KEYWARE TECHNOLOGIES NV

ANNUAL REPORT 2008

Keyware

Affordable Payment Solutions

SHAREHOLDERS' MEETING

The Shareholders' Meeting of Keyware Technologies NV will be held on Friday, 22 May 2009 at 3 p.m. at the company address, Ikaroslaan 24, 1930, Zaventem, Belgium.

AVAILABILITY OF THE ANNUAL REPORT

This annual report is available in Dutch, French and English. Keyware has checked the translation and correspondence between the official Dutch version, the French version and the English version. In case of contradictions between the Dutch, French and English versions, the Dutch version takes precedence.

In addition, an electronic version of this annual report is available on the website of Keyware Technologies NV (www.keyware.com).

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CONTENTS

COMMERCIAL SECTION OF THE ANNUAL REPORT

Introduction

Letter to our shareholders

Dear Shareholder,

"Keyware 2008" cannot be summarized in a few paragraphs. Not only was 2008 a special year for the company, the changes and achievements also occurred in almost every aspect of the company.

It therefore seems a good idea to highlight a number of developments and, for the rest, to refer to the other chapters in this annual report.

Turnover increased by 20%

2008 closed with a turnover increase of 20%. This great accomplishment can be accredited to the following factors:

- optimisation of the operational processes initiated in 2007, which resulted in various departments being better attuned to one another and making it possible to tap into changing market situations more easily;
- the successful launch of the Shiva campaign, which put both Keyware's price benefit and personalised service provision in the limelight;
- the exceptionally large number of end-of-term contracts being extended.

Convertible bond loan of EUR 3.85 million converted into shares

Management and a number of reference shareholders subscribed to a convertible bond loan in the amount of EUR 3.85 million in September. This amount was subsequently fully converted into company shares.
Despite the crisis on the financial markets, Keyware succeeded in gathering sufficient funds to support its growth.

2009: new opportunities

The 2008-2012 strategic plan focuses on payment terminal contracts growing substantially on the one hand and the offering of transaction subscriptions making an important contribution to the turnover and results on the other.
In 2008, particular attention was paid to expanding the terminals on offer and there was an investment in a new transaction platform to process credit card transactions.
Renewed terminals on offer and the sale of payment transaction subscriptions are expected to yield an important contribution in 2009.

Guido Van der Schueren
Chairman of the Board of Directors.

Milestones 2007

May
Keyware launched its Shiva campaign: Affordable payment terminals *and* service provision expansion to 24/7 service for every sector.

June
Keyware, Clear2Pay and Integri provided the building blocks for payment applications based on wireless payment by mobile phone.

August
Keyware announced that the Extraordinary Shareholders Meeting approved the issue of a convertible bond loan.

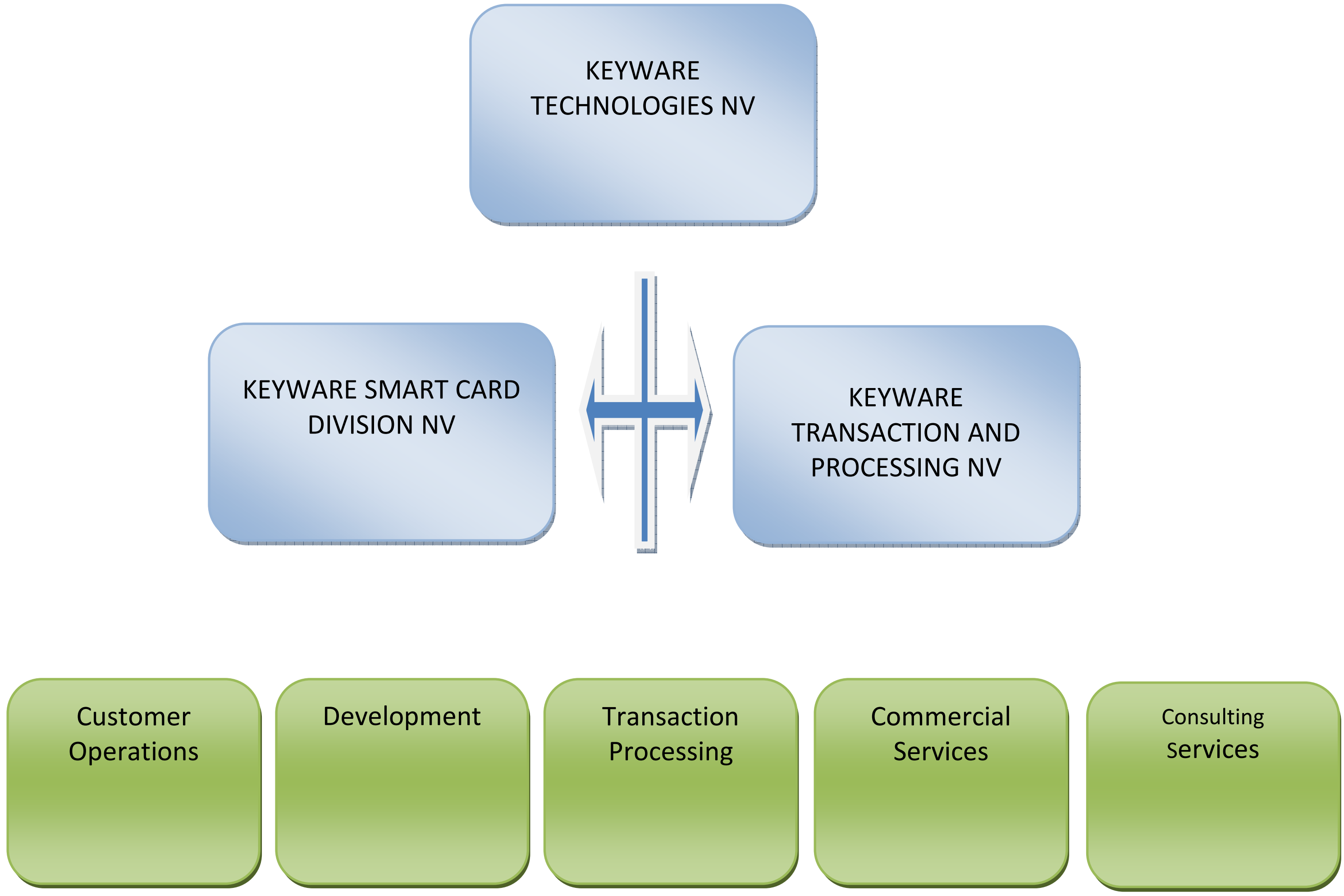
September
There were for more than EUR 3,850 million subscriptions to the convertible bond loan.

September
All parties who subscribed to the convertible bond loan converted their entire part into company shares.

October
Keyware makes history at the Antwerp Book Fair.

December
Keyware achieves a 20% turnover increase in 2008.

Company Information



Customer Operations

- Helpdesk
- Support
- Intervention
- Installation
- Stock management

Development

- Software for:
  - electronic payment
  - loyalty
  - terminals
- Porting
- Transaction systems

Transaction Processing

- Payment transactions and authorisation services
- Transaction management for third parties
- Switching
- Private card processing
- Loyalty processing & analysing services

Commercial Services

- Terminal or card application rental & sales
- Transaction and contract authorisation

Consulting Services

- Payment applications and services
- Loyalty
- Card or terminal-related projects

ID Keyware Technologies NV:

- Established in 1996
- Listed since June 2000: Euronext Brussels, KEYW
- Focus on “Value Added Payment Services” :
  - Payment terminal rental
  - Installation, maintenance and repairs
  - Software for electronic payment and loyalty cards
  - Performance of payment transactions
  - Providing advice on payment applications and technologies

Why choosing Keyware

- **Quality**
  Keyware concluded contracts with world players in the area of payment terminals. Because of their size and specialisation, these companies guarantee continuous investment in innovation and quality, and they uphold strict quality control standards. All appliances are extensively retested at Keyware before being installed at the customer's. Because Keyware is not tied to one type of appliance or supplier, it always offers its clients high-quality terminals.

- **Price**
  Keyware is the company that determines the prices on the Belgian market, thanks to its agreements with international payment terminal manufacturers. The prices have decreased by more than half since Keyware introduced its terminals a few years ago. Today, Keyware still has the most affordable alternative on offer.

  This price benefit applies not only to payment terminals: Keyware also offers Visa, MasterCard or other credit card authorisation contracts at excellent terms and conditions.

- **Service**
  At Keyware, it is standard procedure to offer its customers a helpdesk that is easily and quickly accessible. Our response time is one of the best in the sector: 92% of all problems are solved by telephone. An additional service agreement can be concluded for customers who want super-swift on-site intervention. For those who rent terminals, Keyware ensures that the appliances automatically comply with legal standards and adjustments. That is the big difference between renting and buying!

- **Flexibility**
  When a contract is signed, a note is immediately made of the most convenient time for the customer to have the terminal installed. If another payment appliance is to be replaced, our intervention team will complete all the required documents for the customer and Keyware ensures that if there is any compensation to be paid for termination (expressed in number of months' rent), it will be compensated by free rent from Keyware. In this way, the customer will never pay double.

- **Focused on the future**
  Keyware recommends renting rather than buying a terminal. In this way, the adjustments laid down by the law are not automatically at the trader's cost. Various traders who had bought an appliance, did, after all, have to dig deep in their pockets to pay for adjustments such as EMV!

  In addition, this makes it very easy to switch from one type of appliance to another, as the trader's changing working conditions or technological developments require.

  As a dynamic player, Keyware regularly puts new services or products on the market, from which the customers can optimally benefit. Subscriptions for credit card transactions are an example of this: they are beneficial and accurate.

- **Clear and explicit agreements**
  Keyware opts for clear and transparent agreements, and for long-term customer relationships.

  That is why high-quality service is included in the standard price and a separate contract can be concluded for customers who want customised service. In this way, traders avoid unexpected costs for interventions or repairs.

- **Strong position on the Belgian market**
  With more than 10,000 new customers, Keyware is one of the strongest growing companies on the Belgian market.

  Every day there are new traders changing to Keyware because of the clear and sustainable benefits of our products and service provision!

Opportunities

Keyware is primarily active in the electronic payments market, both as supplier of payment terminals and as processor of payment transactions. Keyware expects strong and continued growth for the following years in both market segments.

- **Strong increase in the demand for payment terminals in Keyware's market segment.**

  Since Keyware started offering renting solutions for payment terminals (start of 2004), the company focus has been on offering pay terminals to local enterprises such as those in the catering and retail trades, to hairdressers, beauty salons, clothes shops, etc. It is precisely this market segment that has experienced strong growth in the numbers of appliances during the past few years and the prospects for 2009-2012 are even more positive. The underlying reasons causing this are the following:

  - Replacing cash with debit cards. Increasingly more people are using debit cards and carry less cash on them. This trend, which is on the increase as the consumer is in a lower age category, is causing traders to progressively invest in payment terminals.

  - Investment in safety. Promoting payments through payment terminals reduces the amount of hard cash. This reduces the risk and diminishes the financial consequences of theft.

  - Credit card use on the rise. Consumers live on credit more than was the case in the past. Various financial organisations, retailers and others simplify purchases by issuing new consumer credit facilities or their own debit cards. Because retailers are investing in pay terminals, consumers can therefore make more purchases through them and their turnover increases.

  - Fall in production costs and, as a result, rent price democratisation. As a result of the fall in the costs related to the rent for payment terminals (production, purchase and service costs, etc.), these may be offered at more democratic prices. This causes a reduction in the entrance fee and increases retailer profit.

  - Technological developments and market expansion. The introduction of new types of terminals such as mobile payment appliances enlarges this market potential. For example, the customers of door-to-door suppliers, taxis, courier services, etc. can now pay these people by debit or credit cards instead of in cash or by bank transfer.

  Based on recent figures, it appears that the Keyware market segment can grow from approximately 85,000 terminals in 2008 to approximately 280,000 terminals by 2015. It is estimated that the total outlet in Belgium will be 365,000 appliances by 2015.

- **Continuous growth of the payment transaction market**

The market for debit and credit transactions continues to increase, both as regards the number of transactions and the total transaction amount.

Keyware understands debit card transactions to be payments by means of Bancontact/Mister Cash (BC/MC) or Maestro, while credit card transactions include payments by means of, among others, Visa and MasterCard.

Based on preliminary figures, a growth of 7.9% in respect of the number of debit card transactions (up to approximately 837 million transactions) and 8.6% for credit transactions (up to approximately 123 million transactions) have been observed in 2008.

Act locally in a globalising financial services market

Our Mission

The Keyware Technologies Mission:

To be a leading provider of
Value Added Payment Services
for banks, merchants, professionals and businesses

Keyware strives to be a leading company for transaction processing of electronic payments with added value for banks, retailers, professionals and businesses.

Keyware regards its market as a service market, as opposed to a product market. It is not the payment terminal as such that is important, but providing an optimum payment service.

For the retailer, for example, this payment service consists of the following various components: renting the payment terminal to the retailer; the retailer's subscription to be allowed to receive debit card, credit card or Proton payments; maintenance and repairs; and any additional services that there may be for the retailer, such as a program to process loyalty cards, etc.

In general, the Keyware "Value Added Payment Services", or VAPS, comprise the following:

- Rental and sale of multifunctional payment terminals.
- Development, licensing, adjustment, installation and maintenance of the software for electronic payments and loyalty applications;
- Processing payment transactions and authorisations;
- Maintenance of clients' payment infrastructure;
- Providing advice and cooperating in research and development programs regarding payment applications.

Multifunctional payment terminals

Keyware rents out multifunctional terminals. These terminals offer both payment functions and other application possibilities, such as reading loyalty cards.

Keyware divides its terminal range into the following three main categories: fixed, portable and mobile units.

- Fixed terminal: there is a fixed connection via a communication cable from the terminal to the telephone network or an Internet modem. Fixed terminals are mostly found in shops.
- Portable terminal: the terminal consists of a base station and a portable part. The base station has a fixed connection via a communication cable from the terminal to the telephone network or an Internet modem. The portable part may be separated from the base station by ± 150 meters to receive customers' payments. Such terminals are used particularly in catering businesses: customers can pay by debit card at the table.
- Mobile terminal: the terminal can be taken anywhere in Belgium to receive payment. These appliances make use of the mobile phone or GPRS communication technology instead of the telephone network or Internet. These appliances are ideal for mobile occupations such as door-to-door suppliers, taxi drivers, etc.

Keyware's range can be illustrated as follows:

Fixed		**Keyware ARTEMA DESK** This appliance consists of 2 parts: one keyboard for the consumer and one for the retailer. The appliance is connected to the payment network via a fixed telephone line. Every time there is a payment transaction, a telephone connection is made and the call is charged.
		**Keyware ARTEMA IP** This appliance is connected to the payment network via an Internet cable. The benefit compared with the ARTEMA DESK is that, as a result of the faster communication line, the payment transactions take place faster. In addition, as from ± 150 payment transactions per month, it becomes cheaper to use this appliance instead of the ARTEMA DESK because there are no additional call costs per payment transaction, among other things.
Portable		**Keyware ARTEMA DECT** The base station (= broad base under the appliance) is connected to the payment network via a fixed telephone line. The portable part, consisting of a keyboard, card reader and ticket printer, can be carried around within a radius of ± 150 meters.

Mobile		**Keyware FORTE GPRS** This is a mobile appliance working on the basis of GPRS communication technology. It can be taken everywhere in Belgium to allow debit card payment. In contrast to mobile appliances based on mobile phone technology, there is no separate dial up charge per payment transaction with this appliance. Moreover, it is also faster.

Other payment technologies

In addition to the familiar payment terminals, new payment technologies and methods are regularly launched, with or without bank card: contactless payment, via the Internet, payment via a fingerprint reader, various ways of paying via mobile phone (NFC, via SMS services, etc.)

Keyware participates in several workshops, with industrial and university groups as well as clients to test these new technologies or market models. In line with Keyware's philosophy, they will not be launched on to the market until they are completely safe, efficient and reliable and there is sufficient market potential for them.

Electronic Payment

There are a great deal of electronic transactions between the moment that the consumer puts his debit card (MasterCard, Visa, BC/MC) in the payment terminal, enters his pin code and the moment that a message appears on the screen of the terminal that the payment has been accepted. All of those transactions (checking pin code, calling the payment network, checking the status of the card (stolen or blocked), verifying the available balance, etc.) together are called "payment transactions".

A retailer who buys or rents a payment terminal cannot yet, on his own, have payment transactions executed with the appliance. To be able to do so, he must take one or more subscriptions, depending on what types of debit cards he wants to accept: whether he wants to accept Visa and Maestro cards or not, or only Visa or only normal debit cards, etc. A subscription is therefore required per type of payment transaction.

The majority of the payment transactions on the Belgian market may be subdivided into the following three categories:

Electronic wallet	The amount of money available is loaded (e.g. via an ATM) onto the debit card chip. This is then used to make typical small payments. The chip can be reloaded. PROTON is used for this in Belgium.
Debit card	What is peculiar to the use of a debit card is that, when making a payment, the money is immediately deducted from your bank account, in contrast to a credit card transaction. The most familiar debit card system in Belgium is Bancontact/MisterCash (BC/MC). Most people therefore also call their debit card their Bancontact card. Internationally, the best-known debit card systems are Maestro and V-Pay.
Credit Card	There are many types of names and forms of credit cards. The most familiar in Belgium are Visa and MasterCard. Peculiar to these cards is the fact that when payment is executed, the money is not immediately taken from the account, but only later.

Besides these, there are also private customised solutions. These are often schools, company restaurants or closed communities. Examples of this are student passes, with which all the expenses within the school and school canteen can be paid.

Loyalty Cards

Customer loyalty, retention policy, segmenting, customer life cycle management, etc.

Keyware Smart-Shopper is an easily accessible and modular solution for the protected reading and processing of transactions that are part of loyalty programmes.

Thanks to Smart-Shopper, various categories of customers of individual retailers or chains or stores can easily save points and exchange them for cheques, purchase vouchers, discount vouchers, goods or services or combinations of these.

Smart-Shopper is also a reference for (international) loyalty programmes in which clients can save points from a group of different shops, financial institutions, petrol stations, travel agencies, etc.

Thanks to its modularity, Smart-Shopper can expand in keeping with the number of participants, customers or exchange possibilities. Furthermore, Smart-Shopper can be used either with a cheap barcode or as magnetic cards or powerful chip cards. Interaction is also possible with systems that make use of mobile phones or the Internet.

In 2005, over 4,000,000 Keyware loyalty cards were in circulation among customers such as *De Gezinsbond*, *Ligue des Familles*, Cora, Apo+, Delhaize Points Plus, Shell, etc. In 2006, Keyware extended the contracts with *De Gezinsbond* and a contract with FunCard was signed.

The FunCard programme, with partners such as Pizza Hut and McDonald's makes use of a chip card with Keyware's loyalty software. The personalised electronic cards are issued and initialised on Keyware terminals in, among other things, libraries, flower shops, restaurants, clothing stores, cinema complexes and video rental shops. The affiliated businesses also have Keyware terminals, with which points are placed on the card for each purchase depending on the various loyalty schemes.

Transaction management - NSP

Transaction management: from electronic payments to bonus points

Keyware has over 10 years' experience with transaction management in the area of electronic payments and loyalty cards.

In addition to renting out payment terminals, Keyware aims to expand its activities regarding the sale of payment transaction subscriptions. The focus is primarily on credit card transaction subscriptions.

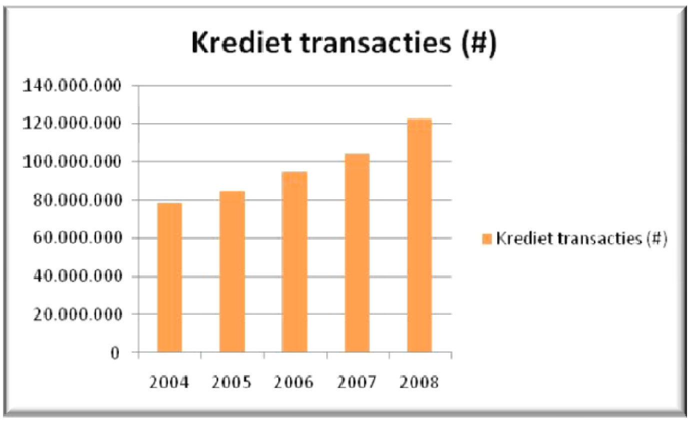
Keyware has the following at its disposal, among others:

- an extensive terminal network;
- an authorisation centre;
- a tele-collection centre;
- a back office that takes care of completely processing authorised transactions: consolidation, compensation, invoicing the retailers or cardholders, following up statistics, etc.;
- a reporting centre;
- a helpdesk that is operational 24/7.

