488	24,939
Other non-current liabilities	*9.6.17*	1,810	2,901
Provisions	*9.6.18*	726	3,504
Deferred income tax liability	*9.6.4*	739	739
Total non-current liabilities		**62,179**	**43,966**
Current liabilities			
Interest-bearing loans and borrowings	*9.6.17*	41,862	19,487
Trade payables	*9.6.19*	19,671	23,656
Other payables	*9.6.20*	15,289	14,158
Tax liabilities	*9.6.4*	0	0
Total current liabilities		**76,821**	**57,301**
TOTAL EQUITY AND LIABILITIES		**221,062**	**202,065**

(1): The asset deal in Metris Italia at the end of 2008 has been included in the balance sheet of 2008 (impact of €5,610k on total balance sheet)
(2): The equity of 31.12.2007 has been restated due to intercompany reconciliation from 2006 (€1,693k). There has been no impact on the earnings per share in 2007 and 2008.

8.7.3 Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the parent					Total equity
	Issued capital	Share premium	Share based payments - equity	Retained earnings	Other reserves	Total
	€ 000	*€ 000*	*€ 000*	*€ 000*	*€ 000*	*€ 000*
At 1 January 2008	46,036	48,366	624	8,242	-2,470	100,798
Foreign currency translation					-4,305	-4,305
Equity portion of subordinated debt with warrants						0
Total income and expense for the year recognised directly in equity					-4,305	-4,305
Profit for the year				-14,033	0	-14,033
Total income and expense for the year				-14,033	-4,305	-18,338
Issue of share capital	27	3				30
Share-based payment			479			479
Hedging reserve					-907	-907
At 31 December 2008	**46,063**	**48,369**	**1,103**	**-5,791**	**-7,682**	**82,062**

For the year ended 31 December 2007

	Attributable to equity holders of the parent					Total equity
	Issued capital	Share premium	Share based payments - equity	Retained earnings	Other reserves	
	€ 000	*€ 000*	*€ 000*	*€ 000*	*€ 000*	*€ 000*
At 1 January 2007	44,999	47,341	255	2,967	-6,076	89,486
Foreign currency translation					2,644	2,644
Equity portion of subordinated debt with warrants					1,391	1,391
Total income and expense for the year recognised directly in equity					4,035	4,035
Profit for the year				6,967	0	6,967
Total income and expense for the year				6,967	4,035	11,002
Restatement due to interco reconsiliation of 2006 (1)				-1,693		-1,693
Issue of share capital	1,037	1,025				2,062
Share-based payment			369			369
Transaction costs					-428	-428
At 31 December 2007	**46,036**	**48,366**	**624**	**8,242**	**-2,470**	**100,798**

(1): The equity of 31.12.2007 has been restated due to intercompany reconciliation from 2006 (€1,693k). There has been no impact on the earnings per share in 2007 and 2008.

8.8 Consolidated Cash Flow Statement

	2008	2007
	€ 000	*€ 000*
Cash flows from operation activities		
Net profit	-14.033	6.967
Adjustment for:		
Income tax expenses	-3.230	-2.255
Depreciations	3.848	2.656
Finance costs	8.061	3.141
Amortizations	9.499	5.380
Operational CF before working capital changes	**4.145**	**15.889**
Trade receivables (1)	15.836	-13.121
Other receivables current and non current	-2.304	-1.355
Trade payables	-4.321	-3.267
Other payables	1.104	7.221
Other payables non current	-1.091	
Tax liabilities		
Inventories	-7.776	-1.613
Other receivables current		-2.741
Provisions	-2.777	-79
Net cash flows from operating activities	**2.816**	**935**
Cash flows from investing activities		
Tangible assets	-5.225	*-4.881*
Intangible assets	-2.552	*-5.473*
Business acquistions	-5.614	-33.732
Capitalized development	-9.925	-9.060
Net cash flows from investing activities	**-23.316**	**-53.146**
Cash flows from financing activities		
Equity net	30	2.062
Repayment debt	-6.637	-7.409
Vendor note & Mezannine		0
Mezannine debt & vendor notes		26.750
Subordinated debt	14.549	
Senior debt net	37.628	18.192
Leasings net	-1.084	-926
Interest paid	-5.848	-2.772
Interest received	45	
Exchange rates and other financial expenses	-8.527	-372
Net cash flows from financing activities	**30.156**	**35.525**
Net increase in cash equivalents	9.626	-16.688
Exchange rate changes on opening cash	-2	0
Cash and cash equivalents at 1 January	3.883	20.419
Cash acquisition	414	152
Cash & cash equivalents at end of the period	**13.921**	**3.883**

(1): In these figures, the receivable following on the sale of the asset deal in Metris Italia (€1,463k) is included.

9 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9.1 Corporate information

The consolidated financial statements of Metris nv and its subsidiaries (the 'Group') for the year ended 31 December 2008 were approved by the Board of Directors on 30 April 2009.

The Group is headquartered in Leuven, Belgium. The ultimate parent company of the Group is Metris nv, registered in Belgium, Geldenaaksebaan 329, 3001 Leuven. The principal activities of the Group are described in paragraph 'Segment information' in the 'Summary of notes'.

9.2 Basis of preparation

The consolidated financial statements have been prepared on an historical cost basis, except for derivative financial instruments, land and buildings that have been measured at fair value.

The consolidated financial statements are presented in Euro (€) and all values are rounded to the nearest thousand (€ 000), except when otherwise indicated.

Statement of compliance

Metris Group has presented its financial statements as at 31 December 2008 in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU and has established its IFRS accounting policies in this respect.

Basis of consolidation

The consolidated financial statements include the financial statements of Metris nv and its subsidiaries as at 31 December each year. The majority-owned subsidiaries are held either directly or indirectly. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full.

The subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The acquisitions of the subsidiaries MPPS and IQ in 2008 have been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements for the financial year ended 31 December 2008 include the results of MPPS and IQ as of the date of acquisition.

9.3 Significant accounting policies in 2008

Metris Group has presented its 2008 financials in accordance with International Financial reporting standards (IFRS), as adopted for use in the EU and has established its IFRS accounting policies in this respect. The accounting policies adopted in the preparation of the Group's annual financial statements of 2008 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007.

9.4 Significant accounting estimates

Estimation uncertainty

The key assumptions, which management uses in its estimations at the balance sheet date, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2008 was €80,623k; more details are given in Note 9.6.7 'Intangible assets'

Impairment of intangibles

Intangibles are subject to an annual impairment test. More details are given in paragraph 9.6.9 'Impairment testing of goodwill and intangibles' in the 'Summary of notes'.

Deferred tax assets

The Group determines whether deferred tax assets are taken in the accounts. This requires an estimate of recovery of taxes based on forecasts on regarding future earnings. The total deferred tax assets as at December 31, 2008 is €12.8 million.

Development costs

The Group capitalized the development of R&D expenditures. Metris determines whether capitalized development is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which capitalized development is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of capitalized development at 31 December 2008 was €26,276k.

Fair value of warrants

The fair value of warrants is measured using the Black-Scholes options pricing model. More details are given in the 'Summary of notes'.

9.5 Summary of significant accounting policies

9.5.1 Foreign currency translation

The consolidated financial statements are presented in Euro, €, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the foreign operations in the US is the United States Dollar (USD), $. The UK entities use the British Pound, £, as currency. In Canada, the Canadian dollar is used as a currency and in China, the RMB is used.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. As at the reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

9.5.2 Property, plant and equipment

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. Land and buildings are measured at fair value less depreciation on buildings and impairment charged subsequent to the date of the revaluation. Depreciation is calculated on a straight-line basis over the useful life of the assets. The assets are depreciated when the asset is ready for its intended use.

Depreciations

Plant and equipment:

- Demo equipment: 3 years
- Building: 30 years
- Cars: 5 years
- Furniture: 5 years
- Equipment: 3 to 5 years
- PC: 3 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Buildings are carried on the balance sheet at revaluated amount, being their fair value at the date of revaluation less any subsequent accumulated depreciations and subsequent accumulated impairment losses.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revaluated carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use of disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

9.5.3 Borrowing costs

Borrowing costs are recognized as an expense when incurred in accordance with IAS 23.

9.5.4 Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

As from 1 January 2005, goodwill is not amortized but is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

9.5.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at fair value at the date of acquisition. Following initial recognition, finite or definite lived intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

9.5.6 Research and development

Research costs are expensed as incurred. An intangible asset arising from development expenditures on an individual project is recognized only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Cost of materials, services, salaries and other direct attributable expenses are capitalized. Any expenditure capitalized is amortized over the period of expected future sales from the related project. The carrying value of development costs is reviewed for impairment annually.

A summary of the policies applied to Groups' intangible assets is as follows:

	Internal development Costs	*Intellectual property rights and other intangible assets*	*Goodwill*
Useful lives	3 years – definite	3-5-20 years - definite	Indefinite
Method used	Straight-line	Straight-line	No amortization
Internally generated or acquired	Internally generated	Acquired	Acquired
Impairment testing/ Recoverable amount testing	Annually	Annually or more frequently when an indication of impairment exists	Annually or more frequently when an indication of impairment exists

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Expenditures capitalized are deducted from the expenses.

9.5.7 Impairment of assets

The Group assesses yearly whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

9.5.8 Investments and other financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs, the Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

9.5.9 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized and/or discounted cost. An allowance is recorded when there is evidence that the Company will not be able to collect the outstanding balances. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well through the amortization process.

9.5.10 Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials: Purchase cost is based on a first-in, first-out (FIFO) basis
- Finished goods and work in progress: Cost of direct materials and labor and a proportion of manufacturing overheads, mainly salary costs based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

9.5.11 Trade and other receivables

Trade receivables, which generally have 90 days terms are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

9.5.12 Cash and cash equivalents

Cash and short-term deposits with an original maturity of 3 months or less in the balance sheet comprise cash at banks and in hand and short-term deposits. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

9.5.13 Interest-bearing loans and borrowing

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net profit or loss when the liabilities are derecognized as well as through the amortization process.

9.5.14 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- The rights to receive cash flows from the asset have expired
- The Group retains the right to receive cash flows from the asset, but has assumed on obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of Metris' continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group 's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

9.5.15 Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition)

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

9.5.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

9.5.17 Pension and other post-employment benefits

As at 31 December 2008 the Group has no defined benefit plan.

The Group recognizes contribution payable to defined contribution plans when employees render services. The Group obligations for defined contribution pension plans are determined by the amounts to be contributed for the period.

9.5.18 Shared-based payment transactions

Employees and directors (including executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees and "service date model" for transactions with non-employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external value using a Black & Scholes further details of which are given in paragraph 'Share-based payments plans' in the 'Summary of notes'. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Group, if applicable.

The cost of equity-settled transaction is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a cancellation of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earning per share ('Share-based payments plans' - 'Summary of notes').

9.5.19 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases

Financial leases, e.g. leases of plant and equipment, which transfer to the Group substantially all the risk and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability in order to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating leases

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

9.5.20 Sales recognition

A sale is recognized to the extent that it is probable that the economic benefits will flow to the Group and a sale can be reliably measured. The following specific recognition criteria must also be met before a sale is recognized.

Sale of goods

A sale is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. This is normally considered at transfer of title and risk of goods. The standard Incoterm that is applied is “ex works”. This implies that ownership of the goods is transferred at the moment that the goods are packed in the warehouse and ready for shipment.

Swap deals are recognized when goods or services are exchanged with dissimilar goods or services and revenue is measured at the fair value of the goods or services given up adjusted by the amount of any cash or cash equivalent transferred.

Rendering of services

A sale of services is recognized by reference to the stage of completion. Stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours for each contract. If the installation makes up more than 10% of the total sales transaction, the revenue of the installation will be deferred.

Rental income

Rental income arising on properties is accounted for on a straight-line basis over the lease terms on ongoing leases.

9.5.21 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments. Growth grants are government grants that are given to companies that realize considerable growth. Growth grants are subject to certain criteria to be achieved in a certain period of time. These criteria relate to certain amounts of capital expenditure to be met as well as certain revenue growth and increase in workforce. Growth grants are recognized in income if all conditions are satisfied.

