VONAGE HOLDINGS CORP
Form 10-Q
August 13, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2007

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From _____ to _____

Commission File Number 001-32887

VONAGE HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

Delaware	**11-3547680**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
23 Main Street, Holmdel, NJ	**07733**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (732) 528-2600

(Former name, former address and former fiscal year, if changed since last report): Not Applicable

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at July 31, 2007**
Common Stock, par value $0.001	155,649,747 shares

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Part I Financial Information

Item 1. Financial Statements

VONAGE HOLDINGS CORP.

CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

(Unaudited)

	June 30, 2007	December 31, 2006
Assets		
Assets		
Current assets:		
Cash and cash equivalents	$ 144,756	$ 210,253
Marketable securities	132,021	289,483
Accounts receivable, net of allowance of $1,116 and $476, respectively	18,885	16,544
Inventory, net of allowance of $1,946 and $1,270, respectively	29,211	24,390
Deferred customer acquisition costs, current	16,437	13,022
Prepaid expenses and other current assets	29,010	16,080
Restricted cash	66,760	
Total current assets	437,080	569,772
Property and equipment, net of accumulated depreciation	134,626	131,842
Deferred customer acquisition costs, non-current	37,501	34,067
Deferred financing costs, net	6,868	7,861
Restricted cash	31,062	8,042
Due from related parties	64	60
Intangible assets, net	3,331	4,300
Other assets	6,042	1,580
Total assets	$ 656,574	$ 757,524
Liabilities and Stockholders Equity		
Liabilities		
Current liabilities:		
Accounts payable	$ 46,306	$ 58,899
Accrued expenses	150,865	161,505
Deferred revenue, current portion	48,293	38,504
Current maturities of capital lease obligations	1,018	1,020
Total current liabilities	246,482	259,928
Convertible notes, net	253,299	253,430
Deferred revenue, net of current portion	41,784	37,730
Capital lease obligations, net of current maturities	22,746	23,235
Total liabilities	564,311	574,323

Commitments and Contingencies

Stockholders Equity		
Common stock, par value $0.001 per share; authorized 596,950 shares at June 30, 2007 and December 31, 2006; 156,947 and 156,353 shares issued at June 30, 2007 and December 31, 2006, respectively; 155,645 and 155,059 shares outstanding at June 30, 2007 and December 31, 2006, respectively	157	156
Additional paid-in capital	936,708	922,097
Stock subscription receivable	(5,542)	(5,721)
Accumulated deficit	(826,817)	(720,857)
Treasury stock, at cost, 1,302 shares at June 30, 2007 and 1,294 shares at December 31, 2006	(12,342)	(12,342)
Accumulated other comprehensive income (loss)	99	(132)
Total stockholders equity	92,263	183,201
Total liabilities and stockholders equity	$ 656,574	$ 757,524

The accompanying notes are an integral part of the consolidated financial statements.

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VONAGE HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating Revenues:				
Telephony services	$ 200,470	$ 137,623	$ 389,837	$ 250,121
Customer equipment and shipping	5,432	6,742	12,005	13,967
	205,902	144,365	401,842	264,088
Operating Expenses:				
Direct cost of telephony services (excluding depreciation and amortization of $4,191, $3,133, $8,304 and $5,685, respectively)	52,335	39,933	107,901	78,357
Royalty	11,052		21,467	
Total direct cost of telephony services	63,387	39,933	129,368	78,357
Direct cost of goods sold	11,243	16,047	24,576	33,627
Selling, general and administrative	88,202	66,109	179,194	118,984
Marketing	67,906	90,164	158,756	178,452
Depreciation and amortization	8,191	5,740	16,050	10,699
	238,929	217,993	507,944	420,119
Loss from operations	(33,027)	(73,628)	(106,102)	(156,031)
Other Income (Expense):				
Interest income	4,761	3,980	10,828	6,721
Interest expense	(5,127)	(4,484)	(10,276)	(9,978)
Other, net	(50)	(4)	(33)	(8)
	(416)	(508)	519	(3,265)
Loss before income tax benefit (expense)	(33,443)	(74,136)	(105,583)	(159,296)
Income tax benefit (expense)	(183)		(377)	
Net loss	$ (33,626)	$ (74,136)	$ (105,960)	$ (159,296)
Net loss per common share:				
Basic and diluted	$ (0.22)	$ (1.16)	$ (0.68)	$ (4.85)
Weighted-average common shares outstanding:				
Basic and diluted	155,506	63,995	155,329	32,875

The accompanying notes are an integral part of the consolidated financial statements.

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VONAGE HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2007	**2006**
Cash flows from operating activities:		
Net loss	$ (105,960)	$ (159,296)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	15,081	10,699
Amortization of intangibles	969	
Beneficial conversion on interest in kind on convertible notes	21	9
Accrued interest	708	4,226
Allowance for doubtful accounts	783	214
Allowance for obsolete inventory	839	177
Amortization of deferred financing costs	993	1,001
Loss on disposal of fixed assets	47	9
Share-based compensation	13,851	12,642
Changes in operating assets and liabilities:		
Accounts receivable	(3,050)	(2,556)
Inventory	(5,426)	4,212
Prepaid expenses and other current assets	(13,594)	(11,661)
Deferred customer acquisition costs	(6,670)	(12,753)
Due from related parties	2	11
Other assets	113	(307)
Accounts payable	(12,785)	27,947
Accrued expenses	(10,893)	(13,240)
Deferred revenue	13,521	20,334
Net cash used in operating activities	(111,450)	(118,332)
Cash flows from investing activities:		
Capital expenditures	(17,506)	(29,076)
Purchase of intangible assets		(5,241)
Purchase of marketable securities	(122,300)	(325,855)
Maturities and sales of marketable securities	279,750	174,141
Acquisition and development of software assets	(4,774)	
Increase in restricted cash	(89,736)	(1,447)
Net cash provided by (used in) investing activities	45,434	(187,478)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(491)	(367)
Proceeds from notes issuance		2,047
Debt issuance costs		(278)
Proceeds from subscription receivable, net	12	53
Proceeds from common stock issuance, net		495,636
Purchase of treasury stock		(11,712)
Payments for directed share program, net	167	

Proceeds from exercise of stock options	609	53
Net cash provided by financing activities	297	485,432
Effect of exchange rate changes on cash	222	64
Net change in cash and cash equivalents	(65,497)	179,686
Cash and cash equivalents, beginning of period	210,253	132,549
Cash and cash equivalents, end of period	$ 144,756	$ 312,235
Supplemental disclosures of cash flow information:		
Cash paid during the periods for:		
Interest	$ 10,386	$ 4,609

The accompanying notes are an integral part of the consolidated financial statements.

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VONAGE HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(In thousands)

(Unaudited)

	Common Stock	Additional Paid-in Capital	Stock Subscription Receivable	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2006	$ 156	$ 922,097	$ (5,721)	$ (720,857)	$ (12,342)	$ (132)	$ 183,201
Stock option exercises	1	608					609
Share-based compensation		13,851					13,851
Convertible notes converted into common stock		152					152
Directed share program transactions, net			167				167
Stock subscription receivable payments			12				12
Comprehensive loss:							
Change in unrealized gain (loss) on available-for-sale investments						(12)	(12)
Foreign currency translation adjustment						243	243
Net loss				(105,960)			(105,960)
Total comprehensive loss				(105,960)		231	(105,729)
Balance at June 30, 2007	$ 157	$ 936,708	$ (5,542)	$ (826,817)	$ (12,342)	$ 99	$ 92,263

The accompanying notes are an integral part of the consolidated financial statements.

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VONAGE HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share amounts)

(Unaudited)

Note 1. Basis of Presentation and Significant Accounting Policies

Nature of Operations

Vonage Holdings Corp. (Vonage , Company , we, our , us) is incorporated as a Delaware corporation. The original Certificate of Incorporation was filed in May 2000 as MIN-X.COM, INC., our original name, which was changed in February 2001 to Vonage Holdings Corp. We are a provider of broadband Voice over Internet Protocol (VoIP) services to residential and small office and home office customers. We launched service in the United States in October 2002, in Canada in November 2004 and in the United Kingdom in May 2005.

We have incurred significant operating losses since inception. As a result, we have generated negative cash flows from operations, and have an accumulated deficit at June 30, 2007. Our primary source of funds to date has been through the issuance of equity and debt securities, including net proceeds from our initial public offering (IPO) of $491,144 in May 2006, which includes costs of $1,896 incurred in 2005.

Unaudited Interim Financial Information

The accompanying unaudited interim consolidated financial statements and information have been prepared in accordance with accounting principles generally accepted in the United States and in accordance with the instructions for Form 10-Q. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, these financial statements contain all normal and recurring adjustments considered necessary to present fairly the financial position, results of operations, cash flows and statement of stockholders equity for the periods presented. The results for the three and six month periods ended June 30, 2007 are not necessarily indicative of the results to be expected for the full year.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in our 2006 Annual Report on Form 10-K filed on April 17, 2007.

Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Vonage and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and the accompanying notes. Actual results could differ materially from these estimates.

On an ongoing basis, we evaluate our estimates, including the following:

- those related to the average period of service to a customer (the customer relationship period) used to amortize deferred revenue and deferred customer acquisition costs associated with customer activation;

the useful lives of property and equipment and intangible assets; and

assumptions used for the purpose of determining stock-based compensation using the Black-Scholes option model (Model), and on various other assumptions that we believed to be reasonable. The key inputs for this Model are stock price at valuation date, strike price for the option, the dividend yield, risk-free interest rate, life of option in years and volatility.

We base our estimates on historical experience, available market information, appropriate valuation methodologies, and on various other assumptions that we believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Restricted Cash and Letters of Credit

In March 2007, a judgment was entered against us in the amount of $58,000 in our Verizon patent litigation. In April 2007, we posted a cash-collateralized $66,000 bond, which reflected the $58,000 jury award plus pre and post judgment interest and costs of $8,000, to stay execution of the monetary judgment pending appeal. This bond and the interest earned on the bond were reflected as restricted cash, which balance was $66,760 at June 30, 2007. In March 2007, our credit card processor requested that reserves be established to cover any exposure that they may have as we collect revenue in advance of providing services to our customers. We were

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VONAGE HOLDINGS CORP.

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(In thousands, except per share amounts)

(Unaudited)

informed by our credit card processor that this is a customary practice for companies that bill their customers in advance of providing services. As such, we have provided this credit card processor with a cash collateralized letter of credit for $10,000. This credit card processor has also withheld a total of $12,580 as of June 30, 2007, which is reflected as restricted cash. In addition, we have a cash collateralized letter of credit for $7,000 as of June 30, 2007 and December 31, 2006 related to lease deposits for our offices. In the aggregate, the amount of collateralized letters of credit were $17,723 and $7,549 at June 30, 2007 and December 31, 2006, respectively, with corresponding restricted cash of $97,822 and $8,042 at June 30, 2007 and December 31, 2006, respectively.

Capitalized Software Costs

We capitalize certain costs, such as purchased software and internally developed software that we use for customer acquisition and customer care automation tools, in accordance with Statement of Position 98-1, *Accounting for Costs of Computer Software Development or Obtained for Internal Use.* These costs are classified as Other Assets in the consolidated balance sheet. Capitalized software is stated at cost less accumulated amortization and the estimated useful life is three years. Total capitalized software was $5,569 at June 30, 2007 and $795 at December 31, 2006, respectively, the majority of which were external costs. There was no amortization expense recorded in 2006 and $199 recorded for the six months ended June 30, 2007.

Patents

The three patents we acquired on June 27, 2006 are directed to the compression of packetized digital signals commonly used in VoIP technology. In July 2006, we began amortizing the cost of these patents over their estimated useful lives of 2.7 years. Amortization for the six months ended June 30, 2007 was $969. Annual amortization will be approximately $1,940.

Fair Value of Financial Instruments

The carrying amounts of our financial instruments, including cash and cash equivalents, marketable securities, accounts receivable and accounts payable, approximate fair value because of their short maturities. The carrying amounts of our capital leases approximate fair value of these obligations based upon management s best estimates of interest rates that would be available for similar debt obligations at June 30, 2007 and December 31, 2006. As of June 30, 2007, the estimated fair value of our convertible notes was approximately $221,778 based on the average price from private transactions as there is no public market for the convertible notes.

Reclassification

Certain reclassifications have been made to prior years financial statements in order to conform to the current year s presentation.

Loss per Share

Basic and diluted loss per common share is calculated by dividing loss to common stockholders by the weighted average number of common shares outstanding during the period. The effects of potentially dilutive common shares, including shares issued under our 2001 Stock Incentive Plan and 2006 Incentive Plan using the treasury stock method and our convertible preferred stock (that converted on a 2.86-to-1 basis) using the if-converted method, have been excluded from the calculation of diluted loss per common share because of their anti-dilutive effects.

The following were excluded from the calculation of diluted earnings per common share because of their anti-dilutive effects:

Three and Six Months Ended

	June 30,	
	2007	2006
Common stock warrants	3,085	3,085
Convertible notes	17,824	17,826
Restricted stock units	1,740	
Employee stock options	18,051	16,599
	40,700	37,510

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VONAGE HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share amounts)

(Unaudited)

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments at fair value that are not currently required to be measured at fair value. It also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007 (our 2008 fiscal year). We are currently evaluating the potential impact of the adoption of this pronouncement on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157 *Fair Value Measurements*. The Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently assessing the impact of adopting SFAS 157 on our consolidated financial statements.

On January 1, 2007, we adopted Financial Accounting Standards Board Interpretation No. 48 (FIN No. 48), Accounting for Uncertainty in Income Taxes, which prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain income tax positions that the Company has taken or expects to take on a tax return (including a decision whether to file or not to file a return in a particular jurisdiction). The adoption of FIN No. 48 on January 1, 2007 did not result in a cumulative-effect adjustment or have an effect on our consolidated financial statements.

In June 2006, the FASB ratified the consensus on EITF Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (EITF No. 06-3). The scope of EITF No. 06-3 includes any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added, Universal Service Fund (USF) contributions and excise taxes. The Task Force concluded that entities should present these taxes in the income statement on either a gross or net basis, based on their accounting policy, which should be disclosed pursuant to APB Opinion No. 22, Disclosure of Accounting Policies. If such taxes are significant and are presented on a gross basis, the amount of those taxes should be disclosed. The consensus on EITF No. 06-3 will be effective for interim and annual reporting periods beginning after December 15, 2006. We currently record sales, use and excise taxes on a net basis in our consolidated financial statements whereas USF contributions are recorded on a gross basis in our consolidated financial statements. The adoption of EITF No. 06-3 did not have a material effect on our consolidated results of operations or financial condition.

In February 2006, FASB issued Statement of Financial Accounting Standard No. 155, *Accounting for Certain Hybrid Instruments* (SFAS 155). SFAS 155 allows financial instruments that have embedded derivatives to be accounted for as a whole (eliminating the need to bifurcate the derivative from its host) if the holder elects to account for the whole instrument on a fair value basis. This statement is effective for all financial instruments acquired or issued after the beginning of an entity s first fiscal year that begins after September 15, 2006. The adoption of SFAS 155 did not have a material effect on our consolidated financial statements.

Note 2. Commitments and Contingencies

Litigation

Joshua B. Tanzer. On October 18, 2005, Joshua B. Tanzer commenced a suit against Vonage in the United States District Court for the Southern District of New York seeking damages of approximately $14,240 and has subsequently sent us a letter increasing his claim to $26,750. Mr. Tanzer claims that damages are due with respect to our sale of Series D Convertible Preferred Stock and Series E Convertible Preferred Stock and convertible notes pursuant to the terms of an engagement letter governing services performed by Nanes Delorme Capital Management for Vonage. We believe that our obligations with respect to Mr. Tanzer and Nanes Delorme were completely performed at the conclusion of the Series C Convertible Preferred Stock offering. On December 8, 2006, Vonage and Nanes entered into a settlement agreement pursuant to which

Vonage agreed to pay Nanes $25 in return for a full release of all claims by Nanes. On March 2, 2007, the judge granted the parties permission to file their motions for summary judgment. While the parties cross-motions for summary judgment were pending, the parties reached a settlement on July 26, 2007, in which we agreed to pay Tanzer a certain sum of money in exchange for a dismissal of the lawsuit with prejudice and an exchange of mutual releases. The settlement was in line with the reserve that we had previously recorded with respect to this matter.

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VONAGE HOLDINGS CORP.

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(In thousands, except per share amounts)

(Unaudited)

State Attorney General Proceedings.

On May 3, 2005, the Office of the Attorney General for the State of Connecticut filed a complaint against us, alleging that our advertising and provision of emergency calling service violated the Connecticut Unfair Trade Practices Act and certain state regulations. We answered the complaint on July 7, 2005 and denied its allegations. We have undertaken settlement discussions with the Connecticut Attorney General and have voluntarily provided information requested during the course of those discussions. The state recently sent Vonage a proposed settlement agreement focused on consumer disclosures relating to our 911 dialing services, and we are in the process of negotiating the terms and conditions of a settlement. If we are not successful in finalizing this settlement agreement, we intend to vigorously defend against the lawsuit.

On March 7, 2006, the Attorney General of Missouri issued a civil investigative demand, or CID, for documents related to our emergency calling service. We responded to the CID on April 3, 2006. The Missouri Attorney General has not filed a complaint against us or taken other formal action.

We received a subpoena dated June 29, 2006 from the Commonwealth of Pennsylvania, Office of Attorney General, Bureau of Consumer Protection seeking a wide variety of documents. The Attorney General s office has since agreed to narrow the scope of documents it seeks to certain materials relating to advertising to, and subscriptions by, Pennsylvania consumers, and the training and general form of compensation paid to personnel that market and provides customer care functions for our service. We made a rolling production of responsive materials, which was completed in 2006.

Federal Trade Commission Investigation. On August 31, 2005, the Federal Trade Commission, or FTC, issued a CID to us which requested information regarding our 911 service and complaints or notices pertaining to that service, our residential unlimited calling plan and our compliance and our telemarketing vendors compliance with the FTC s Telemarketing Sales Rule including, but not limited to, the requirement to refrain from telemarketing to persons who appear on the National Do Not Call Registry. No formal action has been filed against Vonage at this time. We are unable at this time to predict the outcome of the FTC s investigation, whether a formal action will be filed against Vonage, to assess the likelihood of a favorable or unfavorable outcome in that event, or to estimate the amount of liability in the event of an unfavorable outcome.

Patent Litigation.

Sprint. On October 4, 2005, a lawsuit was filed against us by Sprint Communications Company L.P. in the United States District Court for the District of Kansas. Sprint alleges that we have infringed seven patents in connection with providing VoIP services. Sprint seeks injunctive relief, compensatory and treble damages and attorney s fees in unspecified amounts. In our answer filed on November 3, 2005, we have denied Sprint s allegations and have counterclaimed for a declaration of non-infringement, invalidity and unenforceability of the patents. The Court issued an order holding that Vonage s VoIP architecture does not literally infringe three of the asserted patents. As to the other asserted patents, the Court found that Vonage s VoIP architecture does not infringe most of the asserted claims for inbound calls to Vonage subscribers. We believe that we have meritorious defenses against the claims asserted by Sprint and intend to vigorously defend the lawsuit. This matter is currently set for trial in September 2007.

Verizon. On June 12, 2006, a lawsuit was filed against us and our subsidiary Vonage America Inc., by Verizon Services Corp., Verizon Laboratories Inc., and Verizon Communications, Inc. in the United States District Court for the Eastern District of Virginia. Verizon alleged that we infringed seven patents in connection with providing VoIP services and sought injunctive relief,

compensatory and treble damages and attorney s fees. Verizon dismissed its claims with respect to two of the patents prior to trial, which commenced on February 21, 2007. After trial on the merits, a jury returned a verdict finding that Vonage infringed three of the patents-in-suit. The jury rejected Verizon s claim for willful infringement, treble damages, and attorney s fees, and awarded compensatory damages in the amount of $58,000 through February 2007. The trial court subsequently indicated that it would award Verizon $1,578 in prejudgment interest on the $58,000 jury award. Vonage filed post-trial motions challenging the jury s verdict and related rulings, which were denied by the trial court. The trial court issued a permanent injunction with respect to the three patents the jury found to be infringed effective April 12, 2007. The trial court further granted a partial stay which permits Vonage to continue to service existing customers pending appeal, subject to deposit into escrow of a 5.5% royalty on a quarterly basis. In addition, in April 2007, we posted a cash-collateralized $66,000 bond, which reflected the $58,000 jury award plus pre and post judgment interest and costs of $8,000, to stay execution of the monetary judgment pending appeal. This bond is reflected as restricted cash on the consolidated balance sheet at June 30, 2007.