The electronic payment market is characterised by a strong growth of the following (source: based on figures from Atos Worldline):

e-PAYMENT PURCHASE TRANSACTIONS	N° transactions 2004	2005	2006	2007	2008*	evolution 2004-2008	evolution 2007-2008
DEBET	611.628.383	664.598.251	716.416.309	776.118.000	837.000.000	36,8%	7,8%
CREDIT	78.882.527	84.689.864	102.590.000	112.910.000	123.000.000	55,9%	8,9%
TOTAL	690.510.910	749.288.115	819.006.309	889.028.000	960.000.000	39,0%	8,0%

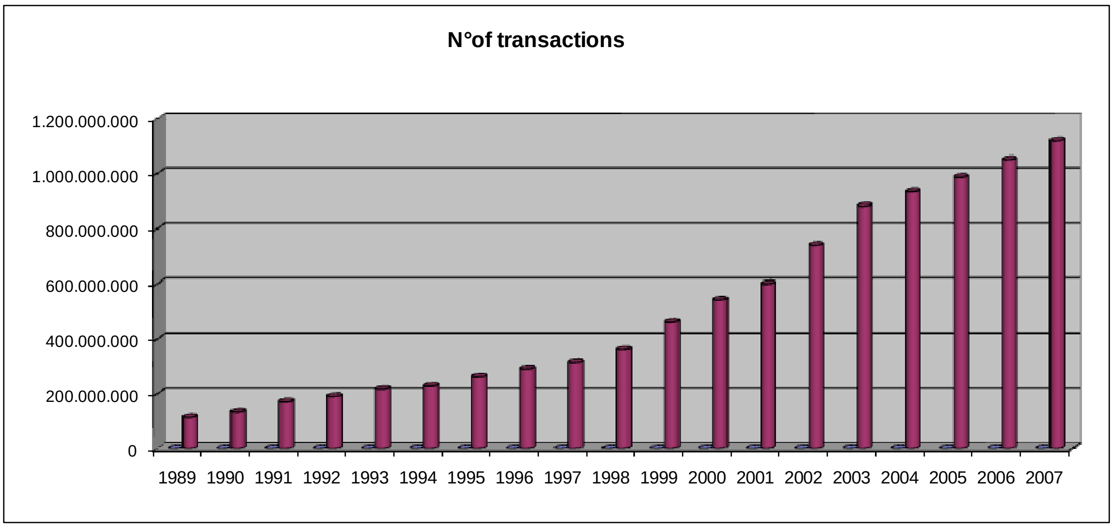
* preliminary figures



In 2007, Keyware began directly processing payment transactions for its existing clientele. Meaning that Keyware enjoys a number of dramatic changes in the payments market:

- SEPA (Single European Payment Area)
- Cross-border payment
  Keyware can process the entire payment transaction whilst internationally renowned banks provide the final authorisation
- The future replacement of existing national card systems such as BC/MC by international ones such as Maestro, V PAY, etc. As a result, in addition to processing credit card transactions, Keyware will also be able to play an important role in processing transactions by debit cards.

The evolution in the total number of payment transactions (payments, withdrawals) and the value of those transactions on the Belgian market for the period 1989-2008 can be represented as follows (source: based on figures from Atos Worldline):



The average value per transaction is approximately EUR 50.

PCI-Compliance

Level -1 PCI Compliance programme

Keyware has switched over to a new transaction platform to enable it to directly process clients' payment transactions. It is for this purpose that Keyware already started executing a PCI compliance audit in 2008.

PCI DSS (Payment Card Industry Data Security Standard) is a totality of requirements that ensures that all companies that process, file or send through credit card information, do so in a secure environment.

PCI DSS is managed by an independent organisation (PCI SSC) that was established by the most important brands in the card industry, which are Visa, MasterCard, American Express, Discover and JCB. There are various levels within the PCI requirements, of which Level 1 is the highest.

Marketing

Keyware's programme convinces retailers, catering and other interested parties to choose the alternative that best suits their business.

At Keyware, electronic payment is not a question of choosing or compromising between service levels: optimum service for every client is the message.

In 2007, in collaboration with her partner RBS, Keyware began offering direct authorisations. Anyone with a payment terminal is welcome at Keyware. And customers who let Keyware perform their authorisations can even keep their current terminal (Banksys, Verifone, Thales, etc.) and still profit from the excellent conditions.

Keyware also focuses seriously on starters: anyone who is starting up a new business or does not have payment terminals yet will get excellent starter conditions at Keyware. Keyware believes that electronic payment makes your business safer and that you can generate substantial additional turnover because you offer your customers additional means of payment.

Keyware launches marketing campaigns on a regular basis, such as mail-outs, outdoor campaigns or expos to support its commercial activities. In addition to this, Keyware has its own call centre.

Keyware
Ikaros Business Park
Ikaroslaan 24
B-1930 Zaventem

FINANCIAL SECTION OF THE ANNUAL REPORT

Information for shareholders

SHAREHOLDER STRUCTURE

Capital in shares

As of 31 March 2009, the company issued 14,386,379 shares, all of which are entitled to a dividend. This number can be increased to 16,925,279 if the warrants are exercised.

Convertible bond loan 2008

An Extraordinary Shareholders' meeting held on 18 August 2008 approved the issuing of a convertible bond loan for an amount between EUR 4 and 6 million. The subscription period for the convertible bond ran from 19 August 2008 to 2 September 2008, and was extended to 12 September 2008. The subscription to the convertible bonds for an amount of EUR 3,850k and 1,925,000 warrants was established by notary deed on 18 September 2008.

The following parties subscribed to the convertible bond issue:

- Parana Management BVBA, Bogaertstraat 32, 9830 Sint-Martens-Latem EUR 2,300k
- Think Media NV, Oude Leeuwenrui 8, 2000 Antwerp EUR 500k
- Federal Invest NV, Mussenburglei 116, 2650 Edegem EUR 550k
- Big Friend NV, Kustlaan 15, 8300 Knokke (1) EUR 500k

(1) Big Friend NV sold through 4 bonds to, respectively, Johan Hellinckx (EUR 100k), IQuess BVBA (EUR 50k) and Checkpoint X BVBA (EUR 50k).

All outstanding convertible bonds were converted into shares by notary deed on 29 September 2008. The conversion price per share for the Bonds amounted to EUR 0.348 (60% of EUR 0.58), which was the lesser of (i) EUR 1 or (ii) 60% of the lowest closing price on Euronext Brussels for the previous six (6) trading days prior to the signing date for the confirmation of the conversion of the Bonds or (iii) the issue price of other securities issued by the company after the issue date of the bonds and that are exchangeable, exercisable or convertible into shares in the company.
A total amount of EUR 3,858k (EUR 3,850k + interest) was converted into capital. Consequently, 11,063,215 new Keyware Technologies shares were issued.

Share regrouping in 2007

The Extraordinary General Shareholders' Meeting on 26 September 2007 decided upon a combination of existing shares (reverse split) of the company, in which 50 shares gives the right to 1 new share in the company. As well as this, authority was given to the Board of Directors to implement this reverse split. Following the decision by the Board of Directors on 6 November 2007, the reverse split was executed on 6 November 2007. This decision has also had an impact on outstanding warrants.

Warrants issued

The Shareholders' Meeting of 27 May 2005 amongst other things, approved the issue of (i) 7,000,000 warrants (the "2005 Warrants") with the right to subscribe to the same number of shares of the Company in accordance with the warrant plan (the "Plan 2005") and (ii) 750,000 warrants (the "DAC Warrants"). The exercise price of these warrants is EUR 6.50 (0.13 x 50).
During April 2007, 300,000 "2005 Warrants" were exercised, resulting in 300,000 new shares issued.
As per 31 March 2009, there are still 41,900 (2,095,000/50) "2005 Warrants" exercisable.

On 19 July 2006, an Extraordinary General Shareholders' Meeting decided to issue (i) convertible bonds up to a maximum amount of EUR 8,000,000, (ii) a maximum of 32,000,000 A warrants conveying a right to subscribe to an equal number of shares of the Company, and (iii) 32,000,000 B warrants, also conveying a right to subscribe to the same number of shares of the Company.
The subscription term for issuing convertible bonds closed on 7 September 2006.
The subscription to the convertible bonds and warrants was recorded by means of a notarial deed dated 14 September 2006, and the bonds and shares were effectively issued.
Based on this, 24,000,000 A warrants and 24,000,000 B warrants were issued.
During the months of July, August and September 2007, 2,000,000 "A Warrants", 6,250,000 "A Warrants" and 2,968,750 "A Warrants", respectively, were exercised. This caused the capital to increase by, respectively, EUR 320k, EUR 1,000k and EUR 475k and 2,000,000, 6,250,000 and 2,968,750 new shares were issued.
Given that the "A Warrants" have a maximum duration of only eighteen (18) months, as per 31 March 2008, the remaining, non-exercisable "A Warrants" were expired. As per 31 March 2009, there are only 480,000 (24,000,000/50) "B Warrants" still open, exercisable at an exercise price of EUR 0.348.

At the Extraordinary General Shareholders' Meeting on 24 April 2007, the decision was taken to issue the "2007 Warrants Plan" and to create 7,000,000 warrants. Of the 7,000,000 warrants, 1,100,000 were reserved for staff members. These warrants were offered within a period of 3 months from the date of the EGM, attributing and definitive exercise thereof (via notary deed). 5,900,000 warrants were attributed to specific people (directors, consultants and managers).
The warrants issued give the right to subscribe at the same amount of shares. The conversion price of these warrants is EUR 8 (EUR 0.16 x 50) and was established based on the average of the closing price on Euronext Brussels during the thirty days before the day on which the exercise commenced. The validity period of these warrants is 5 years.
Of the 1,100,000 Warrants attributed to staff, 900,000 Warrants were not subscribed. At the end of December 2007, the 150,000 of which was subscribed were expired.
In addition, as per 31 December 2007, 200,000 Warrants of the Warrants attributed to specific people were expired. Another 22,000 "2007 Warrants" (1,100,000/50) expired during 2008, with the result that as per 31 March 2009, another 92,000 (4,600,000/50) "2007 Warrants" are exercisable at an exercise price of EUR 8.00 (which is equal to 0.16 x 50).

As a result of issuing the convertible bond in 2008, each subscriber to a Bond of EUR 50 k also received 25,000 Warrants. These Warrants may be exercised at any time during a period of four (4) years as of their issue date. The subscription price per share upon exercising the Warrants shall be the lesser amount of (i) EUR 1.25 or (ii) the issue price of other securities that the Company may have issued since the issue of the Warrants and that are exchangeable, exercisable or convertible into shares in the Company.

Shareholder structure

On the basis of the data known to the Company, the table below provides an overview of the shareholders of the Company who own more than 3% of the shares as per 31 March 2009.

Shareholders	Number Shares	Shares% (not diluted)
Parana Management BVBA	6,810,962	47.34%
Federal Invest NV	1,696,857	11.79%
Think Media NV	1,436,781	9.99%
Big Friend NV	862,068	5.99%

KEYWARE ON EURONEXT

Euronext Brussels

In June 2000, the Company concluded an Initial public offering (IPO) with a listing of 23,098,831 shares on EASDAQ under the symbol "Keyw".

As a result of the closure of NASDAQ Europe (formerly Easdaq), the Keyware shares have been listed, since 3 September 2003, on the First Market of EURONEXT Brussels, segment double fixing. Since 1 September 2005, the listing has migrated from "double fixing" to "continuous trading".

The Company only has ordinary shares listed on Euronext Brussels.

Capitalisation

On 31 December 2008, the number of shares issued was 14,386,379. On the basis of the listing on 31 March 2009 on EURONEXT (EUR 0.43), this corresponds to a market capitalisation of EUR 6,186k.

Chart

The chart below shows the evolution of the Keyware Technologies share on Euronext Brussels for a period of 2 years.

High and low

The highest and lowest share prices during the 2006 to 2008 periods were converted prices in line with the share regrouping of 1 to 50:

	Highest	Lowest
Financial year 2006	EUR 14.00	EUR 6.50
Financial year 2007	EUR 9.50	EUR 4.11
Financial year 2008	EUR 4.13	EUR 0.38

Corporate Governance

CORPORATE GOVERNANCE

Board of Directors

As per 31 March 2009, the Board of Directors has 6 members, two of whom are independent directors. The members of the Board of Directors are:

Director	Position	Main function	End date mandate: after SM for the period ending on
Guido Van der Schueren	Non-executive	Chairman	31 December 2008
Pierre Delhaize	Non-executive	Director	31 December 2009
Guido Wallebroek	Non-executive	Director	31 December 2010
Luc Pintens	Independent	Director	31 December 2009
Bruno Kusters	Independent	Director	31 December 2008
Big Friend NV represented by Stéphane Vandervelde	Executive - CEO	Director	31 December 2009

Johan Dejager resigned as a member of the Board of Directors as of 17 June 2008.

Guido Van der Schueren, Chairman of the Board of Directors

Guido Van der Schueren, co-founder of Artwork Systems, was Managing Director of Artworks Systems Group NV until the end of 2007. Since the takeover of Artwork Systems by Esko, Mr Guido Van der Schueren was first CCO of Esko Artwork and subsequently Vice-Chairman of the Board. From 1982 to April 1992, he held various positions, including Sales and Marketing Director at DISC NV (later Barco Graphics NV), a company that develops and markets pre-press systems. From 1974 to 1982, Mr Van der Schueren was the "Compugraphic" Sales Manager at Bonte NV, a distributor of equipment for the graphic sector. Mr Van der Schueren holds diplomas in Graphic Arts, Education and Marketing. Mr Van der Schueren is also a director of Falcom (Zaventem), Powergraph (Sint-Martems-Latem), and Enfocus Software (Ghent).

Pierre Delhaize, Director

Pierre Delhaize has extensive experience in international business, in particular in the retail and distribution sectors. He is presently the owner of the Exell retail group, and he plays an active role as a director in a number of companies such as Delcom (Drogenbos), Sogedel France, Sogedel Lux, Maxima Exell (Braine-l'Alleud) and Vandergeeten International Hong Kong. He is also "Maître de Conférences" at the Ecole de Commerce Solvay.

Luc Pintens, Independent Director

Luc Pintens has over 30 years of experience in the IT and telecommunication industry. He has held the function of director in Europe, Africa and Asia, including marketing and sales director of Xerox Belgium, managing director of Siemens Atea and chief executive officer of Cable and Wireless Europe and Senior Vice President of Nortel Networks Europe. Luc Pintens read Mathematics, Physics and Computer Sciences at university and also has a MBA from the University of London.

Bruno Kusters, Independent Director

Bruno Kusters has more than 14 years of experience in ICT and business consulting with references such as KKR, Avaya/Tenovis, Philips, Telindus, Unilever, Mitsubishi and Artesia. He obtained a diploma as Commercial Engineer at the Catholic University of Leuven (KUL) and a Bachelor in Quantitative Methods at KUL.

Guido Wallebroek, Director

Mr Guido Wallebroek gained substantial professional experience in the paper wholesale sector. In 1971, he founded NV Olympia Papier (Aartselaar) and NV Data Papier (Ghent). At the beginning of 2007, Mr Wallebroek sold his companies to Inapa, the European paper group from Portugal. Mr Guido Wallebroek is currently Managing Director of Federal Invest (NV), Managing Director of Drupafina NV and Director at Sucraf NV.

Big Friend NV, represented by Stéphane Vandervelde, Director

Big Friend NV is the management company of Stéphane Vandervelde. Stéphane Vandervelde has more than 20 years of experience in the software industry. Stéphane Vandervelde is currently the CEO of Keyware. Stéphane Vandervelde graduated as an Engineer in Electronics and completed an additional specialisation at the Catholic University of Leuven (KUL) in Micro-electronics and Chip Design. Stéphane Vandervelde is also a shareholder and/or director in a number of companies such as Pinnacle Investments NV, Euremis NV (dismissal after sale to Proximus), DevStage NV (dismissal after sale to Proxy Media), Producell NV, Immo David NV, Intek NV, Melicapital NV and CreaBuild NV.

The Board of Directors met five times in 2008. The company is legally represented by two directors acting jointly. The company does not have a managing director.

Except from the fee awarded to Big Friend NV and Parana Management BVBA (see below), no fees were paid to the directors during the 2008 period.

Day-to-day management

In accordance with Article 23 of the Articles of Association, the Board of Directors has delegated the day-to-day management to a management organisation called the "management committee".

The Board of Directors has appointed a management committee for the company. The powers of the management committee have been outlined by the Board of Directors. Stéphane Vandervelde is the chairman of the management committee.

At the end of December 2008, the management committee consisted in the following members:

- CEO Stéphane Vandervelde
- CFO Johan Hellinckx
- COO Wim Verfaille

During the period 2008, a fixed fee of EUR 282k was invoiced by the management company Big Friend NV, represented by Stéphane Vandervelde, for commercial and general management services. In addition, during the course of 2008, a variable fee of EUR 60k was awarded for work carried out in 2008. Finally, EUR 16k in expenses were invoiced by Big Friend NV.

During the period 2008, a fixed fee of EUR 140k was invoiced by the management company JH Consulting BVBA, represented by Johan Hellinckx, for financial and general management services. In addition, during the course of 2008, a variable fee of EUR 33k was awarded for work carried out in 2008. Finally, EUR 2k in expenses were invoiced by JH Consulting BVBA.

During the 2008 financial year, a fixed fee of EUR 57k was invoiced by Mercurey Consulting. Mr Wim Verfaille, COO of the Group, was put at disposal by this company until 1 April 2008. In addition to the provision of services of general and operational management, this person also dealt with streamlining the company processes and the implementation of an ERP package. In the course of 2008, there were no variable remunerations made. Finally, EUR 24k was invoiced for expenses incurred by Mercurey Consulting.

During the period 2008, a fixed fee of EUR 95k was invoiced by the management company IQuess BVBA, represented by Wim Verfaille, for general and operational management services. In addition, during the course of 2008, a variable fee of EUR 33k was awarded for work carried out in 2008. Finally, EUR 12k was invoiced for expenses incurred by IQuess BVBA.

During the period 2008, EUR 19k was invoiced for expenses incurred by the management company of Parana Management BVBA, represented by Mr Guido Van der Schueren.

Statutory Auditor

BDO Atrio Bedrijfsrevisoren, with registered offices at Da Vincilaan 9, Box E.6, Elsinore Building, 1935 Zaventem, represented by Koen De Brabander, with offices at Guldensporenpark 100 (block k), 9820 Merelbeke, is appointed Auditor of Keyware Technologies NV for a period of three years, which will end after the Shareholders' Meeting of 2011.

The total remuneration of the Auditor amounts to EUR 46k per year, of which EUR 32k for the statutory and consolidated annual accounts of the Company and EUR 14k for the statutory annual accounts of the Belgian subsidiaries.

During the course of the period 2008, the Auditor and the companies with which it cooperates professionally performed additional assignments for the company and its subsidiaries in the amount of EUR 20k. This performance includes work with regard to additional reporting with regard to the issue of warrants, advice regarding IFRS, and fiscal work.

Audit Committee

The Audit Committee is made up of 3 non-executive members, namely:

- Guido Van der Schueren, Chairman
- Luc Pintens, Independent Director
- Guido Wallebroek, Director
- Big Friend NV, represented by Stéphane Vandervelde, Director

Remuneration Committee

The Remuneration Committee is made up as follows:

- Guido Van der Schueren, Chairman
- Luc Pintens, Independent Director
- Big Friend NV, represented by Stéphane Vandervelde, Director

INSIDER TRADING DIRECTIVE

Within the framework of the Royal Decree of 5 March 2006 concerning market abuse, the company has drawn up a guideline with regard to insider trading. As of June 2006, this guideline is applicable to the directors, the people with a management responsibility and to other employees who have access to insider trading.

CONFLICT OF INTERESTS

Article 523 of the Companies Code provides for an extraordinary procedure if a director directly or indirectly has an interest of a proprietary nature that conflicts with a decision or a transaction that falls within the competence of the Board of Directors. During the course of the period 2008, this procedure was not applied.

Keyware Technologies NV

Consolidated Information

STATUTORY AUDITOR'S REPORT (FREE TRANSLATION) TO THE GENERAL MEETING OF SHAREHOLDERS OF KEYWARE TECHNOLOGIES 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 the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the consolidated financial statements as well as the required additional statements.

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

We have audited the consolidated financial statements for the year ended December 31, 2008, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of EUR'000 15.853 and a consolidated loss, share of the group, of EUR'000 879.

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

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 as to whether the consolidated financial statements are free from material misstatement, as to whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we considered the group's accounting system, as well as its internal control procedures. We have obtained from management and the company's officials, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the appropriateness of the accounting policies and consolidation principles, the reasonableness of the significant accounting estimates made by the company, as well as the overall presentation of the consolidated financial statements. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended December 31, 2008 give a true and fair view of the group's financial position, the results of its operation and cash flow in accordance with International Financial Reporting Standards as adopted by the European Union.

The consolidated financial statements are prepared in going concern. This assumption is only justified tot the extent that the group further can rely on the financial support of the shareholders or other financial sources. Without prejudice to the above unqualified opinion, we draw your attention to the consolidated annual report in which the Board of Directors, justifies the application of the valuation rules in going concern. No adjustments were made with respect to valuation or classification of balance sheet items that would be required in case the group discontinues its activities.

Additional statements

The preparation of the consolidated Directors' report and its content are the responsibility of management.

Our responsibility is to supplement our report with the following additional statements which do not modify our audit opinion on the consolidated financial statements:

- The consolidated Directors’ report includes 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 consolidated group is facing, and of its financial situation, its foreseeable evolution or the significant influence of certain facts on its 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.

Zaventem, 20 April 2009

BDO Atrio Bedrijfsrevisoren Burg. Ven. CVBA
Statutory Auditor
Represented by Koen De Brabander

MANAGEMENT DISCUSSION OF THE FINANCIAL SITUATION AND THE RESULTS OF THE OPERATIONS

(1) Basis of the presentation

The following discussion and analysis is based on the consolidated annual accounts of Keyware Technologies NV and its subsidiaries ("the Group") after audit for the period that was closed on 31 December 2008.

All intra-group balances and transactions were eliminated in the consolidation.

(2) Historic overview and period 2008

(a) History

Keyware Technologies NV was founded in June 1996 as a public limited company in accordance with Belgian law. Originally it developed security technologies that are based on biometric verification.

Four years later, in June 2000, the shares of the company were traded publicly for the first time on the EASDAQ, later renamed NASDAQ Europe. After a decision of the Extraordinary Shareholders' Meeting of NASDAQ Europe to cease its activities, it was decided to float shares of Keyware ("KEYW") on Euronext. The shares of Keyware Technologies NV were floated for the first time on Euronext on 3 September 2003.