9.5.22 Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments on subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Sales, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

9.5.23 Hedging

The Group uses derivatives to hedge its exposure to interest-rate arising from operating and financing activities. The net exposure of all subsidiaries is managed on a centralized basis by Group Treasury in accordance with the aims and principles laid down by general management. As a policy, the Group does not engage in speculative or leveraged transactions.

Derivatives are initially and subsequently measured and carried at fair value. The fair value of traded derivatives is equal to their market value. If no market value is available, the fair value is calculated using standard financial valuation models, based upon the relevant market rates at the reporting date. In the case of interest-bearing derivatives, the fair values correspond to the clean price, excluding interest accrued.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for wich they were designated.

Adoption of IFRS during the year

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group:

- IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial instruments: Disclosures – Reclassification of Financial Assets

  These amendments published on October 13th, 2008 allow reclassification of certain financial instruments from held for trading and available for sales categories. This is currently not applicable for Metris.

- IFRIC 11/IFRS2 - Group and Treasury Share Transactions

  This interpretation requires that arrangements whereby an employee has right to entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity chooses or is required to buy those equity instruments from another party or a shareholder of the entity provides the equity instruments needed. The interpretation also sets our requirements as to how subsidiaries, in their separate financial statements, should account for schemes when their employees receive equity instruments of the parent. Metris has stock option plans for its employees both on the parent level as for employees employed in subsidiaries.

Standards issued but not yet effective. The Group has elected not to adopt any Standards or Interpretations in advance of their effective dates:

- IFRIC 13 - Customer Loyalty Programs

  IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group has currently no customer loyalty programs and hence this Interpretation has no impact on the Group.
- IFRIC 14 / IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

  IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The Group has currently no defined benefit scheme and hence this Interpretation has no impact on the Group.
- IAS 23 - Borrowing costs

  A revised IAS23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. For Metris, the assets do not take a substantial period of time to get ready for its intended use or sale.
- IFRS 2 - Share-based payments - Vesting conditions and Cancellations

  This amendment to IFRS 2 Share-based payments was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.

- IFRS 3R - Business Combinations and IAS 27R - Consolidated and Separate Financial Statements

  The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Metris is currently investigating if this will have an impact on its future financial statements.

- IAS 1 - Revised Presentation of Financial Statements

  The revised IAS 1 Presentation of Financial Statements was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expenses, either in a single statement, or in two linked statements. This amendment will be applied from 2009 on. The company has not yet decided if it will present this amendment in one single statement or in two linked statements.

- Amendments to IAS 32 and IAS 1 - Puttable Financial Instruments

  Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendments to IAS 1 require disclosure of certain information relating to puttable instruments classified as equity. The Group has currently no puttable financial instruments and hence this Interpretation has no impact on the Group.

- IFRS 1 First time Adoption of International Financial Reporting Standards) Cost of an Investment in a Subsidiary, Jointly controlled Entity or Associate (Amendments)

  Effective for the periods beginning on or after 1 January 2009, IFRS 1 is amended to allow an entity to determine the cost of investment in subsidiaries, jointly controlled or associated, as one of the following amount: costs determined in accordance with IAS 27, at the fair value of the investment at the date of transition to IFRS, determining in accordance with IAS 39 or the previous GAAP carrying amount of the investment at the date of transition to IFRS. As the company is already operating according the IFRS rules, this amendment has no impact.

- IFRS 8 Operating Segments

  IFRS 8 replaces IAS 14 'Segment Reporting' and adopts a full management approach to identifying, measuring and disclosing the results of its operational segments. The information reported is that which the chief operating decision maker uses internally for evaluating the performance of operating segments and allocating resources to those segments. Metris is currently evaluating the impact that the implementation of IFRS 8 will have on disclosures made for the periods beginning on January 1, 2009.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

  Effective for periods beginning on or after 1 October 2008, this Interpretation provides guidance in respect of foreign currency gains and losses on a net investment in a foreign operation. Currently, the company is not involved in this type of instruments

- IFRIC 12 - Service Concession Arrangements

  IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The group is currently not involved in this type of arrangements.

- IFRIC 15 Agreement for the construction of real estate

  IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses form the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The group is currently not involved in this type of agreements.

- IAS 39 Financial instruments: Recognition and Measurement – Eligible Hedged Items

  These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 January 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of the financial instrument as hedged item. Metris is currently investigating if this amendment will have an impact on the financial statements.

- IFRIC 17, Distributions of Non-Cash Assets to Owners

  IFRIC 17 was issued in November 2008 and becomes effective for financial years beginning on or after 1 July, 2009. This interpretation applies prospectively and provides guidance on how an entity should account for a distribution of assets, other than cash, as dividends to its owners or may give its owners a choice of receiving either non-cash assets or cash. IFRIC 17 will not have an impact on Metris' financial statements because

Metris does not enter into this type of transactions.

- IFRIC 18, Transfers of Assets from Customers

  IFRIC 18 was issued in January 2009 and becomes effective for financial years beginning on or after 1 July, 2009. This interpretation provides guidance on the accounting for transfers of assets from customers and clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. IFRIC 18 will not have an impact on Metris' financial statements because Metris does not enter into this type of transactions.

- Amendments to IFRS 7 Improving Disclosures about Financial Instruments

  These amendments were issued by the IASB in March 2009 and becomes effective for financial years beginning on or after 1 January 2009. They require enhanced disclosures about fair value measurements. They also revise the liquidity risk disclosures relating to derivative liabilities and financial guarantee contracts. Metris is currently investigating the impact of these amendments but anticipates that this amendment will have no material effect.

- Amendments to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition & Measurement

  These amendments were issued by the IASB in March 2009 and becomes effective for financial years ending on or after 30 June 2009. They require assessment of whether an embedded derivative must be separated from a host contract when reclassification of a financial asset. Currrently, Metris is not involved in this type of transactions.

- Improvements to IFRSs 2008 & 2009

  In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. In April 2009, the IASB issued its second omnibus of amendments to its standards. The improvements project is an annual project that provides a mechanism for making necessary but non-urgent amendments. There are separate transitional provisions for each standard. Metris has not yet evaluate whether some of these amendments will have an impact on the financial statements but anticipates that they will have no material effect.

9.6 Summary of notes

9.6.1 Business combinations

Acquisitions in 2007

Acquisition of Metris Italia (Coord3)

On 15 May 2007, Metris acquired 100% of the voting shares of Coord3 S.p.A, an unlisted company located in Torino, Italy. The core competency of the company is to deliver measurement solutions and manufacture high-quality machines equipped with state of the art software and controls. Today, Coord3 is one of the Italian leaders in CMM and is known throughout the world, in particular for its aluminum bridge and large gantry machines.

Metris financed the acquisition through a payment in cash (€750k), a convertible note of €1.5 million and the issuance of 95,968 warrants (valued at €398k million by applying Black & Sholes).

The fair value of the identifiable assets and liabilities of Coord3 as on the date of acquisition are as explained below:

	Recognised on acquisition	Carrying value
	€ 000	*€ 000*
Intangible assets	146	340
Property, plant and equipment	171	185
Financial fixed assets	2	2
Deferred income tax asset	1,778	0
Cash and cash equivalents	104	104
Trade and other receivables	3,070	5,068
Inventories	3,517	5,808
Deferred charges and accrued charges	50	50
Total assets	**8,838**	**11,557**
Provisions	-2,405	-1,285
Long term debt, non-current	-300	-300
Long term debt, current	-2,490	-2,490
Trade creditors	-6,186	-6,086
Taxes payable	-360	-202
Social payables	-278	-278
Other debts	-227	-227
Accrued charges & deferred income	-173	-173
Total liabilities	**-12,419**	**-11,041**
Fair value of net assets	-3,581	
Goodwill arising on acquisition	6,229	
Total purchase price	**2,648**	

The purchase price paid for Coord3 was €2,648k, patents have been separately acquired for an amount of €250k. The costs directly attributable to the combination were €326k, bringing the cost of the business combination to €2.974 million. This price is payable, partly in cash (€2,250k) and partly in consideration warrants with a fair value of €398k. The cash price has been paid by a convertible note (€1,500k) and the remaining price amount (€750k) has been paid in cash.

Cost on acquisition:	€ 000
Cash paid	750
Convertible note	1,500
Warrants issued at fair value	398
Costs associated with the acquisition	326
Total	**2,974**
Cash flow on acquisition:	***€ 000***
Net cash acquired with the subsidiary	104
Cash paid	-2,576
Net cash outflow	**-2,472**

If the acquisition would have been consolidated from 1 January 2007, the Group's sales would have been €3.5 million higher for year ended 2007 and the net result would have been €0.5 million lower. Coord3 is no longer managed and accounted for as a separate business unit, therefore separating the financial contribution of Coord3 to the Group is not possible. The company name has changed to Metris Italia S.p.a. The goodwill for Coord 3 has decreased in 2008 with € 1,144 k. The main items were the increase of deferred tax assets from previous years (- € 986k), additional provisions for doubtful debtors (€ 247k) and the reduction of trade payables (€ -274k).

On 31 December 2008, the former CEO of Coord3 and sales director of Metris Italia, takes over the Bruzolo operations from Metris to create an independent CMM company. This new company includes both the development and manufacturing of C3 CMMs and the Italian sales and customer service team, totalling about 70 employees. This deal has no impact on the MCA articulated arm operations in Villafranca, Italy.

The following assets and liabilities were transferred:

Assets		Liabilities	
	€ 000		*€ 000*
Intangible fixed assets	217	Capital	0
Tangible fixed assets	227	Provision	1,393
Financial fixed assets	2	Pensions	1,098
Stocks	3,038	AP	2,644
AR	1,767	Other	79
Other Receivables pensions	259	Accrued	396
Guarantees	85		
Cash	3		
Accrued	12		
Total	**5,610**	**Total**	**5,610**

The price for this transaction was €1.463 million, booked as a receivable in the balance sheet and in other income in the P&L.

An impairment loss for goodwill of €650k for the sale of Coord3 Brazil has been booked as of 31 December, 2008.

Acquisition of Garda

On 2 July 2007, Metris acquired 100% of the voting shares of Garda S.r.l., an unlisted company located in Verona, Italy. Garda S.r.l. is a manufacturer of portable articulated arms used for measurement of three dimensional objects. From Verona, Italy, Garda serves a worldwide customer base, complemented by a distributor network. The Garda acquisition fits well in the Metris strategy to complete the Metris product portfolio.

The fair value of the identifiable assets and liabilities of Garda on the date of acquisition is as explained below:

	Recognised on acquisition	Carrying value
	€ 000	*€ 000*
Intangible assets	0	91
Property, plant and equipment	7	24
Trade and other receivables	405	682
Inventories	238	302
Total assets	**650**	**1,099**
Provisions	-41	-24
Short term debt	-744	-744
Trade creditors	-622	-622
Taxes payable	-47	-47
Social payables	-33	-33
Accrued charges & deferred income	-57	-57
Total liabilities	**-1,544**	**-1,527**
Fair value of net assets	-894	
Goodwill arising on acquisition	2,774	
Total purchase price	**1,880**	

The purchase price amounts to €1.8 million in cash. Subject to reaching certain performance levels, an additional earn out will be paid up to a maximum of €80k. The costs directly attributable to the combination were €127k, bringing the cost of the business combination to €2,007k.

Cost on acquisition:	*€ 000*
Cash paid	1,800
Earn out	80
Costs associated with the acquisition	127
Total	**2,007**
Cash flow on acquisition:	***€ 000***
Net cash acquired with the subsidiary	-744
Cash paid	-1,927
Net cash outflow	**-2,671**

If the acquisition would have been consolidated from 1 January 2007, the Group's sales would have been €0.5 million higher for year ended 2007 and the net result would have been €0.5 million lower. Garda is no longer managed and accounted for as a separate business unit, therefore separating the financial contribution of Garda to the Group is not possible.

The goodwill of Garda for 2008 has increased with € 243 k as an additional provision for doubtful debtors.