On April 6, 2007, Vonage filed an amended notice of appeal as well as a motion for a full stay pending its appeal with the United States Court of Appeals for the Federal Circuit (CAFC). The CAFC issued an order granting our request for a stay permitting us to continue to sign up new customers through the appeals process. The CAFC also set an expedited briefing and oral argument schedule for our appeal. Briefing was completed on May 30, 2007, and oral argument was conducted on June 25, 2007. The CAFC took the matter under submission. We will continue to vigorously defend against Verizon s claims, which we believe are without merit.

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VONAGE HOLDINGS CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except per share amounts)

(Unaudited)

We have recorded $51,345 as cost of telephony services and $1,170 as interest expense in our consolidated financial statements for the year ended December 31, 2006. We recorded $11,052 and $21,467 for royalty expense and $707 and $1,428 of interest expense for the three and six months ended June 30, 2007, respectively.

Klausner Technologies. On July 10, 2006, a lawsuit was filed against us and Vonage America by Klausner Technologies, Inc., or Klausner, in the United States District Court for the Eastern District of Texas. Klausner alleges that we have infringed one of its patents with voice mail technology. Klausner seeks injunctive relief, compensatory and treble damages and attorney s fees. In our answer filed on September 14, 2006, we denied Klausner s allegations and have counterclaimed for a declaration of non-infringement, invalidity and unenforceability of the patent. The matter is currently in the discovery stage. The Court recently issued an order including a construction of the claims of the asserted patent. We believe that we have meritorious defenses against the claims asserted by Klausner, and intend to vigorously defend the lawsuit. The trial in this matter is scheduled to begin during the first quarter of 2008.

Web Telephony, LLC. On March 14, 2007, Web Telephony, LLC filed suit in the United States District Court for the Eastern District of Texas against us and several other defendants. Web Telephony alleges that we are infringing two telecommunications patents held by Web Telephony and seeks injunction relief, compensatory and treble damages and attorneys fees. On June 1, 2007, Web Telephony filed an amended complaint, which dropped claims against AT&T, Inc., but retained claims against another AT&T entity (AT&T Corporation). Vonage filed its answer to the amended complaint and counterclaims on June 18, 2007. We intend to contest Web Telephony s infringement allegations vigorously. The Court has not set a discovery or trial schedule in this matter. We presently are unable to access the likelihood of a favorable or unfavorable outcome in this matter or to estimate the amount of liability in the event of an unfavorable outcome.

With respect to the patent litigation identified above, we believe that we have meritorious defenses against the claims. However, we might not ultimately prevail in these actions. Whether or not we ultimately prevail, litigation could be time-consuming and costly and injure our reputation. If any of the plaintiffs ultimately prevail in their respective actions, or we decide to settle prior to final adjudication, we may be required to negotiate royalty or license agreements with respect to the patents at issue. In addition, we may not be able to enter into such agreements on acceptable terms, if at all. Any limitation on our ability to provide a service or product could cause us to lose revenue-generating opportunities and require us to incur additional expenses. These potential costs and expenses, as well as the need to pay additional damages awarded in the favor of the plaintiffs could have a material adverse effect on our business.

IPO Litigation. During June and July 2006, Vonage, several of our officers and directors, and the firms who served as the underwriters in our initial public offering, or IPO, were named as defendants in several purported class action lawsuits arising out of our IPO. The cases were filed in the United States District Court for the District of New Jersey, the United States District Court for the Southern District of New York, the Supreme Court of the State of New York, which was subsequently removed to the United States District Court for the Eastern District of New York, and the Superior Court of New Jersey, which was subsequently removed to the United States District Court for the District of New Jersey.

The complaints assert claims under the federal securities laws on behalf of a professed class consisting of all those who were allegedly damaged as a result of acquiring our common stock in connection with our IPO. The complaints allege, among other things, that we omitted and/or misstated certain facts concerning the IPO s Customer Directed Share Program. Some complaints also allege the IPO prospectus contained misrepresentations or omissions concerning certain of our products and/or the prior experience of some of our management. One complaint which was voluntarily dismissed included an allegation of open market securities fraud during a purported class period of May 24, 2006 to June 19, 2006 in addition to claims arising out of the IPO. On January 9, 2007, the Judicial Panel on Multidistrict Litigation transferred all remaining complaints to the District of New Jersey. Following briefing by the various plaintiffs in order to appoint lead plaintiff, the Court held a hearing on July 25, 2007 to select the lead plaintiff. The Court has not yet rendered a decision.

Although we believe that we and the individual defendants have meritorious defenses to the claims made in each of the aforementioned complaints and intend to contest each lawsuit vigorously, an adverse resolution of any of the lawsuits may have a material adverse effect on our financial position and results of operations in the period in which the lawsuits are resolved. We are not presently able to reasonably estimate potential losses, if any, related to the lawsuits.

Consumer Class Action Litigations. We have been named in several purported class actions venued in California, New Jersey, and Washington alleging a wide variety of deficiencies with respect to our business practices, marketing disclosures, email marketing and quality issues for both phone and fax service.

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(In thousands, except per share amounts)

(Unaudited)

For example, there are various class actions, on behalf of both nationwide and state classes, pending in New Jersey, Washington and California generally alleging that we delayed and/or refused to allow consumers to cancel their Company service; failed to disclose procedural impediments to cancellation; failed to adequately disclose that their 30-day money back guarantee does not give consumers 30 days to try out our services; suppressed and concealed the true nature of our services and disseminated false advertising about the quality, nature and terms of our services; impose an unlawful early termination fee; and invokes unconscionable provisions of our Terms of Service to the detriment of customers. On May 11, 2007, plaintiffs in one action petitioned the Judicial Panel on Multidistrict Litigation (the Panel), seeking transfer and consolidation of the pending actions to a single court for coordinated pretrial proceedings pursuant to 28 U.S.C. § 1407. All papers related to the motion for transfer and consolidation, including Vonage s response, have been filed with the Panel. The motion was heard on July 26, 2007 in Minneapolis, Minnesota and the Panel has not yet rendered a decision.

We believe we have meritorious defenses against the claims asserted in these purported class actions. Although the results of litigation claims cannot be predicted with certainty, we believe the final outcome of these matters should not have a material adverse effect on our business.

Regardless of outcome, litigation can have an adverse impact on us because of defense costs, diversion of management resources and other factors.

Regulation

Telephony services are subject to a broad spectrum of state and federal regulations. Because of the uncertainty over whether VoIP should be treated as a telecommunications or information service, we have been involved in a substantial amount of state and federal regulatory activity. Implementation and interpretation of the existing laws and regulations is ongoing and is subject to litigation by various federal and state agencies and courts. Due to the nature of the technology in use, there is no guarantee that we will not be subject to new regulations or existing regulations under new interpretations.

On June 1, 2007, the District of Columbia Court of Appeals vacated the portion of the Federal Communications Commission s (FCC) USF Order which required interconnected VoIP providers to make double USF payments in violation of the carrier s carrier rule. However, the Court failed to decide how interconnected VoIP providers would recover the USF payments made to underlying carriers. Vonage is pursuing actions to receive the appropriate method of recovery from the FCC s violation of double payments and the carrier s carrier rule.

On June 15, 2007, the FCC released its Order extending the disability access requirements of Section 255 and 225 to interconnected VoIP services and to manufacturers of specially designed equipment used to provide VoIP services. The Order also required interconnected VoIP providers to contribute to the TRS Fund and offer 711 dialing for access to relay services. The Commission s new disability access rules were published with an effective date of Oct. 5, 2007. Vonage is preparing to comply. In the event Vonage finds that it is technically unfeasible to comply we will join others that seek a stay of the Order.

E-911

On June 3, 2005, the FCC released its VoIP E-911 order (the Order). Pursuant to the Order, we were required (i) to notify our customers of the differences between the emergency services available through us and those available through traditional telephony providers and to receive affirmative acknowledgment from all of our customers that they understand the nature of the emergency services available through our service and (ii) to provide E-911 services to 100% of our subscribers by November 28, 2005. We have received affirmative acknowledgment from substantially all of our customers that they understand our emergency services and therefore we are substantially in compliance with the first aspect of the Order. We have also taken steps to comply with the enhanced emergency services rules, but were unable to comply with all of the requirements of the Order by the November 28, 2005 deadline. Consequently, we are not currently in full compliance and do not expect to be in full compliance in the short term unless we are granted a waiver of the requirements by the FCC. On November 28, 2005, we filed a petition for extension of time and limited waiver of certain of the enhanced emergency service requirements. To the extent the waiver is necessary and remain ungranted, we are at risk of an enforcement action including fines, penalties and/or an order to cease and desist selling and marketing our services in certain areas where E-911 service is unavailable. We regularly update the FCC on our E-911 deployment efforts.

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CALEA

On August 5, 2005, the FCC released an Order extending the obligations of Communications Assistance for Law Enforcement Act (CALEA) to interconnected VoIP providers. Under CALEA, telecommunications carriers must assist law enforcement in executing electronic surveillance, which include the capability of providing call content and call-identifying information to a local enforcement agency, or LEA, pursuant to a court order or other lawful authorization.

The FCC required all interconnected VoIP providers to become fully CALEA compliant by May 14, 2007. The FCC allowed VoIP providers to comply with CALEA through the use of a solution provided by a trusted third party, or TTP, with the ability to extract call content and call-identifying information from a VoIP provider s network. While the FCC permits carriers to use the services provided by TTPs to become CALEA compliant, the carrier remains ultimately responsible for ensuring the timely delivery of call content and call-identifying information to law enforcement, and for protecting subscriber privacy, as required by CALEA. We selected a TTP to provide a solution for CALEA compliant lawful interception of communications by May 14, 2007.

To date, we have taken significant steps towards CALEA compliance, which include testing the CALEA solution with the FBI and delivering lawful CALEA requests. We have also implemented alternative solutions that allow CALEA access to call content and call-identifying information. The FCC and law enforcement officials have been advised as to our CALEA progress and our efforts at implementing alternative solutions. We could be subject to an enforcement action by the FCC if our CALEA solution is deemed not fully operational.

CPNI

On April 2, 2007, the FCC released its Order extending the application of the customer proprietary network information (CPNI) rules to interconnected VoIP providers. VoIP providers have six months from the date of the Order to implement all the CPNI rules.

CPNI includes information such as the phone numbers called by a consumer; the frequency, duration, and timing of such calls; and any services/features purchased by the consumer, such as call waiting, call forwarding, and caller ID, in addition to other information that may appear on a consumer s bill.

Under the FCC s existing rules, carriers may not use CPNI without customer approval except in narrow circumstances related to their provision of existing services, and must comply with detailed customer approval processes when using CPNI outside of these narrow circumstances. The new CPNI requirements are aimed at establishing more stringent security measures for access to a customer s CPNI data in the form of enhanced passwords for on-line access and call-in access to account information as well as customer notification of account or password changes.

At the present time we do not utilize our customer s CPNI in a manner which would require us to obtain consent from our customers, but in the event that we do in the future, we will be required to adhere to specific CPNI rules aimed at marketing such services. Within the next six months we will be required to implement internal processes in order to be compliant with all the CPNI rules. We have engaged all affected business units and compliance is expected by the deadline.

State and Municipal Taxes

For a period of time, we did not collect or remit state or municipal taxes (such as sales, excise, and ad valorem taxes), fees or surcharges (Taxes) on the charges to our customers for our services, except that we have historically complied with the New Jersey sales tax. We have received inquiries or demands from a number of state and municipal taxing and 911 agencies seeking payment of Taxes that are applied to or collected from customers of providers of traditional public switched telephone network services. Although we have consistently maintained that these Taxes do not apply to our service for a variety of reasons depending on the statute or rule that establishes such obligations, a number of states have changed their statutes as part of the streamlined sales tax initiatives and we are now collecting and remitting sales taxes in those states. In addition, a few states address how VoIP providers should contribute to support public safety agencies, and in those states we began to remit fees

to the appropriate state agencies. We have also contacted authorities in each of the other states to discuss how we can financially contribute to the 911 system. We do not know how all these discussions will be resolved, but there is a possibility that we will be required to pay or collect and remit some or all of these Taxes in the future. Additionally, some of these Taxes could apply to us retroactively. As such, we have recorded a reserve of $6,598 at June 30, 2007 as our best estimate of the potential tax exposure for any retroactive assessment. We believe the maximum estimated exposure for retroactive assessments is $16,321 as of June 30, 2007.

Note 3. Directed Share Program

In connection with our IPO, we requested that our underwriters reserve 4,219 shares for our customers to purchase at the initial public offering price of $17.00 per share through the Vonage Customer Directed Share Program (DSP). In connection with our IPO, we also entered into an Underwriting Agreement, dated May 23, 2006, pursuant to which we agreed to indemnify the Underwriters for any losses caused by the failure of any participant in the DSP to pay for and accept delivery of the shares that had been allocated to such

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(In thousands, except per share amounts)

(Unaudited)

participant in connection with our IPO. In the weeks following the IPO, certain participants in the DSP that had been allocated shares failed to pay for and accept delivery of such shares. As a result of this failure and as part of the indemnification obligations, we acquired from the Underwriters or their affiliates 1,056 shares of our common stock which had an aggregate fair market value of $11,723. These shares were recorded as treasury stock on the consolidated balance sheet using the cost method. We will not make any further purchases of securities pursuant to our indemnification obligations under the Underwriting Agreement. Because we are pursuing the collection of monies owed from the DSP participants who failed to pay for their shares, we recorded a stock subscription receivable of $6,110 representing the difference between the aggregate IPO price value of the unpaid DSP shares and the $11,723 we paid for these shares.

In 2006, we reimbursed $6,110 of the indemnification obligation due to the Underwriters in accordance with the Underwriting Agreement. For the year ended December 31, 2006 and the six months ended June 30, 2007, we received $684 and $167, respectively, in payments from certain participants in the DSP that had been allocated shares and failed to pay for such shares.

Note 4. Subsequent Events

Verizon Patent Litigation

In connection with the lawsuit filed against us and our subsidiary Vonage America Inc., by Verizon Services Corp., Verizon Laboratories Inc., and Verizon Communications, Inc., we deposited into escrow the 5.5% quarterly royalty payment of $11,885 in July 2007 as required by the trial court.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion together with our consolidated financial statements and the related notes included elsewhere in this Form 10-Q and our audited financial statements included in our Annual Report on Form 10-K. This discussion contains forward-looking statements, which involve risks and uncertainties. Our actual results may differ materially from those we currently anticipate as a result of many factors, including the factors we describe under Risk Factors in our Annual Report on Form 10-K and elsewhere in this Form 10-Q.

Overview

We are a leading provider of broadband telephone services with over 2.4 million subscriber lines as of June 30, 2007. Our services use Voice over Internet Protocol, or VoIP, technology, which enables voice communications over the Internet through the conversion and compression of voice signals into data packets. In order to use our service offerings, customers must have access to a broadband Internet connection with sufficient bandwidth (generally 60 kilobits per second or more) for transmitting those data packets.

We earn revenue and generate cash primarily through our broadband telephone service plans, each of which offers a different pricing structure based on a fixed monthly fee. We generate most of our revenue from those fees, substantially all of which we bill to our customers credit cards, debit cards or electronic check payments, or ECP, one month in advance.

We have invested heavily in an integrated marketing strategy to build strong brand awareness that supports our sales and distribution efforts. We acquire customers through a number of sales channels, including our websites, toll free numbers and a presence in major retailers located in the United States, Canada and the United Kingdom. We also acquire new customers through Refer-a-Friend, our online customer referral program.

We launched our service in the United States in October 2002, in Canada in November 2004 and in the United Kingdom in May 2005. Since our U.S. launch, we have experienced rapid revenue and subscriber line growth. While our revenue has grown rapidly, we have incurred an accumulated deficit of $826.8 million from our inception through June 30, 2007. Although our net losses initially were driven primarily by start-up costs and the cost of developing our technology, more recently our net losses have been driven by our growth strategy. In order to grow our customer base and revenue, we chose to spend a significant amount on marketing, rather than seeking to generate net income. In addition, we plan to continue to invest in research and development and customer care. Recently, we announced a plan to balance growth with profitability and chose to reduce our marketing expense in 2007 as compared to our marketing expense in 2006. We incurred marketing expense of $158.8 million and $178.5 million and a net loss of $106.0 million, which includes $21.5 million in royalty costs and $1.4 million in interest expense related to the Verizon patent litigation, and $159.3 million for the six months ended June 30, 2007 and 2006, respectively. We intend to continue to pursue a balance of growth with profitability because we believe it will position us as a strong competitor in the long term. Although we believe we will achieve profitability in the future, we ultimately may not be successful and we may never achieve profitability.

In March 2007, a judgment was entered against us in the amount of $58.0 million in our Verizon patent litigation. In April 2007, this amount plus pre- and post- judgment interest and costs of $8.0 million was posted as a bond to stay execution of the judgment pending appeal. As a condition of maintaining the stay and during the pendency of the appeal we must also deposit into escrow a 5.5% royalty on a quarterly basis for revenues associated with technology within the scope of the injunction. For the three and six months ended June 30, 2007, this royalty was $11.1 and $21.5 million, respectively. The royalty will fluctuate with our revenue generated from infringing technology. The trial court issued a permanent injunction prohibiting us from using the infringing technology, but partially stayed the effect of this injunction with regard to servicing existing customers. We are appealing the jury verdict to the United States Court of Appeals for the Federal Circuits, or CAFC, and filed a motion with the CAFC to stay the injunction pending our appeal. On April 24, 2007, the CAFC issued a stay of the injunction that will remain in effect until resolution of our appeal.

On April 11, 2007, we determined to reduce our total workforce by approximately 10% in the second quarter of 2007 to reduce costs and improve efficiency. We anticipate incurring a charge of approximately $5.0 million in 2007, all of which would be for one-time employee termination benefits. As of June 30, 2007, we recorded $3.7 million of such cost.

Trends in Our Industry and Business

A number of trends in our industry and business have a significant effect on our results of operations and are important to an understanding of our financial statements. These trends include:

Broadband adoption. The number of U.S. households with broadband Internet access has grown significantly. We expect this trend to continue. We benefit from this trend because our service requires a broadband Internet connection and our potential addressable market increases as broadband adoption increases.

Changing competitive landscape. We are facing increasing competition from other companies that offer multiple services such as cable television, voice and broadband Internet service. These competitors are offering VoIP or other voice services as part of a bundle, in which they offer voice services at a lower price than we do to new subscribers. In addition, we believe several of these competitors are working to develop new integrated offerings that we cannot provide and that could make their services more attractive

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to customers. We also compete against established alternative voice communication providers and independent VoIP service providers. Some of these service providers may choose to sacrifice revenue in order to gain market share and have offered their services at lower prices or for free. SunRocket, an independent VoIP service provider, ceased operations in July 2007. The negative press surrounding SunRocket and the offerings from other providers could negatively affect our ability to acquire new customers or retain our existing customers.

Subscriber line growth. Since our launch, we have experienced rapid subscriber line growth. For example, we grew from 390,566 subscriber lines as of December 31, 2004 to 1,269,038 as of December 31, 2005 and to 2,224,111 as of December 31, 2006. In addition, we grew from 1,853,253 subscriber lines as of June 30, 2006 to 2,446,448 as of June 30, 2007, or approximately 600,000 incremental subscriber lines. In light of the CAFC s stay of the trial court s injunction, we believe we will continue to add subscriber lines in future periods; however, we do not expect to sustain our historical subscriber line growth rate on a percentage basis due to a combination of increased competition, a significantly larger and growing customer base and increasing saturation among our initial target customer base, which included many early adopters.