There was great confidence in the breakthrough of biometric authentication technology when Keyware was established in 1996. This confidence was still intact when the Group was listed on the EASDAQ technologies exchange in June 2000.
Strengthened by this confidence, Keyware Technologies quickly took over a number of companies that were all active in biometrics to a greater or lesser degree or in the world of authentication.
The operational integration of these entities and the remodelling into a synergistically functioning whole was never achieved. The period of 18 months between the floatation on the stock market and the end of 2001 showed that the market for biometric security technologies was far from mature.

When at the end of 2001 it became apparent that the market acceptance of biometrics was slower than expected and the losses for this activity were increasing, it was decided to cut back and sell these activities. During the year 2002, the Group was thoroughly reorganised and the activities were concentrated around the smart card.

The Group offered products and services in which the use of the smart card played the central role. The areas of application were access control, time registration and alarm monitoring on the one hand and loyalty and payment software on cards on the other hand.

The year 2003 was a year of consolidation and further sharpening the focus on the Group's core activities. In March and April 2003, the last divestment was rounded off. The remaining assets related to the previous biometrics activities were taken over by Bitwise NV and the shares of Able NV were sold to the former shareholders.

In July 2003, Keyware's payment software was certified by the EPCI (E-payment Certificate Institute) (Bancontact/MisterCash (BC/MC) and credit software such as VISA, MasterCard, American Express, Aurora and Diners Club).

The sale of this payment software with accompanying payment terminal was started in the 4th quarter of 2003.
Since February 2004, Keyware has completely thrown itself into the market of the rental of payment terminals. After a gentle run-up, this activity really got going in the last quarter of 2004 with about 1,000 new clients.

In 2005, the Group successfully further focussed on the market of the payment terminals, and at the end of December 2005, the milestone of 5,000 clients was passed.

In 2005, Keyware focused on two product groups:

- identification and applications for physical security (access control, time registration, alarm management and CCTV);
- identification and applications on terminals (e-payment, loyalty applications and ID cards).

Keyware also offered transaction services for both product groups: authorising, processing and analysing the transactions generated by these applications. The contracts with existing customers were extended in 2004. Keyware authorises transactions for Diners Club, Cetelem (Aurora and PASS cards), American Express and Citibank.

Digital Access Control (DAC) was acquired in March 2005, which gives Keyware access to the technology of electronic keys and electromagnetic locks via the eKeys product.

On 7 June 2006, Keyware Technologies NV announced that the Security & Time Management division would be sold to the Risco Group effective 1 June 2006.

On 6 June 2006, the Risco Group assumed ownership of the Security & Time Management division by purchasing 100% of the shares of the legal entities that constitute this division, which are Keyware SA, Keyware France SA and Keyware Technologies Suisse SA.

Keyware passed the milestone of 10,000 payment terminals at the end of April 2006. It was clear that the Belgian market for payment terminals was still growing, but Keyware was growing even faster.
Up until the end of 2006, Keyware worked with a number of independent sales organisations on commission basis. Given the further professionalisation of the market segments and the increased sales volumes, these sales channels were expanded in 2007 with own sales teams. As well as an increase in the quality/quantity of contracts in certain market segments, it has appeared that the operational cost price has been reduced by the new structure.

On 26 April 2007, Keyware indicated that a takeover agreement had been reached with the shareholders of B.R.V. Transactions NV. B.R.V. Transactions NV has a licence with RBS (Royal Bank of Scotland) for the direct offering of credit card authorisations for Visa and MasterCard on the Belgian market.
Through the collaboration with RBS, Keyware can now also offer end-to-end solutions to traders: from payment terminals to processing credit card authorisations for Visa and MasterCard and V Pay and Maestro debit card authorisations.

(b) The 2008 financial year

A. Terminals

As a pure player, Keyware concentrates on the rental out of multifunctional payment terminals and offering merchants authorisations for electronic payment. The authorisation service for companies including Visa, MasterCard, V Pay and/or Maestro payment cards can be implemented for payments via fixed or portable payment terminals, GPRS, PSTN, ISDN or Ethernet units or also commercial websites: e-shops, websites and auction sites.

For 2008, the focus within the terminal division was laying on the further expansion of the existing installed base for payment terminal rental contracts. The focus was on the retention policy applied by Keyware, through which almost all clients opted for a 48- or 60-month extension at the end of their contract. However, the actualisation of the assumed expansion of the existing range of fixed and portable units to GPRS and IP units was not realised.

B. Transactions

Through the acquisition of B.R.V. in 2007, Keyware can offer authorisation services for Visa and MasterCard to all holders of payment terminals on the Belgian market.

The Belgian market for payment authorisation services is dominated by Bank Card Company and Europabank. Through its partnership with Royal Bank of Scotland, Keyware positioned itself as a versatile alternative: a balanced offering of payment terminals, authorisation services and extra applications such as loyalty cards, SIS or e-ID. Keyware’s versatility will optimise its position in the opening up of the market for debit transactions, which are currently monopolised by Bancontact/Mister Cash.

The market for debit and credit transactions continued to increase in 2008, both as regards the number of transactions and the total transaction amount. Based on preliminary figures, a growth of 7.9% in respect of the number of debit card transactions and 8.6% for credit transactions have been observed in 2008. With a sharp market position, Keyware wants to seize a part of this market.

As regards the authorisation division, the focus in 2008 was laying on offering authorisation services for non-EMV transactions. However, the assumed actualisation of offering authorisation services for EMV transactions was not realised. The necessary investments were, however, made for this purpose in 2008, with the result that, in principle, it will be possible to offer these services in the 3rd quarter of 2009.

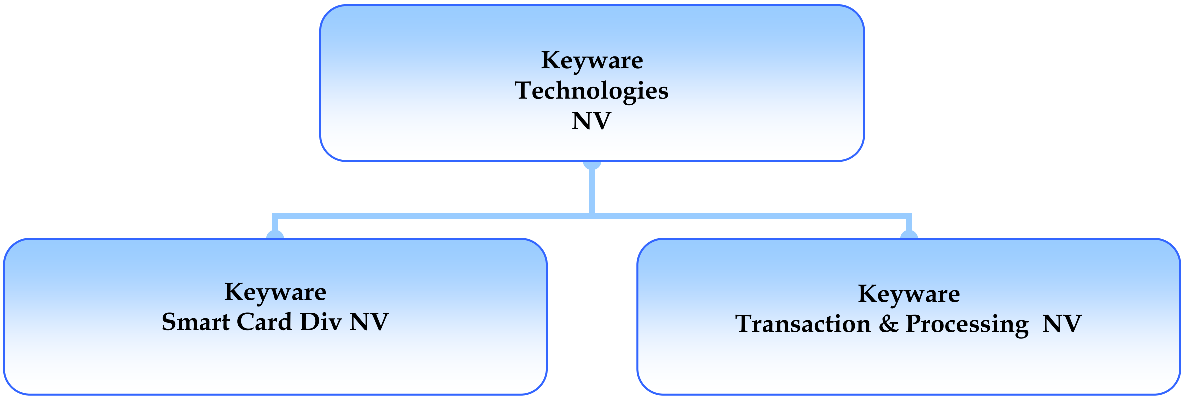
Keyware will then be able to offer credit card authorisation services in Belgium to merchants, catering and distribution for, among others, Visa and MasterCard. This will be available to both existing Keyware clients and clients with payment terminals from Banksys, Cardfon, Thales or BTG, who will not have to change terminals for this purpose.

C. Loyalty

As an important supplier of software for card applications, Keyware develops and sells applications in the area of loyalty programmes and identity programmes. Examples of this are the *Gezinsbond* card, the FunCard, etc.
Keyware’s multifunctional payment terminals combine various applications in combination with payment opportunities such as debit (Maestro, BC/MC), credit (Visa, MasterCard, Amex, JCB, Diners, etc.) or Proton. Specific sales teams promote these profit giving product combinations.

(c) Organisation

The organisation chart below provides an overview of the current group structure.



All branches are fully owned subsidiaries of Keyware Technologies NV.

(d) Financing of the Group

In 2007, the Group filled up the existing financing need as follows (number of shares for reverse split):

- On 1 October 2007, the Group entered into a financing agreement - financing of rental agreements - with Parfip Benelux NV. In practical terms, this concerned sale-and-lease back financing regarding the payment terminals for an amount of EUR 397k with a duration of 48 months and a monthly repayment of EUR 10k. The applicable interest base is 11.47%.
- Following the exercise of 300,000 “2005 Warrants”, the capital was increased by notarial deed on 4 April 2007 by EUR 39k and 300,000 new shares were issued.
- Following the exercise of 200,000 “A Warrants”, the capital was increased by notarial deed on 18 July 2007 by EUR 320k and 2,000,000 new shares were issued.
- Following the exercise of 6,250,000 “A Warrants”, the capital was increased by notarial deed on 22 August 2007 by EUR 1,000k and 6,250,000 new shares were issued.
- Following the exercise of 2,968,750 “A Warrants”, the capital was increased by notarial deed on 17 September 2007 by EUR 475k and 2,968,750 new shares were issued.

In 2008, the Group filled up the existing financing need as follows:

- From the beginning of February to the beginning of September, advances in the amount of EUR 1,750k were provided by a shareholder, namely Parana Management BVBA. These advances have allowed the Group to pay off a number of overdue debts and have also made it possible to finance a number of investments. These advances were repaid on 18 September 2008 with cash income derived from the issue of the convertible bonds;
- Between June and December 2008, the Group concluded 7 financing agreements - rent agreement financing - with Parfip Benelux NV for a total amount of EUR 2,029k. These may be summarised as follows:

	date	amount	duration	interest	repayment/month
•	28/05/2008	EUR 151k	50 months	11.48%	EUR 3k
•	30/06/2008	EUR 260k	53 months	11.91%	EUR 6k
•	01/08/2008	EUR 281k	60 months	11.91%	EUR 6k
•	01/09/2008	EUR 298k	57 months	13.00%	EUR 7k
•	06/10/2008	EUR 372k	60 months	13.48%	EUR 8k
•	30/10/2008	EUR 384k	60 months	13.48%	EUR 9k
•	01/12/2008	EUR 283k	60 months	13.48%	EUR 6k

- An Extraordinary Shareholders' meeting held on 18 August 2008 approved the issuing of a convertible bond loan for an amount between EUR 4 and 6 million. The subscription to the convertible bonds in the amount of EUR 3,850k and 1,925,000 warrants was recorded by means of a notarial deed on 18 September 2008.
  All outstanding convertible bonds were converted into shares by notarial deed on 29 September 2008. The conversion price per share of the Bonds amounted to EUR 0.348 (60% of EUR 0.58). A total amount of EUR 3,858k (EUR 3,850k + interest) was converted into capital.

- Finally, the Group received an advance payment in the amount of EUR 600k from Parana Management BVBA on 21 January 2009.

(3) Operating results

The financial data below was derived from the consolidated annual accounts (in accordance with IFRS) of Keyware Technologies ending on 31 December 2008 and 2007.

Consolidated profit and loss account Amounts in EUR k	31.12.2008	31.12.2007
Operating income	4,739	4,017
Operating expenses before extraordinary provisions & expenses	(5,468)	(6,351)
Operating result before extraordinary expenses & revenues	***(729)***	***(2.334)***
Extraordinary provisions and expenses /withdrawal	209	(401)
Impairment	(100)	(4.785)
Profit from discontinued operations	22	221
Operating result after extraordinary expenses & revenues	**(598)**	**(7,299)**
Result before taxation	**(671)**	**(7,442)**
Result after taxation	**(879)**	**(7,671)**
Net operating cash flow (EBITDA)	12	(963)

(a) Turnover and gross margin

The turnover, which relates to the operating revenues without the "other operating income", can be illustrated as follows:

Gross margin Amounts in EUR k	31.12.2008	31.12.2007	Change
Turnover	4,588	3,832	19.73%
Goods for resale and raw materials	(769)	(1,014)	(24.16)%
Gross margin	**3,819**	**2,818**	**35.52%**
Percentage gross margin	83.24%	73.54%	

The gross margin amounted to 83.24%. The increase in the margin with respect to the previous year can be explained as follows:

- a decrease in turnover owing to authorizations resulting from the termination as at 31 December 2007 of the 2 most important contracts in this division;
- a considerable increase (± 80%) of the turnover derived from concluding rent agreements;
- the fact that the cost of sales is no longer encumbered with commission paid to the indirect sales team, which was the case during the first quarter of 2007;
- the fact that in 2008 a higher cost reduction regarding the purchase of goods for resale was received as compared to 2007;

(b) Operating expenses

The operating expenses (operating expenses of exceptional nature excluded) can be summarised as follows:

Operating expenses before extraordinary provisions & expenses Amounts in EUR k	31.12.2008	31.12.2007
Goods for resale and raw materials	(769)	(1,014)
Services and other goods	(2,392)	(3,253)
Personnel expenses	(1,500)	(1,063)
Depreciation	(296)	(409)
Provisions and amortisation	(338)	(461)
Other operating expenses	(173)	(151)
Operating expenses before extraordinary provisions & expenses	**(5,468)**	**(6,351)**

Further explanation:

- there was a decrease of 26.47% in the services and other goods in respect of the 2008 financial year, which can be explained, amongst others, by the decrease in marketing expenses and a decrease in fees;
- the personnel expenses in respect of the 2008 financial year increased by 41.11% compared with the same period of 2007. This increase is a consequence of both increased payroll costs and the number of staff members.

(c) Operating expenses of an exceptional nature

These are expenses of a nonrecurring and/or exceptional nature that are not directly linked to the operational activities of the Group.

Extraordinary expenses and revenues Amounts in EUR k	31.12.2008	31.12.2007
Extraordinary provisions and expenses/withdrawal	209	(401)
Impairment	(100)	(4,785)
Profit from sale of subsidiaries	22	221
Extraordinary expenses and revenues	**(598)**	**(4,965)**

The extraordinary expenses of EUR 401k as at 31 December 2007 were entirely due to provision for ongoing disputes. In the course of 2008, a sum in the amount of EUR 209k was released for extraordinary risks and expenses.

At the end of 2008, an extraordinary write-down in the amount of EUR 100k was entered regarding the outstanding claim with respect to the shares of Digital Access Control NV. The first instalment in the amount of EUR 50k had to be paid in the course of 2008, which has still not been done up to this day. An extraordinary provision was entered as a result of this.

For the 2007 financial year, the extraordinary write-offs amounted to EUR 4,785k , of which EUR 3,950k related to the impairment of goodwill, and the balance (EUR 835k) concerned an extraordinary write-off on trade accounts receivable. The impairment of goodwill relates to an amount of EUR 2,357k for the "cash generating unit" payment terminals and to an amount of EUR 1,593k for the "cash generating unit" credit card authorisations.
Based on the impairment test done in 2008, it was possible to decide that no additional impairment had to be accounted for.

The write-downs regarding trade receivables in 2007 relate to contracts concluded in 2004, 2005 and 2006 due to bankruptcy, shut-down of activities and sale of activities.

The profit from discontinued operations as at 31 December 2008 relates to the sale of the "Security & Time Management" division. As regards the final selling price, the Group received EUR 22k additionally from the buyer at the beginning of August 2008.

The profit from discontinued operations as at 31 December 2007 relates to the sale of 100% of shares in Digital Access Control NV. The selling price amounted to EUR 250k, to be paid over a period of 3 years. (cf. (6) Business Acquisitions/Divestments). In accordance with IAS 39 - Financial Instruments, this receivable is discounted. The discounted value is EUR 232k, of which EUR 82k is presented on the long term and EUR 150k on the short term, of which EUR 100k was written down, however. The discounted rate is 10.84%.

(d) Net operating results

The operating loss before extraordinary expenses and revenues for the 2008 financial year amounts to EUR 729k, compared to EUR 2,334k for the 2007 financial year.

(e) Net loss

The net loss for the period 2008 amounts to EUR 879k, compared with EUR 7,671k for the period 2007.

(4) Personnel and branches

The Group had 43 employees (personnel and consultants) on 31 December 2008. The head office is located in Zaventem, Belgium. The Group had another branch in Louvain-la-Neuve (Belgium), which was closed on 31 December 2007.

KEYWARE TECHNOLOGIES NV AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(ALL AMOUNTS IN EUR K)

Balance sheet Amounts in EUR k		31.12.2008	31.12.2007
<u>**Assets**</u>			
Goodwill	(7)	5,248	5,248
Intangible fixed assets	(8)	771	864
Tangible fixed assets	(9)	126	312
Financial fixed assets		111	63
Deferred tax assets	(10)	1,622	1,823
Long-term trade receivables	(11)	4,724	5,069
Other receivables	(12)	82	172
Fixed assets		**12,684**	**13,551**
Inventories	(13)	292	441
Trade receivables	(14)	2,035	1,393
Other receivables	(15)	130	127
Investments and cash		293	13
Deferred expenses and accrued income	(16)	419	370
Current assets		**3,169**	**2,344**
Total assets		**15,853**	**15,895**
<u>**Liabilities and Shareholder 's Equity**</u>			
Share capital	(17)	17,618	13,831
Share premium		4,522	4,522
Reserve warrants		119	7
Result carried forward		(12,819)	(5,148)
Results of the period		(879)	(7,671)
Net equity		**8,561**	**5,541**
Provisions	(18)	-	10
Deferred taxes and provisions		**-**	**10**
Financial debts due after one year	(19)	150	231
Leasing debts due after one year	(20)	1,840	388
Trade debts due after one year	(21)	1,119	3,075
Total liabilities due after one year		**3,109**	**3,694**
Financial debts due within one year	(22)	60	562
Leasing debts due within one year	(23)	522	522
Advance to shareholders	(24)	19	19
Trade payables	(25)	2,838	4,488
Social and tax liabilities	(26)	434	701
Other payables	(27)	258	264
Deferred income and accrued expenses	(28)	52	94
Liabilities due within one year		**4,183**	**6,650**
Total liabilities and shareholder's equity		**15,853**	**15,895**

KEYWARE TECHNOLOGIES NV AND SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS STATEMENT
(ALL AMOUNTS IN EUR K)

Consolidated profit and loss account Amounts in EUR k		31.12.2008	31.12.2007
Turnover	(29)	4,588	3,832
Other operating income	(31)	151	185
Operating income		*4,739*	*4,017*
Goods for resale and raw materials		(769)	(1,014)
Services and other goods	(32)	(2,392)	(3,253)
Payroll expenses	(33)	(1,500)	(1,063)
Depreciation	(34)	(296)	(409)
Provisions and amortisation	(35)	(338)	(461)
Other operating expenses		(173)	(151)
Operating expenses before extraordinary provisions & expenses		*(5,468)*	*(6,351)*
Operating result before extraordinary expenses & revenues		*(729)*	*(2,334)*
Extraordinary provisions/costs	(36)	-	(401)
Withdrawal of extraordinary provisions/costs	(36)	209	-
Impairment	(36)	(100)	(4,785)
Profit from discontinued operations	(36)	22	221
Operating result after extraordinary provisions & revenues		**(598)**	**(7,299)**
Financial expenses	(37)	(521)	(670)
Financial income	(37)	448	527
Result before taxation		**(671)**	**(7,442)**
Deferred taxes	(38)	(201)	(224)
Tax over result	(38)	(7)	(5)
Result after taxation		**(879)**	**(7,671)**
EBITDA		12	(963)
Net cash flow		(60)	(891)
Profit/(loss) per share – basic		(0,1431)	(2,3972)
Profit/(loss) per share – diluted		(0,1431)	(2,3972)
Weighted average outstanding shares (1)		6,142,011	3,199,920
Weighted average diluted shares (1)		7,246,390	4,043,312

(1) Regarding 2007: taking the “reverse split” of 3 December 2007 into consideration

KEYWARE TECHNOLOGIES NV AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(ALL AMOUNTS IN EUR K)

Amounts in EUR k	Number of shares	Capital	Share premium	Result carried forward	Other reserves	Total
Shareholder's equity as per 01.01.2007	152,764,468	33,957	4,522	(27,436)	162	11,205
Exercise of warrants	11,518,750	1,834	-	-	-	1,834
Exercise of ACB	1,875,000	300	-	-	-	300
Incorporation of loss in capital	-	(22,260)	-	22,260	-	-
Valuation of warrants	-	-	-	-	(127)	(127)
Net loss	-	-	-	(7,671)	-	(7,671)
Transfer reserve	-	-	-	28	(28)	-
Shareholder's equity as per 31.12.2007	**166,158,218**	**13,831**	**4,522**	**(12,819)**	**7**	**5,541**
Shares after reverse split (1)	**3,323,164**					

(1) Number of shares following reverse split of 3 December 2007

Amounts in EUR k	Number of shares	Capital	Share premium	Result carried forward	Other reserves	Total
Shareholder's equity as per 01.01.2008	3,323,164	13,831	4,522	(12,819)	7	5,541
Conversion of convertible bond	11,063,215	3,858	-	-	-	3,858
Costs capital decrease deducted		(71)	-	-	-	(71)
Valuation of warrants			-	-	112	112
Net loss		-	-	(879)	-	(879)
Shareholder's equity as per 31.12.2008	**14,386,379**	**17,618**	**4,522**	**(13,698)**	**119**	**8,561**

KEYWARE TECHNOLOGIES NV AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
(ALL AMOUNTS IN EUR K)

Cash flow statement Amounts in EUR k	31.12.2008	31.12.2007
Cash flow from operating activities		
Result of the period	(879)	(7,671)
Depreciation	296	410
Provisions	(10)	(15)
Amortisation on inventories	22	57
Amortisation on trade receivables	326	1,254
Impairment	100	3,950
(Profit)/loss from the sale of subsidiaries	(22)	(227)
(Profit)/loss from the sale of fixed assets	(21)	-
Warrants included as expense/(revenue)	7	(127)
Deferred tax assets and liabilities	201	223
Operating cash flow before changes in working capital	20	(2,146)
Decrease/ (increase) in inventory	127	(17)
Decrease/ (increase) in long and short term trade receivables	(623)	(659)
Decrease/ (increase) in other receivables and accruals	43	58
Increase/ (decrease) in long and short term trade payables	(3,606)	1,470
Increase/ (decrease) in fiscal and social liabilities	(267)	132
Increase/ (decrease) in other liabilities and accruals	(48)	166
Changes in working capital	(4,374)	1,150
Cash flow from operating activities	**(4,354)**	**(996)**
Cash flow from investing activities		
Acquisition in tangible and intangible fixed assets	(157)	(589)
Disposals of intangible and tangible fixed assets	160	7
Acquisition of subsidiaries, net without cash	-	(522)
Sale of subsidiaries, net without cash	22	227
Increase/ (decrease) in guarantees provided	(48)	33
Cash flow from investing activities	**(22)**	**(844)**
Cash flow from financing activities		
Capital	3,787	1,834
(Repayment)/ proceeds of long and short term financial debts	(583)	236
(Repayment)/ proceeds of long and short term leasing	1,452	(45)
(Repayment)/ proceeds of advances to shareholders	-	(183)
Cash flow from financing activities	**4,656**	**1,842**
Net (decrease)/ increase in cash	**280**	**2**
Cash at the beginning of the period	**13**	**11**
Cash at the end of the period	**293**	**13**
Net (decrease)/ increase in cash	**280**	**2**

KEYWARE TECHNOLOGIES NV
NOTES ON THE CONSOLIDATED ANNUAL ACCOUNTS

(1) Identification

Keyware Technologies NV was founded in June 1996 as a public limited company under Belgian law. The Company is established at Ikaroslaan 24, 1930 Zaventem, Belgium. Its company number is 0458.430.512.