Acquisition of M-Cubed

On 4 July 2007, Metris acquired 100% of the voting shares of M-Cubed (Metrology) Ltd., an unlisted company located in the UK. M-Cubed is an integrator of advanced metrology solutions.

This acquisition fits in the Metris strategy to strengthen its distribution channels by acquiring companies that provide integration services in conjunction with Metris large scale metrology products. Through this acquisition, Metris strengthens its aerospace integration capabilities and reaches its 2007 strategic acquisition objectives.

The fair value of the identifiable assets and liabilities of M-Cubed as on the date of acquisition is as explained below:

	Recognised on acquisition	Carrying value
	€ 000	*€ 000*
Property, plant and equipment	54	68
Cash and cash equivalents	10	10
Trade and other receivables	118	116
Inventories	123	1,180
Deferred charges and accrued charges	17	17
Total assets	**322**	**1,391**
Trade creditors	-1,305	-1,269
Taxes payable	-46	-46
Other debts	-14	0
Accrued charges & deferred income	-4	-4
Total liabilities	**-1,369**	**-1,319**
Fair value of net assets	-1,047	
Goodwill arising on acquisition	1,788	
Total purchase price	**741**	

The purchase price amounts to a maximum aggregate consideration of £0.5 million (€741k), of which one quarter has been paid in cash and three quarters are contingent upon reaching certain performance levels. The costs directly attributable to the combination were €88k, bringing the cost of the business combination to €828k.

Cost on acquisition:	€ 000
Cash paid	185
Contingent consideration	555
Costs associated with the acquisition	88
Total	**828**

Cash flow on acquisition:	€ 000
Net cash acquired with the subsidiary	10
Cash paid	-273
Net cash inflow	**-263**

If the acquisition would have been consolidated from 1 January 2007, the Group's sales would have been €0.4 million higher for year ended 2007 and the net result would have been €0.1 million lower. M-Cubed is no longer managed and accounted for as a separate business unit, therefore separating the financial contribution of M-Cubed to the Group is not possible.

Acquisition of Metris Canada (iLS)

On 15 August 2007, Metris has acquired all assets of the Intelligent Laser System (iLS) division (Ontario, Canada) of the Canadian company Virtek Vision International Inc., with effect as from 1 August 2007.

Virtek Vision International Inc. is a leading developer of precision laser based technologies. Its iLS division provides aircraft manufacturing companies with technological solutions, such as highly accurate large scale integrated measurement systems based on the Metris iGPS technology, advanced laser projection equipment and complete workcell automation solutions.

The following table lists the fair value calculation related to the acquisition of iLS:

	Recognised on acquisition	Carrying value
	€ 000	€ 000
Intangible assets	820	494
Property, plant and equipment	397	447
Long term receivables	15	0
Inventories	649	1,058
Accrued charges & deferred income	0	15
Total assets	**1,881**	**2,014**
Provisions	-9	0
Total liabilities	**-9**	0
Fair value of net assets	1,872	
Goodwill arising on acquisition	3,310	
Total purchase price	**5,182**	

The purchase price amounts to CAD 6,233k (€4,296k) in cash and an additional CAD 1,285k (€886k) for the Work in Process. The costs directly attributable to the combination were €274k, bringing the cost of the business combination to €5,456k.

Cost on acquisition:	€ 000
Cash paid	4,296
Escrow funding	886
Costs associated with the acquisition	274
Total	**5,456**
Cash flow on acquisition:	**€ 000**
Net cash acquired with the subsidiary	0
Cash paid	-716
Net cash outflow	**-716**

Acquisition of X-Tek Systems Ltd.

On 21 December 2007, Metris acquired 100% of the voting shares of X-Tek Systems Ltd., an unlisted company located in Hurts, UK. Founded in 1986, X-Tek is a British manufacturer of X-ray and Computer Tomography inspection systems. The X-Tek group has evolved over more than 20 years to become a market leading manufacturer of real-time, high resolution X-ray inspection systems for quality control, failure analysis, product development and research. X-Tek's extensive range of technology, intellectual property, know-how and products represent key enablers to provide divers solutions that vary in size from a compact standalone system up to walk-in measurement rooms.

Metris' acquisition of X-Tek combines a technology acquisition with a customer base acquisition. With this strategic acquisition, Metris further supports its commitment to existing automotive and aerospace customers with applications such as engine and turbine blade inspection, and welcomes new customers with applications such as 3D inspection of printed circuit boards and whole part inspection of consumer electronics housings and other small industrial components.

The fair value of the identifiable assets and liabilities of X-Tek as on the date of acquisition are as explained below:

	Recognised on acquisition	Carrying value
	€ 000	*€ 000*
Intangible assets	47	689
Property, plant and equipment	397	1,734
Deferred income tax asset	1,184	0
Cash and cash equivalents	9	9
Trade and other receivables	2,372	2,248
Inventories	725	2,460
Deferred charges and accrued charges	136	136
Total assets	**4,870**	**7,276**
Provisions	-473	0
Long term debt, current	-16	-16
Short term debt	-2,156	-2,156
Trade creditors	-4,155	-4,155
Social payables	-180	-180
Other debts	-61	-61
Accrued charges & deferred income	-305	-305
Total liabilities	**-7,346**	**-6,873**
Fair value of net assets	-2,476	
Goodwill arising on acquisition	17,040	
Total purchase price	**14,564**	

The purchase price amounts to a maximum aggregate consideration of £11.830 million (€16.349 million), of which £8.438 million (€11.662 million) has been paid in cash and £1.292 million (€1.785 million) has been paid for the take over of the existing shareholders' loan. The costs directly attributable to the combination were €611k, bringing the cost of the business combination to €15.175 million. Another £2.1 million is contingent upon completion of new products.

Cost on acquisition:	***€ 000***
Cash paid	11,662
Subordinated loan	2,902
Provisional acquisition cost	611
Total	**15,175**
Cash flow on acquisition:	***€ 000***
Net cash acquired with the subsidiary	9
Cash paid	-12,273
Net cash outflow	**-12,264**

During the last full accounting year ending June 2007, X-Tek realized a revenue of £7.0 million.

X-Tek is no longer managed and accounted for as a separate business unit, therefore separating the financial contribution of X-Tek to the Group is not possible.

In 2008, the goodwill of X-Tek has decreased with € 782k due to a deferred tax asset calculation on the fair value adjustments (- € 658k) and to former shareholder commitments for a capital increase prior to the acquisition (- € 124k).

Acquisition of Shanghai LK Metrology Co., Ltd.

On 19 March 2008, Metris acquired the remaining 66.66% of the voting shares of Shanghai LK Metrology Co. Ltd., a company located in Shanghai, China. In 2004, Shanghai Machine Cutting Tool -a division of Shanghai Electric Company-, Well Resources – a Hong Kong trading Company- and LK formed a manufacturing joint venture SLK, where LK held 33% ownership. LK was acquired by Metris in January 2006. Now Metris has acquired 100% ownership of the joint venture which will be renamed “Metris Precision Products Shanghai” and become Metris' manufacturing and component sourcing headquarters in China.

The Shanghai based operation will produce CMM's primarily for the Asian market and also deliver components and subassemblies to worldwide Metris manufacturing and assembly plants.

The acquisition of Shanghai LK Metrology Co., Ltd. will enable Metris to further extend its strong presence in China and to expand its manufacturing capacity for increased production output. Manufacturing CMMs and subassemblies of other Metris products in the newly acquired Chinese manufacturing entity will reduce overall cost of sale.

The fair value of the identifiable assets and liabilities of Shanghai LK Metrology Co., Ltd as on the date of acquisition are as explained below:

	Recognised on acquisition	Carrying value
	€ 000	€ 000
Intangible assets	0	39
Property, plant and equipment	28	42
Financial fixed assets	0	0
Long term receivables	243	243
Deferred income tax asset	28	0
Cash and cash equivalents	9	9
Trade and other receivables	0	0
Inventories	53	107
Deferred charges and accrued charges	0	0
Total assets	**362**	**440**
Provisions	0	0
Long term debt, current	0	0
Short term debt	0	0
Trade creditors	-192	-192
Social payables	0	0
Other debts	0	0
Accrued charges & deferred income	-15	-15
Total liabilities	**-207**	**-207**
Fair value of net assets	156	
Goodwill arising on acquisition	170	
Total purchase price	**326**	

This fair value calculation is a first estimate and is still subject to update until reporting on 2009 financials.

The purchase price amounts to €326k, which has been paid fully in cash. The costs directly attributable to the combination were €256k, bringing the cost of the business combination to €582k.

Cost on acquisition:	€ 000
Cash paid	326
Costs associated with the acquisition	256
Total	**582**
Cash flow on acquisition:	**€ 000**
Net cash acquired with the subsidiary	9
Cash paid	-582
Net cash outflow	**-573**

If the acquisition would have been consolidated from 1 January 2008, the Group's sales would have been €280k higher for the year 2008 and the net result would have been €63k lower.

Shanghai LK Metrology Co, Ltd. is no longer managed and accounted for as a separate business unit, therefore separating the financial contribution of Shanghai LK Metrology Co, Ltd. to the Group is not possible.

Acquisition of Integrated Quality, Inc.

On 27 June 2008, Metris acquired 100% of the voting shares of Integrated Quality, Inc., an unlisted company located in Columbus, Ohio, USA. Founded in 1994, Integrated Quality, Inc. is a CMM software developer. The flagship, CMM-Manager software can retrofit any manual CMM and is plug-and-play deployable for most CNC-based CMMs on the market.

This transaction fits in the Metris acquisition strategy to strengthen its product portfolio and to extend its distribution channels to the market. As a result of this acquisition, Metris can now offer mid-segment, easy-to-use CMM software that interfaces with nearly all Coordinate Measuring Machine brands. In addition, Metris will benefit from the complementary distribution channels to deploy their new technology products. The IQ acquisition will further leverage the Coord3 (aluminum CMMs) and Garda (articulated arms) acquisitions and strengthen Metris' position in the mid-segment micro-metrology market.

The fair value of the identifiable assets and liabilities of Integrated Quality, Inc. as on the date of acquisition are as explained below:

	Recognised on acquisition	Carrying value
	€ 000	*€ 000*
Intangible assets	0	0
Property, plant and equipment	2	2
Deferred income tax asset	0	0
Cash and cash equivalents	352	349
Trade and other receivables	383	287
Inventories	0	0
Deferred charges and accrued charges	0	0
Total assets	**737**	**638**
Provisions	-25	0
Long term debt, current	0	0
Short term debt	0	0
Trade creditors	0	0
Social payables	0	0
Other debts	0	0
Accrued charges & deferred income	0	0
Total liabilities	**-25**	**0**
Fair value of net assets	712	
Goodwill arising on acquisition	3,146	
Total purchase price	**3,858**	

This fair value calculation is a first estimate and is still subject to update until reporting on H1, 2009 financials. There has been no separate asset calculated for the obtained CMM-Manager software because it has not been considered separately from the value of the acquired customer base on the additional distribution channels.

The purchase price amounts to $6.076 million (€3.859 million), of which $3.969 million (€2.521 million) has been paid in cash and $1.531 million (€972k) has been deferred. Another $576k (€366k) of accounts receivable outstanding on the closing date has been paid on 27 December 2008. The costs directly attributable to the combination were €256k, bringing the cost of the business combination to €4.115 million.

Cost on acquisition:	***€ 000***
Cash paid	2,521
Vendor note	476
Deferred Payment	496
Outstanding receivables at closing date	366
Costs associated with the acquisition	256
Total	**4,115**
Cash flow on acquisition:	***€ 000***
Net cash acquired with the subsidiary	352
Cash paid	-3,143
Net cash inflow	**-2,791**

If the acquisition would have been consolidated from 1 January 2008, the Group's sales would have been €812k higher for the year 2008 and the net result would have been €101k higher.

Integrated Quality, Inc. is no longer managed and accounted for as a separate business unit, therefore separating the financial contribution of Integrated Quality, Inc. to the Group is not possible.