Average monthly customer churn. For the three months ended June 30, 2007, we experienced average monthly customer churn of 2.5% compared to 2.3% for the three months ended June 30, 2006. We believe this increase was driven, in part, by inconsistent customer service, service quality, increased competition and the uncertainty surrounding our litigation with Verizon. We believe that our churn will fluctuate over time and may increase as we continue our shift in marketing focus from early adopters to mainstream customers and increased competition pressures and market place perception of our services.

Average monthly revenue per line. Our average monthly revenue per line increased to $28.38 for the three months ended June 30, 2007 compared to $27.89 for the three months ended June 30, 2006. For the remainder of 2007, we believe that our average monthly revenue per line will remain steady or slightly increase. In October 2006, we began collecting Universal Service Fund (USF) from our customers, which has increased average monthly revenue per line. In addition, an increasing number of customers are choosing the residential unlimited plan as a result of the first month free promotion which has a positive effect on longer term average monthly revenue per line. These increases could be negatively affected by the timing and duration of promotions such as the second line promotion introduced in late May 2006. In addition, in May 2006 we started offering free calls to certain countries in Europe for customers on our unlimited plans, which will decrease average monthly revenue per line. In March 2007, we also reduced international rates to certain countries to one cent per minute, which we believe will also decrease our average monthly revenue per line.

Average monthly total direct cost of telephony services per line. Our average monthly total direct cost of telephony services per line increased to $8.74 for the three months ended June 30, 2007 compared to $7.72 for the three months ended June 30, 2006. This increase was due to the Verizon royalty that we are required to escrow of $1.52 per line for the three months ended June 30, 2007 and taxes we pay on our services including government-imposed taxes such as USF. This was offset by a decrease for changes in customers calling patterns as international calling is a lower portion of our overall call volume and our fixed network costs are being spread over a larger subscriber line base.

Regulation. Our business has developed in an environment largely free from regulation. However, the United States and other countries have begun to examine how VoIP services should be regulated, and a number of initiatives could have an impact on our business. For example, the FCC has concluded that wireline broadband Internet access, such as DSL and Internet access provided by cable companies, is an information service and is subject to lighter regulation than telecommunications services. This order may give providers of wireline broadband Internet access the right to discriminate against our services, charge their customers an extra fee to use our service or block our service. We believe it is unlikely that this will occur on a widespread basis, but if it does it would have a material adverse effect on us. Other regulatory initiatives include the assertion of state regulatory authority over us, FCC rulemaking regarding emergency calling services and proposed reforms for the intercarrier compensation system. In addition, the FCC recently concluded that VoIP providers must begin contributing to the USF on October 1, 2006. The Internal Revenue Service, however, has discontinued the requirement to collect the Federal Excise Tax, which we stopped collecting on June 24, 2006. Complying with regulatory developments may affect our business by increasing our operating expenses, including legal and consulting fees, requiring us to make significant capital expenditures or increasing the taxes and regulatory fees we pay.

Operating Revenues

Operating revenues consists of telephony services revenue and customer equipment and shipping revenue.

Telephony services revenue. Substantially all of our operating revenues are telephony services revenue. In the United States, we offer two residential plans, Residential Premium Unlimited and Residential Basic 500, and two small office and home office plans, Small Business Unlimited and Small Business Basic. Each of our unlimited plans offers unlimited domestic calling as well as Puerto Rico and Canada and selected European countries, subject to certain restrictions, and each of our basic plans offers a limited number of domestic calling minutes per month. Under our basic plans, we charge on a per minute basis when the number of domestic calling minutes included in the plan is exceeded for a particular month. International calls (except for calls to certain European countries under our unlimited plans) are charged on a per minute basis. These per minute fees are not included in our monthly subscription fees. We offer similar plans in Canada and the United Kingdom.

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We derive most of our telephony services revenue from monthly subscription fees that we charge our customers under our service plans. We also offer residential fax service, virtual phone numbers, toll free numbers and other services, for each of which we charge an additional monthly fee. One business fax line is included with each of our two small office and home office plans, but we charge monthly fees for additional business fax lines. We automatically charge these fees to our customers credit cards, debit cards or ECP monthly in advance. We also automatically charge the per minute fees not included in our monthly subscription fees to our customers credit cards, debit cards or ECP monthly in arrears unless they exceed a certain dollar threshold, in which case they are charged immediately.

By collecting monthly subscription fees in advance and certain other charges immediately after they are incurred, we are able to reduce the amount of accounts receivable that we have outstanding, thus allowing us to have lower working capital requirements. Collecting in this manner also helps us mitigate bad debt losses, which are recorded as a reduction to revenue. If a customer s credit card, debit card or ECP is declined, we generally suspend international calling capabilities as well as the customer s ability to incur domestic usage charges in excess of their plan minutes. Historically, in most cases, we are able to correct the problem with the customer within the current monthly billing cycle. Through March 31, 2007, if the customer s credit card, debit card or ECP could not be successfully processed during two billing cycles (i.e., the current and subsequent month s billing cycle), we terminated the account. Beginning on April 1, 2007, this period was extended to three billings cycles.

We also generate revenue by charging a fee for activating service. We charge an activation fee to our direct channel customers, or those customers who purchase equipment directly from us and to our retail channel customers, or customers who purchase equipment from retail stores. For our direct channel customers, activation fees, together with the related customer acquisition amounts for equipment, are deferred and amortized over the estimated average customer relationship period of 60 months. For our retail channel customers, rebates and retailer commissions up to but not exceeding the activation fee, are also deferred and amortized over the estimated average customer relationship period of 60 months. The amortization of deferred customer equipment expense is recorded to direct cost of goods sold. The amortization of deferred rebates is recorded as a reduction to telephony services revenue. The amortization of deferred retailer commissions is recorded as marketing expense.

In the United States, we charge regulatory recovery fees on a monthly basis to defray the costs associated with regulatory consulting and compliance as well as related litigation, E-911 compliance and to cover taxes that we are charged by the suppliers of telecommunications services. In addition, beginning in October 1, 2006 we began charging customers Federal USF. We record these fees as revenue.

We no longer accept returns of any customer equipment after 30 days, and for all subscribers who became our customers from July 1, 2005 to February 1, 2007, we charged a disconnect fee to customers who terminated their service within one year of activation. For subscribers who became customers after February 1, 2007, we charge a disconnect fee to those customers who terminate their service within two years of activation. Disconnect fees are recorded as revenue and are recognized at the time the customer terminates service.

Telephony services revenue is offset by the cost of certain customer acquisition activities, such as rebates and promotions.

Customer equipment and shipping revenue. Customer equipment and shipping revenue consists of revenue from sales of customer equipment to our wholesalers or directly to customers and retailers. In addition, customer equipment and shipping revenue includes the fees that we charge our customers for shipping any equipment to them.

Operating Expenses

Operating expenses consist of direct cost of telephony services, royalties, direct cost of goods sold, selling, general and administrative expense, marketing expense and depreciation and amortization.

Total direct cost of telephony services. Total direct cost of telephony services primarily consists of fees that we pay to third parties on an ongoing basis in order to provide our services. These fees include:

Access charges that we pay to other telephone companies to terminate domestic and international calls on the public switched telephone network. These costs represented approximately 50% and 58% of our direct cost of telephony services for the three months ended June 30, 2007 and 2006, respectively, with a portion of these payments ultimately being made to incumbent telephone companies. When a Vonage subscriber calls another Vonage subscriber, we do not pay an access charge.

The cost of leasing interconnections to route calls over the Internet and transfer calls between the Internet and the public switched telephone networks of various long distance carriers.

The cost of leasing from other telephone companies the telephone numbers that we provide to our customers. We lease these telephone numbers on a monthly basis.

The cost of co-locating our regional data connection point equipment in third-party facilities owned by other telephone companies, internet service providers, or collocation facility providers.

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The cost of providing local number portability, which allows customers to move their existing telephone numbers from another provider to our service. Only regulated telecommunications providers have access to the centralized number databases that facilitate this process. Because we are not a regulated telecommunications provider, we must pay other telecommunications providers to process our local number portability requests.

	6,907		6,907
Selling, general & administration expenses			
Impairment of goodwill		19,156	19,156
Termination payments	842		842
Lease obligation provision	116		116
Other	201		201
	1,159	19,156	20,315
Total restructuring expenses and goodwill impairment before tax	**20,791**	**19,156**	**39,947**
Income tax impact of restructuring expenses and goodwill impairment	(1,584)		(1,584)
Total restructuring expenses and goodwill impairment after tax	**19,207**	**19,156**	**38,363**

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In 2007, Group revenues increased by US$24.9 million, which represented a growth rate of 21%. In 2007 haemostasis continued to be the Group s most significant product line representing 42% of product revenues. Haemostasis revenues increased by 31% in 2007, primarily due to the full year impact of the acquisition of the haemostasis business of BioMerieux in 2006. The remaining revenues came from the infectious diseases (29%), point of care (12%) and clinical chemistry (17%) product lines. Geographically, 48% of sales were generated in the Americas, 30% in Europe and 22% in the rest of the world.

The gross margin for the year ended December 31, 2007 was 38%. In 2007, as part of the overall restructuring expense, the Group recognised US$11,772,000 in cost of sales for inventory written off relating to those haemostasis and infectious diseases products and instruments being rationalised for the year ended December 31, 2007. The Group also recognised an additional charge of US$953,000 in cost of sales for termination payments for the year ended December 31, 2007. Excluding the impact of the US$12.7 million for the restructuring expenses, the gross margin would be 47% which is broadly consistent with the gross margin for the year ended December 31, 2006, excluding the impact of the inventory provision of US$5.8 million, of 48%.

The operating loss was US$29,372,000 for the year ended December 31, 2007 which compares to an operating profit of US$1,941,000 for the year ended December 31, 2006. The movement is primarily due to the impact of the US$39.9 million for restructuring expenses and goodwill impairment. Excluding the impact of the restructuring expenses and goodwill impairment in 2007 and the inventory provision of US$5.8 million in 2006, the operating profit increased by 37% primarily due to increased sales, of which US$13,523,000 relates to the impact of acquisitions made in 2007 and 2006 and US$11,420,000 is as a result of organic growth. However, the impact of increased sales, which grew by 21%, was offset by increased selling, general & administrative (SG&A) and research and development (R&D) costs. This resulted in an operating margin, excluding the impact of the restructuring expenses and goodwill impairment, of 7%. In 2006, the operating margin, excluding the impact of the US$5.8 million inventory provision was also 7%.

The loss for the year ended December 31, 2007 was US$35,372,000 which compares to a profit for the year ended December 31, 2006 of US$3,276,000. Excluding the after tax impact of the restructuring expenses and goodwill impairment, the profit for the year would be US$2,991,000, which represents a decrease in profit for the year of 9% (compared to an increase in operating profit of 37%). Although profit before tax increased in 2007, the profit after tax was lower than 2006. This is due to the impact of the derecognition of deferred tax assets of US$3,780,000 in relation to unused tax losses and higher net interest financing costs in 2007.

2. Revenues

The Group s revenues consist of the sale of diagnostic kits and related instrumentation and the sale of raw materials to the life sciences industry. Revenues on the sale of the above products are generally recognised on the basis of shipment to customers. The Group ships its products on a variety of freight terms, including ex-works, CIF (carriage including freight) and FOB (free on board), depending on the specific terms agreed with customers. In cases where the Group ships on terms other than ex-works, the Group does not recognise the revenue until its obligations have been fulfilled in accordance with the shipping terms.

No right of return exists in relation to product sales except in instances where demonstrable product defects occur. The Group has defined procedures for dealing with customer complaints associated with such product defects as they arise.

The Group also derives a portion of its revenues from leasing infectious diseases and haemostasis diagnostic instruments to customers. In cases where the risks and rewards of ownership of the instrument passes to the customer, the fair value of the instrument is recognised at the time of sale matched by the related cost of sale. In the case of operating leases of instruments which typically involve commitments by the customer to pay a fee per test run on the instruments, revenue is recognised on the basis of customer usage of the instruments. In certain markets, the Group also earns revenue from servicing infectious diseases and haemostasis instrumentation located at customer premises.

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Revenues by Product Line

The following table sets forth selected sales data for each of the periods indicated.

	Year ended December 31, 2007 US$ 000	2006 US$ 000	% Change
Revenues			
Infectious diseases	41,293	42,051	(2%)
Haemostasis	60,759	46,476	31%
Clinical Chemistry	17,061	14,868	15%
Point of Care	24,504	15,279	60%
Total	**143,617**	**118,674**	**21%**

Trinity Biotech s consolidated revenues for the year ended December 31, 2007 were US$143,617,000 compared to consolidated revenues of US$118,674,000 for the year ended December 31, 2006, which represents an overall increase of US$24,943,000.

Infectious Diseases Revenues

Sales of infectious diseases products have decreased by US$758,000. This decrease is principally due to a reduction in sales of flu anti-bodies through our Fitzgerald business due to a poor flu season principally attributable to mild winter conditions in Fitzgerald s US and Asian markets. This was partially offset by improved Lyme sales in the US, increased sales in the Group s direct selling operation in France during its first full year of trading and the impact of the acquisition of Sterilab in the United Kingdom.

Haemostasis Revenues

The net increase in haemostasis revenues of US$14,283,000 is principally attributable to increased sales arising from the full year impact of the acquisition of the haemostasis business of BioMerieux in 2006 (US$12,224,000). The remaining increase is attributable to the 8% growth in the Group s Amax and Biopool product ranges (US$2,059,000).

Clinical Chemistry Revenues

The increase in clinical chemistry revenues of US$2,193,000 is principally due to international sales of the Primus products. Primus specialises in the field of in vitro diagnostic testing for haemoglobin A1c and haemoglobin variants (used in the detection and monitoring of diabetes patients).

Point of Care

Sales of Point of Care products have increased by US$9,225,000 which is primarily attributable to increased sales of Trinity s Unigold rapid HIV test in Africa and the US.

Revenues by Geographical Region

The following table sets forth selected sales data, analysed by geographic region, based on location of customer:

	Year ended December 31, 2007 US$ 000	2006 US$ 000	% Change
Revenues			
Americas	68,481	60,748	13%
Europe	43,631	34,452	27%
Asia/Africa	31,505	23,474	34%
Total	**143,617**	**118,674**	**21%**

The US$7,733,000 increase in the Americas is primarily attributable to the following factors:

An increase in haemostasis sales including the full year impact of bioMerieux haemostasis products which was acquired in June 2006;

the growth in the sales of Trinity s Unigold rapid HIV test.

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The US$9,179,000 increase in Europe is primarily due to increased sales arising from the full year impact of the acquisition of BioMerieux and sales of Infectious Diseases products in France.

The US$8,031,000 increase in Asia/Africa is primarily due to increased sales of Trinity s Unigold rapid HIV tests in Africa.

For further information about the Group s principal products, principal markets and competition please refer to Item 4, Information on the Company .

3. Operating Expenses

The following table sets forth the Group s operating expenses.

	Year ended December 31, 2007 US$ 000	2006 US$ 000	% Change
Revenues	143,617	118,674	21%
Cost of sales	(75,643)	(62,090)	22%
Cost of sales restructuring expenses	(953)		100%
Cost of sales inventory write off/ provision	(11,772)	(5,800)	103%
Gross profit	55,249	50,784	9%
Other operating income	413	275	50%
Research & development	(6,802)	(6,696)	2%
Research & development restructuring expenses	(6,907)		100%
SG&A expenses	(51,010)	(42,422)	20%
SG&A expenses restructuring expenses	(20,315)		100%
Operating (loss)/ profit	**(29,372)**	**1,941**	**(1613%)**

Cost of sales

Total cost of sales increased by US$20,478,000 from US$67,890,000 for the year ended December 31, 2006 to US$88,368,000, for the year ended December 31, 2007, an increase of 30%. The increase is primarily attributable to the restructuring expenses of US$12,725,000 recognised in cost of sales in 2007, partially offset by the inventory provision in 2006 of US$5.8 million. Cost of sales, excluding the impact of the restructuring expenses of US$12.7 million in 2007 and the US$5.8 million inventory provision in 2006, increased by US$13,553,000 from US$62,090,000 for the year ended December 31, 2006 to US$75,643,000, for the year ended December 31, 2007, an increase of 22%. This increase in cost of sales is broadly in line with the increase in revenues for the Group. Cost of sales excluding the US$12.7 million for the inventory write off and restructuring expenses for the year represents 53% of revenues, which is broadly in line with the cost of sales excluding the US$5.8 million inventory provision as a percentage of revenue in 2006 (52%). See Revenues section above for details on movements in revenues during 2007.

Included in cost of sales for the year ended December 31, 2007 is US$12,725,000 for the inventory write off and restructuring expenses, resulting from a decision taken by the Board of Directors of Trinity Biotech during 2007 to restructure the business. Under the restructuring plan, Trinity Biotech undertook to reduce the number of products and instruments within the two key product lines of haemostasis and infectious diseases. As a result, the Group has recognised US$11,772,000 for inventory written off relating to those haemostasis and infectious diseases products and instruments being rationalised for the year ended December 31, 2007. As part of the restructuring, the Group also recognised an additional amount of US$953,000 in cost of sales for termination payments for the year ended December 31, 2007.

In 2006, the Group made a US$5.8 million inventory provision resulting from the acquisition of the haemostasis business of bioMerieux in 2006. This arose from the process of combining the acquired bioMerieux range of products with the Group s existing product range. As part of this process it was decided to discontinue various existing products, hence the requirement for the inventory provision.

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Gross margin

The gross margin for 2007 was 38% which compares to a gross margin in 2006 of 43%. The decrease in gross margin in 2007 is primarily attributable to the impact of the restructuring expenses and goodwill impairment. Excluding the impact of the US$12.7 million restructuring expenses, the gross margin would have been 47%, which is broadly in line with the 2006 gross margin excluding the impact of the US$5.8 million inventory provision of 48%.

Research and development expenses

Research and development (R&D) expenditure increased to US$13,709,000 in 2007 compared to expenditure of US$6,696,000 in 2006. The increase in research and development expenditure is primarily attributable to the total restructuring expenses recognised in R&D in 2007 of US$6,907,000. The total R&D restructuring expenses of US$6,907,000 consists of US$5,134,000 of development costs written off, US$439,000 for license costs written off and a further US$1,094,000 written off technology intangible assets acquired from BioMerieux. Termination payments included in R&D amounted to US$240,000. Research and development expenditure, excluding the impact of the write-off of capitalised development and license costs of US$6,667,000 and termination payments of US$240,000 resulting from the restructuring activities, increased to US$6,802,000 in 2007 compared to expenditure of US$6,696,000 in 2006. This represents 5% of consolidated revenues, which is consistent with 2006. For a consideration of the Company s various R&D projects see Research and Products under Development in Item 5 below.

Selling, General & Administrative expenses (SG&A)

The following table outlines the breakdown of SG&A expenses in 2007 compared to a similar breakdown for 2006.

	Year ended December 31, 2007 US$ 000	2006 US$ 000	Increase/ (decrease) US$ 000	% Change
SG&A (excl. share-based payments and amortisation)	46,368	38,719	7,649	20%
SG&A restructuring expenses and goodwill impairment	20,315		20,315	100%
Share-based payments	1,224	1,016	208	20%
Amortisation	3,418	2,687	731	27%
Total	**71,325**	**42,422**	**28,903**	**68%**

Selling General & Administrative Expenditure (excluding share-based payments and amortisation)

Total SG&A expenses increased from US$42,422,000 for the year ended December 31, 2006 to US$71,325,000 for the year ended December 31, 2007, which represents an increase of US$28,903,000. The increase is primarily due to the restructuring expenses and an increase in SG&A expenses excluding share-based payments and amortisation. Total SG&A expenses excluding share-based payments and amortisation increased from US$38,719,000 for the year ended December 31, 2006 to US$66,683,000 for the year ended December 31, 2007, which represents an increase of 72%. Of the total increase of US$27,964,000, US$20,315,000 relates to restructuring expenses incurred in 2007. SG&A expenses (excluding restructuring expenses, goodwill impairment, share-based payments and amortisation) increased 20% or by US$7,649,000 from US$38,719,000 to US$46,368,000, which compares to revenue growth of 21% during the same period.