The consolidated annual accounts were adopted by the Board of Directors on 12 March 2009.

(2) Conformity statement

Mr Stéphane Vandervelde (CEO) and Mr Johan Hellinckx (CFO) declare that the annual report, was compiled in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, and gives a true and fair view of the equity, financial situation and result of the issuer and its consolidated subsidiaries . The annual report gives a true and fair view of the development and the results of the company and of the position of the issuer and its consolidated subsidiaries, as well as a description of the primary risks and uncertainties with which the company is confronted.

The auditor's opinion is also referred to within this framework.

(3) Reporting entity structure

The consolidated annual accounts for the period ending on 31 December 2008 include Keyware Technologies NV and its subsidiaries.

The reporting entity structure was determined as follows:

Branch	Consolidated up to	Method
Keyware Smart Card Division NV	31.12.2008	Integral
Keyware Transaction & Processing NV	31.12.2008	Integral
B.R.V. Transactions NV	31.12.2008	Integral
Digital Access Control NV	22.08.2007	Integral

On 22 August 2007, the Group indicated that 100% of the shares of Digital Access Control NV had been sold to Lime Capital Ltd. with effect from 22 August. The results of Digital Access Control NV were included in the entity structure for the period of 1 January to 22 August 2007, inclusive. The company was deconsolidated as based on the balance sheet as per 22 August 2007.

On 26 April 2007, Keyware indicated that a takeover agreement had been reached with the shareholders of B.R.V. Transactions NV, with effect from 1 April 2007. B.R.V. Transactions NV has a licence with RBS (Royal Bank of Scotland) for the direct offering of credit card authorisations for Visa and MasterCard on the Belgian market.
Pursuant to a notarial deed recorded on 18 December 2007, Keyware Transaction & Processing NV entirely absorbed its subsidiary B.R.V. Transactions NV via a tax-neutral merger, with effect from 1 November 2007. The results of Keyware Transaction & Processing NV comprise the results of B.R.V. Transaction NV for the months of November and December.

(4) Going concern or continuity

The consolidated financial statements have been prepared on the basis of going concern, which presumes that assets are realised and debts are fulfilled in doing normal business. As at 31 December, the Group incurred accumulated losses for a total amount of EUR 13,698k, which were mainly financed by capital.

For the further growth and the realisation of the 2008-2012 strategic plan, the Group will need additional financing primarily for further financing and expansion of activities related to payment terminals and also for carrying out the necessary investment for the authorization of payment transactions.

As mentioned under "(2) Historic overview and period 2008", the group issued a convertible bond loan in the amount of EUR 3,850k. This bond was converted entirely into capital, which is why the Group no longer has a duty to make a repayment.

In addition, the Group was able to have recourse to its credit line with Parfip Benelux NV. During the period of January to May 2008 inclusive, the Group was able to cede more than EUR 500k to Parfip Benelux NV. Between June and December 2008, the Group concluded 7 financing agreements - rent agreement financing - with Parfip Benelux NV for a total amount of EUR 2,029k.

In 2009 the Group will be able to have further recourse to this credit line, where a financing agreement on 2 January 2009 - rent agreement financing - was concluded with Parfip Benelux NV and in March contracts were ceded to Parfip Benelux NV for more than EUR 200k.

Finally, the Group received an advance payment in the amount of EUR 600k from Parana Management BVBA on 21 January 2009.

On the basis of the above, the Board of Directors is convinced that the Group is able to continue its activities on a going concern basis over a reasonable length of time, and it confirms the application of the valuation rules under going concern.

Therefore the consolidated financial statements do not contain any adjustment for the collectability and classification of the assets booked or the amount and classification of the debts that would be required if the Company could no longer continue its activities on a "going concern" basis. The continuation of the Group as a "going concern" depends on its ability to generate sufficient cash flow to fulfil its obligations on time or to maintain adequate financing and finally on achieving successful operations.

(5) Principal valuation rules – basis of preparation

(a) Basic principle

The consolidated interim financial statements were compiled in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EC, which contain the standards and interpretations published by the International Accounting Standard Board (IASB), applicable as of 31 December 2008.

The preparation of the financial statements in accordance with IFRS standards requires of the management that it makes estimates that can have an impact on the amounts that are reported in the consolidated annual accounts and the accompanying notes. The final results can vary from these estimates.

(b) Consolidation principle

The consolidated financial statements of Keyware Technologies NV contain not only Keyware Technologies, but also the subsidiaries that it controls. Control exists if the Group has an interest of more than half the voting rights connected with the shares of a company, or it if, directly or indirectly, has the power to determine the financial and operational policy of a company to benefit from its activities.
The annual accounts of subsidiaries are included in the consolidated annual accounts from the date on which the control commences until the date on which the control ceases to exist.
The acquisition of subsidiaries is processed in the books as takeovers. The cost price of a takeover is the amount paid in cash or cash equivalents or the real value, on the exchange date, of any other remuneration that is provided by the party taking over in exchange for control over the assets and liabilities of the other company, increased by any expenses that are directly attributable to the takeover.
Intragroup balance sheets and transactions and any profits not realised ensuing from transactions within the Group are eliminated when compiling the consolidated annual accounts.

(c) Reporting currency

The reporting currency of Keyware Technologies NV is the EURO.

(d) Foreign currency

Transactions in foreign currency
Transactions in foreign currency are converted to the euro on the basis of a conversion rate determined every month. Exchange rate differences that occur when processing monetary items or when reporting monetary items are included in the profit and loss statement of the period in which they occur.

Annual accounts of subsidiaries
Assets and liabilities of subsidiaries, expressed in a currency other than the euro, are converted using the exchange rate that applies at the end of the reporting period. Income and expenses are converted using the average exchange rate during that period. Components of shareholders' equity are converted using historic exchange rates. Profits or losses from these conversions are included in the balance sheet item conversion differences, processed as a separate component of the shareholders' equity.

(e) Goodwill

The difference between the purchase price on an acquiring an interest in a company and the real value of the underlying net assets acquired on the date of the transaction is booked as goodwill and is recognised as an asset in the balance sheet. Identifiable assets and liabilities recognised on acquisition are valued at the value that is fair at that time.
Goodwill is booked as an asset and initially valued at cost price. After its recognition, goodwill is valued at cost price minus the accumulated impairment expenses.

Goodwill is tested for impairment on a yearly basis or more often if there are indications to do so.

(f) Intangible fixed assets

Purchased intangible fixed assets
Intangible fixed assets are initially valued at the purchase value and are recognised if it is likely that future economic benefits, which can be attributed to the asset, will flow to the company and the cost of the asset can be reliably measured. After initial valuation at the purchase value, they are reduced by the accumulated depreciations and any accumulated extraordinary depreciations losses. Intangible fixed assets are written off linearly over the estimated life.

Internally generated intangible fixed assets - research and development
Expenses for research are included as an expense in the profit and loss statement at the time that they are incurred.
Internally generated intangible assets that result from the development of the Group are only recognised if all of the following conditions are met:

- an asset is created that can be identified;
- it is likely that the expected future economic benefits that can be attributed to the asset will flow to the entity;
- the cost price of the development expenses can be reliably determined.

Internally generated intangible assets are amortised on a linear basis over their expected economic life. If no internally generated intangible assets can be recognised, development expenses are charged to the profit and loss statement in the period during which they are incurred.

(g) Tangible fixed assets

The tangible fixed assets are valued at the acquisition price minus the accumulated depreciations and impairment losses.

The amortisation is calculated using the linear method in accordance with the estimated life of the assets, which can be represented as follows:

buildings	20 years
machines and installations	3-5 years
cars	4 years
computers and accessories	3 years
furniture	5-10 years
other tangible fixed assets	9 years

(h) Inventory

Inventories are valued at the lowest value of either the cost price or the net realizable value. The cost price is the individual price of each item.
Inventories that cannot be sold are integrally written off.

(i) Trade receivables and long-term trade receivables

Trade receivables are recognised and included at nominal value. An amortisation is included if the collectability of the entire amount is no longer likely.

The long-term part of the receivables with regard to the financial leases of the payment terminals is included under trade receivables - in accordance with IAS 17 - Leases (see leases).

(j) Cash and cash equivalents

Cash resources and cash equivalents are included in the balance sheet at nominal value. They comprise cash resources and bank balances as well as bank deposits and investments that can immediately be converted into cash and that furthermore are not subject to significant risks of fluctuations in value.

(k) Leases

Financial leases: Keyware as lessor
Assets that are kept under financial lease are included in the balance sheet and presented as receivables for the amount equal to the net investment in the lease.

The lease price of a contract is divided into net rent and maintenance. The actual value of the net rent for the full term of the contract, namely 48 months, is then calculated. This entire amount of the actual value is recorded as turnover in the month in which the contract starts. The revenue related to maintenance is incorporated in turnover spread over the duration of the contract. Financial income equal to the difference between the total value of the contract and the actualised value is recorded each month.

(l) Provisions

A provision is booked if:

- the Group has an existing obligation;
- it is likely that an outflow of resources is required to settle the obligation; and
- the amount of the obligation can be estimated in a reliable way.

(m) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet of the Group if the Group becomes a party to the contractual provisions of the financial instrument in question.
If the contractual rights or the cash flows of the financial asset run out or if the asset is transferred and the transfer qualifies for no longer being included, to the degree that the risks and rewards of the proprietor are kept or transferred, the financial assets are no longer recognizedin the balance sheet. Financial obligations are derecognized if they are nullified, that is to say if the obligation determined in the contract is fulfilled or dissolved or cancelled.

(n) Convertible bonds

Convertible bonds are presented as a financial obligation, as there is a contractual obligation of one of the parties involved in the financial instrument (submitter) to deliver another financial asset to the other party.

(o) Trade liabilities

Trade liabilities are included at nominal value.

(p) Revenue recognition

Incomes are included to the degree that it is likely that the economic benefits will flow to the Group and if the amount of the income can be determined in a reliable way.

The income is valued at the actual value of the right or receivable received and represents the amounts to be received for goods and services delivered during the execution of normal company activities, including discounts and sales taxes.

Incomes with regard to the sale of hardware (infrastructure revenues) are recognised in the profit and loss statement if real risks and advantages of title have been transferred to the buyer.
Licences are agreements in which the company awards the client the right to use the company's products, without obtaining their title, usually with limitations on the number of employees or users for which the software and the licence period is awarded.

Licence fees are recognised as an income if no actual production, changes or customisation of software is required and if all of the four following conditions have been fulfilled:

- a non cancellable agreement is signed by the company and the client;
- delivery has occurred;
- the licence fee is fixed and can be determined;
- receipt of the fee is practically certain.

If actual production, changes or customisation of software is required, incomes can only be recognised on the basis of the contract accounting method for fixed-price contracts.

Incomes related to maintenance contracts and other contracts for which a specific service is delivered during a contractually agreed upon period are recognised on a linear basis for the duration of the contract.

Incomes relating to contracts with regard to leasing payment terminals are processed in accordance with IAS 17 - Leases (see leases).

(q) Impairment of assets

On every balance sheet date, the Group checks the book value of the tangible and intangible fixed assets to determine whether there is an indication that these assets have been impaired. If there is such an indication, the recoverable amount of the asset is estimated to determine the impairment to be recognized(if necessary). If it is not possible to estimate the recoverable amount of an individual asset, the Group will determine the recoverable amount of the cash flow generating unit to which the asset belongs.

The recoverable amount is the highest of either the net selling price or the value in use. To determine the value in use, the future cash flows expected will be discounted at the discount rate that reflects the current market valuations or time value of money and the specific risks of the asset. If the recoverable amount of an asset (or the cash flow generating unit) is estimated lower than its carrying amount, the carrying amount of the asset (cash flow generating unit) is reduced to its recoverable amount. An impairment charge is recognised immediately in the profit and loss statement unless the asset in question is valued at an amount that is re-valued. In this case, the impairment shall be first deducted from the valuation surplus. If an impairment is reversed, the carrying amount of the asset (cash flow generating unit) is increased to the revised estimate of its recoverable amount, but only in a way that the increased carrying amount does not exceed the carrying amount before impairment of the asset (cash flow generating unit) of previous years. A reversal of an amortisation is immediately recognised in the profit and loss statement, unless the relevant asset is valued at a re-valued amount, in which case the reversal of the amortisation is handled as a revaluation increase.

(r) Equity compensation benefits

In 2005, the Group issued a warrant scheme in which warrants are awarded to directors, consultants and employees, giving the right to acquire new shares of Keyware Technologies.
The calculation of the valuation of the warrants occurred in accordance with IFRS 2 - Share based payments.

If warrants are exercised, new shares are issued and the shareholders' equity will increase by the amount that is received.

(s) Taxes

Income tax comprises the amount of the current and deferred taxes.

Current taxes
Current taxes are taxes that are expected to be paid on the taxable result of the period, making use of the interest rates and tax legislation for which the legislation process (material) is closed off on the balance sheet date, as well as any correction to taxes to be paid over previous periods.

Deferred taxes
Deferred taxes are calculated using the balance sheet liability method, in which temporary differences are considered between the book value of assets and liabilities in the financial reporting and the tax value. Deferred tax liabilities are booked for all taxable, temporary differences, except if they are the result of impairment of goodwill. Deferred tax liabilities are not recognised for taxable, temporary differences that relate to investments in subsidiaries and interests in joint ventures, if the time on which the temporary difference can be settled can be determined by the parent company and it is likely that the temporary difference will not be settled in the near future.

A deferred tax asset must be included for all offsetable, temporary differences, tax losses and tax revenues insofar as it is likely that a taxable profit will be available against which the offsetable, temporary difference, tax losses and tax income can be offset. Offsetable, temporary differences that result from investments in subsidiaries and interests in joint ventures are only included if the temporary difference will be settled in the near future (five years) and if there is fiscal proof available that it can be used for the temporary difference. The book value of the deferred tax assets is revised on every balance sheet date and reduced insofar as it is no longer likely that there is sufficient taxable profit available to use for the entire or a part of the deferred tax asset.

Deferred tax assets and liabilities are valued at the tax rates that are expected to apply to the period in which the claim is achieved or the obligation is settled, on the basis of the tax rates and tax legislation for which the legislation process has been (substantially) rounded off on the balance sheet date.

(t) Segment information

Until May 2006, the Group made an internal distinction between two major operational activities or business units, namely “Security & Time Management” and “Card & Terminal Applications”. These business units are the basis on which Keyware reports its primary segment information. In addition, there are also “Corporate expenses”, which concern non-attributed overhead expenses.

From 1 January 2007, the Group will distinguish between results relating to activities to do with payment terminals and results relating to activities to do with credit card authorisations. Corporate expenses which cannot be attributed will be separately presented.

(u) Net profit/loss per share

The basic profit per share is calculated by dividing the net profit or the net loss for the period that is to be distributed to the ordinary shareholders, by the weighted average number of ordinary shares issued during the period.

The diluted profit or loss per share is calculated by dividing the net profit or net loss for the period to be distributed to the ordinary shareholders by the amount of the weighted average of ordinary and potential shares issued. Potential ordinary shares are deemed to have been converted to ordinary shares at the beginning of the report period or on the date of the issue of the potential ordinary shares, if this is later.

(v) Subsequent Events

Events after the balance sheet date that have an impact on the result of the period or that provide more information about the company's position on the balance sheet date are shown in the annual accounts. Events after the balance sheet date that do not have an impact on the result are included in the notes, on the condition that they are important.

(w) Derivative financial instruments

Since the activities of the Group are not subject to any significant exchange rate or interest risks, the Group does not use any derivative financial instruments.

(x) New standards, interpretations and amendments

Standards and Interpretations applicable in the current period
The Group applied the following new Standards and/or Interpretations in the current year:

- IFRIC 11 IFRS 2 "Group and Treasury Share Transactions"
- IFRIC 14 IAS 19 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

Applying these Standards and Interpretations had no significant influence on the various balance sheet components or results of the Group and, consequently, did not lead to any change of the calculation basis.

In addition, the following standards that are not relevant to the Group and that were therefore not applied came into effect:

- IFRIC 12 "Service Concession Arrangements"

Accelerated application of the Standards and Interpretations
The Group decided not to accelerate the application of any Standards or Interpretations.

Issued but not yet applicable Standards and Interpretations
On the date that this annual account was approved, Standards and Interpretations have been issued that are not yet applicable or adopted in the European Union.

- IAS 1 "Presentation of Financial Statements", revision of the presentation of the annual accounts (applicable to the periods starting on or after 1 January 2009). This standard replaces IAS 1 "Presentation of Financial Statements" (revised in 2003) as amended in 2005
- Amendment to IAS 27 "Consolidated and Separate Financial Statements" (applicable to periods that commence on or after 1 July 2009). This standard amends the current IAS 27 version of "Consolidated and Separate Financial Statements" (revised in 2003)
- IFRS 3 "Business Combinations" (applicable to business combinations in which the acquisition date coincides with or is after the starting date of the first period on or after 1 July 2009);
- IFRS 8 "Operating Segments" (applicable to periods that commence on or after 1 January 2009);
- Amendment to IAS 23 "Borrowing costs" (applicable to periods that commence on or after 1 January 2009);
- Amendment to IFRS 2, "Group and Treasury Share Transactions" (applicable as of 1 January 2009);

- Amendment to IAS 32 "Financial instruments: Presentation" and amendment IAS 1, "Presentation of Financial Statements" - "Puttable financial instruments and obligations arising on liquidation" (applicable for periods on or after 1 January 2009).
- The following standards were amended pursuant to the annual IASB improvement project, the contents of which were published in May 2008:
- IFRS 5 (amendment), "Non-current Assets Held for Sale and discontinued Operations" and, pursuant to this, also IFRS 1, "First application" (applicable to periods on or after 1 July 2009).
- IAS 16 (amendment), "Property, Plant and Equipment" and, as a consequence of this also IAS 7, "Cash Flow Statements" (applicable to periods on or after 1 January 2009);
- IAS 19 (amendment), "Employee Benefits" (applicable to periods on or after 1 January 2009);
- IAS 20 (amendment), "Government Grants and Disclosure of Government Assistance" (applicable to periods on or after 1 January 2009);
- Amendment to IAS 27 "Consolidated and Separate Financial Statements" (applicable to periods that commence on or after 1 January 2009).
- IAS 28 (amendment), "Investments in Associates" and, pursuant to this, also IAS 32 "Financial instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures" (applicable to periods on or after 1 January 2009).
- IAS 29 (amendment), "Financial Reporting on Hyperinflationary Economies" (applicable to periods that commence on or after 1 January 2009).
- IAS 31 (amendment), "Interests in Joint Ventures" and, as a consequence of this also IAS 32 and IFRS 7, (applicable to periods on or after 1 January 2009);
- IAS 38 (amendment), "Intangible Assets" (applicable to periods on or after 1 January 2009);
- IAS 39 (amendment), "Financial instruments: Recognition and Measurement" (applicable to periods on or after 1 January 2009).
- IAS 40 (amendment) "Investment Property", pursuant to this, also IAS 16 (applicable to periods that commence on or after 1 January 2009);
- IAS 41 (amendment), "Agriculture" (applicable to periods on or after 1 January 2009);
- In addition, within the context of the same project, there are a number of small amendments to IFRS 7, "Financial instruments: Disclosures", IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", IAS 10, "Events After the Balance Sheet Date", IAS 18 "Revenue" and IAS 34 "Interim Financial Reporting";
- IFRS 13 "Customer Loyalty Programmes" (applicable to periods starting on or after 1 July 2008);
- IFRIC 15, "Agreements for the Construction of Real Estate" (applicable for the periods starting on or after 1 January 2009);
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (applicable to periods starting as of 1 October 2008).

The Board of Directors is of the opinion that the Standards and Interpretations are not relevant or that their application in future periods will not have a significant effect on the Group's annual accounts during the period of the first application.

(6) Business Acquisitions/Divestments

(a) Acquisitions

On 4 April 2007, Keyware Transaction & Processing NV 100% acquired the shares of the company, B.R.V. Transactions NV.