9.6.2 Segment information

a) Geographical segments

The primary segment reporting format is determined to be geographically as Metris' risks and rates of return are affected predominantly by the fact that the Company operates in different countries. The reporting to the Board of Directors and to the executive team is based on these three sites:

- Continental Europe
- North America
- UK, Asia + Other

The following tables present sale and profit and certain asset and liability information regarding the Group's Geographical segments for the years ended 31 December 2008 and 2007:

Year ended 31 december 2008	USA	UK + ROW (Asia)	Corporate + EU	Eliminations	Total
	€ 000	€ 000	€ 000	€ 000	€ 000
Revenue					
Sales to external customers	27.225	30.677	29.352	0	87.254
Inter-segment sales, transfer pricing	6.109	27.090	60.017	-93.215	0
Total revenue	**33.333**	**57.767**	**89.369**	**-93.215**	**87.254**
Results					
Segment results	-8.598	-2.386	1.708	-404	-9.680
Earnings before interest and taxes	**-8.598**	**-2.386**	**1.708**	**-404**	**-9.680**
Assets & liabilities					
Segment assets	39.421	50.696	130.946	0	221.062
Total assets	**39.421**	**50.696**	**130.946**	**0**	**221.062**
Segment liabilities	-658	34.113	203.334	0	236.789
Total liabilities	**-658**	**34.113**	**203.334**	**0**	**236.789**
Other segment information					
Capital expenditure:					
Tangible fixed assets	959	93	5.996	0	7.047
Intangible assets	3.651	4.097	4.729	0	12.477
Business combinations	3.322	1.141	1.152	0	5.614
Depreciation and Amortization	773	741	7.965	0	9.478
Impairment losses recognized	0	0	650	0	650
Bad debtors	776	932	1.510	0	3.219

Year ended 31 December 2007	USA	UK + ROW (Asia)	Corporate + EU	Eliminations	Total
	€ 000	€ 000	€ 000	€ 000	€ 000
Revenue					
Sales to external customers	32,644	30,233	29,836	0	92,713
Inter-segment sales, transfer pricing	7,656	24,539	68,839	-101,034	0
Total revenue	**40,300**	**54,772**	**98,675**	**-101,034**	**92,713**
Results					
Segment results	-213	4,851	13,072	-10,226	7,484
Earnings before interest and taxes	**-213**	**4,851**	**13,072**	**-10,226**	**7,484**
Assets & liabilities					
Segment assets	30,343	57,562	115,852	0	203,757
Total assets	**30,343**	**57,562**	**115,852**	**0**	**203,757**
Segment liabilities	-5,971	38,318	164,443	0	196,790
Total liabilities	**-5,971**	**38,318**	**164,443**	**0**	**196,790**
Other segment information					
Capital expenditure:					
Tangible fixed assets	397	2,065	3,884	0	6,346
Intangible assets	2,096	2,555	9,078	0	13,729
Business combinations	9,467	15,642	8,623	0	33,732
Depreciation and Amortization	592	219	6,487	0	7,297
Bad debtors	160	249	330	0	739

b) Business segments

Metris operates in three business segments, being Automotive, Aerospace and General Industrial Metrology.

Automotive

Metris solutions are suitable for a wide range of automotive applications across all stages of the car manufacturing process. Part-to-CAD inspection using laser scanners mounted on CMMs, articulated arms, robots or Optical CMMs are typically used during prototyping, production and assembly phases. Metris solutions are deployed at OEM or TIER suppliers for inspection of small components and subassemblies as well as on assembled vehicles. Non-contact technology is capable of accurately dealing with sheet metal parts, castings, plastics, foams and glass. For larger objects – such as press moulds, truck cabin or buses – Metris offers large Gantry CMM or Laser Radar as a unique non-contact inspection solution. Another application is Reverse Engineering, which represents a key application used by design departments to obtain accurate CAD surface models from clay prototype models. A new type of inspection is the inspection of the internal structure of small plastic or casted components through X-ray or CT inspection. The WheelTracker and other DMM solutions are mainly employed by engineering divisions to assess the dynamic behavior of wheels, suspensions, doors etc.

Aerospace

Metris Laser Radar is the ideal inspection solution to guide manufacturing and assembly of aircraft and large components. The system's large measurement volume up to 120 meter in diameter is a key capability. In addition, Laser Radar is a truly non-contact inspection solution that features single-person operation, eliminating the need for a second operator holding reflectors, position photogrammetry dots or handle touch probes. CMM-operated 3D laser scanners as well as X-ray and CT inspection systems are mainly used in customers that supply smaller components to the aerospace or energy industries. Typical applications include the inspection and reverse engineering of turbine blades and airfoils. Reverse Engineering is often used at aerospace design departments to speed up the design and prototyping stage. Dynamic testing solutions from Metris are often used where non-contact testing is a key differentiator, in landing gear or wing deformation testing, for example.

General Industrial Metrology

Metris inspection applications are also used in consumer electronics, solar energy, windmills and ship building industries.

The following tables present sale, expenditure and certain asset information regarding the Group's Business segments:

Year ended 31 December 2008	Automotive	Aerospace	General Industrial Metrology	Eliminations	Others	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Revenue						
Sales to external customers	24,169	30,539	32,546	0	0	87,254
Revenue from continuing operations	24,169	30,539	32,546	0	0	87,254
	28%	35%	37%			
Inter-segment sales	2,456	1,772	296	-4,525	0	0
Segment revenue	26,625	32,311	32,842	-4,525	0	87,254
Other segment information						
Segment assets	117,605	37,930	50,864	0	0	206,398
Unallocated assets	0	0	0	0	14,665	14,665
Total assets	117,605	37,930	50,864	0	14,665	221,062
Capital expenditure:						
Tangible fixed assets	6,303	522	191	0	0	7,015
Intangible assets	12,475	2	0	0	0	12,477
Business acquisition	5,010	0	604	0	0	5,614
D&A	12,557	355	435	0	0	13,347

Year ended 31 December 2007	Automotive	Aerospace	General Industrial Metrology	Eliminations	Others	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Revenue						
Sales to external customers	28,012	30,397	34,304	0	0	92,713
Revenue from continuing operations	28,012	30,397	34,304	0	0	92,713
	30%	33%	37%			
Inter-segment sales	15,065	2,753	0	-17,818	0	0
Segment revenue	43,077	33,150	34,304	-17,818	0	92,713
Other segment information						
Segment assets	108,052	28,674	51,097	0	0	187,822
Unallocated assets	0	0	0	0	15,935	15,935
Total assets	108,052	28,674	51,097	0	15,935	203,757
Capital expenditure:						
Tangible fixed assets	6,037	309	0	0	0	6,346
Intangible assets	11,665	2,064	0	0	0	13,729
Business acquisition	10,392	9,467	13,873	0	0	33,732
D&A	7,763	273	0	0	0	8,036

9.6.3 Specification of Income Statement

a) Other income

	2008	2007
	€ 000	€ 000
Government grants		133
Net gains on disposal of property, plant and equipment	1,463	-3
Other income	**1,463**	**129**

Metris realized an 'other operating income' of €1,463k following the transfer by Metris Italia of the CMM production facilities, on December 31, 2008.

b) Sale note

The total sale of 2008 of €87,254k consists of:

- Rendering of services: €16,688k
- Revenues from goods and licenses: €70,566k
- Total sales: €87,254k

The total sale of 2007 of €92,713k consists of:

- Rendering of services: €20,199k
- Revenues from goods and licenses: €72,514k
- Total sales: €92,713k

c) Cost of Sales

	2008	2007
	€ 000	€ 000
Included in cost of sales :		
Amortization & Depreciation	4,465	3,448
Net warranty provision	892	1,005
Cost of inventories recognised as an expense	28,856	34,732
Included other expenses :		
Shipments & other expenses	2,305	1,548
Total installation expenses and services labour	5,442	2,942
Manufacturing labour	2,841	1,910
Total Cost of Sales	**44,801**	**45,585**

Cost of Sales decrease from €45,585k in 2007 to €44,801k in 2008 resulting from the decrease in sales.

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d) Employee benefits

	2008	2007
	€ 000	€ 000
Wages and salaries	24,263	19,746
Social security costs	3,800	3,059
Pension cost	941	937
Stock options = share based payments	488	369
Other	1,971	600
	31,463	**24,710**

Through the acquisitions mainly during 2007 the amount of wages and salaries increased from a total amount of €19,746k in 2007 to a total amount of €24,263k in 2008. Due to cost reduction programs and the transfer by Metris Italia of the CMM production facilities and related sales and service team, the number of employees decreased from 668 to 544. The number of employees for Metris at the end of financial year 2008 is as follows:

North America	187
UK/ROW	226
Continental Europe	117
Corporate	14
Total	544

The other employee benefit costs for a total of €1,971k in 2008 mainly consist of provisions for employee holiday pay and other employee related expenses such as meal vouchers and benefits in kind.

The expenses of €31,463k have been included in total opex expenses of €53,596k.

More details on employee benefits are given in paragraph 9.6.11.

e) Selling, Marketing, General and Administrative expenses, other expenses

	2008	2007
	€ 000	€ 000
Selling and Marketing expenses	24,473	19,481
General and administrative expenses	22,109	16,734
Other expenses	7,013	3,559
Total	**53,596**	**39,774**

As a result of the acquisitions, the amount of operating expenses of €39,774k in 2007 has increased with 35% to €53,596k in 2008. This increase is mainly the result of the different acquisitions in 2007 as well as the opening of new sales offices during 2007.

f) Total net financial cost

	2008	2007
	€ 000	€ 000
Finance cost	9,275	3,144
Finance revenue	-1,692	-372
Total net finance cost	**7,582**	**2,772**

f 1) Finance costs

	2008	2007
	€ 000	€ 000
Bank and straight loans	3,753	1,712
Discounting long term receivables	847	0
Bank charges	470	534
Finance charges other and foreign exchange differences	595	756
Mezzanine loan paid	3,251	141
IWT loan	59	0
Waiver fees	300	0
Total finance costs	**9,275**	**3,144**

The amount of €3,753k represents interest charges on both short and long term bank loans. The finance costs for the mezzanine financing comprises the interest charge on the subordinated mezzanine financing for an amount of €25 million, provided by GIMV and Fortis Private Equity as well as the interest charge on the loan of 14.5 million from DAM.

In the net financial costs a provision of €0.3 million was taken for the waiver of the breach of covenants for 2008 and € 0.8 million for discounting long term receivables.

f 2) Finance revenue

	2008	2007
	€ 000	€ 000
Bank interest receivables	45	209
Interests from customers	30	14
Exchange rates	1,460	72
Other financial revenue	157	77
Total finance revenue	**1,692**	**372**

Metris occasionally grants leases or loans to its customers. In 2008 Metris received €30k interest from its customers comparing to €14k in 2007.

A finance revenue of €1,460k was related to positive foreign exchange rate differences. The result of the Group is affected by the influences of €, $ and £ exchange rate at 31 December 2008.

g) Development

The capitalized development cost for the year ended 31 December 2008 amounts to €10 million compared to €9.0 million for the year ended 31 December 2007. The increase mainly is due to development for projects following the acquisitions in 2007. The R&D expenditures directly taken in cost are €2.3 million.

The development phase starts only when Metris has a very high level of certainty that there is no future risk in connection with technical feasibility and future economic benefits.

In accordance with the Groups' accounting policies, research costs are expensed as incurred. Development costs are amortized on a straight-line basis over three years as from the first of January of the year following the date of the product release. The development projects are also subject to annual impairment test.

9.6.4 Income tax

The major components of income tax expense in the consolidated income statement are:

	2008	2007
	€ 000	€ 000
Current income tax	83	-34
Current income tax charge	83	-34
Deferred income tax	-3,313	-2,221
Relating to origination and reversal of temporary differences	-3,313	-2,221
Income tax expense reported in the consolidated income statement	**-3,230**	**-2,255**

The deferred tax assets are recognized based on forecasts of future earnings for the next five years. This calculation is checked to determine whether the tax losses can be used to offset taxable profit in the following years.