The principal reasons for the increase in SG&A expenses (excluding restructuring expenses, goodwill impairment, share-based payments and amortisation) of US$7,649, 000 in 2007, are as follows:

- Increased SG&A costs in the Head Office/Irish operations of US$4,327,000. This is mainly due to a combination of strengthening of the Group s marketing and central administration functions in conjunction with increased professional fees associated with the implementation of Sarbanes Oxley;

An increase of US$2,057,000 in the Group s European operations (excluding Ireland). Of this increase, US$1,465,000 related to the full year impact of the direct sales operation in France acquired in 2006. The remaining increase of US$592,000 arose principally in the UK mainly due to the increase in employee numbers and related costs associated with the expansion of this entity following the acquisition of the haemostasis business of bioMerieux in 2006;

Increased SG&A costs of US$1,265,000 in the USA. This is primarily due to the full year impact of the increased personnel and related costs following the acquisition of the haemostasis business of bioMerieux in June 2006.

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SG&A restructuring expenses and goodwill impairment

Arising from the 2007 impairment review, a goodwill impairment loss of US$19,156,000 was recognised in the consolidated statement of operations for the year ended December 31, 2007. This impairment loss arose in Trinity Biotech Manufacturing Limited, one of the Group s cash generating units (CGU s). Trinity Biotech Manufacturing Limited manufactures haemostasis, infectious diseases, point of care and clinical chemistry products at its plant in Bray, Ireland, which are then sold to third party distributors and other selling entities within the Group. A further US$1,094,000 was written off technology intangible assets acquired by BioMerieux and this charge is included in research and development expenses as part of the total amount written off for capitalised development and license costs of US$6,667,000. The remaining restructuring expenses of US$1,159,000 included in SG&A primarily relate to termination payments (US$842,000) and onerous lease obligations resulting from the closure of the Swedish manufacturing operation (US$116,000).

Share-based payments

The Group recorded a total charge to the statement of operations in 2007 of US$1,403,000 (2006: US$1,141,000) for share-based payments. Of the 2007 charge US$71,000 (2006: US$89,000) was charged against cost of sales. Of the remaining US$1,332,000, US$108,000 (2006: US$36,000) was charged against research and development expenses and US$1,224,000 (2006: US$1,016,000) was charged against selling general and administrative expenses.

The expense represents the value of share options granted to directors and employees which is charged to the statement of operations over the vesting period of the underlying options. The Group has used a trinomial valuation model for the purposes of valuing these share options with the key inputs to the model being the expected volatility over the life of the options, the expected life of the option and the risk free rate. The expense for 2007 is broadly in line with that of 2006 and is due to the impact of the newly issued options being offset by a reduction in the expense resulting from forfeiture of previous share options, granted to employees and key management personnel but not vested at the time of forfeiture. For further details refer to Item 18, note 19 to the consolidated financial statements.

Amortisation

The increase in amortisation of US$731,000 from US$2,687,000 to US$3,418,000 is largely attributable to the impact of amortisation of intangible assets acquired as part of the Group s acquisitions in 2007 and 2006 (see Item 18, note 26 to the consolidated financial statements). The Group acquired the haemostasis business of BioMerieux and a direct selling operation in France in 2006 and the full year impact of these acquisitions on the 2007 amortisation charge was US$579,000. A further US$56,000 was amortised in relation to intangible assets valued on the acquisition of the immuno-technology business of Cortex and certain components of the distribution business of Sterilab, a distributor of Infectious Diseases products, in 2007. The remaining increase of US$96,000 is mainly attributable to amortisation of development costs which were capitalised and are now being amortised over the expected life of the products to which they related.

4 (Loss)/ profit for the year

The following table sets forth selected statement of operations data for each of the periods indicated.

	Year ended December 31,		
	2007	**2006**	
	US$ 000	**US$ 000**	**% Change**
Operating (loss)/ profit	(29,372)	1,941	(1613%)
Net financing costs	**(2,691)**	**(1,489)**	**81%**
(Loss)/ profit before tax	(32,063)	452	(7194%)
Income tax (expense)/ credit	**(3,309)**	**2,824**	**(217%)**
(Loss)/ profit of the year	(35,372)	3,276	(1180%)

Net Financing Costs

Net financing costs increased to US$2,691,000 compared to US$1,489,000 in 2006. This increase is primarily due to the impact of the additional debt financing taken on by the Group during 2006 and 2007. The loan facility was

amended in July 2006, increasing the original loan facility by US$30 million to US$41.34 million due to the acquisition of the haemostasis business of bioMerieux. In October 2007, the revolver loan element of the facility increased by US$5 million from US$2,000,000 to US$7,000,000 to fund the acquisition of Cortex and Sterilab in 2007. The increased interest expense in relation to this additional debt was offset by lower interest charges in relation the Group s convertible notes as they were being repaid during 2006. Deposit interest earned during the year decreased from US$1,164,000 in 2006 to US$457,000 due to lower cash balances held on deposit.

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Taxation

The Group recorded a net tax charge of US$3,309,000 for the year ended December 31, 2007. This compared to a tax credit of US$2,824,000 for 2006. This represented a decrease in current tax of US$98,000 which is more than offset by an increase in deferred tax of US$6,231,000. The decrease in current tax is primarily attributable to current year losses in the US, Ireland and Germany resulting from the restructuring. The net deferred tax expense is primarily attributable to the derecognition of deferred tax assets in relation to unused tax losses. The derecognition of these deferred tax assets was considered appropriate due to uncertainty over the timing of the utilisation of the unused tax losses. For further details on the Group s tax charge please refer to Item 18, note 9 and note 13 to the consolidated financial statements.

(Loss)/ profit for the year

The loss for the year amounted to US$35,372,000 which represents a decrease of US$38,648,000 when compared to the profit for year of US$3,276,000 in 2006. Excluding the after tax impact of the inventory write off, restructuring expenses and goodwill impairment of US$38,363,000, the profit for the year would have been US$2,991,000. This compares to a profit for the year ended December 31, 2006, excluding the after tax impact of the US$5.8 million inventory provision, of US$3,276,000.

Liquidity and Capital Resources

Financing

Trinity Biotech has a US$48,340,000 club banking facility with Allied Irish Bank plc and Bank of Scotland (Ireland) Limited (the banks). The facility consists of a five year US Dollar floating interest rate term loan of US$41,340,000 and a one year revolver of US$7,000,000.

The facility was amended in October 2008, increasing the length of the term to July 2012, and amending the repayment schedule from $4,134,000 every January and July (originally commencing January 2007) to an amount of $1,072,000 in July 2008, $2,144,000 in January 2009, $3,215,000 in July 2009 and every six months thereafter, with a final payment of US$6,430,000 payable in July 2012. Hence, during 2008 an amount of $4,134,000 and $1,072,000 were paid in January and July respectively. The revolver loan element of the facility has remained at US$7,000,000. This facility is secured on the assets of the Group.

Various covenants apply to the Group s bank borrowings. At December 31, 2008, the total amount outstanding under the facility amounted to US$34,551,000, net of unamortised funding costs of US$314,000.

During 2008, the Group issued 7,260,816 A Ordinary shares as part of a private placement. These shares were issued for a consideration of US$7,115,600, settled in cash. The Group incurred costs of US$438,000 in connection with the issue of these shares.

Working capital

In the Group s opinion the Group will have access to sufficient funds to support its existing operations for at least the next 12 months. These funds will consist of the Group s existing cash resources, cash generated from operations and where required debt and/or equity funding or the proceeds of asset disposals.

The amount of cash generated from operations will depend on a number of factors which include the following:

- The ability of the Group to continue to generate revenue growth from its existing product lines;
- The ability of the Group to generate revenues from new products following the successful completion of its development projects;
- The extent to which capital expenditure is incurred on additional property plant and equipment;
- The level of investment required to undertake both new and existing development projects;
- Successful working capital management in the context of a growing group.

Where cash generated from operations is not sufficient to meet the Group s obligations, additional debt or equity funding will need to be raised. The cost and availability of debt funding will depend on prevailing interest rates at the time and the size and nature of the funding being provided. The availability of debt and equity will depend on market conditions at the time, which is of relevance at present given the constraints being experienced in international funding markets.

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The Group expects that it will have access to sufficient funds to repay the debt obligations which were outstanding at December 31, 2008. These obligations include the repayment of the remaining bank loans and finance leases. The timing of these repayment obligations and the expected maturity dates are set out in more detail in Item 11.

In the event that the Group makes any further acquisitions, we believe that the Group may be required to obtain additional debt and/or equity funding. The exact timing and amount of such funding will depend on the Group s ability to identify and secure acquisition targets which fit with the Group s growth strategy and core competencies.

Cash management

As at December 31, 2008, Trinity Biotech s consolidated cash and cash equivalents were US$5,184,000. This compares to cash and cash equivalents, excluding restricted cash, of US$8,700,000 at December 31, 2007.

Cash generated from operations for the year ended December 31, 2008 amounted to US$12,946,000 (2007: US$18,178,000), a decrease of US$5,232,000. The decrease in cash generated from operations of US$5,232,000 is attributable to a decrease in operating cash flows before changes in working capital of US$2,396,000 and unfavourable working capital movements of US$2,836,000. The decrease in operating cash flows before changes in working capital of US$2,396,000 is primarily due to lower net profits arising from decreased revenue in 2008. The unfavourable working capital movements are primarily due to a deterioration in cash flows from trade and other receivables of US$9,357,000 which was mainly offset by decreased cash outflows with respect to inventories (US$9,163,000) and reduced cash flows from trade and other payables (US$2,642,000). The cash generated from operations was attributable to a loss before interest and taxation of US$79,575,000 (2007: loss before interest and taxation of US$29,372,000), as adjusted for non cash items of US$95,266,000 (2007: US$47,459,000) less cash outflows due to changes in working capital of US$2,745,000 (2007: cash inflows of US$91,000).

The increase in other non cash charges from US$47,459,000 for the year ended December 31, 2007 to US$95,266,000 for the year ended December 31, 2008 is mainly attributable to the impairment charge in 2008 (see Item 18, note 3 to the consolidated financial statements). An impairment loss of US$71,684,000 (2007: US$19,156,000) was recognised against the intangible assets of the Group during 2008.

The net cash outflows in 2008 due to changes in working capital of US$2,745,000 are due to the following:

- An increase in accounts receivable by US$4,131,000 due to an increase in debtors days in the year ;
- A decrease in trade and other payables by US$676,000 due mainly to the payment of deferred consideration during the year;
- A decrease in inventory by US$2,062,000 due to a Group wide emphasis on inventory management.

Net interest paid amounted to US$2,576,000 (2007: US$2,373,000). This consisted of interest paid of US$2,639,000 (2007: US$2,802,000) on the Group s interest bearing debt including bank loans, convertible notes and finance leases and was partially offset by interest received of US$63,000 (2007: US$429,000) on the Group s cash deposits.

Net cash outflows from investing activities for the year ended December 31, 2008 amounted to US$14,688,000 (2007: US$8,415,000) which were principally made up as follows:

- Deferred consideration of US$2,802,000 was paid to bioMerieux during 2008;
- Payments to acquire intangible assets of US$8,981,000 (2007: US$7,851,000), which principally related to development expenditure capitalised as part of the Group s on-going product development activities;
- Acquisition of property, plant and equipment of US$3,713,000 (2007: US$8,262,000) incurred as part of the Group s investment programme for its manufacturing and distribution activities;
- Proceeds from the disposal of property, plant and equipment of US$808,000 (2007: US$84,000) mainly relating to the Group s disposal of assets in the Swedish entity during 2008.

Net cash inflows from financing activities for the year ended December 31, 2008 amounted to US$481,000 (2007: cash outflow of US$1,108,000). The Group received US$7,116,000 from its issue of ordinary shares in 2008 (2007: US$454,000). These inflows were offset by the repayment of debt and other liabilities of US$5,224,000 (2007: US$8,285,000) and expenses paid in connection with share issues and debt financing of US$624,000 (2007: US$70,000). Also offsetting the inflows were payments in respect of finance lease liabilities of US$787,000 (2007: US$294,000).

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The majority of the Group s activities are conducted in US Dollars. The primary foreign exchange risk arises from the fluctuating value of the Group s euro denominated expenses as a result of the movement in the exchange rate between the US Dollar and the euro. Trinity Biotech continuously monitors its exposure to foreign currency movements and based on expectations on future exchange rate exposure implements a hedging policy which may include covering a portion of this exposure through the use of forward contracts. When used, these forward contracts are cashflow hedging instruments whose objective is to cover a portion of these euro forecasted transactions.

As at December 31, 2008, total year end borrowings were US$36,121,000 (2007: US$42,133,000) and cash and cash equivalents were US$5,184,000 (2007: US$8,700,000). For a more comprehensive discussion of the Group s level of borrowings at the end of 2008, the maturity profile of the borrowings, the Group s use of financial instruments, its currency and interest rate structure and its funding and treasury policies please refer to Item 11 Qualitative and Quantitative Disclosures about Market Risk .

Contractual obligations

The following table summarises our minimum contractual obligations and commercial commitments, including interest, as of December 31, 2008:

	Payments due by Period				
	Total	less than 1 year	1-3 Years	3-5 Years	more than 5 years
Contractual Obligations	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Bank loans	36,291	13,079	13,493	9,719	
Capital (finance) lease obligations	1,748	514	950	284	
Operating lease obligations	57,690	4,438	7,463	6,194	39,595
Total	95,729	18,031	21,906	16,197	39,595

Trinity Biotech incurs debt and raises equity to pursue its policy of growth through acquisition. Trinity Biotech believes that, with further funds generated from operations, it will have sufficient funds to meet its capital commitments and continue existing operations for the foreseeable future, in excess of 12 months. If operating margins on sales were to decline substantially or if the Group was to make a large and unanticipated cash outlay, the Group would have further funding requirements. If this were the case, there can be no assurance that financing will be available at attractive terms, or at all. The Group believes that success in raising additional capital or obtaining profitability will be dependent on the viability of its products and their success in the market place. Since December 31, 2007 the Group has agreed amendments to its bank facility, for more information see Item 18, note 29.

Impact of Currency Fluctuation

Trinity Biotech s revenue and expenses are affected by fluctuations in currency exchange rates especially the exchange rate between the US Dollar and the euro. Trinity Biotech s revenues are primarily denominated in US Dollars and its expenses are incurred principally in US Dollars and euro. The weakening of the US Dollar could have an adverse impact on future profitability. Management are actively seeking to reduce the mismatch in this regard to mitigate this risk. The revenues and costs incurred by US subsidiaries are denominated in US Dollars.

Trinity Biotech holds most of its cash assets in US Dollars. As Trinity Biotech reports in US Dollars, fluctuations in exchange rates do not result in exchange differences on these cash assets. Fluctuations in the exchange rate between the euro and the US Dollar may impact on the Group s euro monetary assets and liabilities and on euro expenses and consequently the Group s earnings.

Off-Balance Sheet Arrangements

After consideration of the following items the Group s management have determined that there are no off-balance sheet arrangements which need to be reflected in the financial statements.

Leases with Related Parties

The Group has entered into lease arrangements for premises in Ireland with JRJ Investments (JRJ), a partnership owned by Mr O Caoimh and Dr Walsh, directors of Trinity Biotech plc, and directly with Mr O Caoimh and Dr Walsh.

Independent valuers have advised Trinity Biotech that the rent fixed with respect to these leases represents a fair market rent. Details of these leases with related parties are set out in Item 4 Information on the Company , Item 7 Major Shareholders and Related Party Transactions and Item 18, note 28 to the consolidated financial statements.

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Research & Development (R&D) carried out by third parties

Certain of the Group s R&D activities have been outsourced to third parties. These activities are carried out in the normal course of business with these companies.

Research and Products under Development

History

Historically, Trinity Biotech had been primarily focused on infectious diseases diagnostics. The Group acquired a broad portfolio of microtitre plate (EIA) and Western Blot products and has added to these over the last number of years through additional internally developed products. More recently, the Group has entered into several other diagnostic areas including haemostasis and clinical chemistry. The Research and Development (R&D) activities of the Group have mirrored this expansion by developing new products in these areas also.

Centres of Excellence

Trinity Biotech has research and development groups focusing separately on microtitre plate based tests, rapid tests, western blot products, clinical chemistry products, haemostasis and immunofluorescent assays. These groups are located in Ireland, Germany and the US and largely mirror the production capability at each production site, hence creating a centre of excellence for each product type. In addition to in-house activities, Trinity Biotech sub-contracts some research and development from time to time to independent researchers based in the US and Europe.

The following is a list of the principal projects which are currently being undertaken by the R&D groups within Trinity Biotech.

Microtitre Plate Development Group

Enhancement of HSV 2 of microtitre plate assay for the detection of HSV2 IgG

Trinity Biotech is already a leading supplier of diagnostic tests for the detection of infectious disease. Enhancement was recently completed on the HSV2 IgG EIA assay. Development and transfer to production was completed by December 2008 including some external evaluation work.

HIV Incidence Assay

In late 2005, Trinity entered a Biological Materials License Agreement with the Centre for Disease Control (CDC) in Atlanta, Georgia, for the rights to produce and sell the CDC devised HIV Incidence assay. The technology was transferred to Trinity during 2006 and the product was developed by the Group during 2007 with the design and development of key raw materials. Final development was completed at end of 2008.

Western Blot Development Group

A Western Blot kit is a test where antigens (usually proteins) from a specific bacteria or virus are transferred onto a nitrocellulose strip. When a patient s plasma is added to the strip, if antibodies to that bacteria or virus are present in a patient s sample, then they will bind to the specific antigens on the strip. If antibodies to any of the antigens are present in sufficient concentration, coloured bands corresponding to one or more of those antigens will be visible on the reacted nitrocellulose strip.

US Lyme Western Blot

For many years, Trinity Biotech s US Domestic Lyme Western Blot has been a market leader. During 2008, a project was undertaken to further develop the product by adding additional strips per assay kit which involved incorporating the introduction of new larger production equipment. This work was successfully completed and the Group will launch the enhanced product in early 2009.

Automated Blotting Instrument and Blot Scanner

In 2006 a project was initiated to introduce the use of an automated blotting instrument with Trinity Biotech s Western Blot tests, initially focusing on the US Lyme Western Blot allowing increased throughput for end-users. This work progressed successfully, culminating on the commencement of validation of the system in late 2006. Validation was completed in early 2007 with launch of the system, which is called TrinBlot. In 2008 the Group continued to extend the range of products which can be used on the TrinBlot, in addition to the introduction of an automated scanner to aid in the interpretation of the western blots. This system was validated and launched for use with US Lyme in 2008 and will continue for other products in 2009.

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Clinical Chemistry

TriStat POC

Trinity Biotech, at its Kansas City site, has developed a point of care test called TriStat for the measurement of haemoglobin A1c for which FDA approval was obtained in late 2007. The Group continued to enhance this product during 2008 culminating in preparation for CLIA trial in late 2008. CLIA trials are planned for early 2009 followed by launch of the product worldwide following successful CLIA waiver approval.

Haemoglobin assay development

In 2007 the Group initiated a project to develop a variant haemoglobin assay for neo-natal screening. Development was completed in early 2008 and the product launched in 2008.

Medium throughput HPLC for Haemoglobin testing

This project entails the development of a new HPLC instrument to replace the current PDQ analyzer. The new instrument will allow access to markets not previously open to Trinity Biotech due to instrument price and test capability (A1c and variant). Development was initiated in 2007, continued in 2008 and is expected to continue through 2009. Launch is expected in 2010.

Haemostasis Development Group

Destiny Max Development Project

The Group is in the process of launching a new high throughput haemostasis instrument called the Destiny Max. The Destiny Max instrument is intended to meet the requirements of large laboratories, commercial laboratories, reference laboratories and anti-coagulation clinics, i.e. high volume laboratories. In so doing, Trinity Biotech will be able to compete effectively in an overall system approach whereby placement of the Destiny Max instruments will drive increased sales of the associated Trinity Biotech reagents, controls and accessories. Development of the instrument continued in 2008 when the design was finalised. The design was validated in late 2008, including external clinical trials. Non US launch was achieved in late 2008 as well as 510K submission to the FDA. FDA approval is expected in 2009 followed by US launch.

Trend Information

For information on trends in future operating expenses and capital resources, see Results of Operations , Liquidity and Capital Resources and Impact of Inflation under Item 5.