This company's activities are affiliated to payment transactions (via acquirer Royal Bank of Scotland, abv. RBS). More in particular, the company sells MasterCard & Visa "acquiring capability" for RBS on the Belgian market. At the end of December 2006, the company had closed contracts with ± 1,500 clients.
The consideration amounted to EUR 618k, being EUR 520k + net assets as per 31 March 2007. EUR 556k of this was paid at closing date of the acquisition . The balance, being EUR 62k will be paid at the moment of receipt of the outstanding receivables.
No staff was involved in the takeover. The most important assets concern hardware (servers) and a license agreement. At the end of December 2006, the balance total was EUR 634k. The net equity amounted to EUR 145k and closed the 2006 financial year with a profit of EUR 83k.

This acquisition was funded firstly by an investment loan to the effect of van EUR 300k and also via an advance in current account from a shareholder to the effect of EUR 256k.
Within the framework of the sale of shares in B.R.V. Transactions NV, ING provided an investment loan amounting to EUR 300k to Keyware Transaction & Processing NV. This loan is repayable based on 20 trimester payments of EUR 15k. The applicable interest base is EURIBOR 3 month increased by 2%. This loan is guaranteed by:

- a solidary guarantee by Keyware Technologies NV of EUR 300k in capital;
- submitting all B.R.V. Transactions NV shares.

The company B.R.V. Transactions NV was created on 9 February 2005 and had offices at Groendreefstraat 43, 1082 Sint-Agatha-Berchem.

(b) Divestments

On 22 August 2007, the Group indicated that 100% of the shares of Digital Access Control NV had been sold to Lime Capital Ltd. The results of Digital Access Control NV were included in the entity structure for the period of 1 January to 22 August 2007, inclusive. The company was deconsolidated as based on the balance sheet as per 22 August 2007.

This divestment had a value of EUR 255k. This is made up firstly of the sale price of EUR 250k and also from the positive effect from deconsolidation of EUR 5k.

The sale price will be paid by the purchaser in three parts, in accordance with the following breakdown:

- the sale price of EUR 50k to be paid on the first anniversary of the contract date (22 August 2008) by the purchaser;
- the second part of the sale price being EUR 100k to be paid before the second anniversary of the contract date by the purchaser;
- the third and final part of the sale price being EUR 100k to be paid by the third anniversary of the contract date by the purchaser.

In accordance with IAS 39 - Financial Instruments, this receivable is discounted. The actualised value is EUR 232k, of which EUR 82k is presented on the long term and EUR 150k on the short term, of which EUR 100k was written down, however, given that no payment has been received yet (see (3) Operating results). The discounted rate is 10.84%.

(7) Goodwill

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Keyware Smart Card	5,248	5,248
Total	**5,248**	**5,248**

In accordance with IFRS 3 - Business combinations, goodwill is no longer amortised, but is tested for impairment for the specific cash generating unit to which the goodwill belongs. The realisation value of each cash generating unit was determined on the basis of its operating value. To calculate this, the cash flow prognoses were used from the financial budgets for the next 3 years that have been approved by the Board of Directors. These budgets were extrapolated over 5 years at a decreasing growth rate, ignoring any residual value.
In accordance with IFRS 3 - Business combinations, goodwill that occurs in the consolidation must be tested for impairment every year. This impairment test is made on the principle of the 2008-2012 strategic plan. Based on this, it was possible as per 31 December 2008 to decide that no extraordinary impairments had to be recognized.

At the end of December 2007, impairment testing resulted in impairment expenses to be recognized of EUR 1,593k in relation to the goodwill related to Keyware Transaction & Processing and EUR 2,357k in relation to the goodwill related to Keyware Smart Card.

(8) Intangible fixed assets

This item relates in part to software and in part to licences and distribution rights, for which the cost price of the intangible assets can be reliably valued.

Amounts in EUR k	Software	Copyrights and licences	Total
Gross book value as at 01.01.2008	**509**	**1,051**	**1,560**
Additions for the period	97	-	97
Disposal	-	(4)	(4)
Deconsolidation	-	-	-
Conversion differences	-	-	-
Gross book value 31.12.2008	**606**	**1,047**	**1,653**

Amounts in EUR k	Software	Copyrights and licences	Total
Accumulated dep. and impairment (-) on 01.01.2008	**15**	**681**	**696**
Additions for the period	102	88	190
Addition amortisation	-	-	-
Withdrawal due to disposals	-	(4)	(4)
Deconsolidation	-	-	-
Conversion differences	-	-	-
Accumulated dep. and impairment (-) on 31.12.2008	**117**	**765**	**882**
Net book value on 01.01.2008	**494**	**370**	**864**
Net book value on 31.12.2008	**489**	**282**	**771**

The investments of 2008 regarding software concerns investing in a new transaction platform to offer authorisation services for EMV transactions.

The movements for the 2007 financial year can be presented as follows:

Amounts in EUR k	Software	Copyrights and licences	Total
Gross book value 01.01.2007	**15**	**1,681**	**1,696**
Additions for the period	494	435	929
Disposals	-	(1,065)	(1,065)
Deconsolidation	-	-	-
Conversion differences	-	-	-
Gross book value 31.12.2007	**509**	**1,051**	**1,560**
Accumulated dep. and impairment (-) on 01.01.2007	**1**	**1,436**	**1,437**
Additions for the period	14	310	324
Addition amortisation	-	-	-
Withdrawal due to disposals	-	(1,065)	(1,065)
Deconsolidation	-	-	-
Conversion differences	-	-	-
Accumulated dep. and impairment (-) on 31.12.2007	**15**	**681**	**696**
Net book value on 01.01.2007	**14**	**245**	**259**
Net book value on 31.12.2007	**494**	**370**	**864**

Following the sale of 100% of the shares in Digital Access Control NV, the copyrights and licences decreased in 2005 by EUR 1,065k as well as the accumulated deductions and extraordinary depreciations.

In the course of 2007, investments relating to the implementation of the ERP package were activated and processed under the sector of software for a total amount of EUR 494k. This investment was deducted as of 1 January 2008, being the date on which the package was brought into use.

(9) Tangible fixed assets

The movements with regard to this item can be summarised as follows:

Amounts in EUR k	Ground and buildings	Equipment and machinery	Furniture and vehicles	Leasing	Other	Total
Gross book value 01.01.2008	189	65	464	90	46	854
Additions for the period	-	-	2	58	-	60
Additions as a result of acquisition	-	-	-	-	-	-
Disposals	(189)	-	(2)	(24)	(38)	(253)
Conversion differences	-	-	-	-	-	-
Gross book value 31.12.2008	**-**	**65**	**464**	**124**	**8**	**661**
Accumulated depreciation and impairment at 01.01.2008	65	65	335	38	39	542
Additions for the period	-	-	80	25	1	106
Additions as a result of acquisition	-	-	-	-	-	-
Withdrawal due to disposals	(65)	-	-	(10)	(38)	(113)
Conversion differences	-	-	-	-	-	-
Accumulated depreciation and impairment (-) at 31.12.2008	**-**	**65**	**415**	**53**	**2**	**535**
Net book value 01.01.2008	**124**	**0**	**129**	**52**	**7**	**312**
Net book value 31.12.2008	**-**	-	**49**	**71**	**6**	**126**

The building that was property of the company was sold in September 2008. As a result of the sale, a capital gain of EUR 21k was realised.
Other tangible fixed assets primarily involve fixtures and furnishings of rented premises.

Amounts in EUR k	Ground and buildings	Equipment and machinery	Furniture and cars	Leasing	Other	Total
Gross book value 01.01.2007	189	65	276	51	42	623
Additions for the period	-	-	42	49	4	95
Additions as a result of acquisition	-	-	150	-	-	150
Disposals	-	-	(4)	(10)	-	(14)
Conversion differences	-	-	-	-	-	-
Gross book value 31.12.2007	**189**	**65**	**464**	**90**	**46**	**854**

Amounts in EUR k	Ground and buildings	Equipment and machinery	Furniture and cars	Leasing	Other	Total
Accumulated depreciation and impairment						
at 01.01.2007	59	64	212	27	38	400
Additions for the period	6	1	61	17	1	86
Additions as a result of acquisition	-	-	62	-	-	62
Withdrawal due to disposals	-	-	-	(6)	-	(6)
Conversion differences	-	-	-	-	-	-
Accumulated depreciation and impairment (-) at 31.12.2007	**65**	**65**	**335**	**38**	**39**	**542**
Net book value 01.01.2007	**130**	**1**	**64**	**24**	**4**	**223**
Net book value 31.12.2007	**124**	**-**	**129**	**52**	**7**	**312**

(10) Deferred taxes

The deferred tax assets are entirely related to the continuing activities and can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Deferred tax assets	1,823	2,538
Capitalisation of deferred taxes	374	0
Impairment of deferred tax assets	-	(490)
Deferred tax liabilities (within the same Company)	(575)	(225)
Total	**1,622**	**1,823**

Based on the 2008-2012 strategic plan, the Board of Directors has re-assessed , as per 31 December 2007, deferred taxes assets recognized in the past and relating to deductible fiscal losses. This reassessment led to an additional impairment of EUR 490k on those deferred tax assets recognized in the past.
On 31 December 2008, the existing deferred tax assets were reassessed again with regard to the deductible tax losses. On this basis, additional deferred tax assets were recognized for the amount of EUR 374k.

In addition, the Group still has deferred tax assets that relate entirely to tax loss carry forwards, which are not recognized and therefore were not reflected in the figures as at 31 December 2008 or 31 December 2007. At the end of December 2008, this concerned a gross amount of EUR 70 million of losses carried forward, which corresponds with deferred tax assets in the amount of EUR 23.8 million.

The deferred tax liability relating to Keyware Smart Card Div. NV, pursuant to the IFRS adjustments, was deducted from the deferred tax assets and entirely relates to the recognition of temporary differences.

The release of deferred tax liabilities integrally relates to Keyware Transaction & Processing NV and concerns de-recognition of temporary differences.

The applicable tax rate is 33.99%.

The movement in the profit and loss statement can be summarised as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Capitalisation of deferred taxes with respect to tax losses	374	-
Deferred tax liabilities with respect to IFRS adjustments	(575)	183
Consumption of deferred tax assets i.r.o. tax losses	-	83
Impairment of deferred tax assets	-	(490)
Total	**(201)**	**(224)**

(11) Long-term trade receivables

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Outstanding capital contracts (lt) 2004-2008	3,605	1,994
Outstanding capital financing Parfip	1,119	3,075
Total	**4,724**	**5,069**

The long-term trade receivables include the long-term portion of the receivable with regard to financial leases in accordance with IAS 17 - Lease contracts for payment terminals. As per 31 December 2008, this receivable corresponds to EUR 3,605k; per 31 December 2007, this receivable corresponds to EUR 1,994k. The long-term component of this amount is reduced in relation to the depreciation in trade receivables (see (14) Trade receivables).

Finally, the long-term trade receivables that relate to the financing agreement with Parfip Benelux NV are also included in this item.
The Group has entered into a financing agreement with Parfip Benelux NV, whereby the Group has the possibility of ceding the contracts with regard to the rental of payment terminals to Parfip Benelux NV. Within the framework of this agreement, the contracts for the rental of the payment terminals can be sold to Parfip Benelux NV at an actualised value on the assumption of a 10% interest rate. In other words, Keyware receives at the start of the contract the integral discounted amount of the rent instalments and Parfip Benelux NV for the entire duration of the contract (with regard to leasing the payment terminal) will collect the rent. At the end of the contract, the material will once again become the property of Keyware on payment of a small residual value.
In accordance with this contract, the ultimate debtor risk is however borne by the Group. In concrete terms, this means that if a debtor becomes insolvent, Parfip Benelux NV reserves the right to re-invoice this contract to the Group. In that case, the Group will, on the one hand, have to repay the outstanding capital with regard to the discounted amount received in advance from Parfip Benelux NV, but, on the other hand, the Group itself will be able to invoice the remaining duration of the contract to the end customer. As a result, the Group has, on the one hand, a potential debt and, on the other hand, a potential receivable.

At the end of December 2008 the Group had a potential receivable corresponding to the total sum of outstanding capital for contracts sold in 2005, 2006, 2007 and 2008. This concerns a total amount of EUR 2,368k, of which EUR 1,119k related to long term and EUR 1,249k to short term.

(12) Long term other receivables

This item relates integrally to the receivable related to the sale of 100% of the shares of Digital Access Control NV. For further details, please see (6) Business acquisitions/divestments.

(13) Inventories

This can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Gross value of stock terminals	571	699
Write-off	(279)	(258)
Total	**292**	**441**

The goods for resale concern products purchased from third parties. An impairment in the amount of EUR 57k was entered for the period 2007. In 2008, an additional impairment in the amount of EUR 21k was entered, amounting to a total impairment of EUR 279k at the end of December 2008.

Amortisation and reversal of amortisation are included in the profit and loss statement in the item "Provisions and amortisation".

(14) Trade receivables

The IFRS trade receivables item relates to the balance of all amendments regarding trade receivables related to IFRS. This item includes both positive and negative amendments. This item includes the short term part of the receivables relating to the financial lease agreements confirming to IAS 17 - Lease contracts for payment terminals.

The amortisation integrally relates to trade receivables from the past. During the 2007 period, amortisation in the amount of EUR 1,254k was entered for receivables of 2006 and earlier. During the 2008 period, amortisation in the amount of EUR 410k was entered for receivables of 2007 or earlier and there was a withdrawal of amortisation applied in the past, in the amount of EUR 84k. No amortisation was booked on trade receivables with regard to turnover booked in 2008.

As stated in (11) Trade receivables in the long term, the debtor risk is connected to the financing agreement with Parfip Benelux NV at the expense of the Group. Following this, a provision was set down of EUR 67k as at 31 December 2007, so that the insolvency risks of the clients are the responsibility of the business unit "Card & Terminal Applications". As at 31 December 2008, provision in the amount of EUR 47k was made on the one hand, but, on the other, an amount of EUR 104k was withdrawn for the provisions that had been made in the past.
This provision is in accordance with the valuation rules set down by the Group.

(15) Other receivables

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Cash to be received for DAC sale	150	50
DAC receivable write-down	(100)	-
VAT to be claimed	78	71
Various current accounts	2	6
Total	**130**	**127**

(16) Deferred expenses and accrued income

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Prepaid rent	5	5
Prepaid marketing expenses	31	-
Prepaid insurance	4	2
Prepaid commissions	226	333
Warrant interest liabilities to be brought forward	112	-
Other	3	5
Accrued income	38	25
Total	**419**	**370**

The prepaid commissions are commissions paid to an independent third party who takes care of concluding the rental agreements. This party receives a commission for each legally correct contract concluded, of which, in accordance with the valuation rules of the Group, 75% is immediately included in the result and 25% is taken in the result in accordance with the duration of the rental agreements.

The warrant interest liabilities to be brought forward relate to the valuation of the 1,925,000 warrants issued pursuant to the issue of the convertible bond loan. EUR 119k has been entered under own equity, which concerns the valuation of the warrants linked to the convertible bond loan. The counter-item of this amount is entered in the result of the exercise period of these warrants.

This also concerns the prepaid rent and expenses to be carried forward for, among other things, maintenance contracts, marketing and insurance.

(17) Capital Structure

As per 31 December 2006 the capital of the Group amounted to EUR 39,908k, represented by 152,764,468 shares.

Following the exercise of 300,000 “2005 Warrants”, the capital was increased by notarial deed on 4 April 2007 by EUR 39k and 300,000 new shares were issued.
Following the exercise of 200,000 “A Warrants”, the capital was increased by notarial deed on 18 July 2007 by EUR 320k and 2,000,000 new shares were issued.
Following the exercise of 6,250,000 “A Warrants”, the capital was increased by notarial deed on 22 August 2007 by EUR 1,000k and 6,250,000 new shares were issued.
Following the exercise of 2,968,750 “A Warrants”, the capital was increased by notarial deed on 17 September 2007 by EUR 475k and 2,968,750 new shares were issued.

Following the exercise of the subordinated convertible bond loan, the capital was increased, via the notarial act of 25 May 2007, to the effect of EUR 300k and 1,875,000 new shares were issued.

The Extraordinary Shareholders Meeting of 26 September 2007 decided upon a capital reduction by means of compensation with loss carry forwards to the effect of EUR 22,260k.

In addition, the Extraordinary Shareholders Meeting of 26 September 2007 resolved for a combination of existing shares (reverse split) of the company, in which 50 shares give the right to 1 new share in the company. As well as this, authority was given to the Board of Directors to implement this reverse split. Following the decision by the Board of Directors on 6 November 2007, the reverse split was executed on 3 December 2007. Through this, the number of existing shares of 166,158,218 was reduced to 3,323,164 shares.

As per 31 December 2007, the - legal - share capital of the Group was EUR 19,782k, represented by 3,323,164 normal shares without nominal value.

An Extraordinary Shareholders’ meeting held on 18 August 2008 approved the issuing of a convertible bond loan for an amount between EUR 4 and 6 million. The subscription period for the convertible bond ran from 19 August 2008 to 2 September 2008, and was extended to 12 September 2008. The subscription to the convertible bonds for an amount of EUR 3,850k and 1,925,000 warrants was established by notary deed on 18 September 2008. The following parties subscribed to the convertible bond issue:

Parana Management BVBA, Bogaertstraat 32, 9830 Sint-Martens-Latem	EUR 2,300k
Think Media NV, Oude Leeuwenrui 8, 2000 Antwerp	EUR 500k
Federal Invest NV, Mussenburglei 116, 2650 Edegem	EUR 550k
Big Friend NV, Kustlaan 15, 8300 Knokke (1)	EUR 500k

(1) Big Friend NV sold through 4 bonds to, respectively, Johan Hellinckx (EUR 100k), IQuess BVBA (EUR 50k) and Checkpoint X BVBA (EUR 50k).

All outstanding convertible bonds were converted into shares by notarial deed on 29 September 2008. The conversion price per share for the Bonds amounted to EUR 0.348 (60% of EUR 0.58), which was the lesser of (i) EUR 1 or (ii) 60% of the lowest closing price on Euronext Brussels for the previous six (6) trading days prior to the signing date for the confirmation of the conversion of the Bonds or (iii) the issue price of other securities issued by the company after the issue date of the bonds and that are exchangeable, exercisable or convertible into shares in the company.

A total amount of EUR 3,858k (EUR 3,850k + interest) was converted into capital. Consequently, 11,063,215 new Keyware Technologies shares were issued.

As a result of subscribing to the convertible bond, each subscriber to a Bond of EUR 50,000 also received 25,000 Warrants. These Warrants may be exercised at any time during a period of four (4) years as of their issue date. The subscription price per share upon exercising the Warrants shall be the lesser amount of (i) EUR 1.25 or (ii) the issue price of other securities that the Company may have issued since the issue of the Warrants and that are exchangeable, exercisable or convertible into shares in the Company.
As per 31 December 2008, the - legal - share capital of the Group was EUR 23,641k, represented by 14,386,379 normal shares without nominal value.

The EGM of 27 May 2005 resolved a renewal of the authority of the Board of Directors regarding the authorised capital with a maximum amount equal to the corporate capital of the Company for a period of five years. The authority of the Board of Directors also applies to the capital increase through the introduction in kind and cash, through conversion of reserves, or of exercised premiums and includes the authority to exercise convertible bonds, warrants and obligations with subscription rights.
The decision was also taken to renew the power of the Board of Directors, for a period of three years, to increase the capital of the Company in one or more stages, from the date of notification of the Commission for the Bank, Finance and Insurance bodies of a public takeover bid on the shares of the Company, through the introduction in cash with discontinuance or limitation of the priority rights of the existing shareholders or through the introduction in kind in accordance with the legal provisions in case.
The Board of Directors is authorised, within the framework of the allowable capital and in the interest of the Company and with the observance of the legal provisions in case, to limit or to raise the priority rights that are attributed by law to the shareholders. The Board of Directors is authorised to limit or to discontinue the priority rights to the advantage of one or more particular people, even if these people are not employees of the Company or her subsidiaries. Previous authorisations can also be applied for the tasks stated in Article 605 of the Companies Code.

The Board of Directors has the authority to alter the Company Articles of Association in accordance with the capital increase, determined within the framework of its authority.

Each share is entitled to one vote. Under Belgian legislation, the capital structure of the Company is included in the Articles of Association of the Company with the number of shares issued and permitted and can be amended by the shareholders insofar as specific majority of the votes is achieved.

(18) Provisions

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
On 01.01	10	25
Additions	-	-
Releases	(10)	(15)
On 31.12	**-**	**10**

The outstanding amount as per 31 December 2007, namely EUR 10k, concerned disputes with one supplier, which was settled in 2008.

(19) Financial debts due after one year

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Financing ING	150	210
Credit facility Dexia	-	21
Total	**150**	**231**

Keyware Transaction & Processing NV, a fully owned subsidiary of the Group, took out an investment credit in the amount of EUR 176k with Dexia Bank. This credit was guaranteed by a registration of mortgage on the land and accompanying building for an amount of EUR 109k. The outstanding debt as per 31 December 2007 was EUR 42k, of which EUR 21k was included in the financial liabilities due within one year. Pursuant to the sale of the building, this amount was fully repaid during the course of September 2008.

Within the framework of the sale of shares in B.R.V. Transactions NV, ING provided an investment loan amounting to EUR 300k to Keyware Transaction & Processing NV. This loan is repayable based on 20 trimester payments of EUR 15k. The applicable interest base is EURIBOR 3 month increased by 2%. This loan is guaranteed by:

- a solidary guarantee by Keyware Technologies NV of EUR 300k in capital;
- submitting all B.R.V. Transactions NV shares.