A reconciliation between tax expense and the product of accounting profit multiplied by the Metris tax rate for the years ended 31/12/2008 and 2007 is given in the following table.

	2008	2007
	€ 000	€ 000
Accounting profit (loss) before tax from continuing operations	-17.262	4.712
Loss before tax from a discontinued operation		
Accounting profit (loss) before tax	**-17.262**	**4.712**
At Metris statutory income tax rate of 33,99%	-5.868	1.602
Non deductible costs	1.075	529
Non taxable income	419	-3.279
Use of unrecognized prior year losses	184	-20
Notional Interest Deduction	-694	-604
Result taxed at lower rate	365	-120
Result taxed at higher rate	-601	-325
Other	167	-38
Impairment taxes Metris Italia	1.723	0
Total tax charge	**-3.230**	**-2.255**
Actual tax charge booked	**-3.230**	**-2.255**
Adjustment of prior year deferred tax balances		0
Income tax expense reported in the consolidated income statement	-3.230	-2.255
Income tax attributable to a discontinued operation	0	0

In accordance with IAS 12.39, Metris does not recognize a deferred tax liability for all temporary differences associated with investments in subsidiaries, branches, and associated and joint – ventures, because (i) the ultimate parent company (Metris nv) is able to control the timing of the reversal of these temporary differences, and (ii) it is considered probable that the respective temporary differences will not reverse in the foreseeable future. As a result, this is shown in the above table as "non-taxable income". These include e.g. professional fees paid to accountants, legal advisers and other consultants directly incurred in respect of the acquisition.

The tax rate applied for Belgium is 33,99%. The tax in USA is split in 2 parts, a corporate tax of 35 % and a 6 % state tax. UK tax is determined using a tax rate of 30%. The tax rate applied for Italy is 33%.

The Group has tax losses that are available for offset against taxable profits of the companies in which the losses arose. Regarding the acquisition of MPPS in the UK and the IQ acquisition in the US. Deferred tax assets have been recognized and offset against goodwill. An impairment loss of €1.7 million has been taken on Metris Italia because management believe the recoverability of the tax losses in this company are too uncertain.

Deferred Income tax

Deferred income tax at 31 December 2008 relates to the following:

	2008	P&L	Acquisition	2007
	€ 000	€ 000	€ 000	€ 000
Tax losses	14,330	4,781	1,416	8,133
Depreciation	-3,856	-2,344	0	-1,512
Development costs	-972	0	0	-972
Investment deductions	1,488	254	0	1,234
Other	1,094	622	0	472
Total	**12,084**	**3,313**	**1,416**	**7,355**
Deferred and current income tax assets on Balance Sheet	12,823			8,094
Deferred and current tax liability on Balance Sheet	-739			-739
Total deferred tax assets (liability)	**12,084**	**0**	**0**	**7,355**

9.6.5 Earnings per share

Basic earnings per share amounts are calculated by dividing net result for the year attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net result attributable to equity holders of the Group by weighted average number of ordinary shares plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2008	2007
	€ 000	€ 000
Net profit attributable to equity holders of the parent from continuing operations	-14,032	6,967
Loss attributable to equity holders of the parent from a discontinued operation	0	0
Net profit attributable to equity holders of the parent	-14,032	6,967
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of convertible preference shares	-14,032	6,967
	2008	2007
	number of shares	number of shares
Total numbers of shares as of 31 December	12,605,723	12,598,223
Weighted average number of shares for basic earnings per share	12,601,973	12,330,421
Effect of dilution:		
Total number of warrants	1,852,882	2,020,992
Weighted average number of shares (excluding treasury shares) adjusted for the effect of dilution	12,678,111	14,351,413
Total number of shares	14,458,605	14,619,215

9.6.6 Property plant and equipment

31 december 2008	Land and buildings	Plant and equipment	Total
	€ 000	€ 000	€ 000
At 1 January 2008, net of accumulated depreciation and impairment	2,111	10,286	12,397
Additions		7,015	7,015
Arising on acquisition of subsidiaries		32	32
Disposals		-2,983	-2,983
Depreciation charge for the year	-65	-3,783	-3,848
Exchange adjustment		1,213	1,213
At 31 December 2008, net of accumulated depreciation and impairment	**2,047**	**11,779**	**13,826**
At 1 January 2008			
Cost	2,295	16,823	19,118
Accumulated depreciation and impairment	-184	-6,538	-6,721
Net carrying amount	**2,111**	**10,286**	**12,397**
At 31 December 2008			
Cost	2,295	22,100	24,395
Accumulated depreciation and impairment	-248	-10,321	-10,569
Net carrying amount	**2,047**	**11,779**	**13,826**

The net carrying amount of property, plant and equipment was €13.8 million Euro at 31 December 2008 compared to €12.4 million at 31 December 2007. The additions of plant and equipment by €7.0 million during 2008 include assets held under finance lease for a total of € 0.3 million.

The total amount of €13.8 million of property, plant and equipment includes €1.8 million lease equipment. The financial leases are secured by the leased assets.

A first rank mortgage to KBC and Fortis has been given on the building to secure certain loans.

31 december 2007	Land and buildings	Plant and equipment	Total
	€ 000	€ 000	€ 000
At 1 January 2007, net of accumulated depreciation and impairment	2.176	5.830	8.006
Additions		6.346	6.346
Additions acquisition costs	0	1.025	1.025
Disposals		-172	-172
Depreciation charge for the year	-65	-2.592	-2.656
Exchange adjustment		-152	-152
At 31 December 2007, net of accumulated depreciation and impairment	**2.111**	**10.286**	**12.397**
At 1 January 2007			
Cost	2.295	9.776	12.071
Accumulated depreciation and impairment	-119	-3.946	-4.065
Net carrying amount	**2.176**	**5.830**	**8.006**
At 31 December 2007			
Cost	2.295	16.823	19.118
Accumulated depreciation and impairment	-184	-6.538	-6.721
Net carrying amount	**2.111**	**10.286**	**12.397**

9.6.7 Intangible assets

Intangible assets were as follows for the year ended 31 December 2008:

31 december 2008	Internal development costs	Intellectual property rights and other intangible assets	Goodwill including acquisition cost	Total
	€ 000	€ 000	€ 000	€ 000
Cost as at 1 January 2008, net of accumulated amortization and impairment	19.596	4.812	75.628	100.035
Additions	11.146	1.331	0	12.477
Arising on acquisition of subsidiaries	0	0	2.403	2.403
Disposal (asset deal Metris Italy)	0	-216	0	-216
Amortization	-4.465	-1.165		-5.631
Impairment			-650	-650
Exchange adjustment	0	0	-354	-354
At 31 December 2008	**26.276**	**4.761**	**77.028**	**108.065**
At 1 January 2008				
Cost (gross carrying amount)	31.600	10.069	75.783	117.452
Accumulated amortization and impairment	-12.005	-5.259	-155	-17.419
Net carrying amount	19.595	4.811	75.628	100.033
At 31 December 2008				
Cost (gross carrying amount)	42.746	11.184	77.832	131.762
Accumulated amortization and impairment	-16.471	-6.424	-805	-23.700
Net carrying amount	**26.276**	**4.761**	**77.028**	**108.065**

The increase of the intangible assets from €100 million to €108 million is attributable to the goodwill coming from the acquisitions in 2008 (€1.4 million) and to the internal development costs (€6.7 million).

The intangible assets, acquired through business combinations, have been classified as other intangible assets, internal development or goodwill depending on the fair value allocation. Therefore, in accordance with IAS 38 § 34 and IFRS 3, Metris has recognized at the acquisition date, separately from goodwill, an intangible asset of the acquiree if the asset's fair value could be measured reliably. This means that Metris has recognized as an asset separately from goodwill all in-process research projects of the acquiree if the projects met the definition of an intangible asset and their fair value could be measured reliably.

The impairment of goodwill (€650k) relates to the role of Coord3 Brazil which was part of the asset deal in Italy.

Development costs are composed of both internally generated assets as well as acquired in-process research and development, intellectual property is separately acquired.

Development costs are amortized over 3 years, and will be reviewed for impairment annually when the asset is not yet in use or when an indication of impairment arises during the reporting year. Goodwill is not amortized but is reviewed for impairment annually.

31 december 2007	Internal development costs	Intellectual property rights and other intangible assets	Goodwill including acquisition cost	Total
	€ 000	€ 000	€ 000	€ 000
Cost as at 1 January 2007, net of accumulated amortization and impairment	14.099	34	44.365	58.498
Additions	9.060	4.669		13.729
Arising on acquisition of subsidiaries		1.925	32.822	34.747
Amortization	-3.563	-1.817		-5.380
Exchange adjustment	0	0	-1.559	-1.559
At 31 December 2007	**19.596**	**4.812**	**75.628**	**100.035**
At 1 January 2007				
Cost (gross carrying amount)	22.540	3.475	44.520	70.535
Accumulated amortization and impairment	-8.442	-3.442	-155	-12.039
Net carrying amount	14.098	33	44.365	58.496
At 31 December 2007				
Cost (gross carrying amount)	31.600	10.069	75.783	117.453
Accumulated amortization and impairment	-12.005	-5.259	-155	-17.418
Net carrying amount	**19.596**	**4.812**	**75.628**	**100.035**

9.6.8 Capitalization and amortization of product development costs

The company maintains an innovation process control system, which tracks the stages of a development project. Product development costs, which comply with the criteria established under IAS 38 are capitalized. Capitalized development costs are amortized on a straight–line basis over the products' lifecycle starting from the first of January after the release of the project.

While capitalized development still amounted €10 million in 2008, a reduction with about a quarter is anticipated for 2009.The capitalized development for the financial year 2007 was €9.0 million.

These projects have already been capitalized, but have not been released yet as they are not yet available for use. These projects have not yet been amortized. The conditions for recognizing development cost in conformity with IAS 38, § 57 (c) and (e) have been met. The development phase starts when Metris has a very high level of certainty that there are no future risks in connection with the technical feasibility and future economic benefits.

9.6.9 Impairment testing of goodwill and intangibles

For the purpose of impairment testing, goodwill acquired through business combinations and patents and licenses are allocated on acquisition to the cash-generating units that are expected to benefit from that business combination.

The carrying amount of goodwill and related impairments have been allocated as follows:

Segment	Cash generating unit	Net book value after impairment 2008	Impairment 2008
Auto	Laser scanning	5,354	0
Auto	Optical CMM	9,719	0
General	X-Ray	17,650	0
Auto	Mechanical CMM and services	31,050	-650
Aero	IGPS	7,604	0
Aero	Laser radar	2,750	0
Aero	MCA	2,901	0
Total		**77,028**	**-650**

Segment	Cash generating unit	Net book value after impairment 2007	Impairment 2007
Auto	Laser scanning	5,354	0
Auto	Optical CMM	9,719	0
General	X-Ray	18,177	0
Auto	Mechanical CMM and services	29,366	0
Aero	IGPS	7,604	0
Aero	Laser radar	2,750	0
Aero	MCA	2,658	0
Total		**75,628**	**0**

Cash flows projections are made on the basis of the 5 years business plan as approved by the Board of Directors, per cash generating units.

The calculation of the value-in-use for the different cash generating units are sensitive to sales growth, gross margin, discount rate and terminal value growth.

The sales projections are based on the data provided by the internal sales reporting systems of Metris for 2009 per cash generating unit and on internal and industry estimates per cash generating units for the year's thereafter. The gross margin is based on the most recent information for each of the cash generating units.

All assets are allocated to these different cash generating units. The cash flow projections are discounted with a weighted average cost of capital that differ depending on the maturity of the underlying products. The obtained value per cash generating unit is then compared to the assets allocated to these cash generating units. The costs of equity differ from 10.3% for the more mature cash generating to 24.2% for the early stage cash generating units resulting in a WACC of 11,1%. A terminal growth factor of 1 to 2.5% has been taken into consideration, again depending on the maturity of the underlying cash generating unit.

An impairment of €650k has been taken for C3 Brazil which has been part of the asset deal in Metris Italia at the end of 2008.

The discounted cash flow calculation indicates that there is no need for another impairment charge.