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Item 6 ***Directors and Senior Management***
Directors

Name	*Age*	*Title*
Ronan O Caoimh	53	Chief Executive Officer
Rory Nealon	41	Director, Chief Operations Officer
Jim Walsh, PhD	50	Non Executive Director
Denis R. Burger, PhD	65	Non Executive Director
Peter Coyne	49	Non Executive Director
Clint Severson	60	Non Executive Director
James D. Merselis	55	Non Executive Director
Executive Officer		
Kevin Tansley	38	Chief Financial Officer & Company Secretary

Board of Directors & Executive Officers

Ronan O Caoimh, Chairman and Chief Executive Officer, co-founded Trinity Biotech in June 1992 and acted as Chief Financial Officer until March 1994 when he became Chief Executive Officer. He was also elected Chairman in May 1995. In November 2007, it was decided to separate the role of Chief Executive Officer and Chairman and Mr O Caoimh assumed the role of Executive Chairman. In October 2008, following the resignation of the Chief Executive Officer, Mr. O Caoimh resumed the role of Chief Executive Officer and Chairman. Prior to joining Trinity Biotech, Mr O Caoimh was Managing Director of Noctech Limited, an Irish diagnostics company. Mr O Caoimh was Finance Director of Noctech Limited from 1988 until January 1991 when he became Managing Director. Mr O Caoimh holds a Bachelor of Commerce degree from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Rory Nealon, Chief Operations Officer, joined Trinity Biotech as Chief Financial Officer and Company Secretary in January 2003. He was appointed Chief Operations Officer in November 2007. Prior to joining Trinity Biotech, he was Chief Financial Officer of Conduit plc, an Irish directory services provider with operations in Ireland, the UK, Austria and Switzerland. Prior to joining Conduit he was an Associate Director in AIB Capital Markets, a subsidiary of AIB Group plc, the Irish banking group. Mr Nealon holds a Bachelor of Commerce degree from University College Dublin, is a Fellow of the Institute of Chartered Accountants in Ireland, a member of the Institute of Taxation in Ireland and a member of the Institute of Corporate Treasurers in the UK.

Jim Walsh, PhD, Non-executive director, joined Trinity Biotech in October 1995 as Chief Operations Officer. Dr. Walsh resigned from the role of Chief Operations Officer in 2007. Prior to joining the Trinity Biotech, Dr Walsh was Managing Director of Cambridge Diagnostics Ireland Limited (CDIL). He was employed with CDIL since 1987. Before joining CDIL he worked with Fleming GmbH as Research & Development Manager. Dr Walsh has a degree in Chemistry and a PhD in Microbiology from University College Galway. Dr Walsh remains on the Board as a non executive director of the Company.

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Denis R. Burger, PhD, Non-executive director, co-founded Trinity Biotech in June 1992 and acted as Chairman from June 1992 to May 1995. He is currently a non-executive director of the Company and serves as an independent director on the boards of two other NASDAQ-listed companies. Until March 2007, Dr Burger was the Chairman and Chief Executive Officer of AVI Biopharma Inc, an Oregon based bio-technology Company. He was also a co-founder and, from 1981 to 1990, Chairman of Epitope Inc. In addition, Dr Burger has held a professorship in the Department of Microbiology and Immunology and Surgery (Surgical Oncology) at the Oregon Health Sciences University in Portland. Dr Burger received his degree in Bacteriology and Immunology from the University of California in Berkeley in 1965 and his Master of Science and PhD in 1969 in Microbiology and Immunology from the University of Arizona.

Peter Coyne, Non-executive director, joined the board of Trinity Biotech in November 2001 as a non-executive director. Mr Coyne is a director of AIB Corporate Finance, a subsidiary of AIB Group plc, the Irish banking group. He has extensive experience in advising public and private groups on all aspects of corporate strategy. Prior to joining AIB, Mr Coyne trained as a chartered accountant and was a senior manager in Arthur Andersen s Corporate Financial Services practice. Mr Coyne holds a Bachelor of Engineering degree from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Clint Severson, Non-executive director, joined the board of Trinity Biotech in November 2008 as a non-executive director. Mr Severson is currently Chairman, President and CEO of Abaxis Inc., a NASDAQ traded diagnostics company based in Union City, California. Since November 2006, Mr. Severson has also served on the Board of Directors of CytoCore, Inc. From February 1989 to May 1996, Mr. Severson served as President and Chief Executive Officer of MAST Immunosystems, Inc., a privately-held medical diagnostic company and to date he has accumulated over 30 years experience in the medical diagnostics industry.

James D. Merselis, Non-executive director, joined the board of Trinity Biotech in February 2009 as a non-executive director. Mr Merselis is currently President and CEO of Alverix, Inc., a privately held optoelectronics company developing portable medical diagnostic instruments. Most recently, Mr. Merselis served as President and CEO of HemoSense, Inc., a point-of-care diagnostics company focused initially on providing patients and physicians with rapid test results to help manage the risk of stroke with the drug warfarin or Coumadin. Prior to his tenure at HemoSense, Mr Merselis served as President and CEO of Micronics, Inc., a microfluidics company. In addition, Mr Merselis has held a number of positions over twenty-two years with Boehringer Mannheim Diagnostics (now Roche Diagnostics).

Kevin Tansley, Chief Financial Officer, joined Trinity Biotech in June 2003 and was appointed Chief Financial Officer and Secretary to the Board of Directors in November 2007. Prior to joining Trinity Biotech in 2003, Mr Tansley held a number of financial positions in the Irish electricity utility ESB. Mr Tansley holds a Bachelor of Commerce degree from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Compensation of Directors and Officers

The basis for the executive directors remuneration and level of annual bonuses is determined by the Remuneration Committee of the board. In all cases, bonuses and the granting of share options are subject to stringent performance criteria. The Remuneration Committee consists of Dr Denis Burger (committee chairman and senior independent director), Mr Peter Coyne and Mr Ronan O Caoimh. Directors remuneration shown below comprises salaries, pension contributions and other benefits and emoluments in respect of executive directors. Non-executive directors are remunerated by fees and the granting of share options. Non-executive directors who perform additional services on the Audit Committee or Remuneration Committee receive additional fees. The fees payable to non-executive directors are determined by the board. Each director is reimbursed for expenses incurred in attending meetings of the board of directors.

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Total directors and non-executive directors remuneration, excluding pension, for the year ended December 31, 2008 amounted to US$2,900,000. The pension charge for the year amounted to US$241,000. See Item 18, note 6 to the consolidated financial statements. The split of directors remuneration set out by director is detailed in the table below:

Director	*Salary/ Benefits US$ 000*	*Defined contribution pension US$ 000*	*Compensation for loss of office*	*Total 2008 US$ 000*	*Total 2007 US$ 000*
Ronan O Caoimh	495	98		593	927
Brendan Farrell	483	75	1,283	1,841	681
Rory Nealon	439	68		507	509
Jim Walsh					270
	1,417	241	1,283	2,941	2,387

Non-executive director	*Fees US$ 000*	*Other US$ 000*	*Total 2008 US$ 000*	*Total 2007 US$ 000*
Denis R. Burger	68		68	65
Peter Coyne	68		68	65
James Merselis				
Clint Severson	5		5	
Jim Walsh	59	44	103	
	200	44	244	130

Chief Financial Officer & Company Secretary	*Salary/ Benefits US$ 000*	*Performance related bonus US$ 000*	*Defined contribution pension US$ 000*	*Total 2008 US$ 000*	*Total 2007 US$ 000*
Kevin Tansley	329	43	36	408	55
	329	43	36	408	55

As at December 31, 2008 there are no amounts which are set aside or accrued by the Company or its subsidiaries to provide pension, retirement or similar benefits for the directors.

The total share-based compensation expense recognised in the consolidated statement of operations in 2008 in respect of options granted to both executive and non executive directors amounted to US$776,000. See Item 18, note 6 to the consolidated financial statements.

The directors were granted 1,665,000 share options during 2008. No options were granted to the directors during 2007.

In addition, see Item 7 Major Shareholders and Related Party Transactions for further information on the compensation of Directors and Officers.

Board Practices

The Articles of Association of Trinity Biotech provide that one third of the directors in office (other than the Managing Director or a director holding an executive office with Trinity Biotech) or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one third, shall retire from office at every annual

general meeting. If at any annual general meeting the number of directors who are subject to retirement by rotation is two, one of such directors shall retire and if the number of such directors is one that director shall retire. Retiring directors may offer themselves for re-election. The directors to retire at each annual general meeting shall be the directors who have been longest in office since their last appointment. As between directors of equal seniority the directors to retire shall, in the absence of agreement, be selected from among them by lot.

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The board has established Audit, Remuneration and Compensation Committees. The functions and membership of the Remuneration Committee are described above. The Audit Committee reviews the Group s annual and interim financial statements and reviews reports on the effectiveness of the Group s internal controls. It also appoints the external auditors, reviews the scope and results of the external audit and monitors the relationship with the auditors. The Audit Committee comprises the two independent non-executive directors of the Group, Mr Peter Coyne (Committee Chairman) and Dr Denis Burger. The Compensation Committee currently comprises Mr Ronan O Caoimh (Committee Chairman) and Mr Rory Nealon. The Compensation Committee administers the Employee Share Option Plan. The Committee determines the exercise price and the term of the options. Options granted to the members of the Committee are approved by the Remuneration Committee and individual option grants in excess of 30,000 shares are approved by the full board of directors. Share options granted to non-executive directors are decided by the other members of the board.

Because Trinity Biotech is a foreign private issuer, it is not required to comply with all of the corporate governance requirements set forth in NASDAQ Rule 4350 as they apply to U.S. domestic companies. The Group s corporate governance measures differ in the following significant ways. The Audit Committee of the Group currently consists of two members while U.S. domestic companies listed on NASDAQ are required to have three members on their audit committee. In addition, the Group has not appointed an independent nominations committee or adopted a board resolution addressing the nominations process. Finally, the Group s Executive Chairman serves on the Group s Remuneration Committee with two non-executive independent directors, while U.S. domestic companies are required to have executive officer compensation determined by a remuneration committee comprised solely of independent directors or a majority of the independent directors.

Employees

As of December 31, 2008, Trinity Biotech had 711 employees (2007: 762) consisting of 58 research scientists and technicians, 418 manufacturing and quality assurance employees, and 235 finance, administration, sales and marketing staff (2007: 48 research scientists and technicians, 450 manufacturing and quality assurance employees, and 264 finance, administration, sales and marketing staff). Trinity Biotech s future hiring levels will depend on the growth of revenues.

The geographic spread of the Group s employees was as follows: 310 in Bray, Co. Wicklow, Ireland, 272 in its US operations, 96 in Germany, 16 in the United Kingdom and 17 in France.

Stock Option Plan

The board of directors has adopted the Employee Share Option Plan, as most recently updated in 2006, (the Plan), the purpose of which is to provide Trinity Biotech s employees, consultants, officers and directors with additional incentives to improve Trinity Biotech s ability to attract, retain and motivate individuals upon whom Trinity Biotech s sustained growth and financial success depends. The Plan is administered by a Compensation Committee designated by the board of directors. Options under the Plan may be awarded only to employees, officers, directors and consultants of Trinity Biotech.

The exercise price of options is determined by the Compensation Committee. The term of an option will be determined by the Compensation Committee, provided that the term may not exceed seven years from the date of grant. All options will terminate 90 days after termination of the option holder s employment, service or consultancy with Trinity Biotech (or one year after such termination because of death or disability) except where a longer period is approved by the board of directors. Under certain circumstances involving a change in control of Trinity Biotech, the Committee may accelerate the exercisability and termination of options. As of February 28, 2009, 4,114,085 of the options outstanding were held by directors and officers of Trinity Biotech.

As of February 28, 2009 the following options were outstanding:

Number of A Ordinary Shares Subject to Option	Range of Exercise Price per Ordinary Share	Range of Exercise Price per ADS

Total options outstanding	8,374,048	US$0.74-US$4.00	US$2.96-US$16.00

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In January 2004, the Group completed a private placement and as part of this the investors were granted five year warrants to purchase an aggregate of 1,058,824 A Ordinary Shares of Trinity Biotech at an exercise price of US$5.25 per ordinary share and the agent received 200,000 warrants to purchase 200,000 A Ordinary Shares of Trinity Biotech at an exercise price of US$5.25 per ordinary share. As of February 28, 2009 all of these warrants had expired.
In addition, the Company granted warrants to purchase 2,178,244 Class A Ordinary Shares (vesting immediately) in April 2008. These warrants were issued at an exercise price of US$1.39 per ordinary share and have a term of five years. As of February 28, 2009 there were warrants to purchase 2,178,244 A Ordinary Shares in the Group outstanding.

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Item 7 ***Major Shareholders and Related Party Transactions***

As of February 28, 2009 Trinity Biotech has outstanding 82,017,581 A Ordinary shares and 700,000 B Ordinary shares. Such totals exclude 10,452,292 shares issuable upon the exercise of outstanding options and warrants.

The following table sets forth, as of February 28, 2009, the Trinity Biotech A Ordinary Shares and B Ordinary Shares beneficially held by (i) each person believed by Trinity Biotech to beneficially hold 5% or more of such shares, (ii) each director and officer of Trinity Biotech, and (iii) all officers and directors as a group.

Except as otherwise noted, all of the persons and groups shown below have sole voting and investment power with respect to the shares indicated. The Group is not controlled by another corporation or government.

	Number of A Ordinary Shares Beneficially Owned	Percentage Outstanding A Ordinary Shares	Number of B Ordinary Shares Beneficially Owned	Percentage Outstanding B Ordinary Shares	Percentage Total Voting Power
Ronan O Caoimh	6,395,955(1)	7.7%			7.5%
Rory Nealon	650,000(2)	0.8%			0.8%
Jim Walsh	1,868,198(3)	2.3%			2.2%
Denis R. Burger	192,416(4)	0.2%			0.2%
Peter Coyne	145,417(5)	0.2%			0.2%
Kevin Tansley	134,083(6)	0.2%			0.2%
Clint Severson					
James Merselis					
Potenza Investments Inc, (Potenza) Statenhof Building, Reaal 2A 23 50AA Leiderdorp Netherlands			500,000(7)	71.4%	1.2%
Officers and Directors as a group (6 persons)	9,386,069 (1)(2)(3)(4)(5)(6)	11.4%			11.1%

(1) Includes 1,304,500 shares issuable upon exercise of options.

(2) Includes 450,000 shares

issuable upon exercise of options.

(3) Includes 484,583 shares issuable upon exercise of options.

(4) Includes 145,146 shares issuable upon exercise of options.

(5) Includes 145,417 shares issuable upon exercise of options.

(6) Includes 82,083 shares issuable upon exercise of options.

(7) These B shares have two votes per share.

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Related Party Transactions

The Group has entered into various arrangements with JRJ Investments (JRJ), a partnership owned by Mr O Caoimh and Dr Walsh, directors of Trinity Biotech, and directly with Mr O Caoimh and Dr Walsh, to provide for current and potential future needs to extend its premises at IDA Business Park, Bray, Co. Wicklow, Ireland.

In July 2000, Trinity Biotech entered into an agreement with JRJ pursuant to which the Group took a lease of a 25,000 square foot premises adjacent to the existing facility for a term of 20 years at a rent of 7.62 per square foot for an annual rent of 190,000 (US$279,000). During 2006, the rent on this property was reviewed and increased to 11.00 per square foot, resulting in an annual rent of 275,000 (US$404,000).

In November 2002, the Group entered into an agreement for a 25 year lease with JRJ for offices that have been constructed adjacent to its premises at IDA Business Park, Bray, Co. Wicklow, Ireland. The annual rent of 381,000 (US$560,000) is payable from January 1, 2004.

In December 2007, the Group entered into an agreement with Mr O Caoimh and Dr Walsh pursuant to which the Group took a lease on an additional 43,860 square foot manufacturing facility in Bray, Ireland at a rate of 17.94 per square foot (including fit out) giving a total annual rent of 787,000 (US$1,157,000).

Independent valuers have advised the Group that the rent in respect of each of the leases represents a fair market rent. Trinity Biotech and its directors (excepting Mr O Caoimh and Dr Walsh who express no opinion on this point) believe that the arrangements entered into represent a fair and reasonable basis on which the Group can meet its ongoing requirements for premises.

Rayville Limited, an Irish registered company, which is wholly owned by the four executive directors and certain other executives of the Group, owns all of the B non-voting Ordinary Shares in Trinity Research Limited, one of the Group s subsidiaries. The B shares do not entitle the holders thereof to receive any assets of the company on a winding up. All of the A voting ordinary shares in Trinity Research Limited are held by the Group. Trinity Research Limited may, from time to time, declare dividends to Rayville Limited and Rayville Limited may declare dividends to its shareholders out of those amounts. Any such dividends paid by Trinity Research Limited are ordinarily treated as a compensation expense by the Group in the consolidated financial statements prepared in accordance with IFRS, notwithstanding their legal form of dividends to minority interests, as this best represents the substance of the transactions.

In February 2008, Dr. Walsh advanced a loan to Trinity Biotech Manufacturing Limited amounting to 650,000 (US$956,000) at an annual interest rate of 5.68%. The company repaid the loan to Dr. Walsh prior to the year end. There were no other director loans advanced during 2008 and there were no loan balances payable to or receivable from directors at January 1, 2008 and at December 31, 2008.

In December 2006, the Remuneration Committee of the Board approved the payment of a dividend of US$5,331,000 by Trinity Research Limited to Rayville Limited on the B shares held by it. This amount was then lent back by Rayville to Trinity Research Limited. This loan was partially used to fund executive compensation in 2007 and will fund future executive compensation over the next number of years under the arrangement described above, with the amount of such funding being reflected in compensation expense over the corresponding period. As the dividend is matched by a loan from Rayville Limited to Trinity Research Limited which is repayable solely at the discretion of the Remuneration Committee of the Board and is unsecured and interest free, the Group netted the dividend paid to Rayville Limited against the corresponding loan from Rayville Limited in the 2007 and 2006 consolidated financial statements.

The amount of payments to Rayville included in compensation expense was US$1,911,000, US$2,061,000 and US$1,866,000 for 2006, 2007 and 2008 respectively, of which US$1,779,000, US$1,867,000 and US$1,609,905 respectively related to the key management personnel of the Group. Dividends payable to Rayville at December 31, 2008 amounted to US$60,000. There were no dividends payable to Rayville Limited as of December 31, 2006 or 2007. Of the US$1,866,000 of payments made to Rayville Limited in 2008, US$386,000 represented repayments of the loan to Trinity Research Limited referred to above.

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Item 8 ***Financial Information***

Legal Proceedings

Trinity Biotech has filed a civil suit with a New York court against the former shareholders of Primus Corporation. Trinity Biotech claims that the defendants unjustly received an overpayment of US$512,000 based on the fraudulent and wrongful calculation of the earnout payable to the shareholders of Primus Corporation. Trinity Biotech also alleges that one of the former shareholders, Mr Thomas Reidy, failed to return stock certificates and collateral pledged by Trinity Biotech as security for the payment of a $3 million promissory note given to the defendants by Trinity Biotech as part of compensation under the share purchase agreement for acquiring Primus. The case has not yet been heard.

Item 9 ***The Offer and Listing***

Trinity Biotech s American Depository Shares (ADSs) are listed on the NASDAQ National Cap Market under the symbol TRIB . In 2005, the Trinity Biotech adjusted the ratio of American Depository Receipts (ADSs) to Ordinary Shares and changed its NASDAQ Listing from the NASDAQ Small Capital listing to a NASDAQ National Market Listing. The ratio of ADSs to underlying Ordinary Shares has changed from 1 ADS : 1 Ordinary Share to 1 ADS : 4 Ordinary Shares and all historical data has been restated as a result.