The future redemption obligations as per 31 December 2008 with regard to long-term and short-term financial liabilities are as follows:

Amounts in EUR k	Per 31 December 2008
2009	60
2009	60
2010	60
2011 and later	30
Total	**210**

(20) Leasing debts due after one year

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Sale & Lease back Parfip	1,789	355
Fin. leasing cars	51	33
Total	**1,840**	**388**

On 24 March 2005, the Group entered into a financing agreement - financing of rental agreements - with Parfip Benelux NV. In concrete terms, this is a form of sale and lease-back financing for the payment terminals. This financing agreement consists of the following subcontracts:

- financing 1 in the amount of EUR 230k with a duration of 42 months and a monthly instalment of EUR 6k. the applicable interest base is 10%;
- financing 2 in the amount of EUR 230k with a duration of 42 months and a monthly instalment of EUR 6k. the applicable interest base is 10%;
- financing 3 in the amount of EUR 231k with a duration of 42 months and a monthly instalment of EUR 6k. The applicable interest base is 10%;
- financing 4 in the amount of EUR 230k with a duration of 42 months and a monthly instalment of EUR 6k. The applicable interest base is 10%.

All these subcontracts commenced on 1 April 2005 and were fully repaid in September 2008.

On 25 April 2005, the Group entered into two additional subcontracts with the same party:

- financing 5 in the amount of EUR 216k with a duration of 47 months and a monthly instalment of EUR 5k. the applicable interest base is 10%;
- financing 6 in the amount of EUR 222k with a duration of 47 months and a monthly instalment of EUR 6k. The applicable interest base is 10%.

All these subcontracts commenced on 1 May 2005 and a limited amount was still outstanding at the end of 2008.

Finally, on 1 July 2005, the Group entered into the last subcontract with the same party in the amount of EUR 241k with a duration of 47 months and a monthly instalment of EUR 6k. The applicable interest base is 10%.
The total sale & lease back operation carried out in 2005 amounts to EUR 1,600k.

On 1 October 2007, the Group entered into a financing agreement - financing of rental agreements - with Parfip Benelux NV. This concerns financing for an amount of EUR 397k for a duration of 48 months and a monthly repayment of EUR 10k. The applicable interest base is 11.47%.

Between June and December 2008, the Group concluded 7 financing agreements - rent agreement financing - with Parfip Benelux NV for a total amount of EUR 2,029k. These may be summarised as follows:

date	amount	duration	interest	repayment/month
28/05/2008	EUR 151k	50 months	11.48%	EUR 3k
30/06/2008	EUR 260k	53 months	11.91%	EUR 6k
01/08/2008	EUR 281k	60 months	11.91%	EUR 6k
01/09/2008	EUR 298k	57 months	13.00%	EUR 7k
06/10/2008	EUR 372k	60 months	13.48%	EUR 8k
30/10/2008	EUR 384k	60 months	13.48%	EUR 9k
01/12/2008	EUR 283k	60 months	13.48%	EUR 6k

As per 31 December 2008, the total outstanding debt amounts to EUR 2,288k, of which EUR 499k has been processed as a long-term debt and EUR 1,789k as a short-term debt.
As per 31 December 2007, the total outstanding debt amounted to EUR 856k, of which EUR 355k has been processed as a long-term debt and EUR 501k as a short-term debt.

In addition, the Group has entered into various financial leases for, among other things, cars. The total outstanding debt per 31 December 2008 amounts to EUR 74k, of which EUR 51k has been processed as a long-term debt and EUR 23k as a short-term debt.

The future redemption obligations as per 31 December 2008 with regard to long-term leasing liabilities are as follows:

Amounts in EUR k	Per 31 December 2008
2009	522
2010	516
2011	548
2012 and later	777
Total	**2,362**

(21) Trade debts due after one year

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Financing Parfip Benelux	1.119	3.075
Total	**1,119**	**3,075**

The Group has entered into a financing agreement with Parfip Benelux NV, whereby the Group has the possibility of ceding the contracts with regard to the rent of payment terminals to Parfip Benelux NV. Within the framework of this agreement, the contracts for the rental of the payment terminals can be sold to Parfip Benelux NV at an actualised value on the assumption of a 10% interest rate. In other words, Keyware receives at the start of the contract the integral discounted amount of the rent instalments and Parfip Benelux NV for the entire duration of the contract (with regard to leasing the payment terminal) will collect the rent. At the end of the contract, the material will once again become the property of Keyware on payment of a small residual value.

In accordance with this contract, the final debtor risk is however at the charge of the Group. In concrete terms, this means that if a debtor becomes insolvent, Parfip Benelux NV reserves the right to re-invoice this contract to the Group. In that case, Keyware will on the one hand have to repay the outstanding capital with regard to the discounted amount received in advance to Parfip Benelux NV, but on the other hand, Keyware will still be able to invoice the remaining duration of the contract to the customer. As a result, the Group has a potential debt on the one hand and a potential receivable on the other.

At the end of December 2008 the Group had a potential receivable corresponding to the total sum of outstanding capital for contracts sold in 2005, 2006, 2007 and 2008. This concerns a total amount of EUR 2,368k, of which EUR 1,119k related to long term and EUR 1,249k to short term.

(22) Financial debts due within one year

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Credit facility Dexia	-	21
ING	60	60
KBC	-	404
Dexia	-	77
Total	**60**	**562**

As of 3 March 2006, KBC Bank granted an operating credit to the Group in the amount of EUR 100k. The borrowers consisted of Keyware Technologies NV, Keyware Smart Card Div NV, and Keyware Transaction & Processing NV. The credit was granted for an undefined term. The applicable interest rate is the EONIA plus a margin of 3%.

The Group pledged the following guarantees in connection with this credit:

- a second-rank mortgage with a principal of EUR 100k on the apartment located at Victor Hugostraat, 94, 1030 Schaarbeek, and belonging to Keyware Transaction & Processing NV;
- a floating charge on the part of Keyware Transaction & Processing NV on the contract dated 11 July 2003 with Cetelem Services Geie, Anspachlaan 1, 1000 Brussels.

On 4 September 2006, this amount was increased to EUR 145k, still subject to the same conditions.

Effective 1 December 2006, KBC Bank granted a supplementary provisional cash credit to the Group in the amount of EUR 302k. This credit originally ran until 28 February 2007, after which this period was extended to the end of October 2007, and once again extended to 30 June 2008. The conditions described above (interest rate and guarantees) are also applicable to this credit. During the course of September 2008, this operating credit and the cash credit was repaid in full.

The credit facility with Dexia concerned investment credits with a total credit facility of EUR 2,975k. Interest was owed per quarter and was set on the basis of the BIBOR plus 1.5% per quarter. The interest was due monthly at 1% of the non-requested part of the credit facility. The credit facility contained certain requirements relating to solvability ratios and cash flow ratios. As per 31 December 2001, the Group did meet the preset requirements relating to cash flow which resulted in negotiations with Artesia for a debt rearrangement. Following this, all the outstanding debts concerning Artesia were presented as short-term debts.
The investment credit was guaranteed by a pledge on the Group's trading fund EUR 992k to be increased by interest and commissions.
This credit was guaranteed for 75% of the capital and the interest to be paid by the Flemish Government.
During the course of 2005, the negotiations were rounded off with Dexia about redemption of the outstanding credits, namely EUR 231k as per 30 June 2005. Within this framework, a repayment scheme was obtained of 36 months, whereby during the first year EUR 57k is repaid and then EUR 87k per year.
At the end of December 2007, an amount of EUR 77k was still outstanding on the short term, an amount that was paid off in full in 2008.

For the notes regarding the other financial debts, please refer to the financial debts due after one year.

(23) Leasing debts due within one year

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Sale & Lease back Parfip	499	501
Fin. leasing cars	23	20
Fin. leasing office equipment	-	1
Total	**522**	**522**

For the notes, please refer to (20) Leasing debts due after one year.

(24) Shareholder advances

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Parana Management BVBA	19	19
Total	**19**	**19**

(25) Trade payables

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Trade payables	2,838	4,488
Total	**2,838**	**4,488**

Within the item trade payables, the subdivision presented below gives a clearer view of the outstanding liabilities.

Amounts in EUR k	Number	31.12.2008	Number	31.12.2007
Pending disputes	8	158	12	281
Repayment plans	2	235	15	928
Unclaimed amounts	1	110	1	110
Internal consultants	8	221	8	1,161
Supplier and client at the same time	3	101	5	274
Invoices to be received	-	199	-	282
Deferred liability Parfip	-	1,249	-	969
Current suppliers	-	565	-	483
Total		**2,838**		**4,488**

The trade payables contain for an amount of EUR 876k overdue suppliers. This may be suppliers with repayment plans, suppliers with whom a dispute is pending, a supplier who is currently unable to claim his debts, internal consultants or suppliers who are also clients.

At the end of December 2008, there were 2 repayment schemes with a total outstanding debt of EUR 235k. As per 31 March 2009, EUR 65k of this has already been repaid.

At the end of December 2008, the Group had 8 pending disputes with regard to supplier liabilities for a total amount of EUR 158k.

The unclaimed amounts concerns one supplier for an amount of EUR 110k. This amount relates to a performance that is yet to be carried out by the supplier.

The internal consultants are 8 suppliers, being independent suppliers of performances for the Group, such as, among others, - the CEO, CFO, COO, marketing director and software developers.

As stated under (11) Trade liabilities of over one year, the Group had, as per 31 December 2008, a latent liability and debt in accordance with the total amount relating to outstanding capital for contracts sold to Parfip NV in 2005, 2006, 2007 and 2008. This concerns a total amount of EUR 2,368k, of which EUR 1,119k related to long term and EUR 1,249k to short term.

(26) Social and fiscal liabilities

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Withholding tax to be paid	38	139
Social security to be paid	63	194
Salaries to be paid	14	25
Outstanding VAT	194	194
Corporate income tax	-	50
Provision holiday pay	125	99
Total	**434**	**701**

At the end of December 2008, the relationship between overdue and non-overdue liabilities is as follows:

Amounts in EUR k	Non-overdue	Overdue	Total
Outstanding VAT	48	146	194
Withholding tax	38	-	38
Social security contributions	63	-	63
Salaries to be paid	14	-	14
Provision holiday pay	125	-	125
Total	**288**	**146**	**434**

At the end of December 2007, the relationship between overdue and non-overdue liabilities is as follows:

Amounts in EUR k	Non-overdue	Overdue	Total
Outstanding VAT	77	117	194
Withholding tax	33	106	139
Social security contributions	90	104	194
Corporate income tax	43	7	50
Salaries to be paid	25	-	25
Provision holiday pay	99	-	99
Total	**367**	**334**	**701**

Per 31 December 2008, the outstanding VAT debt amounted to EUR 194k, of which EUR 146k was overdue. This amount was paid in full as at 22 January 2009. As of 31 December 2007, the outstanding VAT liability amounted to EUR 194k, of which EUR 117k was overdue.

Based on a tax audit carried out during 2006, the Group had to repay VAT in the amount of EUR 423k (including interest and fines). The VAT to be repaid related almost entirely to the parent company, Keyware Technologies NV. During the audit, it was found that according to Article 45, Section 1 of the VAT Code and Article 1, Section 2 of Royal Decree No. 3 dated 10 December 1969,

during the 2003 and 2004 financial years, the Company improperly deducted VAT with respect to goods and services destined for purposes falling outside the scope of the VAT.
In connection with repayment of this VAT, the Group has agreed on a repayment plan with the VAT administration. The outstanding amount at the end of December 2006 was EUR 246k. At the end of December 2007, there was still EUR 53k overdue, seeing that this repayment plan ran until the end of June 2007. This amount was repaid in full in 2008.

As per 31 December 2008, the outstanding liability with the NOSS amounted to EUR 63k and the Group no longer has any debts in arrears with the NOSS. On 31 December 2007, the outstanding balance was EUR 194k, of which EUR 104k was overdue.
As of 30 January 2008, Keyware Smart Card Div NV had received a summons relating to its outstanding debt, for the third quarter of 2007, in respect of its social security contributions. This case was brought before the court on 15 February 2008 and a payment plan of a period of 6 months was given by the court. The first instalment was paid at the beginning of April 2008. The amount was paid in full during the course of 2008.
As of 15 April 2008, Keyware Smart Card Div NV had received a summons relating to its outstanding debt, for the fourth quarter of 2007, in respect of its social security contributions. This case was brought before the court on 09 May 2008 and a payment plan of a period of 6 months was given by the court. The first instalment was paid at the beginning of June 2008. The amount was paid in full during the course of 2008.
On 25 July 2008, Keyware Smart Card Div NV received a summons from the NOSS relating to its outstanding liability for the 1st quarter of 2008. This case was brought before the Court on 26 September 2008. The balance of the outstanding debt amounted to EUR 29k and was repaid in full before session date.

As per 31 December 2008, the group had an outstanding liability for withholding taxes in the amount of EUR 38k, of which nothing was overdue. At the end of December 2007, the outstanding balance with regard to withholding taxes was only EUR 139k, of which 106 was overdue. This debt was paid in full during the course of 2008.

(27) Other payables

This item is entirely related to settlement of the sale price with regard to the sale of the Security division to Risco Ltd. In accordance with the sales agreement, the amount of the sales income would have been established on 30 September 2006, with the current assets minus the short-term liabilities as at 31 May 2006 as the point of departure. As a result of the continued discussions between the parties concerning a number of elements included in the calculation of the definitive sales price, an agreement concerning the definitive sales price, which amounted to EUR 383k, was not reached by the parties until July 2008. The Group received the additional EUR 22k from the purchaser at the beginning of August 2008.
Within the context of the definitive settlement, a deferred liability in the amount of EUR 162k had been provided, an amount that was released in full as per 31 December 2008.
The outstanding amount as per 31 December 2008 relates to 2 debts that will be disputed by the Company.

(28) Accruals

This item relates to rental and interest expenses to be accrued.

(29) Business segment information

The Group distinguished between results relating to the activities resulting from payment terminals and results relating to the activities from credit card authorisations.

Consolidated profit and loss account per 31.12.2008 Amounts in EUR k	Terminals	Authorisations	Corporate	31.12.2008
Turnover	4,371	217	-	4,588
Other operating income	77	50	24	151
Operating income	*4,448*	*267*	*24*	*4,739*
Goods for resale and raw materials	(769)	-	-	(769)
Services and other goods	(1,877)	(278)	(237)	(2,392)
Payroll expenses	(1,240)	(132)	(128)	(1,500)
Depreciation		(147)	(149)	(296)
Provisions and amortisation	(338)	-	-	(338)
Other operating expenses	(60)	(11)	(102)	(173)
Operating expenses before extraordinary provisions & expenses	*(4,284)*	*(318)*	*(866)*	*(5,468)*
Operating result before extraordinary expenses & revenues	***164***	***(301)***	***(592)***	***(729)***
Extraordinary provisions/costs	-	250	(41)	209
Impairment	-	-	(100)	(100)
Profit from discontinued operations	-	-	22	22
Operating result after extraordinary expenses & revenues	**164**	**(51)**	**(711)**	**(598)**
Financial expenses	(369)	(24)	(128)	(521)
Financial income	417	3	28	448
Result before taxation	**212**	**(72)**	**(811)**	**(671)**
Deferred taxes	(201)		-	(201)
Current taxes	-	(7)	-	(7)
Result after taxation	**11**	**(79)**	**(811)**	**(879)**

Segment data per 31.12.2008 Amounts in EUR k	Terminals	Authorisations	Corporate	31.12.2008
Fixed assets	11,600	375	709	12,684
Goodwill	*5,248*	*-*	*-*	*5,248*
Intangible, tangible and financial assets	*6*	*375*	*627*	*1,008*
Deferred tax assets	*1,622*	*-*	*-*	*1,622*
Long-term trade and other receivables	*4,724*	*-*	*82*	*4,806*
Current assets	2,814	144	211	3,169
Segment assets	**14,414**	**519**	**920**	**15,853**

Segment data per 31.12.2008 Amounts in EUR k	Terminals	Authorisations	Corporate	31.12.2008
Net equity	(22,743)	(2,498)	33,802	8,561
Liabilities due after more than one year	2,909	150	50	3,109
of which leasing debts	*1,790*	*-*	*50*	*1,840*
of which trade payables	*1,119*	*-*	*-*	*1,119*
Liabilities due within one year	2,718	327	1,138	4,183
of which trade payables	*1,810*	*173*	*855*	*2,838*
of which social and fiscal debts	*384*	*29*	*21*	*434*
Segment liabilities	**(17,116)**	**(2,021)**	**34,990**	**15,853**

The split for the 2007 financial year was as follows:

Consolidated profit and loss account per 31.12.2007 Amounts in EUR k	Terminals	Authorisations	Corporate	31.12.2007
Turnover	3,025	807	-	3,832
Other operating income	61	8	116	185
Operating income	*3,086*	*815*	*116*	*4,017*
Goods for resale and raw materials	(1,014)	-	-	(1,014)
Services and other goods	(2,099)	(638)	(516)	(3,253)
Personnel expenses	(797)	*(170)*	*(96)*	(1,063)
Depreciation	(3)	(362)	(44)	(409)
Provisions and amortisation	(461)	-	-	(461)
Other operating expenses	(65)	(10)	(76)	(151)
Operating expenses before extra. provisions & expenses	*(4,439)*	*(1,180)*	*(732)*	*(6,351)*
Operating result before extraordinary expenses & revenues	***(1,353)***	***(365)***	***(616)***	***(2,334)***
Extraordinary provisions/costs	-	(250)	(151)	(401)
Impairment	(3,192)	(1,593)	-	(4,785)
Profit from discontinued operations	-	-	221	221
Operating result after extraordinary expenses & revenues	**(4,545)**	**(2,208)**	**(546)**	**(7,299)**
Financial expenses	(591)	(38)	(41)	(670)
Financial income	524	2	1	527
Result before taxation	**(4,612)**	**(2,244)**	**(586)**	**(7,442)**
Deferred taxes	(306)	82	-	(224)
Current taxes	-	(5)	-	(5)
Result after taxation	**(4,918)**	**(2,167)**	**(586)**	**(7,671)**

Segment data per 31.12.2007 Amounts in EUR k	Terminals	Authorisations	Corporate	31.12.2007
Fixed assets	12,147	560	844	13,551
Goodwill	*5,248*		-	*5,248*
Intangible, tangible and financial assets	*7*	*560*	*672*	*1,239*
Deferred tax assets	*1,823*	-	-	*1,823*
Long-term trade and other receivables	*5,069*	-	*172*	*5,241*
Current assets	2,030	161	153	2,344
Segment assets	**14,177**	**721**	**997**	**15,895**

Segment data per 31.12.2007 Amounts in EUR k	Terminals	Authorisations	Corporate	31.12.2007
Net equity	(22,754)	(2,419)	30,714	5,541
Deferred taxes and provisions	10	-	-	10
Liabilities due after more than one year	3,430	231	33	3,694
of which leasing debts	*355*	-	*33*	*388*
of which trade payables	*3,075*	-	-	*3,075*
Liabilities due within one year	3,557	722	2,371	6,650
of which trade payables	*2,247*	415	*1,826*	*4,488*
of which social and fiscal debts	*405*	*159*	*137*	*701*
Segment liabilities	**(15,757)**	**(1,466)**	**33,118**	**15,895**

(30) Geographic segment information

The geographic allocation of the turnover can be represented as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Belgium	4,588	3,832
Other	-	-
Total	**4,588**	**3,832**

In 2007 and 2008, the Group realised its full turnover in Belgium.

(31) Other operating income

At the end of 2008, the other operating income contained an amount of EUR 69k to write off amounts that were no longer owed (including settlement with suppliers).

At the end of December 2007, the other operating income amounted to EUR 82k for invoicing. This relates mainly to invoicing for rental expense for the property at Paepsemlaan 18g in Anderlecht. The rental contract ended on 1 October 2007. For the period of September 2006 to 1 October 2007, this property was sub-let to Risco Ltd.

(32) Services and other goods

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Accommodation	158	269
Car expenses	233	230
Material expenses	27	123
Communication	158	219
Fees	1,210	1,444
Stock market listing	31	51
Representation and delegation	34	61
Sales and marketing	347	659
Administration	131	163
Other	63	34
Total	**2,392**	**3,253**

There was a decrease of 26.47% in the services and various goods in respect of the 2008 financial year, which can be explained, among others, by the decrease in marketing expenses and a decrease in fees.
The fees contain, in addition to the remuneration of the management (CEO, CFO en COO) also fees paid to lawyers, auditors and other consultants.

(33) Payroll expenses and personnel remunerations

The personnel expenses can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Employees (management not included)	34	39
Management	-	-

Amounts in EUR k	31.12.2008	31.12.2007
Salaries	1,118	853
Social security contributions	307	233
Group insurance	9	22
Misc. benefits (meal vouchers, etc)	49	75
Warrants	-	(132)
Other	17	12
Total	**1,500**	**1,063**

The payroll expenses in respect of the 2008 financial year increased by 41.11% compared with the same period of 2007. This increase is a consequence of both increased salary costs and the number of staff members.

(34) Depreciation

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Depreciation of intangible fixed assets	190	324
Depreciation of tangible fixed assets	106	85
Total	**296**	**409**

(35) Provisions and amortisation

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Provisions	(10)	(15)
Amortisation of inventories	22	57
Amortisation of trade receivables	326	419
Total	**338**	**461**

(36) Extraordinary expenses

This item can be broken down as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Extraordinary expenses	-	401
Release of extraordinary provisions/costs	(209)	-
Impairment	100	4.785
Profit from discontinued operations	(22)	(221)
Total	**(131)**	**4,965**

For further details on the extraordinary expenses, please see "Management discussion of the financial situation and the results of the operations, (3) (c) Extraordinary operational expenses".