9.6.10 Other receivables non-current

	2008	2007
	€ 000	€ 000
Guarantees	220	244
Loans > 1 year	9,805	1,770
Other long term receivables	482	340
Total receivables	**10,507**	**2,354**

Metris occasionally grants loans to its customers. The book value of the long-term non current receivable balance (see also valuation rules 9.5.9) related to these loans as of 31 December 2008 and 2007 was respectively €9,805k and €1,770k. The increase is the result of an agreement made between Metris nv and some distributors in 2008.

9.6.11 Share-based payments plans

Employee share-option plan

Metris can grant stock options to its employees.

At the end of 2008, a total of 505.589 stock options offered to Metris' employees (including management) were outstanding.

On 23 April 2009, Metris issued an additional 355.289 stock options for certain members of the Management Team against cancellation of 81.820 warrants granted to these members of the Management Team in 2006 and 2007. The net number of warrants hence created amounts to 273.469. This issuing of new warrants was decided by the Board of Directors within the limits of the authorized capital, despite the recommendation as provided for under article 7.13 of the Corporate Governance Code, The Board of Directors is of the opinion that this transaction qualifies as a transaction as provided under Article 523 §1 of the Belgian Company Act. Issuing warrants to members of personnel and management under conditions that are common practice in the market and have been applied by Metris over the last couple of years indeed has to be considered as a 'usual' transaction under Article 523 §1.

The stock options granted by Metris are subject to a 3-year vesting period. For the stock options granted in 2004, 2005, 2007 and 2009, the exercise period runs from the end of the 3rd year up to the 7th year following the date of grant. For the stock options granted in 2006 the exercise period runs from the beginning of the fourth calendar year until the end of the fifth calendar year following the date of grant. There are no other vesting or performance conditions applicable to the options granted to employees.

The following table illustrates the number and weighted average exercise prices per warrant.

Share-based payment plan for employees and directors

	2008*	2008*	2007*	2007*
	No.	***WAEP (€)***	***No.***	***WAEP (€)***
Outstanding at the beginning of the year	419,154	6.56 €	528,981	5.80 €
Granted during the year employees	127,135		0	
Granted during the year director	22,500		0	
Forfeited during the year	0		-22,995	
Exercised during the year	-7,500		-42,654	
Expired during the year	-64,230		-44,178	
Outstanding at the end of the year	**514,119**	8.64 €	**419,154**	6.56 €

* all warrants calculated so that each warrant entitles to 1 new Metris' share

Exit Warrants

On 25 November 2005, 18,000 exit warrants were offered to members of the executive team and the remaining 2,000 warrants were granted on 5 September 2006 to a member of management. 18,000 of the exit warrants were exercised on 17 December 2007, creating a total of 54,000 new shares. The remaining 2,000 exit warrants were exercised on 31 March 2008.

The fair value of the warrants was determined using the Black & Scholes formula. The IFRS 2 expense is summarized as follow:

Grant date	Exercise Price*	Year	Number of options granted	Number of options expected to vest	Fair value	Vesting period past	Vesting period total	IFRS 2 expense year	IFRS 2 expense cumulative
31/10/2004	4.08 €	2004	35,771	32,194	1.81	0.17	3.17	9,191	9,191
		2005	35,771	32,194	1.81	1.17	3.17	55,146	64,337
		2006	35,771	32,194	1.81	2.17	3.17	55,146	119,483
		2007	35,771	15,571	1.81	3.17	3.17	26,671	146,154
31/12/2005	5.00 €	2005	54,232	48,809	2.16	-	3.00	0	0
		2006	54,232	48,809	2.16	1.00	3.00	105,264	105,264
		2007	54,232	48,809	2.16	2.00	3.00	105,264	210,529
		2008	54,232	49,432	2.16	3.00	3.00	106,608	317,137
31/12/2005**		2005	18,000	16,200	1.90	-	2.00	0	0
		2006	18,000	16,200	1.90	1.00	2.00	0	0
		2007	18,000	18,000	1.90	2.00	2.00	0	0
		2008	18,000	0	1.90	2.00	2.00	0	0
31/10/2006	8.33 €	2006	70,000	63,000	3.69	0.17	3.17	36,673	36,673
		2007	70,000	65,720	3.69	1.17	3.17	231,119	267,792
		2008	70,000	62,346	3.69	2.17	3.17	217,750	485,542
31/12/2007	13.77 €	2007	150,000		3.66	-	3.00	0	0
		2008	150,000	126,995	3.66	1.00	3.00	154,844	154,844
All		2004						9,191	9,191
		2005						55,146	64,337
		2006						197,083	261,420
		2007						363,055	624,475
		2008						479,203	1,103,678

* strike price divided to reflect stock split

** costs taken in the IPO

The IFRS 2 expense in 2008 for the employee stock options amounted to €479.203.

9.6.12 Pensions and other post-employment benefit plans

In 2007 and 2008, there are no individual pension agreements with employees that can be defined as a defined benefit obligation. All pension plans are defined contribution plans for an amount of €467k.

9.6.13 Inventories

	2008	2007
	€ 000	**€ 000**
Components and sub-assemblies	10.889	11.225
- Write-down	-1.431	-4.342
Software	290	126
Finished goods		
- At net realizable value	5.363	1.741
Demonstration inventories and spare parts		
- At net realizable value	3.242	582
Work in progress	3.471	4.969
	21.823	**14.301**

The inventory increased by a factor of 1.5 from €14,301k in 2007 to €21,823k in 2008.

Inventories increased from €14 million at the end of 2007 to €22 million at the end of 2008. During a normal year, inventory is built up during the year for sale at the end of the year, given the back end loaded sales seasonality. This year however this back end loaded sales seasonality did not materialize, leaving a high inventory stock level at the end of the year. This high inventory level at the end of last year is creating today a positive cash flow, because it is currently being sold off.

9.6.14 Trade and other receivables

Trade receivables

Trade receivables were composed of the following as of 31 December 2008:

	2008	2007
	€ 000	**€ 000**
Trade receivables	42.058	54.877
Prepayments	-1.142	-1.028
Subsidy	455	428
Client Credit note's	-373	0
Bad debtor's	-3.607	-1.832
	37.391	**52.445**

Trade receivables are non-interest bearing. Due to the seasonality of sales, accounts receivables were high at the end of the year. An important part of these receivables is financed through trade payables.

On 31 December 2008 trade receivables is €13 million lower than on 31 December 2007 because of the lower sales in Q4, 2008 and because of the focus to reduce the payment terms of customers.

As at 31 December 2008, trade receivables at nominal value of €3,607k were impaired and fully provided for. The impairment is based on customers' credit worthiness and the aging of the receivables. Movements in the provision for impairment of receivables were as follows:

	€ 000
At 31 December 2006	1.056
Charge for the year	340
Utilised	149
Arising on acquisitions	382
Unused amounts reversed	-52
Discount rate adjustment	-43
At 31 December 2007	1.832
Charge for the year	1.224
Utilised	516
Arising on acquisitions	59
Unused amounts reversed	-10
Discount rate adjustment	-13
At 31 December 2008	**3.607**

As at 31 December, the aging analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	< 30 days	30 - 60 days	60 - 90 days	90 - 120 days	> 120 days
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
2008	42.058	29.325	5.498	1.130	777	3.109	2.218
2007	54.877	35.234	8.842	1.968	894	3.179	4.759

Other receivables

	2008	2007
	€ 000	€ 000
VAT and taxes	1,276	6,294
Insurances	142	71
Other	345	195
Loans	382	716
Prepaid expenses	563	1,280
	2,706	**8,556**

The fluctuation on other receivables can be mainly explained by the evolution on "VAT and taxes". As per end of 2007 these amounted up to €6,294k and were mostly a result of inter-company transactions. Due to fact of the timing difference between VAT payable and VAT receivable, there was more VAT receivable at year end 2007. As per end 2008 these VAT receivables amount up to €1,276k. At the end of 2008 a smaller amount was left as accrued revenue, which resulted in higher VAT payable meaning decreased incoming VAT.

The outstanding loans to customers, which are in accordance with market practices, have been decreased from €716k at 31 December 2007 to €382k at 31 December 2008 as part of the outstanding loans has been repaid.

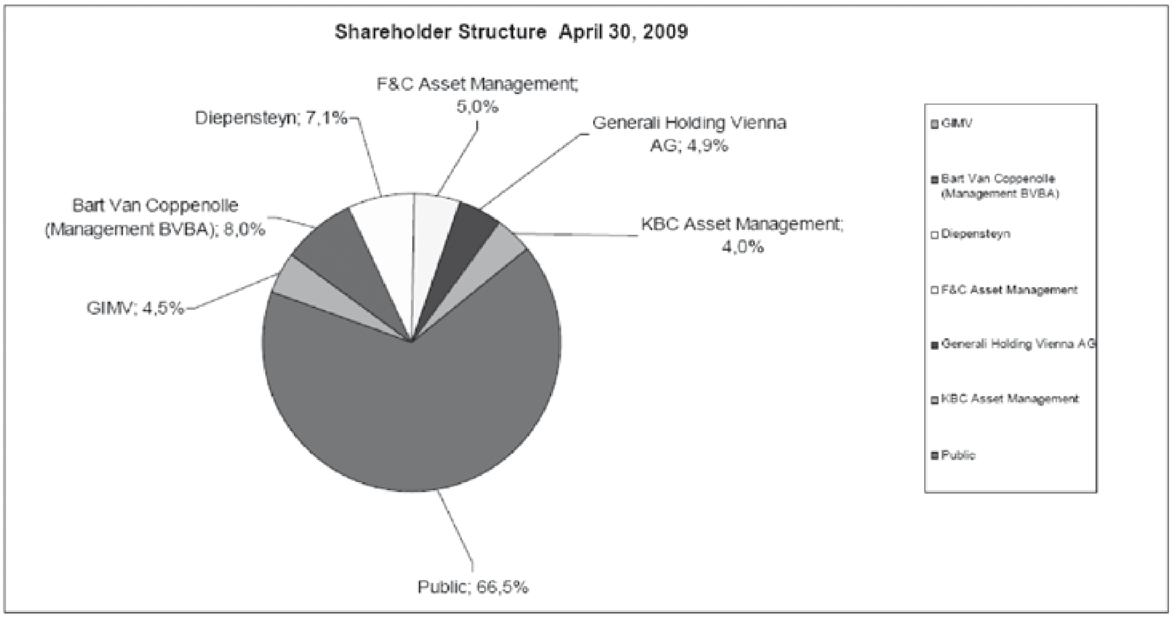
9.6.15 Cash and cash equivalents

	2008	2007
	€ 000	€ 000
Cash on hand and at bank	7,122	3,883
Short-term deposits	6,800	-
	13,922	**3,883**

Cash at bank is immediately available. It's denominated in the following currencies: Euro (€), US dollar ($) and British Pound (£). As is the case for other financial assets, the carrying amount of cash and cash equivalents is equal to its fair value.

9.6.16 Shareholders equity[2]

The shareholders structure fully diluted of Metris nv on 30 April 2009 is as follows:



[2] All shares of Metris are common shares

In its meeting held on 23 June 2008, the Board of Directors' meeting decided to increase the capital following the exercise of 2.500 employee stock options (creating 7.500 new shares), This resulted in an equity increase of €*27.375*.

The other reserves (€-6,579k for 2008) / (€-1,846k for 2007) consist of:

Reserves:

Foreign currency translation reserve (€-2471k for 2008) / (€1.834k for 2007)

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries.

Warrants (€1,104k for 2008) / (€624k for 2007):

Metris has a share-option plan for the directors, executives and employees. All Metris' employees are entitled to a grant of stock options. The stock options granted by Metris are subject to a 3-year vesting period. The exercise period runs from the end of the 3rd year up to the 7th year following the date of grant. There are no other vesting or performance conditions applicable to the options granted to employees.

At 31 December 2008, the IFRS 2 expense in 2008 for the employee stock options amounted to €479.203.