The Group s A Ordinary Shares were also listed and traded on the Irish Stock Exchange until November 2007, whereby the Company de-listed from the Irish Stock Exchange. The Group s depository bank for ADSs is The Bank of New York Mellon. On February 28, 2009, the reported closing sale price of the ADSs was US$1.19 per ADS. The following tables set forth the range of quoted high and low sale prices of Trinity Biotech s ADSs for (a) the years ended December 31, 2004, 2005, 2006, 2007 and 2008; (b) the quarters ended March 31, June 30, September 30 and December 31, 2007; March 31, June 30, September 30 and December 31, 2008; and (c) the months of March, April, May, June, July, August, September, October, November and December 2008 and January and February 2009 as reported on NASDAQ. These quotes reflect inter-dealer prices without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	ADSs	
	High	Low
Year Ended December 31		
2004	$ 23.96	$ 9.40
2005	$ 11.72	$ 6.28
2006	$ 9.54	$ 7.09
2007	$ 11.75	$ 5.72
2008	$ 6.95	$ 1.25
2007		
Quarter ended March 31	$ 10.45	$ 8.68
Quarter ended June 30	$ 11.74	$ 9.13
Quarter ended September 30	$ 11.75	$ 10.05
Quarter ended December 31	$ 11.40	$ 5.72
2008		
Quarter ended March 31	$ 6.95	$ 4.15
Quarter ended June 30	$ 4.61	$ 3.39
Quarter ended September 30	$ 3.90	$ 2.82
Quarter ended December 31	$ 3.10	$ 1.25

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	ADSs	
	High	Low
Month Ended		
March 31, 2008	$ 5.01	$ 4.15
April 30, 2008	$ 4.61	$ 3.53
May 31, 2008	$ 4.06	$ 3.39
June 30, 2008	$ 4.25	$ 3.81
July 31, 2008	$ 3.90	$ 3.31
August 31, 2008	$ 3.40	$ 3.03
September 30, 2008	$ 3.39	$ 2.82
October 31, 2008	$ 3.10	$ 2.05
November 30, 2007	$ 2.35	$ 1.56
December 31, 2008	$ 1.79	$ 1.25
January 31, 2009	$ 2.25	$ 1.61
February 29, 2009	$ 1.95	$ 1.15

The number of record holders of Trinity Biotech s ADSs as at February 28, 2009 amounts to 446, inclusive of those brokerage firms and/or clearing houses holding Trinity Biotech s securities for their clientele (with each such brokerage house and/or clearing house being considered as one holder).

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Item 10 ***Memorandum and Articles of Association***

Objects

The Company s objects, detailed in Clause 3 of its Memorandum of Association, are varied and wide ranging and include principally researching, manufacturing, buying, selling and distributing all kinds of patents, pharmaceutical, medicinal and diagnostic preparations, equipment, drugs and accessories. They also include the power to acquire shares or other interests or securities in other companies or businesses and to exercise all rights in relation thereto. The Company s registered number in Ireland is 183476.

Powers and Duties of Directors

A director may enter into a contract and be interested in any contract or proposed contract with the Company either as vendor, purchaser or otherwise and shall not be liable to account for any profit made by him resulting therefrom provided that he has first disclosed the nature of his interest in such a contract at a meeting of the board as required by Section 194 of the Irish Companies Act 1963. Generally, a director must not vote in respect of any contract or arrangement or any proposal in which he has a material interest (otherwise than by virtue of his holding of shares or debentures or other securities in or through the Group). In addition, a director shall not be counted in the quorum at a meeting in relation to any resolution from which he is barred from voting.

A director is entitled to vote and be counted in the quorum in respect of certain arrangements in which he is interested (in the absence of some other material interest). These include the giving of a security or indemnity to him in respect of money lent or obligations incurred by him for the Group, the giving of any security or indemnity to a third party in respect of a debt or obligation of the Group for which he has assumed responsibility, any proposal concerning an offer of shares or other securities in which he may be interested as a participant in the underwriting or sub-underwriting and any proposal concerning any other company in which he is interested provided he is not the holder of or beneficially interested in 1% or more of the issued shares of any class of share capital of such company or of voting rights.

The Board may exercise all the powers of the Group to borrow money but it is obliged to restrict these borrowings to ensure that the aggregate amount outstanding of all monies borrowed by the Group does not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to twice the adjusted capital and reserves (both terms as defined in the Articles of Association). However, no lender or other person dealing with the Group shall be obliged to see or to inquire whether the limit imposed is observed and no debt incurred in excess of such limit will be invalid or ineffectual unless the lender has express notice at the time when the debt is incurred that the limit was or was to be exceeded.

Directors are not required to retire upon reaching any specific age and are not required to hold any shares in the capital of the Group. The Articles provide for retirement of the directors by rotation.

All of the above mentioned powers of directors may be varied by way of a special resolution of the shareholders.

Rights, Preferences and Restrictions Attaching to Shares

The A Ordinary Shares and the B Ordinary Shares rank pari passu in all respects save that the B Ordinary Shares have two votes per share and the right to receive dividends and participate in the distribution of the assets of the Company upon liquidation or winding up at a rate of twice that of the A Ordinary Shares.

Where a shareholder or person who appears to be interested in shares fails to comply with a request for information from the Company in relation to the capacity in which such shares or interest are held, who is interested in them or whether there are any voting arrangements, that shareholder or person may be disenfranchised and thereby restricted from transferring the shares and voting rights or receiving any sums in respect thereof (except in the case of a liquidation). In addition, if cheques in respect of the last three dividends paid to a shareholder remain uncashed, the Company is, subject to compliance with the procedure set out in the Articles of Association, entitled to sell the shares of that shareholder.

At a general meeting, on a show of hands, every member who is present in person or by proxy and entitled to vote shall have one vote (so, however, that no individual shall have more than one vote) and upon a poll, every member present in person or by proxy shall have one vote for every share carrying voting rights of which he is the holder. In the case of joint holders, the vote of the senior (being the first person named in the register of members in respect of the joint holding) who tendered a vote, whether in person or by proxy, shall be accepted to the exclusion of votes of the other joint holders.

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One third of the directors other than an executive director or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one third, shall retire from office at each annual general meeting. If, however, the number of directors subject to retirement by rotation is two, one of such directors shall retire. If the number is one, that director shall retire. The directors to retire at each annual general meeting shall be the ones who have been longest in office since their last appointment. Where directors are of equal seniority, the directors to retire shall, in the absence of agreement, be selected by lot. A retiring director shall be eligible for re-appointment and shall act as director throughout the meeting at which he retires. A separate motion must be put to a meeting in respect of each director to be appointed unless the meeting itself has first agreed that a single resolution is acceptable without any vote being given against it.

The Company may, subject to the provisions of the Companies Acts, 1963 to 2007 of Ireland, issue any share on the terms that it is, or at the option of the Company is to be liable, to be redeemed on such terms and in such manner as the Company may determine by special resolution. Before recommending a dividend, the directors may reserve out of the profits of the Company such sums as they think proper which shall be applicable for any purpose to which the profits of the Company may properly be applied and, pending such application, may be either employed in the business of the Company or be invested in such investments (other than shares of the Company or of its holding company (if any)) as the directors may from time to time think fit.

Subject to any conditions of allotment, the directors may from time to time make calls on members in respect of monies unpaid on their shares. At least 14 days notice must be given of each call. A call shall be deemed to have been made at the time when the directors resolve to authorise such call.

The Articles do not contain any provisions discriminating against any existing or prospective holder of securities as a result of such shareholder owning a substantial number of shares.

Action Necessary to Change the Rights of Shareholders

In order to change the rights attaching to any class of shares, a special resolution passed at a class meeting of the holders of such shares is required. The provisions in relation to general meetings apply to such class meetings except the quorum shall be two persons holding or representing by proxy at least one third in nominal amount of the issued shares of that class. In addition, in order to amend any provisions of the Articles of Association in relation to rights attaching to shares, a special resolution of the shareholders as a whole is required.

Calling of AGM s and EGM s of Shareholders

The Company must hold a general meeting as its annual general meeting each year. Not more than 15 months can elapse between annual general meetings. The annual general meetings are held at such time and place as the directors determine and all other general meetings are called extraordinary general meetings. Every general meeting shall be held in Ireland unless all of the members entitled to attend and vote at it consent in writing to it being held elsewhere or a resolution providing that it be held elsewhere was passed at the preceding annual general meeting. The directors may at any time call an extraordinary general meeting and such meetings may also be convened on such requisition, or in default may be convened by such requisitions, as is provided by the Companies Acts, 1963 to 2006 of Ireland.

In the case of an annual general meeting or a meeting at which a special resolution is proposed, 21 clear days notice of the meeting is required and in any other case it is seven clear days notice. Notice must be given in writing to all members and to the auditors and must state the details specified in the Articles of Association. A general meeting (other than one at which a special resolution is to be proposed) may be called on shorter notice subject to the agreement of the auditors and all members entitled to attend and vote at it. In certain circumstances provided in the Companies Acts, 1963 to 2006 of Ireland, extended notice is required. These include removal of a director. No business may be transacted at a general meeting unless a quorum is present. Five members present in person or by proxy (not being less than five individuals) representing not less than 40% of the ordinary shares shall be a quorum.

The Company is not obliged to serve notices upon members who have addresses outside Ireland and the US but otherwise there are no limitations in the Articles of Association or under Irish law restricting the rights of non-resident or foreign shareholders to hold or exercise voting rights on the shares in the Company.

However, the Financial Transfers Act, 1992 and regulations made thereunder prevent transfers of capital or payments between Ireland and certain countries. These restrictions on financial transfers are more comprehensively described in Exchange Controls below. In addition, Irish competition law may restrict the acquisition by a party of shares in the

Company but this does not apply on the basis of nationality or residence.

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Other Provisions of the Memorandum and Articles of Association

The Memorandum and Articles of Association do not contain any provisions:

which would have an effect of delaying, deferring or preventing a change in control of the Company and which would operate only with respect to a merger, acquisition or corporate restructuring involving the Company (or any of its subsidiaries); or

governing the ownership threshold above which a shareholder ownership must be disclosed; or

imposing conditions governing changes in the capital which are more stringent than is required by Irish law.

The Company incorporates by reference all other information concerning its Memorandum and Articles of Association from the Registration Statement on Form F-1 on June 12, 1992.

Irish Law

Pursuant to Irish law, Trinity Biotech must maintain a register of its shareholders. This register is open to inspection by shareholders free of charge and to any member of the public on payment of a small fee. The books containing the minutes of proceedings of any general meeting of Trinity Biotech are required to be kept at the registered office of the Company and are open to the inspection of any member without charge. Minutes of meetings of the Board of Directors are not open to scrutiny by shareholders. Trinity Biotech is obliged to keep proper books of account. The shareholders have no statutory right to inspect the books of account. The only financial records, which are open to the shareholders, are the financial statements, which are sent to shareholders with the annual report. Irish law also obliges Trinity Biotech to file information relating to certain events within the Company (new share capital issues, changes to share rights, changes to the Board of Directors). This information is filed with the Companies Registration Office (the CRO) in Dublin and is open to public inspection. The Articles of Association of Trinity Biotech permit ordinary shareholders to approve corporate matters in writing provided that it is signed by all the members for the time being entitled to vote and attend at general meeting. Ordinary shareholders are entitled to call a meeting by way of a requisition. The requisition must be signed by ordinary shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Trinity Biotech is generally permitted, subject to company law, to issue shares with preferential rights, including preferential rights as to voting, dividends or rights to a return of capital on a winding up of the Company. Any shareholder who complains that the affairs of the Company are being conducted or that the powers of the directors of the Company are being exercised in a manner oppressive to him or any of the shareholders (including himself), or in disregard of his or their interests as shareholders, may apply to the Irish courts for relief. Shareholders have no right to maintain proceedings in respect of wrongs done to the Company.

Ordinarily, our directors owe their duties only to Trinity Biotech and not its shareholders. The duties of directors are twofold, fiduciary duties and duties of care and skill. Fiduciary duties are owed by the directors individually and owed to Trinity Biotech. Those duties include duties to act in good faith towards Trinity Biotech in any transaction, not to make use of any money or other property of Trinity Biotech, not to gain directly or indirectly any improper advantage for himself at the expense of Trinity Biotech, to act bona fide in the interests of Trinity Biotech and exercise powers for the proper purpose. A director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. When directors, as agents in transactions, make contracts on behalf of the Company, they generally incur no personal liability under these contracts.

It is Trinity Biotech, as principal, which will be liable under them, as long as the directors have acted within Trinity Biotech s objects and within their own authority. A director who commits a breach of his fiduciary duties shall be liable to Trinity Biotech for any profit made by him or for any damage suffered by Trinity Biotech as a result of the breach. In addition to the above, a breach by a director of his duties may lead to a sanction from a Court including damages of compensation, summary dismissal of the director, a requirement to account to Trinity Biotech for profit made and restriction of the director from acting as a director in the future.

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Material Contracts

See Item 4 History and Development of the Company regarding acquisitions made by the Group.

Exchange Controls and Other Limitations Affecting Security Holders

Irish exchange control regulations ceased to apply from and after December 31, 1992. Except as indicated below, there are no restrictions on non-residents of the Republic of Ireland dealing in domestic securities which includes shares or depository receipts of Irish companies such as Trinity Biotech, and dividends and redemption proceeds, subject to the withholding where appropriate of withholding tax as described under Item 10, are freely transferable to non-resident holders of such securities.

The Financial Transfers Act, 1992 was enacted in December 1992. This Act gives power to the Minister of Finance of the Republic of Ireland to make provision for the restriction of financial transfers between the Republic of Ireland and other countries. Financial transfers are broadly defined and include all transfers, which would be movements of funds within the meaning of the treaties governing the European Communities. The acquisition or disposal of ADSs representing shares issued by an Irish incorporated company and associated payments may fall within this definition. In addition, dividends or payments on redemption or purchase of shares, interest payments, debentures or other securities in an Irish incorporated company and payments on a liquidation of an Irish incorporated company would fall within this definition. Currently, orders under this Act prohibit any financial transfer to or by the order of or on behalf of residents of the Federal Republic of Yugoslavia, Federal Republic of Serbia, Angola and Iraq, any financial transfer in respect of funds and financial resources belonging to the Taliban of Afghanistan (or related terrorist organisations), financial transfers to the senior members of the Zimbabwean government and financial transfers to any persons, groups or entities listed in EU Council Decision 2002/400/EC of June 17, 2002 unless permission for the transfer has been given by the Central Bank of Ireland. Trinity Biotech does not anticipate that Irish exchange controls or orders under the Financial Transfers Act, 1992 will have a material effect on its business.

For the purposes of the orders relating to Iraq and the Federal Republic of Yugoslavia, reconstituted in 1991 as Serbia and Montenegro, a resident of those countries is a person living in these countries, a body corporate or entity operating in these countries and any person acting on behalf of any of these persons.

Any transfer of, or payment for, an ordinary share or ADS involving the government of any country which is currently the subject of United Nations sanctions, any person or body controlled by any government or country under United Nations sanctions or any persons or body controlled acting on behalf of these governments of countries, may be subject to restrictions required under these sanctions as implemented into Irish law.

Taxation

The following discussion is based on US and Republic of Ireland tax law, statutes, treaties, regulations, rulings and decisions all as of the date of this annual report. Taxation laws are subject to change, from time to time, and no representation is or can be made as to whether such laws will change, or what impact, if any, such changes will have on the statements contained in this summary. No assurance can be given that proposed amendments will be enacted as proposed, or that legislative or judicial changes, or changes in administrative practice, will not modify or change the statements expressed herein.

This summary is of a general nature only. It does not constitute legal or tax advice nor does it discuss all aspects of Irish taxation that may be relevant to any particular Irish Holder or US Holder of ordinary shares or ADSs.

This summary does not discuss all aspects of Irish and US federal income taxation that may be relevant to a particular holder of Trinity Biotech ADSs in light of the holder s own circumstances or to certain types of investors subject to special treatment under applicable tax laws (for example, financial institutions, life insurance companies, tax-exempt organisations, and non-US taxpayers) and it does not discuss any tax consequences arising under the laws of taxing jurisdictions other than the Republic of Ireland and the US federal government. The tax treatment of holders of Trinity Biotech ADSs may vary depending upon each holder s own particular situation.

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Prospective purchasers of Trinity Biotech ADSs are advised to consult their own tax advisors as to the US, Irish or other tax consequences of the purchase, ownership and disposition of such ADSs.

US Federal Income Tax Consequences to US Holders

The following is a summary of certain material US federal income tax consequences that generally would apply with respect to the ownership and disposition of Trinity Biotech ADSs, in the case of a purchaser of such ADSs who is a US Holder (as defined below) and who holds the ADSs as capital assets. This summary is based on the US Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations promulgated thereunder, and judicial and administrative interpretations thereof, all as in effect on the date hereof and all of which are subject to change either prospectively or retroactively. For the purposes of this summary, a US Holder is: an individual who is a citizen or a resident of the United States; a corporation created or organised in or under the laws of the United States or any political subdivision thereof; an estate whose income is subject to US federal income tax regardless of its source; or a trust that (a) is subject to the primary supervision of a court within the United States and the control of one or more US persons or (b) has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

This summary does not address all tax considerations that may be relevant with respect to an investment in ADSs. This summary does not discuss all the tax consequences that may be relevant to a US holder in light of such holder s particular circumstances or to US holders subject to special rules, including persons that are non-US holders, broker dealers, financial institutions, certain insurance companies, investors liable for alternative minimum tax, tax exempt organisations, regulated investment companies, non-resident aliens of the US or taxpayers whose functional currency is not the dollar, persons who hold ADSs through partnerships or other pass-through entities, persons who acquired their ADSs through the exercise or cancellation of employee stock options or otherwise as compensation for services, investors that actually or constructively own 10% or more of Trinity Biotech s voting shares, and investors holding ADSs as part of a straddle or appreciated financial position or as part of a hedging or conversion transaction.

If a partnership or an entity treated as a partnership for US federal income tax purposes owns ADSs, the US federal income tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. The partners in a partnership which owns ADSs should consult their tax advisors about the US federal income tax consequences of holding and disposing of ADSs.

This summary does not address the effect of any US federal taxation other than US federal income taxation. In addition, this summary does not include any discussion of state, local or foreign taxation. You are urged to consult your tax advisors regarding the foreign and US federal, state and local tax considerations of an investment in ADSs.

For US federal income tax purposes, US Holders of Trinity Biotech ADSs will be treated as owning the underlying Class A Ordinary Shares represented by the ADSs held by them. The gross amount of any distribution made by Trinity Biotech to US Holders with respect to the underlying shares represented by the ADSs held by them, including the amount of any Irish taxes withheld from such distribution, will be treated for US federal income tax purposes as a dividend to the extent of Trinity Biotech s current and accumulated earnings and profits, as determined for US federal income tax purposes. The amount of any such distribution that exceeds Trinity Biotech s current and accumulated earnings and profits will be applied against and reduce a US Holder s tax basis in the holder s ADSs, and any amount of the distribution remaining after the holder s tax basis has been reduced to zero will constitute capital gain. The capital gain will be treated as a long-term or short-term capital gain depending on whether or not the holder s ADSs have been held for more than one year as of the date of the distribution.

Dividends paid by Trinity Biotech generally will not qualify for the dividends received deduction otherwise available to US corporate shareholders.

Subject to complex limitations, any Irish withholding tax imposed on such dividends will be a foreign income tax eligible for credit against a US Holder s US federal income tax liability (or, alternatively, for deduction against income in determining such tax liability). The limitations set out in the Code include computational rules under which foreign tax credits allowable with respect to specific classes of income cannot exceed the US federal income taxes otherwise payable with respect to each such class of income. Dividends generally will be treated as foreign-source passive category income or, in the case of certain US Holders, general category income for US foreign tax credit purposes. Further, there are special rules for computing the foreign tax credit limitation of a taxpayer who receives dividends subject to a reduced tax, see discussion below.

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A US Holder will be denied a foreign tax credit with respect to Irish income tax withheld from dividends received on the ordinary shares to the extent such US Holder has not held the ordinary shares for at least 16 days of the 31-day period beginning on the date which is 15 days before the ex-dividend date or to the extent such US Holder is under an obligation to make related payments with respect to substantially similar or related property. Any days during which a US Holder has substantially diminished its risk of loss on the ordinary shares are not counted toward meeting the 16-day holding period required by the statute. The rules relating to the determination of the foreign tax credit are complex, and you should consult with your personal tax advisors to determine whether and to what extent you would be entitled to this credit.