(37) Financial income and expenses

The financial income can be represented as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Financial income from payment terminal contracts	435	520
Other	13	7
Total	**448**	**527**

The financial expenses can be represented as follows:

Amounts in EUR k	31.12.2008	31.12.2007
Interest shareholder advances	60	3
Interest convertible bond loan	8	-
Interest financial debts	54	43
Interest Parfip	337	561
Interest leasing	11	11
Interest late payments	40	43
Other	11	9
Total	**521**	**670**

(38) Income taxes

Amounts in EUR k	31.12.2008	31.12.2007
Result before taxation	(671)	(7,442)
Tax at normal rate	(228)	(2,530)
Non-capitalised deferred tax assets in respect of tax carry forwards previous period	300	2,525
Amortisation of deferred tax assets	-	(490)
Tax corrections previous periods	7	-
Permanent differences and other	129	266
Total	**(208)**	**(229)**

(39) Remuneration in the form of shareholder capital instruments

(a) Overview

An overview can be given for the past two years:

Summary	31.12.2008 Warrants	31.12.2008 Exercise price	31.12.2007 Warrants	31.12.2007 Exercise price
Outstanding at begin of period	891,525	12.00	50,395,000	0.24
Granted	1,925,000	1.25	7,000,000	0.16
Exercised	-	-	300,000	0.13
Exercised 2	-	-	11,218,750	0.16
Expired	277,625	8.00	1,300,000	0.25
Outstanding and exercisable at end of period	**2,538,900**	**1.41**	**44,576,250**	**0.24**
After share regrouping			891,525	

As stated in (17) "Capital structure", the Extraordinary Shareholders' Meeting of 27 September 2007 opted for a combination of existing shares (reverse split) of the company, in which 50 shares give the right to 1 new share in the company. As well as this, authority was given to the Board of Directors to implement this reverse split. Following the decision by the Board of Directors on 6 November 2007, the reverse split was executed on 3 December 2007.
This also influenced the outstanding and exercisable warrants.

The outstanding and exercisable warrants as per 31 December 2008 can be shown as follows:

Summary	31.12.2008 Warrants	Exercise price	31.12.2007 Warrants	Exercise price
2005 Warrants	41,900	6.50	41,900	6.50
A Warrants - convertible bond	-	-	255,625	8.00
B Warrants - convertible bond	480,000	0.348	480,000	8.00
2007 Warrants	92,000	8.00	114,000	8.00
2008 Warrants - convertible bond	1,925,000	1.25		
Outstanding and exercisable at end of period	**2,538,900**	**1.41**	**891,525**	**7.93**

(b) 2005 Warrants

The Extraordinary Shareholders' Meeting of 27 May 2005 resolved to issue 7,000,000 "2005 warrants" and issue 750,000 "DAC warrants".
The issued warrants entitle the holder to subscribe to the same number of shares. The exercise price of these warrants is EUR 0.13, and it was determined on the basis of the average closing price on Euronext Brussels during the thirty days prior to the day on which the issue began.
The validity period of these warrants is 5 years.

The warrants were valued in accordance with the Black-Scholes method, based on an exercise price of EUR 6.5 (being EUR 0.13 * 50), an underlying share price on the award date of EUR 0.40, a volatility of 35%, an estimated exercise period of 5 years, no anticipated dividend, and a risk-free interest rate of 6.25%. With this as basis, a value that was lower than EUR 100 was achieved.

As per 31 December 2007, 41,900 "2005 Warrants" could still be exercised. As per 31 December 2008, 41,900 (2,095,000/50) "2005 Warrants" are still to be exercised at a share price of EUR 6.50 (being 0.16 x 50).

(c) A and B Warrants

On 19 July 2006, an Extraordinary General Meeting decided to issue (i) convertible bonds up to a maximum amount of EUR 8,000,000, (ii) a maximum of 32,000,000 A warrants conveying a right to subscribe to an equal number of shares of the Company, and (iii) 32,000,000 B warrants, also conveying a right to subscribe to the same number of shares of the Company.
The subscription to the convertible bonds and warrants was recorded by means of a notarial deed dated 14 September 2006, following which the bonds and shares were effectively issued.
Based on this, 24,000,000 A warrants and 24,000,000 B warrants were issued.

At any time during the exercise period, the warrant holders can request the Board of Directors to issue shares, at the exercise price, as a result of exercising the warrants.
Each exercise of warrants must involve at least 600,000 warrants.
Each warrant shall entitle the holder to subscribe to one share of the Company bearing no par value, with the rights as described in the Articles of Association.

The warrants can be exercised at any time during a period of (i) in the case of the A warrants, from the time of issue to the earlier of (a) redemption on the date of maturity or (b) the date of advanced redemption of the bonds (with the exception of advanced redemption due to a shortcoming of the Company), or (ii) in the case of the B warrants, three years from their date of issue. The warrants that are not issued before the end of the exercise period shall automatically become void.

The subscription price per share upon exercising the Warrants shall be the lesser amount of (i) EUR 0.25 or (ii) the issue price of other securities that the Company may have issued since the issue of the Warrants and that are exchangeable, exercisable or convertible into shares in the Company.
In practical terms, this means that as a result of the issue of the convertible bond loan in 2008, the exercise prices of the "A and B Warrants" are identical to the conversion price of the share issued in 2008, which is EUR 0.348.

The warrants were valued in accordance with the Black-Scholes method, based on an exercise price of EUR 0.348, an underlying share price on the award date of EUR 0.40, a volatility of 35%, an estimated exercise period of 4 years, no anticipated dividend, and a risk-free interest rate of 6.25%. With this as basis, a value that was lower than EUR 81k was achieved.

On 18 July 2007, 2,000,000 "A Warrants" were exercised. On 22 August 2007, a further 6,250,000 "A Warrants" were exercised and on 17 September 2007 a further 2,968,750 "A Warrants" were finally exercised.
As per 31 December 2007, there were still 255,625 (12,781,250/50) "A Warrants" and 480,000 (24,000,000/50) "B Warrants" open.

Given that the "A Warrants" have a maximum duration of only eighteen (18) months, as per 31 March 2008 the remaining, non-exercisable "A Warrants" were expired. As per 31 December 2008, there are only 480,000 (24,000,000/50) "B Warrants" still open.

(d) 2007 Warrants

At the Extraordinary Shareholders' Meeting on 24 April 2007, the decision was taken to issue the "2007 Warrants Plan" and to create 7,000,000 warrants. Of the 7,000,000 warrants, 1,100,000 were reserved for employees. These warrants were offered within a period of 3 months from the date of the Extraordinary Shareholders' Meeting, attributing and definitive exercise thereof (via notary deed.) 5,900,000 warrants were attributed to specific people (directors, consultants and managers).

The warrants issued give the right to subscribe to a same amount of shares. The conversion price of these warrants is EUR 8 (EUR 0.16 x 50) and was established based on the average of the closing price on Euronext Brussels during the thirty days before the day on which the exercise commenced. The validity period of these warrants is 5 years.

The warrants were valued according to the Black-Scholes method, which assumed a share price of EUR 8.00 (being EUR 0.16*50) a price of the underlying share of EUR 0.40, a volatility of 35%, an estimated exercise period of 5 years, no expected dividend and a risk-free interest base of 6.25%. With this as basis, a value that was lower than EUR 100 was achieved.

Of the 1,100,000 Warrants attributed to staff, 900,000 Warrants were not subscribed. At the end of 2007, the 150,000 on which was subscribed were expired.
In addition, as per 31 December 2007, 200,000 Warrants of the 2007 Warrants attributed to specific people were expired.
As per 31 December 2007, 114,000 (5,700,000/50) "2007 Warrants" are still to be exercised at a share price of EUR 8.00 (being 0.16 x 50).

During the course of 2008, another 22,000 “2007 Warrants” attributed to specific people were expired.
As per 31 December 2008, 92,000 (5,700,000/50) “2007 Warrants” are still to be exercised at a share price of EUR 8.00 (being 0.16 x 50).

(e) 2008 Warrants

An Extraordinary Shareholders’ meeting held on 18 August 2008 approved the issuing of a convertible bond loan for an amount between EUR 4 and 6 million. The subscription to the convertible bonds in the amount of EUR 3,850k and 1,925,000 warrants was recorded by means of a notarial deed on 18 September 2008.

As a result of subscribing to the convertible bond, each subscriber to a Bond of EUR 50,000 also received 25,000 Warrants. These Warrants may be exercised at any time during a period of four (4) years as of their issue date. The subscription price per share upon exercising the Warrants shall be the lesser amount of (i) EUR 1.25 or (ii) the issue price of other securities that the Company may have issued since the issue of the Warrants and that are exchangeable, exercisable or convertible into shares in the Company.
Each warrant shall entitle the holder to subscribe to one share of the Company bearing no par value, with the rights as described in the articles of association.

The warrants were valued in accordance with the Black-Scholes method, based on an exercise price of EUR 1.25, an underlying share price on the award date of EUR 0.40, a volatility of 35%, an estimated exercise period of 4 years, no anticipated dividend, and a risk-free interest rate of 6.25%. With this as basis, a value that was lower than EUR 38k was achieved.

As per 31 December 2008, 1,925,000 “2008 Warrants” are still to be exercised at a share price of EUR 1.25.

(40) Leases

The subsidiary Keyware Smart Card Div. NV is active as lessor in leasing payment terminals. In this connection, lease contracts are entered into with clients for a term of 48 months.

The lease price of a contract is divided into net rent and maintenance. The actual value of the net rent for the full term of the contract, namely 48 months, is then calculated. This entire amount of the actual value is recorded as turnover in the month in which the contract starts. The revenue related to maintenance is incorporated in turnover spread over the duration of the contract. Financial income equal to the difference between the total value of the contract and the actualised value is recorded each month.
The assets corresponding to the financial lease are included in the balance sheet and presented as a receivable for an amount equal to the net investment in the lease

Financial leases - in EUR k	31.12.2008	31.12.2007
Gross investment	7,419	6,587
- no longer than one year	1,904	1,085
- between one and five years	5,515	5,502
- longer than 5 years	-	-
Net investment	6,101	5,779
- no longer than one year	1,377	710
- between one and five years	4,724	5,069
- longer than 5 years	-	-
Unearned financing income	1,318	808
Residual values	-	-
Dep. for non-collectable receivables	284	274
Lease payments processed as income in 2007	-	2,338
Lease payments processed as income in 2008	**2,987**	**-**

(41) Impairment of assets

In accordance with IFRS 3 - Business combinations, goodwill that occurs in the consolidation must be tested for impairment every year. It may be necessary to do this more frequently if there are indications that the goodwill might be impaired in accordance with IAS 36 - Impairment of assets. This standard furthermore requires that beginning with the acquisition date, goodwill is attributed to the cash generating units that are assumed to benefit from the synergies of the business combinations. The flow generating units to which the goodwill is attributed were tested for impairment on the balance sheet date by comparing the carrying value of the unit with the recoverable value.

The Group uses cash flow estimates for the individual cash generating units as stated in (29) Business segment information. The primary parameters included in the calculation are the discount factor, the anticipated future operational cash flows, and the anticipated growth. The discount rate applied to the expected cash flows is the weighted average cost of capital (WACC), which is 11.63% as per 31 December 2008 and 10.84% as per 31 December 2007.

On the basis of the impairment tests performed at the end of December 2006, the Board of Directors was of the opinion that no impairment needed to be recorded.

Based on the impairment test carried out on 31 December 2007, the Board of Directors decided to record an impairment to the value of EUR 3,950k, being firstly an amount of EUR 2,357k relating to the cash generating unit payment terminals, and also an amount of EUR 1,593k relating to the cash generating unit credit card authorisations.

(42) Profit per share

The basic profit/(loss) per share is calculated by dividing the net result attributable to the Group by the weighted average number of ordinary shares during the year.

The profit/(loss) per diluted share is calculated by dividing the net result attributable to the Group by the weighted average number of ordinary shares during the year, with both figures corrected for any effect of dilution of potential ordinary shares.

Amounts in EUR k	31.12.2008	31.12.2007
Basic profit/(loss) per share	(0.1431)	(2.3972)
Diluted profit/(loss) per share (2)	(0.1431)	(2.3972)
Weighted average outstanding shares	6,142,011	3,199,920
Weighted average outstanding shares, diluted	7,246,390	4,043,312

(43) Related Party transactions

(a) Management and consultancy agreements with directors

The Group has entered into a management agreement with Big Friend NV, the management company of Stéphane Vandervelde. Pursuant to the agreement with Big Friend NV, a total remuneration (excluding VAT) of EUR 282k and EUR 225k was allocated for 2007 and 2008. A variable remuneration in the amount of EUR 60k and EUR 62k was allocated in 2007 and 2008.

The agreements include conditions regarding the form of services, non-competition, confidentiality, and transfer of intellectual property rights to the Group. The agreements were entered into for an unlimited term and can be terminated by either party. In case of termination by the Group, a period of notice of 18 months must be observed for Big Friend NV. In case of termination by Big Friend NV, a period of notice of 6 months must be observed. No additional remuneration is payable to Big Friend NV, other than reimbursement of proven expenses in the context of execution of the management services. These expenses amounted to EUR 16k and EUR 6k in 2008 and in 2007.

During the period 2008, EUR 19k was invoiced for expenses incurred by the management company of Parana Management BVBA, represented by Mr Guido Van der Schueren.

During the 2007 financial year, a fixed fee of EUR 24k was invoiced by the management company, 3C Consulting BVBA, represented by Mr Bruno Kusters, for the supply of assistance in the streamlining of company processes and the implementation of an ERP package.

Except from the fee awarded to Big Friend NV, 3C Consulting BVBA and Parana Management BVBA, no fees were paid to the directors during the 2007 and 2008 periods.

However, the following warrants were granted to the directors due to the decision of the ESM of 24 April 2007:

	Number before reverse split	Number after reverse split
Guido Van der Schueren	800,000 warrants	16,000 warrants
Pierre Delhaize	800,000 warrants	16,000 warrants
Stéphane Vandervelde	800,000 warrants	16,000 warrants
Luc Pintens	300,000 warrants	6,000 warrants
Bruno Kusters	500,000 warrants	10,000 warrants

(b) Investors

Issuance of Convertible Bonds

An Extraordinary Shareholders' meeting held on 18 August 2008 approved the issuing of a convertible bond loan for an amount between EUR 4 and 6 million.
The subscription to the convertible bonds in the amount of EUR 3,850k and 1,925,000 warrants was recorded by means of a notarial deed on 18 September 2008. The following directors have (directly or indirectly via their management companies) subscribed to the convertible bond loan:

- Parana Management BVBA, Bogaertstraat 32, 9830 Sint-Martens-Latem EUR 2,300k
- Federal Invest NV, Mussenburglei 116, 2650 Edegem EUR 550k
- Big Friend NV, Kustlaan 15, 8300 Knokke (1) EUR 500k

(1) Big Friend NV sold through 4 bonds to, respectively, Johan Hellinckx (EUR 100k), IQuess BVBA (EUR 50k) and Checkpoint X BVBA (EUR 50k).

All outstanding convertible bonds were converted into shares by notarial deed on 29 September 2008. The conversion price per share of the Bonds amounted to EUR 0.348 (60% of EUR 0.58).

As a result of subscribing to the convertible bond, each subscriber to a Bond of EUR 50,000 also received 25,000 Warrants. The following Warrants were allocated to the directors:

- Parana Management BVBA 1,150,000 Warrants
- Federal Invest NV 275,000 Warrants
- Big Friend NV 250,000 Warrants

Shareholder Advances

From the beginning of February to the beginning of September 2008, advances in the amount of EUR 1,750k were provided by a shareholder, namely Parana Management BVBA. These advances have allowed the Group to settle a number of overdue debts and have also made it possible to finance a number of investments. These advances were repaid on 18 September 2008 with cash income derived from the issue of the convertible bonds. An interest payment at the rate of 8% was paid on these advances.

No financial resources were placed at the disposal of the Group in 2007:

(c) Long-term and short-term liabilities to affiliated parties

Shareholder advances (in EUR k)	31.12.2008	31.12.2007
Parana Management BVBA	19	19
Total	**19**	**19**

(44) Commitments and contingent liabilities

Provisions for liabilities arising from claims, assessments, legal proceedings, fines and penalties, and other sources are booked if it is likely that the liability exists and the amount of the liability can be estimated reliably. The Group is involved in certain legal proceedings and claims in the context of normal company operations.

Management has assessed all these legal proceedings and has created provisions in the cases for which it felt that the liability existed and the amount of the liability could be estimated reliably. On the basis of this assessment, a provision of EUR 401k was established effective 31 December 2007. Given that the integral amount relates to the trade payables, this is processed accordingly as trade payables. These procedures were finalised as per 31 December 2008 and an amount of EUR 209k could be released.

Management furthermore judges that settlement of all other cases will not have a material impact on the financial position or operating results of the Group.

(45) Operational leases

Future liabilities with regard to operational leases can be represented as follows:

Operational leases (in EUR k)	1 years	2-5 years	> 5 year
Office space rental	85	297	149
Operational car leasing	52	140	-

Building rental
Effective 1 October 2004, the Group concluded a rental contract for premises located in the Paepsem Business Park in Anderlecht at Paepsemlaan 18G. This contract was cancelled on 13 July 2006. The period of notice was valid until 30 September 2007, inclusive. The premises were sublet to the divested division, Risco Belgium NV, for the duration of this period.

Effective 8 September 2006, the Group concluded a rental contract for premises located in the Ikaros Business Park in Zaventem at Ikaroslaan 24. The total basic rent is EUR 84.8k. This rent is indexed annually. The rental contract provides for a rent-free period of 12 months divided as follows:

- 6 months for the period from 14 September 2006 to 13 March 2007;
- 6 months for the period from 14 September 2010 to 13 March 2011.

This rental contract has been concluded for a period of 9 consecutive years, which started on 14 September 2007 and terminates *ipso jure* on 13 September 2015. Every party can, however, terminate this rental contract at the end of the 6th year, on the condition that a prior term of notice of 6 months is respected.

In addition, the Group has concluded a rental contract for premises located at Rue Laid Burniat 4 in Louvain-la-Neuve. The total basic rent is EUR 12k. This rent is indexed annually. This rental contract has been concluded for a period of 9 consecutive years, which started on 1 January 2005 and terminates *ipso jure* on 31 December 2013. Every party can, however, terminate this rental contract at the end of the 6th year, on the condition that a prior term of notice of 6 months is respected. This contract was terminated on 31 December 2007.

Car leasing
The Group had 13 contracts at the end of December 2008 relating to contracts for operational leasing. The duration of these contracts is 48 months. Besides leasing of the cars, all of these contracts include maintenance and repairs, insurance, and assistance.

Office equipment
During the course of 2006 and 2007, the Group entered into 3 contracts for operational leasing of one switchboard and various office equipment. The duration of these contracts is 60 months.

(46) Termination of company activities

During the 2007 financial year, the Group sold the Digital Access Control NV subsidiary. Further information concerning this can be found under (6) Business Acquisitions/ Divestments.

(47) Pledge on the trading fund

There is a pledge on the trading fund of Keyware Technologies NV in favour of Dexia and the Flanders Region in the amount of EUR 992k. As a result of the full repayment of Dexia, these premises no longer have an object and an application will be made to cancel this entry.

(48) Exchange rate and hedging

The Group did not engage in any hedging activities during the book years 2007 and 2008.

(49) Application of the use of financial instruments

In light of the economic environment in which the company is operating, no financial instruments were used by the company during the period.

(50) Important subsequent events

Apart from those mentioned below, there are no significant events after the balance sheet date that have an impact on the financial statements presented. Information regarding events which took place after the balance sheet date mentioned below has been taken into consideration until 31 March 2009.

- after 31 December 2008 an amount of EUR 146k was paid in respect of VAT in arrears;
- on 2 January 2009 the Group entered into a financing agreement - financing of rental agreement - with Parfip Benelux NV. This concerns financing for an amount of EUR 250k for a duration of 60 months and a monthly repayment of EUR 6k. the applicable interest base is 14.17%;
- finally, the Group received an advance payment in the amount of EUR 600k from Parana Management BVBA on 21 January 2009.

(51) Pending disputes

Kinepolis Group NV

Kinepolis Group NV brought a lawsuit against Keyware Smart Card Div. NV before the Commercial Court of Brussels by means of a writ dated 19 September 2001. The lawsuit is based on an alleged wrongful termination by the latter party of an agreement for development of advanced ticketing software for use in various cinema complexes of Kinepolis in Belgium and other countries, with a claim for damages in the amount of EUR 551k. In the context of this procedure, Keyware Smart Card Div. NV lodged a counterclaim with a request for fixed damages in the amount of EUR 500k from Kinepolis Group NV. In a judgement by the Commercial Court of Brussels dated 4 April 2003, the principal claim and the counterclaim were both rejected as unfounded.

Keyware Smart Card Div. NV pursued a "descriptive seizure in respect of imitation" procedure against Kinepolis Group NV in 2002, which resulted in an expert report.
By means of a writ dated 18 June 2002, Keyware Smart Card Div. NV brought a lawsuit against Kinepolis Group NV before the Court of First Instance in Brussels with the objective of obtaining compensation from the latter party in the amount of EUR 930k plus interest since 1 January 2002 on account of violation of intellectual property rights (with reference to the expert report). This procedure is pending before the court.

Citibank

Citibank sued Keyware in summary proceedings on 12 December 2007. In its judgment by default of 20 December 2007, the Court ruled that, *prima facie*, Keyware could be held liable for non-performance of the parties' agreement and sentenced it to either continue the exploitation site in Louvain-la-Neuve or to establish a new site, subject to a penalty of EUR 10,000 per delaying day, up until 31 March 2008. An appeal was lodged against this judgement of 20 December 2007 on 29 January 2008 and it was to be dealt with later in 2008. Citibank is also initiating proceedings on merit with an identical claim and this pending before the court. Meanwhile, Citibank served the default judgment upon Keyware, claiming EUR 100,664.64 for penalties forfeited. This claim for payment was appealed by Keyware before the competent Court for attachments, to be introduced on 1 February 2008.
At the end of March 2008, the parties agreed to settle this dispute out of court. The various pending court proceedings will be discontinued (removed from the docket) and the parties agree to terminate the case without any consideration being payable by either party. As per 31 March 2008, the settlement agreement remains yet to be signed.