Other reserves (€-5,212k for 2008) / (€-4,304k for 2007):

The other reserves relate primarily to the cost of preparation of the IPO in 2006, the mezzanine component and the hedging costs.

Employee stock options

By decision of the Board of Directors' meeting of 21 November 2007, 150.000 new employee stock options were issued, of which 149.635 were effectively granted in the beginning of 2008.

The total number of outstanding stock options granted to personnel and independent collaborators on 31 December 2008 amounted to 505.589. On 23 June 2008, a total of 2.500 warrants (creating 7.500 new shares) were exercised resulting in a capital increase of € 27.375.

On 23 April 2009, Metris issued an additional 355.289 stock options for certain members of the Management Team against cancellation of 81.820 warrants granted to these members of the Management Team in 2006 and 2007. The net number of warrants hence created amounts to 273.469.

The terms and conditions of the stock options are summarized in the table below.

Grant date	Exercise period	Exercise price (in € per share)	Warrants owned by	Outstanding warrants on 31 Dec 2007	Outstanding warrants on 31 Dec 2008	Number of shares into which warrants can be exercised
August 24, 2000	From 24-08-2003 until 24-08-2007 (on 1 April each year only)	2.07	Personnel	0	0	Exercised/expired
September 17, 2004	From 17-09-2007 until 17-09-2011 (on 1 April each year only)	4.08	Personnel	10,100	6,600	19,800
September 17, 2004	From 17-09-2007 until 17-09-2011 (on 1 April each year only)	4.08	Executive management team	5,471	5,471	16.413
November 25, 2005	From 25-11-2008 until 25-11-2012 (on 1 April each year only)	5.00	Personnel	39,300	35,000	105,000
November 25, 2005	From 25-11-2008 until 25-11-2012 (on 1 April each year only)	5.00	Executive management team	11,432	11,432	34,296
November 25, 2005	From 25-11-2008 until 25-11-2012 (on 1 April each year only)	5.00	Director	3,000	3,000	9,000
September 29, 2006	From 01-01-2010 until 31-12-2011 (on 1 April each year only)	8.33	Personnel	55,555	46,330	138,990
September 29, 2006	From 01-01-2010 until 31-12-2011 (on 1 April each year only)	8.33	Executive management team	14,360	14,360	43,080
November 21, 2007	From 28-12-2010 until 27-12-2014 (between 1 and 15 January and 1 and 15 July of each year)	13.77	Personnel	91,595	89,500	89,500

lovember 1, 2007	From 28-12-2010 until 27-12-2014 (between 1 and 15 January and 1 and 15 July of each year)	13.77	Executive Management team	58,040	49,510	49,510

On 23 April 2009, a number of 355.289 new warrants have been issued, in favor of certain members of the Management Team and against cancellation of 81.820 warrants granted to them in 2006 and 2007, at an exercise price of € 4, entitling to the creation of 355.289 new shares. These warrants are only deemed to be accepted in 2009 and were not taken into account in the figures of 2008.

Other warrants

The terms and conditions of all outstanding other warrants are summarized in the table below.

Grant date	Exercise period	Exercise price (in € per share)	Warrants owned by	Outstanding warrants on 31 Dec 2007	Outstanding warrants on 31 Dec 2008	Number of shares into which warrants can/could be exercised
Warrants B6						
September 27, 2002	At any time until 27 September 2009	5.33	GIMV and AGICT	10,943	10,943	32,829
Exit warrants						
November, 25 2005 and September 5, 2006	At any time until 31 March 2008.	8.33	Petime BVBA	2,000	0	0
Warrants A1						
February 13, 2006	Until 36 months after the Offering	12.00	ARC 3 Holdings LLC	1	1	USD 500,000 converted in euro / 12
Coord3 warrants						
May 31, 2007	June 30, 2010	15.63	Muscarella & Torre	95,968	95,968	95,968
Mezzanine warrants						

B2, series 2						
February 13, 2006	At any time until 13 February 2011	Average price of the final Offering price range x 0.75	GIMV, AGICT, KBC, BVC Management, Quest for Growth, Dexia, Toyo, Pamica, Fagus and Cor and Rien van der Heijden	7	7	(€27 million x 0.25) / (average price of the final Offering price range x 0.75)
Mezzanine Warrants 2007						
November 21, 2007	At any time until 20 November, 2012	13.77	GIMV and Fortis	635,439	635,439	635,439

On 23 June 2008, the following warrant holders have subscribed a capital increase upon exercise of their warrants:

- certain members of personnel exercised a total of 2.500 warrants (creating 7.500 new shares) were exercised resulting in a capital increase of € 27.375

9.6.17 Loans

At 31 December 2008, all current and non-current liabilities were as follows:

Current liabilities			**2008**	**2007**
	Effective Interest rate %	**Max maturity**	**€ 000**	**€ 000**
Lease cars	Different rates	31/12/2013	258	209
Lease equipment	Different rates	10/10/2011	681	289
Lease CMM	Different rates	31/12/2013	668	494
Bank overdrafts:	Different rates	-	9,629	8,937
Short term loans < 12 month's	Different rates	-	21,804	2,800
Bank loans	Different rates	30/06/2018	8,822	6,678
Subordinated Loan IWT	7.95%	31/03/2011	0	80
Subordinated Loan IWT	8.43%	31/01/2012	0	0
Total current liablitities			**41,862**	**19,487**

Non-Current liabilities			2008	2007
	Effective Interest rate %	Max maturity	€ 000	€ 000
Lease cars	Different rates	31/12/2013	735	655
Lease equipment	Different rates	10/10/2011	2,475	277
Lease CMM	Different rates	31/12/2013	764	1,211
Bank loans	Different rates	30/06/2018	15,442	9,082
Subordinated Loan IWT	7.95%	31/03/2011	268	241
Subordinated Loan IWT	8.43%	31/01/2012	413	413
Loan: Gmac	Different rates			4
Loan : GIMV - Fortis Private Equity	Different rates	7/12/2012	24,229	23,439
Loan: DAM	Different rates	1/11/2012	14,579	0
Vendor note	Different rates		0	1,500
Other non-current liabilities	Different rates		1,810	2,901
Total non-current liablitities			**60,714**	**39,723**

Due to investments made and committed before the outbreak of the recession, the gross debt increased form €59 million at the end of 2007 to €101 million at the end of 2008. On December 31, 2008 there was €14 million of cash in the different companies of the group.

On December 31, 2008 Metris had unused credit lines for €1 million.

The fair value of the financial liabilities have been influenced by the interest rate swaps for which a hedging reserve has been taken in the Statement of charges in Equity of €0.9 million.

Short term financing

The short term financing comprises mainly overdraft facilities and straight loans. The major part of this financing are in Metris nv, MSSE nv, Metris Italia, Metris UK and Metris US.

Long term financing

The Group has its most significant long term loans mainly used for the financing of acquisitions . Other long term financing consists of the mezzanine financing by GIMV and Fortis Private Equity and the loan of DAM Capital. Part of the long term financing is leasing of cars and equipment, for a total amount of €3,974k.

Vendor financing – Acquisition Coord3

The acquisition in May 2007 of Coord3 has been funded through a payment in cash (€750k), a convertible note of €1.5 million and the issuance of 95.968 warrants (valued at €398k by applying Black & Scholes), exercisable at the latest on 1 June 2010 at an exercise price of €15,63. In 2008, an amount of €375.000 of the convertible note has already been repaid.

Vendor financing – Garda

The purchase price for the acquisition of Garda amounts to €1.8 million in cash. Subject to reaching certain performance levels, an additional earn out will be paid up to a maximum of €80k.

Vendor financing – M-Cubed

M-Cubed was acquired for a maximum amount of £0.5 million (€740k), of which one quarter has been paid in cash and three quarters are contingent upon reaching certain performance levels. In Q1 2009, a second quarter has been paid.

Vendor financing – X-Tek systems

The purchase price for the acquisition of X-Tek Systems amounts to a maximum aggregate consideration of £11.830k (€16.349k), of which £8.438 million (€11.662k) has been paid in cash and £1.292k (€1.785k) has been paid for the take over of the existing shareholders' loan. Another £2.1 million (€2.902k) is contingent upon completion of new products, of which a first instalment of £200k has been paid in Q1, 2009.

Mezzanine Financing – GIMV and Fortis

GIMV and Fortis Private Equity have subscribed to a privately placed subordinated mezzanine financing for a total amount of €24.8 million of which €1.3 million is attributable to equity. This mezzanine financing was issued with a total of 635.439 warrants, at an exercise price of €13,77. The warrants can be exercised at any time during a period of 5 years after issuance.

Mezzanine Financing of DAM Capital

DAM Capital has subscribed to a mezzanine loan of €14.5 million. This financing has a cash interest as well as a capitalized interest (Payment in Kind). The loan was mainly used for the financing of acquisitions. DAM capital has a second ranking on most of the assets.

Contingencies

The contingent liabilities incurred are described above.

Guarantees

Loan guarantees have already been mentioned. This section deals with the other guarantees.

A guarantee facility of £250k with KBC London in favor of Metris UK was granted for the issuance by the bank of advance payment bonds. A continuing counter indemnity is needed as security for this facility.

Waiver

Given the drop in Q4 sales due to the recession, EBITDA was underperforming. Most of the covenants are based on net debt/EBITDA multiples.

In March 2009, Metris has reached this agreement with all important debt providers, consisting of a book value of more than €87 million, for both senior and mezzanine financing, confirming a waiver for a breach of financial covenants. In the net financial costs of 2008, a provision of € 0.3 million was taken for the waiver of the breach of covenants for 2008. For the net senior debt the average banking margin is 3% above Euribor.

We refer to paragraph 8.2 of the Annual Report where we explain that the financial covenants that apply to an important part of our financial debt, calculated as per 31 December 2008, were threatened to be breached. In accordance with IAS 1.65 and IAS 1.66, this financial debt was classified as a long term debt on the balance sheet of 31 December 2008, since a waiver was obtained before this debt became immediately repayable.

Hedging

	2008	2007
	€ 000 Liabilities	€ 000
Fair value	907	0
Total Hedging	**907**	**0**

The cash flow hedging consist of interest rate swaps concluded in 2008 to fix the interest rate on some long term loans.

9.6.18 Provisions

	Maintenance warranties	*Insurance*	*Total*
	€ 000	**€ 000**	**€ 000**
At January 2008	3,413	91	3,504
Acquisition of a subsidiary	29	0	29
Changes during the year	-484	-91	-575
Asset deal Metris Italië	-2,232	0	-2,232
At 31 December 2008, non current	**726**	**0**	**726**
At 31 December 2007, non current	3,413	91	3,504

A provision is recognized for expected warranty claims on products sold during the last year, based on past experience of the level of repairs and returns.

The correction for the provision for the asset deal of Metris Italia is done because certain liabilities for which provisions were taken in the consolidated balance sheet, were transferred as part of the asset deal.

9.6.19 Trade payables

	2008	2007
	€ 000	€ 000
Trade payables	19,671	23,649
Exchange difference		7
Total trade payables	**19,671**	**23,656**

The amount of trade payables of €23,656k at year end 2007 has decreased to €19,671k at 31 December 2008. The reason for the decrease is that Metris has reduced production in Q4, 2008 resulting in lower trade payables. The account payables are non-interest bearing.

9.6.20 Other payables

The other payables at 31 December 2008 were as follows:

	2008	2007
	€ 000	€ 000
Taxes and VAT	1,105	280
Wages/Social security	2,278	1,586
Other payables	5,005	5,327
Vendor note C3	1,125	
Current tax liability	-164	1,662
Fees Board of Directors	15	24
Accrued expenses	5,086	4,576
IWT interests	254	226
Deferred Subsidy	585	477
Total other payables	**15,289**	**14,158**

The amount of other payables of €14,158k at year end 2007 has increased to €15,289k at 31 December 2008. The other payables are non-interest bearing.