Subject to certain limitations, qualified dividend income received by a noncorporate US Holder in tax years beginning on or before December 31, 2010 will be subject to tax at a reduced maximum tax rate of 15%. Distributions taxable as dividends paid on the ordinary shares should qualify for the 15% rate provided that either: (i) we are entitled to benefits under the income tax treaty between the United States and Ireland (the Treaty) or (ii) the ADSs are readily tradable on an established securities market in the US and certain other requirements are met. We believe that we are entitled to benefits under the Treaty and that the ADSs currently are readily tradable on an established securities market in the US. However, no assurance can be given that the ordinary shares will remain readily tradable. The rate reduction does not apply unless certain holding period requirements are satisfied. With respect to the ADSs, the US Holder must have held such ADSs for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date. The rate reduction also does not apply to dividends received from passive foreign investment companies, see discussion below, or in respect of certain hedged positions or in certain other situations. The legislation enacting the reduced tax rate contains special rules for computing the foreign tax credit limitation of a taxpayer who receives dividends subject to the reduced tax rate. US Holders of Trinity Biotech ADSs should consult their own tax advisors regarding the effect of these rules in their particular circumstances.

Upon a sale or exchange of ADSs, a US Holder will recognise a gain or loss for US federal income tax purposes in an amount equal to the difference between the amount realised on the sale or exchange and the holder s adjusted tax basis in the ADSs sold or exchanged. Such gain or loss generally will be capital gain or loss and will be long-term or short-term capital gain or loss depending on whether the US Holder has held the ADSs sold or exchanged for more than one year at the time of the sale or exchange.

For US federal income tax purposes, a foreign corporation is treated as a passive foreign investment company (or PFIC) in any taxable year in which, after taking into account the income and assets of the corporation and certain of its subsidiaries pursuant to the applicable look through rules, either (1) at least 75% of the corporation s gross income is passive income or (2) at least 50% of the average value of the corporation s assets is attributable to assets that produce passive income or are held for the production of passive income. Based on the nature of its present business operations, assets and income, Trinity Biotech believes that it is not currently subject to treatment as a PFIC. However, no assurance can be given that changes will not occur in Trinity Biotech s business operations, assets and income that might cause it to be treated as a PFIC at some future time.

If Trinity Biotech were to become a PFIC, a US Holder of Trinity Biotech ADSs would be required to allocate to each day in the holding period for such holder s ADSs a pro rata portion of any distribution received (or deemed to be received) by the holder from Trinity Biotech, to the extent the distribution so received constitutes an excess distribution, as defined under US federal income tax law. Generally, a distribution received during a taxable year by a US Holder with respect to the underlying shares represented by any of the holder s ADSs would be treated as an excess distribution to the extent that the distribution so received, plus all other distributions received (or deemed to be received) by the holder during the taxable year with respect to such underlying shares, is greater than 125% of the average annual distributions received by the holder with respect to such underlying shares during the three preceding years (or during such shorter period as the US Holder may have held the ADSs). Any portion of an excess distribution that is treated as allocable to one or more taxable years prior to the year of distribution during which Trinity Biotech was classified as a PFIC would be subject to US federal income tax in the year in which the excess distribution is made, but it would be subject to tax at the highest tax rate applicable to the holder in the prior tax year or years. The holder also would be subject to an interest charge, in the year in which the excess distribution is made, on the amount of taxes deemed to have been deferred with respect to the excess distribution. In addition, any gain recognised on a

sale or other disposition of a US Holder s ADSs, including any gain recognised on a liquidation of Trinity Biotech, would be treated in the same manner as an excess distribution. Any such gain would be treated as ordinary income rather than as capital gain. Finally, the 15% reduced US federal income tax rate otherwise applicable to dividend income as discussed above, will not apply to any distribution made by Trinity Biotech in any taxable year in which it is a PFIC (or made in the taxable year following any such year), whether or not the distribution is an excess distribution .

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If Trinity Biotech became a PFIC, a US Holder may make a qualifying electing fund election in the year Trinity Biotech first becomes a PFIC or in the year the holder acquires the shares, whichever is later. This election provides for a current inclusion of Trinity Biotech s ordinary income and capital gain income in the US Holder s US taxable income. In return, any gain on sale or other disposition of a US Holder s ADSs in Trinity Biotech, if it were classified as a PFIC, will be treated as capital, and the interest penalty will not be imposed. This election is not made by Trinity Biotech, but by each US Holder.

Alternatively, if the ADSs are considered marketable stock a US Holder may elect to mark-to-market its ADSs, and such US Holder would not be subject to the rules described above. Instead, such US Holder would generally include in income any excess of the fair market value of the ADSs at the close of each tax year over its adjusted basis in the ADSs. If the fair market value of the ADSs had depreciated below the US Holders adjusted basis at the close of the tax year, the US Holder may generally deduct the excess of the adjusted basis of the ADSs over its fair market value at that time. However, such deductions generally would be limited to the net mark-to-market gains, if any, that the US Holder included in income with respect to such ADSs in prior years. Income recognized and deductions allowed under the mark-to-market provisions, as well as any gain or loss on the disposition of ADSs with respect to which the mark-to-market election is made, is treated as ordinary income or loss (except that loss is treated as capital loss to the extent the loss exceeds the net mark-to-market gains, if any, that a US Holder included in income with respect to such ordinary shares in prior years). However, gain or loss from the disposition of ordinary shares (as to which a mark-to-market election was made) in a year in which Trinity Biotech is no longer a PFIC, will be capital gain or loss.

The ADSs should be considered marketable stock if they traded at least 15 days during each calendar quarter of the relevant calendar year in more than de minimis quantities.

If Trinity Biotech were to become a CFC, each US Holder treated as a US Ten-percent Shareholder would be required to include in income each year such US Ten-percent Shareholder s pro rata share of Trinity Biotech s undistributed Subpart F income. For this purpose, Subpart F income generally would include interest, original issue discount, dividends, net gains from the disposition of stocks or securities, net gains on forward and option contracts, receipts with respect to securities loans and net payments received with respect to equity swaps and similar derivatives.

Any undistributed Subpart F income included in a US Holder s income for any year would be added to the tax basis of the US Holder s ADSs. Amounts distributed by Trinity Biotech to the US Holder in any subsequent year would not be subject to further US federal income tax in the year of distribution, to the extent attributable to amounts so included in the US Holder s income in prior years under the CFC rules but would be treated, instead, as a reduction in the tax basis of the US Holder s ADSs, the PFIC rules discussed above would not apply to any undistributed Subpart F income required to be included in a US Holder s income under the CFC rules, or to the amount of any distributions received from Trinity Biotech that were attributable to amounts so included.

Distributions made with respect to underlying shares represented by ADSs may be subject to information reporting to the US Internal Revenue Service and to US backup withholding tax at a rate equal to the fourth lowest income tax rate applicable to individuals (which, under current law, is 28%). Backup withholding will not apply, however, if the holder (i) is a corporation or comes within certain exempt categories, and demonstrates its eligibility for exemption when so required, or (ii) furnishes a correct taxpayer identification number and makes any other required certification. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a US Holder s US tax liability, and a US Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service.

Any US Holder who holds 10% or more in vote or value of Trinity Biotech will be subject to certain additional United States information reporting requirements.

US Holders may be subject to state or local income and other taxes with respect to their ownership and disposition of ADSs. US Holders of ADSs should consult their own tax advisers as to the applicability and effect of any such taxes.

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Republic of Ireland Taxation

For the purposes of this summary, an Irish Holder means a holder of ordinary shares or ADSs evidenced by ADSs that (i) beneficially owns the ordinary shares or ADSs registered in their name; (ii) in the case of individual holders, are resident, ordinarily resident and domiciled in Ireland under Irish taxation laws; (iii) in the case of holders that are companies, are resident in Ireland under Irish taxation laws; and (iv) are not also resident in any other country under any double taxation agreement entered into by Ireland.

For Irish taxation purposes, Irish Holders of ADSs will be treated as the owners of the underlying ordinary shares represented by such ADSs.

Solely for the purposes of this summary of Irish Tax Considerations, a US Holder means a holder of ordinary shares or ADSs evidenced by ADSs that (i) beneficially owns the ordinary shares or ADSs registered in their name; (ii) is resident in the United States for the purposes of the Republic of Ireland/United States Double Taxation Convention (the Treaty); (iii) in the case of an individual holder, is not also resident or ordinarily resident in Ireland for Irish tax purposes; (iv) in the case of a corporate holder, is not a resident in Ireland for Irish tax purposes and is not ultimately controlled by persons resident in Ireland; and (v) is not engaged in any trade or business in Ireland and does not perform independent personal services through a permanent establishment or fixed base in Ireland.

The Board of Directors does not expect to pay dividends for the foreseeable future. Should Trinity Biotech begin paying dividends, such dividends will generally be subject to dividend withholding tax (DWT) at the standard rate of income tax in force at the time the dividend is paid, currently 20%. Under current legislation, where DWT applies, Trinity Biotech will be responsible for withholding it at source. DWT will not be withheld where an exemption applies and where Trinity Biotech has received all necessary documentation from the recipient prior to payment of the dividend.

Corporate Irish Holders will generally be entitled to claim an exemption from DWT by delivering a declaration, which confirms that the company is resident in Ireland for tax purposes, to Trinity Biotech in the form prescribed by the Irish Revenue Commissioners. Such corporate Irish Holders will generally not otherwise be subject to Irish tax in respect of dividends received.

Individual Irish Holders will be subject to income tax on the gross amount of any dividend (that is the amount of the dividend received plus any DWT withheld), at their marginal rate of tax (currently either 20% or 41% depending on the individual s circumstances). Individual Irish Holders will be able to claim a credit against their resulting income tax liability in respect of DWT withheld. Individual Irish Holders may, depending on their circumstances, also be subject to the Irish income levy of 1%, the health levy of up to 2.5% and pay related social insurance contribution of up to 3% in respect of their dividend income.

Shareholders who are individuals resident in the US (and certain other countries) and who are not resident or ordinarily resident in Ireland may receive dividends free of DWT where the shareholder has provided Trinity Biotech with the relevant declaration and residency certificate required by legislation.

Corporate shareholders that are not resident in Ireland and who are ultimately controlled by persons resident in the US (or certain other countries) or corporate holders of ordinary shares resident in a relevant territory (being a country with which Ireland has a double tax treaty, which includes the United States) or resident in a member state of the European Union other than Ireland which are not controlled by Irish residents or whose principal class of shares or its 75% parent s principal class of shares are substantially or regularly traded on a recognised stock exchange in a country with which Ireland has a tax treaty, may receive dividends free of DWT where they provide Trinity Biotech with the relevant declaration, auditors certificate and Irish Revenue Commissioners certificate or a certificate from the tax authority in the relevant territory as required by Irish law.

US resident holders of ordinary shares (as opposed to ADSs) should note that these documentation requirements may be burdensome. As described below, these documentation requirements do not apply in the case of holders of ADSs. US resident holders who do not comply with the documentation requirements or otherwise do not qualify for an exemption may be able to claim treaty benefits under the treaty. US resident holders who are entitled to benefits under the treaty will be able to claim a partial refund of DWT from the Irish Revenue Commissioners.

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Special DWT arrangements are available in the case of shares held by US resident holders in Irish companies through American depository banks using ADSs who enter into intermediary agreements with the Irish Revenue Commissioners and hence such banks are viewed as qualifying intermediaries under Irish Tax legislation.

Under such agreements, American depository banks who receive dividends from Irish companies and pay the dividends on to the US resident ADS holders are allowed to receive and pass on a dividend from the Irish company on a gross basis (without any withholding) if:

- the depository bank s ADS register shows that the direct beneficial owner of the dividends has a US address on the register, or
- there is an intermediary between the depository bank and the beneficial shareholder and the depository bank receives confirmation from the intermediary that the beneficial shareholder s address in the intermediary s records is in the US.

Where the above procedures have not been complied with and DWT is withheld from dividend payments to US Holders of ordinary shares or ADSs evidenced by ADSs, such US Holders can apply to the Irish Revenue Commissioners claiming a full refund of DWT paid by filing a declaration, a certificate of residency and, in the case of US Holders that are corporations, an auditor s certificate, each in the form prescribed by the Irish Revenue Commissioners.

The DWT rate applicable to US Holders is reduced to 5% under the terms of the Treaty for corporate US Holders holding 10% or more of our voting shares, and to 15% for other US Holders. While this will, subject to the application of Article 23 of the Treaty, generally entitle US Holders to claim a partial refund of DWT from the Irish Revenue Commissioners, US Holders will, in most circumstances, likely prefer to seek a full refund of DWT under Irish domestic legislation.

Under the Irish Taxes Consolidation Act 1997, non-Irish shareholders may, unless exempted, be liable to DWT tax on dividends received from Trinity Biotech. Such a shareholder will not suffer DWT on dividends if the shareholder is:

- an individual resident in the US (or certain other countries with which Ireland has a double taxation treaty) and who is neither resident nor ordinarily resident in Ireland; or
- a corporation that is not resident in Ireland and which is ultimately controlled by persons resident in the US (or certain other countries with which Ireland has a double taxation treaty); or
- a corporation that is not resident in Ireland and whose principal class of shares (or its 75% parent s principal class of shares) are substantially or regularly traded on a recognised stock exchange; or
- is otherwise entitled to an exemption from DWT.

Disposals of Ordinary Shares or ADSs

Irish Holders that acquire ordinary shares or ADSs will generally be considered, for Irish tax purposes, to have acquired their ordinary shares or ADSs at a base cost equal to the amount paid for the ordinary shares or ADSs. On subsequent dispositions, ordinary shares or ADSs acquired at an earlier time will generally be deemed, for Irish tax purposes, to be disposed of on a first in first out basis before ordinary shares or ADSs acquired at a later time. Irish Holders that dispose of their ordinary shares or ADSs will be subject to Irish capital gains tax (CGT) to the extent that the proceeds realised from such disposition exceed the indexed base cost of the ordinary shares or ADSs disposed of and any incidental expenses. The current rate of CGT is 22%. Indexation of the base cost of the ordinary shares or ADSs will only be available up to December 31, 2002, and only in respect of ordinary shares or ADSs held for more than 12 months prior to their disposal.

Irish Holders that have unutilised capital losses from other sources in the current, or any previous tax year, can generally apply such losses to reduce gains realised on the disposal of the ordinary shares or ADSs.

An annual exemption allows individuals to realise chargeable gains of up to 1,270 in each tax year without giving rise to CGT. This exemption is specific to the individual and cannot be transferred between spouses. Irish Holders are required, under Ireland s self-assessment system, to file a tax return reporting any chargeable gains arising to them in a particular tax year.

Where disposal proceeds are received in a currency other than euro they must be translated into amounts to calculate the amount of any chargeable gain or loss. Similarly, acquisition costs denominated in a currency other than euro must be translated at the date of acquisition in euro amounts.

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Irish Holders that realise a loss on the disposition of ordinary shares or ADSs will generally be entitled to offset such allowable losses against capital gains realised from other sources in determining their CGT liability in a year. Allowable losses which remain unrelieved in a year may generally be carried forward indefinitely for CGT purposes and applied against capital gains in future years.

Transfers between spouses will not give rise to any chargeable gain or loss for CGT purposes with the acquiring spouse acquiring the same pro rata base cost and acquisition date as that of the transferring spouse.

US Holders will not be subject to Irish capital gains tax (CGT) on the disposal of ordinary shares or ADSs provided that such ordinary shares or ADSs are quoted on a stock exchange at the time of disposition. The stock exchange for this purpose is the Nasdaq National Market (NASDAQ). While it is our intention to continue the quotation of ADSs on NASDAQ, no assurances can be given in this regard.

If, for any reason, our ADSs cease to be quoted on NASDAQ, US Holders will not be subject to CGT on the disposal of their ordinary shares or ADSs provided that the ordinary shares or ADSs do not, at the time of the disposal, derive the greater part of their value from land, buildings, minerals, or mineral rights or exploration rights in Ireland.

A gift or inheritance of ordinary shares will be or in the case of ADSs may be within the charge to capital acquisitions tax, regardless of where the disponer or the donee/successor in relation to the gift/inheritance is domiciled, resident or ordinarily resident**.** The capital acquisitions tax is charged at a rate of 22% on the taxable value of the gift or inheritance above a tax-free threshold. This tax-free threshold is determined by the amount of the current benefit and of previous benefits, received within the group threshold since December 5, 1991, which are within the charge to the capital acquisitions tax and the relationship between the former holder and the successor. Gifts and inheritances between spouses are not subject to the capital acquisitions tax. Gifts of up to 3,000 can be received each year from any given individual without triggering a charge to capital acquisitions tax. Where a charge to Irish CGT and capital acquisitions tax arises on the same event, capital acquisitions tax payable on the event can be reduced by the amount of the CGT payable. There should be no clawback of the same event credit of CGT offset against capital acquisitions tax provided the donee/successor does not dispose of the ordinary shares or ADRs within two years from the date of gift/inheritance.

The Estate Tax Convention between Ireland and the United States generally provides for Irish capital acquisitions tax paid on inheritances in Ireland to be credited, in whole or in part, against tax payable in the United States, in the case where an inheritance of ordinary shares or ADSs is subject to both Irish capital acquisitions tax and US federal estate tax. The Estate Tax Convention does not apply to Irish capital acquisitions tax paid on gifts.

Irish stamp duty, which is a tax imposed on certain documents, is payable on all transfers of ordinary shares of an Irish registered company (other than transfers made between spouses, transfers made between 90% associated companies, or certain other exempt transfers) regardless of where the document of transfer is executed. Irish stamp duty is also payable on electronic transfers of ordinary shares. A transfer of ordinary shares made as part of a sale or gift will generally be stampable at the ad valorem rate of 1% of the value of the consideration received for the transfer, or, if higher, the market value of the shares transferred. A minimum stamp duty of 1.00 will apply to a transfer of ordinary shares. Where the consideration for a sale is expressed in a currency other than euro, the duty will be charged on the euro equivalent calculated at the rate of exchange prevailing at the date of the transfer.

Transfers of ordinary shares where no beneficial interest passes (e.g. a transfer of shares from a beneficial owner to a nominee), will generally be exempt from stamp duty if the transfer form contains an appropriate certification, otherwise a nominal stamp duty rate of 12.50 will apply.

Transfers of ADSs are exempt from Irish stamp duty as long as the ADSs are quoted on any recognised stock exchange in the US or Canada.

Transfers of ordinary shares from the Depositary or the Depositary s custodian upon surrender of ADSs for the purposes of withdrawing the underlying ordinary shares from the ADS system, and transfers of ordinary shares to the Depositary or the Depositary s custodian for the purposes of transferring ordinary shares onto the ADS system, will be stampable at the ad valorem rate of 1% of the value of the shares transferred if the transfer relates to a sale or contemplated sale or any other change in the beneficial ownership of ordinary shares. Such transfers will be exempt from Irish stamp duty if the transfer does not relate to or involve any change in the beneficial ownership in the underlying ordinary shares and the transfer form contains the appropriate certification. In the absence of an

appropriate certification, stamp duty will be applied at the nominal rate of 12.50.

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The person accountable for the payment of stamp duty is the transferee or, in the case of a transfer by way of gift or for consideration less than the market value, both parties to the transfer. Stamp duty is normally payable within 30 days after the date of execution of the transfer. Late or inadequate payment of stamp duty will result in liability for interest, penalties and fines.

Dividend Policy

Since its inception Trinity Biotech has not declared or paid dividends on its A Ordinary Shares. Trinity Biotech anticipates, for the foreseeable future, that it will retain any future earnings in order to fund the business operations of the Group. Trinity Biotech does not, therefore, anticipate paying any cash or share dividends on its A Ordinary Shares in the foreseeable future.

Any cash dividends or other distributions, if made, are expected to be made in US Dollars, as provided for by the Articles of Association.

Documents on Display

This annual report and the exhibits thereto and any other document that we have to file pursuant to the Exchange Act may be inspected without charge and copied at prescribed rates at the Securities and Exchange Commission public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549; and on the Securities and Exchange Commission Internet site (http://www.sec.gov). You may obtain information on the operation of the Securities and Exchange Commission s public reference room in Washington, D.C. by calling the Securities and Exchange Commission at 1-800-SEC-0330 or by visiting the Securities and Exchange Commission s website at http://www.sec.gov, and may obtain copies of our filings from the public reference room by calling (202) 551-8090. The Exchange Act file number for our Securities and Exchange Commission filings is 000-22320.