CBFA (Banking, Finance and Insurance Commission of Belgium) Sanction Commission

Pursuant to the occurrences in October and November 2003, in which Keyware Technologies was declared bankrupt by the Commercial Court in Brussels and the Court of Appeal subsequently ruled that the conditions for a bankruptcy were not present, and therefore the bankruptcy was revoked; an examination was instituted by the auditor of the CBFA. At the end of 2008, the Sanction Commission of the CBFA decided not to pronounce any administrative sanction regarding Keyware Technologies NV and Mr Stéphane Vandervelde.

Having regard to:

- Articles 23, § 1, 4°, 34, 1°, and 70 to 72 of the law of 2 August 2002, regarding the supervision of the Financial sector and the Financial services;
- Articles 2, 6, §1° and 8, §§ 2 and 4, of the Royal Decree of 31 March 2003 concerning the Issuers of financial instruments admitted to trading on a regulated market;
- the decisions of the management of the CBFA of 13 and 20 October 2003, in conformance with Article 70, § 1 of the law, to instruct the Secretary-General, acting in his capacity as auditor, to examine, for good or bad, with the objective of checking the following during the period before its bankruptcy declaration in first instance on 2 October 2003:
    1° whether the company of Keyware Technologies NV did or did not contravene Article 6, § 1, 1° of the Royal Decree of 31 March 2003;
    2° whether or not Keyware contravened Article 34, 1° of the law by furnishing false information to the CBFA at the time;
    3° whether or not Keyware and/or Stéphane Vandervelde contravened Article 25, § 1, 4° of the law by distributing misleading information;
    4° whether or not Keyware contravened Articles 2 and 8, §§ 2 and 4 of the Royal Decree of 31 March 2003 pursuant to its semester communiqué of 11 August 2003.

After having taken cognizance of the auditor's report, which, in appendix to his letter of 7 March 2008, in accordance with Article 71, §2, first sub-paragraph of the law, was submitted to the sanction commission;

After having taken knowledge of the letters of 1 September and 8 October 2008 with the means of defence of Mr Vandervelde and Keyware Technologies NV and after having heard Mr Vandervelde and Keyware Technologies NV, assisted by their counsel, on their request and in accordance with Article 71, § 2, second sub-paragraph of the law;

the Sanction Commission of the CBFA decided not to pronounce any administrative sanction regarding Keyware Technologies NV and Mr Stéphane Vandervelde.

General

In addition to the above, there are currently a number of claims and legal proceedings pending against the Company and its subsidiaries, which in the opinion of the Company are of secondary importance and fall within the scope of normal company operations. According to the Board of Directors, it is unlikely that these individual claims or legal proceedings could have a material negative impact on the financial situation of the Company and its subsidiaries.

Suppliers

At the end of December 2008, the Group had 8 pending disputes with regard to supplier liabilities for a total amount of EUR 158k.

(52) Risk factors

In conformance with Article 96, 1° of the Companies Code as amended by the Act of 13 January 2006, the Company hereby provides information about the most important risks and uncertainties that could have a negative impact on the development, financial results or market position of the Group.

Products and markets

The Group operates in an environment that evolves extremely quickly with regard to technology. These evolutions relate to the changing needs of customers, the need for frequent development of new products, many of which have short lives, and changing industrial standards. The Group expects turnover growth to be largely depending on the degree to which it is able to respond to these new challenges. Not being able to react to this changed context in time can have negative consequences for the results of the company and its financial situation.

Customer dependence

The Company has more than 10,000 active customers. The most important customer now represents less than 1% of the turnover.

Supplier dependence

Due to the close cooperation with Thales and as a result of the certification, Keyware is to a large degree dependent on this supplier for the continuity of production of the payment terminals (the most important supplier represents 9.25% of the outstanding supplier balance).

Concentration of credit risk

The concentration of credit risks is limited due to the large number of users, which are spread over Belgium and to a certain extent over the Netherlands.
The Group does not have any activities in countries with a highly inflationary economy.

Legal proceedings

The company is involved in a number of legal proceedings that can be regarded as contingent liabilities in terms of the IFRS. For more information, see (18) "Provisions" and (52) "Pending disputes".

Financial position

It is clear that the Group will have to acquire additional financial resources in 2009. In this regard, we refer to what is mentioned under (4) "Going concern", and (51) "Important events after the balance-sheet date".

Going concern/continuity

See (4) "Going concern"/ continuity.

Environment

The Group does not have any special remarks with regard to environmental matters.

Personnel

The Group had 43 employees (personnel and consultants) on 31 December 2008.

Statutory Information

CONDENSED STATUTORY FINANCIAL STATEMENTS OF KEYWARE TECHNOLOGIES NV

This chapter contains a condensed version of the statutory stand alone financial statements, as well as the annual report of Keyware Technologies NV. In respect to these financial statements, the auditor has issued an unqualified opinion with an explanatory paragraph on the going concern similar to that included in his opinion on the consolidated financial statements.

The entire version of the financial statements and the annual report will be filed with the National Bank and will also be available on the Company's website (www.keyware.com).

A. Condensed balance sheet after distribution of profits on 31 December

Amounts in EUR k	31.12.2008	31.12.2007
Fixed assets	**6,194**	**5,932**
Formation expenses		
Intangible fixed assets	409	494
Tangible fixed assets	117	119
Land and buildings		
Installations, machinery and equipment	39	60
Furniture and vehicles	72	52
Leasing and similar rights	6	7
Assets under construction and advance payments		
Financial fixed assets	5,668	5,319
Affiliated companies	5,567	5,260
Investment in affiliates	5,260	5,260
Receivables	307	-
Companies with which there is a equity relationship		
Investment in affiliates	-	-
Receivables	-	-
Other financial fixed assets	101	59
Shares	-	-
Receivables and securities in cash	101	59
Current assets	**3,703**	**2,288**
Other Receivables due after one year	3,604	200
Inventories and work in progress	-	-
Inventories	-	-
Receivables due within one year	76	2,077
Trade receivables	2	1,865
Other receivables	74	212
Investments		
Own shares	-	-
Other investments	-	-
Cash and cash equivalents	11	3
Deferred expenses and accrued income	12	8
Total assets	**9,897**	**8,220**

Amounts in EUR k	31.12.2008	31.12.2007
Shareholders' equity	**8,019**	**5,104**
Capital	23,641	19,782
Share capital	23,641	19,782
Share premium	1,693	1,693
Reserves	-	-
Legal reserves	-	-
Unavailable reserves	-	-
Tax-free reserves	-	-
Available reserves	-	-
Profit carried forward (loss carried forward)	**(17,315)**	**(16,371)**
Provisions and deferred taxes	**-**	**-**
Other risks and expenses	-	-
Liabilities	**1,878**	**3,116**
Liabilities due after more than one year	51	33
Financial liabilities	51	33
Subordinated loans	-	-
Non-subordinated bond loans	-	-
Leasing liabilities and similar debts	51	33
Credit institutions	-	-
Other debts	-	-
Trade payables	-	-
Suppliers	-	-
Liabilities due within one year	1,800	3,045
Liabilities due after one year that mature within the year	22	21
Financial liabilities	19	96
Credit institutions	-	77
Other debts	19	19
Trade payables	856	1,826
Suppliers	856	1,826
Social, payroll and fiscal debts	20	137
Taxes	4	117
Payroll and social liabilities	16	20
Other payables	883	965
Deferred income and accrued expenses	27	38
Total liabilities	**9,897**	**8,220**

B. Profit and loss statement of the financial year

Amounts in EUR k	31.12.2008	31.12.2007
Operating income	1,675	1,889
Turnover	1,277	1,539
Other operating income	398	350
Operating expenses	(2,414)	(2,596)
Goods for resale, raw and auxiliary materials	-	-
Services and other goods	(1,867)	(2,278)
Salaries, social security contributions and pensions	(128)	(98)
Amortisation and depreciation on formation expenses and on intangible and tangible fixed assets	(149)	(45)
Amortisation on inventories, work in progress and trade receivables	-	-
Provisions for risks and expenses (additions +, expenses and amortisation -)	-	-
Other operating expenses	(270)	(175)
Operating result	**(739)**	**(707)**
Financial income	18	267
Income from financial fixed assets	18	267
Income from current assets	-	-
Other financial income	-	-
Financial expenses	(221)	(68)
Costs of debt	(114)	(44)
Amortisation of current assets other than inventories, work in progress and trade receivables	(100)	-
Other financial expenses	(7)	(24)
Result from ordinary operations before taxes	**(942)**	**(508)**
Extraordinary income	-	1
Amortisation of depreciation on financial fixed assets	-	-
Surplus value on the realisation of fixed assets	-	1
Other extraordinary income	-	-
Extraordinary expenses	1	15,865
Amortisation and depreciation on formation expenses and intangible and tangible fixed assets	-	-
Amortisation of financial fixed assets	-	(15,865)
Loss of value on the realisation of fixed assets	1	-
Other extraordinary expenses	-	-
Result for the period before taxes	**(943)**	**(16,372)**
Tax on the result		
Result of the period	**(943)**	**(16,372)**
Result of the period to be distributed	**(943)**	**(16,372)**

C. Distribution of the result

Amounts in EUR k	31.12.2008	31.12.2007
Loss balance to be incorporated	**(17,315)**	**(38,632)**
Loss of the period to be incorporated	(943)	(16,372)
Loss from the previous period carried forward	(16,372)	(22,260)
Withdrawal from shareholders' equity	**-**	**-**
From the capital and the share premium	-	22.260
Addition to shareholders' equity	**-**	**-**
Profit (Loss) to be carried forward	**(17,315)**	**(16,372)**
Profit available for distribution	**-**	**-**

ANNUAL REPORT OF THE COMPANY

In accordance with Article 96 of the Companies Code, we have the honour of reporting to you on the activities of the company in the period from 1 January 2008 to 31 December 2008.

I. Notes regarding the annual accounts

The Company operates as a holding company as well as a financing vehicle for the subsidiaries, for which it also provides management services and administrative assistance. All of the expenses connected with being listed on Euronext Brussels are part of the profit and loss statement of the Company.

Annual figures and important events

The book year closed with a loss after taxes of EUR 943k, so the shareholders' equity amounts to EUR 8,019k after incorporation of the result.

Notes regarding the main balance sheet items

Tangible fixed assets
The net book value comprises cars owned and leases for cars that are fully leased to subsidiaries. Other tangible fixed assets primarily relate to furnishings and fixtures of the rented premises.

Financial fixed assets - affiliates
The financial assets comprise shareholdings with a net value of EUR 5,260k.

Financial fixed assets - receivables
The receivables entered under financial assets comprise a net value of receivables from subsidiaries in the amount of EUR 307k.

Other receivable due in over one year
This item relates integrally to the receivable related to the sale of 100% of the shares of Digital Access Control NV.

Long-term trade receivables
The receivables due in over one year comprise receivables from Group companies due to invoicing for operating expenses.

Other receivables due within one year
The other receivables concern, on the one hand, a receivable of EUR 23k for reclaimable VAT and, on the other, EUR 50k concerning the short-term portion of the receivable for the sale of Digital Access Control NV.

Net equity
On the one hand, the Company's net equity was positively influenced in the amount of EUR 3,858k by the conversion of the convertible bond loan. On the other hand, net equity was negatively influenced by the loss of the financial year in the amount of EUR 943k.

Liabilities due after more than one year
This item includes financing in the amount of EUR 51k, which is entirely applicable to lease obligations.

Debts due within a period of over a year which expire within the year
This item concerns the short term lease debts to the value of EUR 22k.

Financial liabilities
Financial liabilities consist of the advances received from certain shareholders/investors (EUR 19k).

Trade payables
The trade payables amount to EUR 856k and include overdue debts in the amount of EUR 60k. Some of these overdue debts had not been claimed as per 31 December 2008, and there are repayment schemes for the balance.

Social and fiscal liabilities
As per 31 December 2008, there are three employees working for Keyware Technologies. The outstanding liabilities involve the liabilities for social security (EUR 5k), withholding taxes (EUR 4k), and a provision for holiday pay (EUR 11k).

Other payables
The outstanding amount as per 31 December 2008 relates to 2 debts that will be disputed by the Company.

Notes regarding the main items of the profit and loss statement

Turnover
The turnover of the company consists of management fees and expenses billed to the subsidiaries.

Services and other goods
The expense structure primarily consists of fees (EUR 1,172k), sales and marketing expenses (EUR 121k), accommodation expenses (EUR 128k), and expenses associated with the stock exchange listing (EUR 31k).
This item also includes car expenses totalling EUR 225k, which are mainly billed to the subsidiaries.

Salaries, social security contributions and pensions
As stated above, three people work for the company as per 31 December 2008.

Proposed incorporation of the result
The following proposal for incorporation of the loss for the 2008 period will be presented to the Shareholders' Meeting:

Loss of the period to be incorporated	*(943,063)*
Loss of the previous period carried forward	*(16,371,584)*
Loss balance to be distributed	*(17,314,647)*
Withdrawal from the capital	*0*
Addition to the unavailable reserve	*0*
Compensation of the capital	*0*
Result to be carried forward to the next period	*(17,314,647)*

II. Justification of the application of valuation rules under the going concern assumption

The company has incurred a loss during two successive periods, so in accordance with Article 96 of the Companies Code, a justification must be given for application of the valuation rules under the going concern assumption. Per 31 December 2008, the result to be carried forward is EUR 17,315k.
On the basis of what is stated below, the Board of Directors concludes that application of the valuation rules under the assumption of a going concerned can be maintained.

III. Going concern status of the company and financing

The financial statements have been prepared on the basis of going concern, which assumes that that the assets are realised and the liabilities are paid as in normal company operations. As per 31 December 2008, the Group has incurred accumulated losses totalling EUR 17,315k, which have primarily been financed by capital.

For the further growth and the realisation of the 2008-2012 strategic plan, the Group will need additional financing primarily for further financing and expansion of activities related to payment terminals and also for carrying out the necessary investment for the authorization of payment transactions.

In the 2008 financial year, the group issued a convertible bond loan in the amount of EUR 3,850k. This bond was converted entirely into capital, which is why the Group no longer has a duty to make a repayment.

In addition, the Group was - via its subsidiary Keyware Smart Car - able to have recourse to its credit line with Parfip Benelux NV. During the period of January to May 2008 inclusive, the Group was able to cede more than EUR 500k to Parfip Benelux NV. Between June and December 2008, the Group concluded 7 financing agreements - rent agreement financing - with Parfip Benelux NV for a total amount of EUR 2,029k.

In 2009 the Group will be able to have further recourse to this credit line, where a financing agreement on 2 January 2009 - rent agreement financing - was concluded with Parfip Benelux NV and in March contracts were ceded to Parfip Benelux NV for more than EUR 200k.

Finally, the Group received an advance payment in the amount of EUR 600k from Parana Management BVBA on 21 January 2009.

On the basis of the above, the Board of Directors is convinced that the Group is able to continue its activities on a going concern basis over a reasonable length of time, and it confirms the application of the valuation rules for a going concern.

The financial statements thus do not contain any adjustments for the collectability and classification of the amounts booked as assets or the amounts and classification of the liabilities, which would be required if the Company could no longer continue its activities on the basis of going concern. The survival of the Group as a going concern depends on its ability to generate sufficient cash flow to fulfil its obligations on time, maintaining adequate financing and achieving successful operations.

On the basis of these measures, the Board of Directors proposes to the General Shareholders' Meeting to maintain the going concern status of the Company.

IV. Information regarding significant events after the period

Apart from what is stated above with regard to going concern status, there are no significant events that impact the presentation of these annual accounts that occurred after the balance sheet date that need be reported by the Company.

V. Information regarding activities in the area of research and development

None

VI. Capital increase and capital decrease

An Extraordinary Shareholders' meeting held on 18 August 2008 approved the issuing of a convertible bond loan for an amount between EUR 4 and 6 million. The subscription period for the convertible bond ran from 19 August 2008 to 2 September 2008, and was extended to 12 September 2008. The subscription to the convertible bonds for an amount of EUR 3,850k and 1,925,000 warrants was established by notary deed on 18 September 2008. The following parties subscribed to the convertible bond issue:

Parana Management BVBA, Bogaertstraat 32, 9830 Sint-Martens-Latem	EUR 2,300k
Think Media NV, Oude Leeuwenrui 8, 2000 Antwerp	EUR 500k
Federal Invest NV, Mussenburglei 116, 2650 Edegem	EUR 550k
Big Friend NV, Kustlaan 15, 8300 Knokke (1)	EUR 500k

(1) Big Friend NV sold through 4 bonds to, respectively, Johan Hellinckx (EUR 100k), IQuess BVBA (EUR 50k) and Checkpoint X BVBA (EUR 50k).

All outstanding convertible bonds were converted into shares by notarial deed on 29 September 2008. The conversion price per share for the Bonds amounted to EUR 0.348 (60% of EUR 0.58), which was the lesser of (i) EUR 1 or (ii) 60% of the lowest closing price on Euronext Brussels for the previous six (6) trading days prior to the signing date for the confirmation of the conversion of the Bonds or (iii) the issue price of other securities issued by the company after the issue date of the bonds and that are exchangeable, exercisable or convertible into shares in the company.
A total amount of EUR 3,858k (EUR 3,850k + interest) was converted into capital. Consequently, 11,063,215 new Keyware Technologies shares were issued.

As a result of subscribing to the convertible bond, each subscriber to a Bond of EUR 50,000 also received 25,000 Warrants. These Warrants may be exercised at any time during a period of four (4) years as of their issue date. The subscription price per share upon exercising the Warrants shall be the lesser amount of (i) EUR 1.25 or (ii) the issue price of other securities that the Company may have issued since the issue of the Warrants and that are exchangeable, exercisable or convertible into shares in the Company.

As per 31 December 2008, the - legal - share capital of the Company was EUR 23,641k, represented by 14,386,379 normal shares without nominal value.

VII. Information regarding subsidiaries

None

VIII. Own shares

At present the Company does not own any of its own shares.

IX. Decisions taken with regard to application of legal procedures to prevent conflicts of interests

Article 523 of the Companies Code provides for an extraordinary procedure if a director directly or indirectly has an interest of a proprietary nature that conflicts with a decision or a transaction that falls within the competence of the Board of Directors. During the course of the period 2008, this procedure was not applied.

X. Risk factors

On application of Article 96, 1° of the Companies Code as amended by the Act of 13 January 2006, the Company hereby provides information about the most important risks and uncertainties that could have a negative impact on the development, financial results or market position of the Company. As the Company does not have any activities, but is a holding company, the risk factors of the subsidiaries also affect the Company. The risk factors therefore relate to the entire Keyware Group.

Products and markets
The Group operates in an environment that evolves extremely quickly with regard to technology. These evolutions relate to the changing needs of customers, the need for frequent development of new products, many of which have a short life, and changing industrial standards. The Group expects turnover growth to be largely depending on the degree to which it is able to respond to these new challenges. Not being able to react to this changed context in time can have negative consequences for the results of the company and its financial situation.

Customer dependence
The Company has more than 10,000 active customers. The most important customer now represents less than 1% of the turnover.

Supplier dependence
Due to the close cooperation with Thales and as a result of the certification, Keyware is to a large degree dependent on this supplier for the continuity of production of the payment terminals (the most important supplier represents 9.25% of the outstanding supplier balance).

Concentration of credit risk
The concentration of credit risks is limited due to the large number of users, which are spread over Belgium and to a certain extent over the Netherlands.
The Group does not have any activities in countries with a highly inflationary economy.

Legal proceedings
The Company is involved in a number of legal proceedings that can be regarded as deferred liabilities. For more information, see (18) “Provisions” and (51) “Pending disputes” in the Consolidated Annual Report, which can be found on the Company’s website (www.keyware.com/investor info).

Financial position
It is clear that the Group will have to acquire additional financial resources in 2008. In this regard, we refer to what is mentioned under item (4), “Going concern or continuity” (50), “Important events after the balance-sheet date”.

Going concern/continuity
We refer to that stated in the consolidated annual report (4) “Going concern”.

Environment
The Group does not have any special remarks with regard to environmental matters.

Personnel
The Company had 3 employees (personnel and consultants) on 31 December 2008.

XI. Directors

As per 31 March 2009, the Board of Directors has 6 members, two of whom are independent directors. The members of the Board of Directors are:

Director	Position	Main function	End date mandate: after SM for the period ending on
Guido Van der Schueren	Non-executive	Chairman	31 December 2008
Pierre Delhaize	Non-executive	Director	31 December 2009
Guido Wallebroek	Non-executive	Director	31 December 2010
Luc Pintens	Independent	Director	31 December 2009
Bruno Kusters	Independent	Director	31 December 2008
Big Friend NV represented by Stéphane Vandervelde	Executive - CEO	Director	31 December 2009

Johan Dejager resigned as a member of the Board of Directors on 17 June 2008.

XII. Activities of the Auditor and companies with which the Auditor maintains a cooperation relationship

Within the framework of Article 134.2 of the Companies Code, we state that the Auditor and the companies with which the Auditor has a cooperative relationship on professional grounds carried out additional assignments during the course of the period 2008 in the amount of EUR 14k, of which EUR 8k is subject to the 1-to-1 rule.

This performance included activities with regard to additional reporting with regard to contribution in kind, issuing of warrants, and fiscal work.

XIII. Requests to the Shareholders' Meeting

The Board of Directors requests that the General Shareholders' Meeting:

- approve the annual accounts over the period 2008 in full;
- discharge the directors for exercising their mandate during the past period;
- discharge the Auditor for exercising its mandate during the past period.

The Board of Directors,