9.6.21 Commitments and contingencies

Financial lease commitments

	2008		2007	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	€ 000	€ 000	€ 000	€ 000
Within one year	1,688	1,607	1,042	992
After one year but not more than five years	4,490	3,974	2,421	2,143
Total minimum lease payments	6,177	5,581	3,463	3,135
Less amounts representing finance charges	-596		-328	
Present value of minimum capital lease payments	**5,581**	**5,581**	**3,135**	**3,135**

The Group has finance leases and hire purchase contracts for various items of plant, machinery, equipment and cars. These leases have a purchase option of less than 15% of the acquisition price.

This table refresh with the minimum payment of the capital and interest portion of the finance lease.

Operating lease commitments

At 31 December 2008, there are no material operating lease commitments other than the operating leases (rents) mentioned below. These costs are in operation expenses (G&A)

Belgian offices

Since 1 January 2007, Metris has entered into a lease agreement for some of its offices that are not owned by it. This lease agreement will expire on 30 November 2015, with an annual lease payment of €81k.

European offices

The lease agreement for the offices in Villafranca di Verona - Italy (Garda) expires on 31 December 2011 with a monthly rent of €1.550.

The offices in Alzenau – Germany are rented on a yearly basis, renewable every year, with a monthly rent of €8.700 per month.

The offices in Lisses – France are rented at a rental cost of €6.700 per quarter until 14 July 2016.

US offices

The US offices are situated in Mountain View – California, Chino – California, Brighton – Michigan, Columbus - Ohio and Manassas – Virginia. Most operating lease contracts are cancellable at a short term notice but with enforceable cancellation penalties.

The lease agreement for the office in Mountain View, California will expire on 30 June 2009, with an annual lease payment of $63k.

The lease agreement for the office in Brighton – Michigan, will expire on 30 Nov 2010, with an annual lease payment of $159k.

The lease agreement for the office in Chino – California, will expire on 2 Feb 2010, with an annual lease payment of $35k.

The lease agreement for the office in Manassas – Virginia will expire on 15 March 2018, with an annual lease payment of $660k.

The lease agreement for the (first part of the) offices in Columbus, Ohio (IQ Metrology) expires on 30 June 2015, with an annual lease payment of $25k. The lease agreement for the (second part of the) office in Columbus, Ohio will expire on 30 November 2010, with an annual lease payment of $21k.

Canada

The lease agreement for the office in Waterloo – Canada covers a rentable area of approximately 15,727 m², expiring on 30 November 2010, with an annual lease payment of $135k.

UK Site

The UK offices are located in Derby (East Midlands) and London, and comprise a total rent commitment of €245k on December 2007.

The Rent Review Memorandum of LK for the 2 of the 3 units, situated at East Midlands Airport, Castle Donington, Leicestershire contracted a term from 25 December 1999 till 24 September 2015 between Milacron BV as Landlord and LK as the Tenant for a total rent of £60k per annum. The Tenant may terminate the lease on a termination date by serving on the other party not less than 9 months prior written notice specifying the proposed termination date.

A third unit was leased with a contracted term from 20 July 2007 until 24 September 2015, with a total cost of £60k per annum. The rent on the other two units also increased to £60k per annum from July 2007.

The first lease agreement for the premises in Tring – United Kingdom (X-Tek), expires on 1 March 2011, with an annual lease payment of £68k. A second lease agreement for the premises in Tring – United Kingdom (X-Tek), expires on 28 february 2011, with an annual lease payment of £71k.

Asia

Total lease commitment for Metris Japan is €22k. The rental payment is Yen430k per month, plus one off non-refundable deposit of Yen2,580k. The lease period ends on 31 March 2010 or with 6 months notice.

The office in Hong Kong is rented at an annual cost of HK$18k

The lease agreement for the building in Shanghai, expires on 28 February 2012, with an annual lease payment of RMB190k.

9.6.22 Related party disclosures

Management

There were no directors' loans in 2008.

In 2008, no warrants were offered to members of the corporate management team or to employees. On 23 April 2009, a total of 355.289 warrants were issued and offered to certain members of the corporate executive team, against cancellation of a total of 81.820 warrants accepted by same members of the corporate executive team in 2006 and 2007. The strike price of the new warrants is equal to €4. These warrants are only deemed to be accepted in 2009 and were not taken into account in the figures 2008.

Board of Directors

In 2008, no stock options were offered to one of Metris' directors.

9.6.23 Financial risk management objectives and policies

Currency risk

In its business Metris is exposed to various financial risks, of which currency risk is dominant. A significant portion of Metris' sales and expenses are generated in foreign currencies, which implicates that fluctuations in exchange rates affect Metris' sales, operating earnings, shareholders' equity and other items. Overall Metris estimates that the GBP and USD versus the Euro is relatively well naturally hedged. This means that these currencies have mainly a translation effect on the Group's results.

Credit risk

Credit risk i.e. the risk of a customer being unable to settle its balances with Metris, is another financial risk. There is no significant concentration of credit risk in terms of geography. Metris' treasury function is responsible for coordinating currency and interest exposure as well as managing the credit risk. The Treasury function is also responsible for the Group's external and internal funding. Besides the accounts receivables of €37.4 million, Metris also grants loans to customers for a total amount of €9.8 million, which results in a total credit risk of €47.2 million.

Interest risk

Interest risk is the risk of a negative impact on earnings as a result of change of interest rates. The Groups' interest risk is managed by the parent company. Interest risk primarily arises because of the Group's borrowing. The Group uses also interest rate hedging instruments for some of the long term loans.

Liquidity risk is the risk that the Group will be unable to meet its obligations as they come, because of an inability to liquidate assets or obtain adequate funding. In addition to the cash of €13.9 million, the group has for €1.0 million additional unused credit lines.

Capital management

Metris' objective is to ensure that the group has the financial means to ensure its internal and external growth strategy combined with a healthy capital structure. In that respect Metris uses combinations of different financial instruments, such as senior debt loans, acquisition loans and mezzanine debt instruments.

Year ended 31 December 2008 *Fixed rate*	*2009* *Within* *1 year*	*2010-2013* *1 to 5* *years*	*2014* *More than* *5 years*	*Total*
	€000	€000	€000	€000
Interest bearing loans and borrowings	10.429	18.642	773	29.844
Loan: mezzanine	-	39.488	-	39.488
Vendor notes	-	0	-	0

Year ended 31 December 2008 *Floating rate*	*Within* *1 year*	*1-5* *years*	*More than* *5 years*	*Total*
	€000	€000	€000	€000
Short term loans +bank overdrafts	31.433	-	-	31.433

Year ended 31 December 2007 *Fixed rate*	*2008* *Within* *1 year*	*2009-2012* *1-5* *years*	*2013* *More than* *5 years*	*Total*
	€000	€000	€000	€000
Interest bearing loans and borrowings	7.750	13.881	903	22.534
Loan: mezzanine	-	23.439	-	23.439
Vendor notes	-	1.500	-	1.500

Year ended 31 December 2007 *Floating rate*	*Within* *1 year*	*1-5* *years*	*More than* *5 years*	*Total*
	€000	€000	€000	€000
Short term loans +bank overdrafts	11.737	-	-	11.737

9.6.24 List of subsidiaries

Company	Registered seat	% of Shares held		Statutory yearend		VAT number
		31.12.2008	31.12.2007	31.12.2008	31.12.2007	
MM NV	Leuven, Belgium	100%	100%	31/dec	31/dec	BE-0465.620.487
MMS UK/Branch	Leuven, Belgium	100%	100%	31/dec	31/dec	NA
MMS France SARL	Herblay, France	100%	100%	31/dec	31/dec	FR 094 239 47 035 000 22
MSSE NV	Leuven, Belgium	100%	100%	31/dec	31/dec	BE-0437.416.946
MRE BVBA	Leuven, Belgium	100%	100%	31/dec	31/dec	BE-0444.710.059
Krypton Inc	Michigan, US	100%	100%	31/dec	31/dec	NA
MSSE NV Germany branch	Alzenau, Germany	100%	100%	31/dec	31/dec	DE 26 679 014 33
Metris US Inc.	Detroit, US	100%	100%	31/dec	31/dec	NA
Metris UK Ltd	Castle Donington, Derby, UK	100%	100%	31/dec	31/dec	GB 716 6046 41
LK Group Ltd	Castle Donington, Derby, UK	100%	100%	31/dec	31/dec	NA
LK Investment Ltd	Castle Donington, Derby, UK	100%	100%	31/dec	31/dec	NA
LK France SARL	Paris, France	100%	100%	31/dec	31/dec	FR 643 952 91 669 000 38
3DS Ltd	London, UK	100%	100%	31/dec	31/dec	GB 554 2996 10
LK MS Inc	Michigan, US	100%	100%	31/dec	31/dec	NA
3 DES Ltd	Castle Donington, Derby, UK	100%	100%	31/dec	31/dec	GB 873 2113 40
Metris Deutschland GmbH	Alzenau, Germany	100%	100%	31/dec	31/dec	DE 25 187 66 96
Metris Italia SpA	Torino, Italy	100%	100%	31/dec	31/dec	IT 00924870017
Metris Japan KK	Aichi Nagoya, Japan	100%	100%	31/dec	31/dec	NA
Garda Srl	Villafranca, Italy	100%	100%	31/dec	31/dec	IT 02438400232
M-Cubed (Metrology) Ltd	Castle Donington, Derby, UK	100%	100%	31/dec	31/dec	GB 716 6046 41
Metris Canada Inc.	Toronto Ontario, Canada	100%	100%	31/dec	31/dec	NA
X-Tek Systems Ltd	Tring, Herts, UK	100%	100%	31/dec	31/dec	GB 433 0794 60
MPPS	Shanghai, China	100%	33%	31/dec		NA
IQ Metrology Inc	Ohio, VS	100%		31/dec		NA

9.6.25 Events after the balance sheet date

Events after the balance sheet date of 31 December 2008:

Before the date the debt became callable, Metris reached in March 2009 an agreement with all important debt providers, for both senior and mezzanine financing, confirming a waiver for a breach of financial covenants over 2008 as well as for the senior long term loans until the end of 2009. In the net financial costs of 2008, a provision of €0.3 million was taken for the waiver of the breach of covenants for 200!.

No other important events occurred after the end of the financial year.

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Free translation from the Dutch original

Statutory Auditor's report to the general meeting of shareholders of Metris NV on the consolidated financial statements for the year ended 31 December 2008

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements as well as the required additional comments.

Unqualified opinion on the consolidated financial statements, with emphasis of matter

We have audited the consolidated financial statements of Metris NV and its subsidiaries (collectively referred to as 'the Group') for the year ended 31 December 2008, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, and the consolidated statements of income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of € (thousands) 221.062 and the consolidated statement of income shows a loss for the year, share of the Group, of € (thousands) 14.032.

Responsibility of the board of directors for the preparation and fair presentation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren*). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

Société civile ayant emprunté la forme d'une société coopérative à responsabilité limitée
Burgerlijke vennootschap die de rechtsvorm van een coöperatieve vennootschap met beperkte aansprakelijkheid heeft aangenomen
RPM Bruxelles - RPR Brussel - T.V.A. - B.T.W. BE 0446.334.711
Banque - Fortis - Bank 210-0905900-69

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the board of directors and the Group's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2008 give a true and fair view of the Group's financial position as at 31 December 2008 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Without qualifying our opinion, we draw the attention to the directors' report which details in paragraph 8.5 the measures already taken and those planned for, which aim to make sure that all possible actions are being taken in order to ensure the Group's ability to continue as a going concern.

Furthermore, we draw the attention to the director's report which details the fact that the financial covenants, covering a significant part of the financial debt and being calculated as per 31 December 2008, have not been met. In accordance with IAS 1.65 and IAS 1.66 these financial debts should have been classified as short term debt. In March 2009 waiver letters related to these debts have been obtained. Regarding the long term part of the loans with banks, the obtained waiver letters cover the full accounting year 2009. Consequently, these debts are not immediately callable during this period and are thus classified as long term debt in the balance sheet as per 31 December 2008.

Additional comments

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

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Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their financial situation, their foreseeable evolution or the significant influence of certain facts on their future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 30 April 2009

Ernst & Young Reviseurs d'Entreprises SCCRL
Statutory auditor
represented by

Herman Van den Abeele
Partner

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