Item 11 Qualitative and Quantitative Disclosures about Market Risk

Qualitative information about Market Risk

Trinity Biotech s treasury policy is to manage financial risks arising in relation to or as a result of underlying business needs. The activities of the treasury function, which does not operate as a profit centre, are carried out in accordance with board approved policies and are subject to regular internal review. These activities include the Group making use of spot and forward foreign exchange markets.

Trinity Biotech uses a range of financial instruments (including cash, bank borrowings, convertible notes, forward contracts, promissory notes and finance leases) to fund its operations. These instruments are used to manage the liquidity of the Group in a cost effective, low-risk manner. Working capital management is a key additional element in the effective management of overall liquidity. Trinity Biotech does not trade in financial instruments or derivatives.

The main risks arising from the utilisation of these financial instruments are interest rate risk, liquidity risk and foreign exchange risk.

Trinity Biotech s reported net income, net assets and gearing (net debt expressed as a percentage of shareholders equity) are all affected by movements in foreign exchange rates.

The Group borrows in US dollars at floating and fixed rates of interest. At December 31, 2008 borrowings totalled US$34,553,000 (2007: US$42,133,000), (net of cash: US$29,369,000 (2007: net of cash: US$33,433,000)), at interest rates of 2.74% (2007: 5.0% to 6.99%).

The total year-end borrowings consists of fixed rate debt of US$1,570,000 (2007: US$2,325,000) at interest rates ranging from 5% to 7.54% (2007: 5.0% to 6.32%) and floating rate debt of US$34,551,000 (2007: US$39,808,000) at an interest rates of 2.74% (2007: 6.49% to 6.99%). In broad terms, a one-percentage point increase in interest rates would increase interest income by US$55,000 (2007: US$87,000) and increase the interest expense by US$349,000 (2007: US$401,000) resulting in an increase in the net interest charge of US$294,000 (2007: increase by US$314,000).

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Long-term borrowing requirements are met by funding in the US and Ireland. Short-term borrowing requirements are primarily drawn under committed bank facilities. At the year-end, 36% of total long term borrowings fell due for repayment within one year.

The majority of the Group s activities are conducted in US Dollars. The primary foreign exchange risk arises from the fluctuating value of the Group s euro denominated expenses as a result of the movement in the exchange rate between the US Dollar and the euro. Arising from this, where considered necessary, the Group pursues a treasury policy which aims to sell US Dollars forward to match a portion of its uncovered euro expenses at exchange rates lower than budgeted exchange rates. These forward contracts are primarily cashflow hedging instruments whose objective is to cover a portion of these euro forecasted transactions. These forward contracts normally have maturities of less than one year after the balance sheet date. The forward contracts in place at December 31, 2008 have maturity dates of less than one year after the balance sheet date. Where necessary, the forward contracts are rolled over at maturity.

The Group had foreign currency denominated cash balances equivalent to US$1,257,000 at December 31, 2008 (2007: US$1,659,000).

Quantitative information about Market Risk

Interest rate sensitivity

Trinity Biotech monitors its exposure to changes in interest and exchange rates by estimating the impact of possible changes on reported profit before tax and net worth. The Group accepts interest rate and currency risk as part of the overall risks of operating in different economies and seeks to manage these risks by following the policies set above.

Trinity Biotech estimates that the maximum effect of a rise of one percentage point in one of the principal interest rates to which the Group is exposed, without making any allowance for the potential impact of such a rise on exchange rates, would be an increase in the loss before tax for 2008 by approximately 0.4%.

The table below provides information about the Group s long term debt obligations, including variable rate debt obligation which are sensitive to changes in interest rates. The table presents principal cash flows and related weighted average interest rates by expected maturity dates. Weighted average variable rates are based on rates set at the balance sheet date. The information is presented in US Dollars, which is Trinity Biotech s reporting currency.

Group								
Maturity						***After***		***Fair***
Before December 31	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***	***Total***	***value***
Long-term debt								
Variable rate US$000	12,225	6,331	6,367	9,628			34,551	34,551
Average interest rate	2.74%	2.74%	2.74%	2.74%			2.74%	
Fixed rate US$000	432	419	441	278			1,570	1,597
Average interest rate	6.25%	6.14%	6.12%	6.12%			6.16%	

Exchange rate sensitivity

At year-end 2008, approximately 16% of the Group s US$65,905,000 net worth (shareholders equity) was denominated in currencies other than the US Dollar, principally the euro.

A strengthening or weakening of the US Dollar by 10% against all the other currencies in which the Group operates would not materially reduce the Group s 2008 year-end net worth.

Item 12 ***Description of Securities Other than Equity Securities***

Not applicable.

Part II

Item 13 ***Defaults, Dividend Arrearages and Delinquencies***

Not applicable.

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Item 14 ***Material Modifications to the Rights of Security Holders and Use of Proceeds***

Not applicable.

Item 15 ***Control and Procedures***

Evaluation of Disclosure Controls and Procedures

The Group s disclosure and control procedures are designed so that information required to be disclosed in reports filed or submitted under the Securities Exchange Act 1934 is prepared and reported on a timely basis and communicated to management, to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(d) of the Securities Exchange Act of 1934 as of the end of the period covered by this Form 20-F. The Chief Executive Officer and Chief Financial Officer have concluded that disclosure controls and procedures were effective as of December 31, 2008.

In designing and evaluating our disclosure controls and procedures, our management, with the participation of the Chief Executive Officer and Chief Financial Officer, recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Group have been detected.

Management s Annual Report on Internal Control over Financial Reporting

The management of Trinity Biotech are responsible for establishing and maintaining adequate internal control over financial reporting. Trinity Biotech s internal control over financial reporting is a process designed under the supervision and with the participation of the principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and preparation of Trinity Biotech s financial statements for external reporting purposes in accordance with IFRS both as issued by the IASB and as subsequently adopted by the EU.

Trinity Biotech s internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with the authorization of management and the directors of Trinity Biotech; and provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of Trinity Biotech s assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of the effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of internal control over financial reporting based on criteria established in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that the Group s internal control over financial reporting was effective as of December 31, 2008.

Our independent auditor, Grant Thornton, a registered public accounting firm, has issued an attestation report on the Group s internal control over financial reporting as of December 31, 2008 (see Item 18).

Changes in Internal Controls over Financial Reporting

During the 2006 year end financial statement close process, a material weakness was identified in relation to controls concerning revenue recognition from a cut off perspective. As a result of this material weakness the Group reviewed internal controls, particularly over the area of revenue cut off and remediated control weaknesses. Regarding the item specifically mentioned in the Form 20-F for 2006 the Group implemented controls to ensure that instructions provided to third party logistics providers to ensure that all goods had been collected prior to raising an invoice are followed and accordingly comply with Group policy.

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Except for the matters referred to above, there were no changes to our internal control over financial reporting that occurred during the period covered by this Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16

16A Audit Committee Financial Expert

Mr Peter Coyne is an independent director and a member of the Audit Committee.

Our board of directors has determined that Mr Peter Coyne meets the definition of an audit committee financial expert, as defined in Item 401 of Regulation S-K.

This determination is made on the basis that Mr Coyne is a Fellow of the Institute of Chartered Accountants in Ireland and was formerly a senior manager in Arthur Andersen s Corporate Financial Services practice. Mr Coyne is currently a director of AIB Corporate Finance, a subsidiary of AIB Group plc, the Irish banking group and has extensive experience in advising public and private groups on all aspects of corporate strategy.

16B Code of Ethics

Trinity Biotech has adopted a code of ethics that applies to the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and all organisation employees. Written copies of the code of ethics are available free of charge upon request. If we make any substantive amendments to the code of ethics or grant any waivers, including any implicit waiver, from a provision of these codes to our Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer, we will disclose the nature of such amendment or waiver on our website.

16C Principal Accounting fees and services

Fees Billed by Independent Public Accountants

The following table sets forth, for each of the years indicated, the fees billed by our independent public accountants and the percentage of each of the fees out of the total amount billed by the accountants.

	Year ended December 31, 2008			*Year ended December 31, 2007*	
	Grant Thornton fees US$'000	*KPMG fees US$'000*	*%*	*KPMG fees US$'000*	*%*
Audit	*515*		88%	1,341	100%
Audit-related		45	8%		
Tax		24	4%		
Total	515	69		1,341	

During 2008, we engaged Grant Thornton, as our independent auditors for the fiscal year ended December 31, 2008, and chose not to renew the engagement of KPMG which served as the Company s independent auditors for the fiscal year ended December 31, 2007. We have agreed to indemnify and hold KPMG harmless against and from any and all legal costs and expenses incurred by KPMG in successful defense of any legal action or proceeding that arises as a result of KPMG s consent to the incorporation of its audit report on our past financial statements in this Annual Report on Form 20-F.

Audit services include audit of our consolidated financial statements, as well as work only the independent auditors can reasonably be expected to provide, including statutory audits. Audit related services are for assurance and related services performed by the independent auditor, including due diligence related to acquisitions and any special procedures required to meet certain regulatory requirements. Tax fees consist of fees for professional services for tax compliance and tax advice.

Pre-Approval Policies and Procedures

Our Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent public accountants, Grant Thornton. The policy generally pre-approves certain specific

services in the categories of audit services, audit-related services, and tax services up to specified amounts, and sets requirements for specific case-by-case pre-approval of discrete projects, those which may have a material effect on our operations or services over certain amounts.

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Pre-approval may be given as part of the Audit Committee s approval of the scope of the engagement of our independent auditor or on an individual basis. The pre-approval of services may be delegated to one or more of the Audit Committee s members, but the decision must be presented to the full Audit Committee at its next scheduled meeting. The policy prohibits retention of the independent public accountants to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act or the rules of the SEC, and also considers whether proposed services are compatible with the independence of the public accountants.

Exemptions from the Listing Requirements and Standards for Audit Committee

Not applicable.

Purchase of equity securities by the issuer and affiliates and purchasers

The maximum number of shares that may yet be purchased under the Group share option plan by Trinity Biotech or on the Group s behalf at December 31, 2008 was 8,201,758 (2007: 7,465,330). No shares were purchased by Trinity Biotech or on our behalf or by any affiliated purchaser in 2008 and 2007. No shares were purchased as part of a publicly announced repurchase plan or program in 2008 and 2007.

Part III

Item 17

Financial Statements

The registrant has responded to Item 18 in lieu of responding to this item.

Item 18

Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Trinity Biotech plc

We have audited Trinity Biotech plc s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Trinity Biotech s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting, appearing under Item 15 in this Annual Report on Form 20-F. Our responsibility is to express an opinion on Trinity Biotech plc s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Trinity Biotech maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Trinity Biotech plc and subsidiaries, as of December 31, 2008, and the related consolidated statements of operations, recognised income and expense and cash flows for the year ended December 31, 2008 and our report dated April 7, 2009 expressed an unqualified opinion on those consolidated financial statements.

Grant Thornton

Dublin, Ireland
April 7, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Trinity Biotech plc

We have audited the accompanying consolidated balance sheet of Trinity Biotech plc and subsidiaries (the Company) as of December 31, 2008 and the related consolidated statements of operations, recognised income and expense, and cash flows for the year ended December 31, 2008. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trinity Biotech plc and subsidiaries as of December 31, 2008 and the results of their operations and their cash flows for the year ended December 31, 2008, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Trinity Biotech plc s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 7, 2009 expressed an unqualified opinion on the effective operation of internal control over financial reporting.

Grant Thornton

Dublin, Ireland
April 7, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Trinity Biotech plc

We have audited the accompanying consolidated balance sheet of Trinity Biotech plc and subsidiaries (the Company) as of December 31, 2007, and the related consolidated statements of operations, recognised income and expense, and cash flows for each of the years in the two-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trinity Biotech plc and subsidiaries as of December 31, 2007, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2007, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union.

KPMG

Dublin, Ireland

April 2, 2008

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CONSOLIDATED STATEMENTS OF OPERATIONS

		Year ended December, 31		
		2008	*2007*	*2006*
		Total	*Total*	*Total*
	Notes	*US$ 000*	*US$ 000*	*US$ 000*
Revenues	2	**140,139**	**143,617**	**118,674**
Cost of sales		(77,645)	(75,643)	(62,090)
Cost of sales restructuring expenses	3		(953)	
Cost of sales inventory write off/ provision	2,3		(11,772)	(5,800)
Total cost of sales		**(77,645)**	**(88,368)**	**(67,890)**
Gross profit		**62,494**	**55,249**	**50,784**
Other operating income	5	1,173	413	275
Research and development expenses		(7,544)	(6,802)	(6,696)
Research and development restructuring expenses	3		(6,907)	
Total research and development expenses		**(7,544)**	**(13,709)**	**(6,696)**
Selling, general and administrative expenses		(47,816)	(51,010)	(42,422)
Selling, general and administrative impairment charges and restructuring expenses	3	(87,882)	(20,315)	
Total selling, general and administrative expenses		**(135,698)**	**(71,325)**	**(42,422)**
Operating (loss)/ profit		**(79,575)**	**(29,372)**	**1,941**
Financial income	4	65	457	1,164
Financial expenses	2,4	(2,160)	(3,148)	(2,653)
Net financing costs		**(2,095)**	**(2,691)**	**(1,489)**
(Loss)/ profit before tax	6	**(81,670)**	**(32,063)**	**452**
Total income tax credit /(expense)	2,9	3,892	(3,309)	2,824
(Loss)/ profit for the year (all attributable to equity holders)	2	**(77,778)**	**(35,372)**	**3,276**

Basic (loss)/ earnings per ordinary share (US Dollars)	10	(0.96)	(0.47)	0.05
Basic (loss)/ earnings per B ordinary share (US Dollars)	10	(1.91)	(0.94)	0.10
Diluted (loss)/ earnings per ordinary share (US Dollars)	10	(0.96)	(0.47)	0.05
Diluted (loss)/ earnings per B ordinary share (US Dollars)	10	(1.91)	(0.94)	0.10
Basic (loss)/ earnings per ADS (US Dollars)	10	(3.82)	(1.86)	0.19
Diluted (loss)/ earnings per ADS (US Dollars)	10	(3.82)	(1.86)	0.19

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CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

		Year ended December 31,		
		2008	*2007*	*2006*
	Notes	*US$ 000*	*US$ 000*	*US$ 000*
Foreign exchange translation differences	18	(806)	1,072	1,347
Cash flow hedges:				
Effective portion of changes in fair value		(252)	224	226
Deferred tax on income and expenses recognised directly in equity		26	(23)	4
Net (expense) / income recognised directly in equity		(1,032)	1,273	1,577
Cash flow hedge recycled to the statement of operations				(166)
(Loss)/ profit for the year	2	(77,778)	(35,372)	3,276
Total recognised income and expense (all attributable to equity holders)		(78,810)	(34,099)	4,687

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CONSOLIDATED BALANCE SHEETS

	Notes	*December 31, 2008* *US$ 000*	*December 31, 2007* *US$ 000*
ASSETS			
Non-current assets			
Property, plant and equipment	11	11,855	26,409
Goodwill and intangible assets	12	38,525	104,928
Deferred tax assets	13	3,051	3,937
Other assets	14	877	896
Total non-current assets		54,308	136,170
Current assets			
Inventories	15	42,317	44,420
Trade and other receivables	16	27,418	25,683
Income tax receivable		282	782
Derivative financial instruments	29		224
Cash and cash equivalents	17	5,184	8,700
Total current assets		75,201	79,809
TOTAL ASSETS	2	129,509	215,979
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share capital	18	1,070	991
Share premium	18	159,864	153,961
Accumulated deficit	18	(99,493)	(22,908)
Translation reserve	18	(9)	797
Other reserves	18	4,473	4,004
Total equity		65,905	136,845
Current liabilities			
Interest-bearing loans and borrowings	20	12,656	15,821
Derivative financial instruments	29	27	
Income tax payable		5	86
Trade and other payables	22	22,969	24,779
Other financial liabilities	23		2,725
Provisions	24	50	100
Total current liabilities		35,707	43,511

Non-current liabilities			
Interest-bearing loans and borrowings	20	23,465	26,312
Other payables	25	59	74
Deferred tax liabilities	13	4,373	9,237
Total non-current liabilities		27,897	35,623
TOTAL LIABILITIES	2	63,604	79,134
TOTAL EQUITY AND LIABILITIES		129,509	215,979

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CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended December 31,		
		2008	*2007*	*2006*
	Notes	*US$ 000*	*US$ 000*	*US$ 000*
Cash flows from operating activities				
(Loss)/ profit for the year		(77,778)	(35,372)	3,276
Adjustments to reconcile net profit to cash provided by operating activities:				
Depreciation		4,425	4,341	3,736
Amortisation		3,616	3,418	2,687
Income tax (credit)/expense		(3,892)	3,309	(2,824)
Financial income		(65)	(457)	(1,164)
Financial expense		2,160	3,148	2,653
Share-based payments		1,166	1,403	1,141
Foreign exchange losses on operating cash flows		77	(26)	(100)
(Profit)/loss on disposal / retirement of property, plant and equipment		(682)	17	(2)
Impairment of assets	3	85,793	19,156	
Non- cash restructuring expenses	3		18,573	
Inventory write off				5,800
Other non-cash items		871	577	469
Operating cash flows before changes in working capital		**15,691**	**18,087**	**15,672**
(Increase)/decrease in trade and other receivables		(4,131)	5,226	(9,962)
Decrease/(increase) in inventories		2,062	(7,101)	(5,434)
(Decrease)/increase in trade and other payables		(676)	1,966	8,041
Cash generated from operations		**12,946**	**18,178**	**8,317**
Interest paid		(2,639)	(2,802)	(1,642)
Interest received		63	429	839
Income taxes paid		359	(456)	(146)
Net cash provided by operating activities		**10,729**	**15,349**	**7,368**
Cash flows from investing activities				
Payments to acquire subsidiaries and businesses	26		(4,414)	(39,334)
Deferred consideration to acquire subsidiaries and businesses		(2,802)	(3,472)	(6,802)
Payments to acquire intangible assets		(8,981)	(7,851)	(6,085)
Disposal/ (acquisition) of financial assets			15,500	(6,500)
Proceeds from disposal of property, plant and equipment		808	84	205
Acquisition of property, plant and equipment		(3,713)	(8,262)	(4,751)
Net cash used in investing activities		**(14,688)**	**(8,415)**	**(63,267)**

Cash flows from financing activities				
Proceeds from issue of ordinary share capital		7,116	454	25,265
Proceeds from borrowings, short-term debt			5,000	6,000
Proceeds from borrowings, long-term debt				24,000
Expenses paid in connection with share issue and debt financing		(624)	(70)	(1,526)
Repayment of long-term debt		(5,224)	(8,285)	(1,276)
Proceeds from new finance leases			2,087	78
Payment of finance lease liabilities		(787)	(294)	(276)
Repayment of convertible debt				(3,644)
Net cash provided by (used in) financing activities		**481**	**(1,108)**	**48,621**
(Decrease) / increase in cash and cash equivalents		(3,478)	5,826	(7,278)
Effects of exchange rate movements on cash held		(38)	53	218
Cash and cash equivalents at beginning of year		8,700	2,821	9,881
Cash and cash equivalents at end of year	17	**5,184**	**8,700**	**2,821**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by Trinity Biotech plc and its subsidiaries, (the Group), are as follows:

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) both as issued by the International Accounting Standards Board (IASB) and as subsequently adopted by the European Union (EU) (together IFRS). The IFRS applied are those effective for accounting periods beginning on or after 1 January 2008. Consolidated financial statements are required by Irish law to comply with IFRS as adopted by the EU which differ in certain respects from IFRS as issued by the IASB. These differences predominantly relate to the timing of adoption of new standards by the EU. However, as none of the differences are relevant in the context of Trinity Biotech, the consolidated financial statements for the periods presented comply with IFRS both as issued by the IASB and as adopted by the EU.

b) Basis of preparation

The consolidated financial statements have been prepared in United States Dollars (US$), rounded to the nearest thousand, under the historical cost basis of accounting, except for derivative financial instruments and share-based payments which are initially recorded at fair value. Derivatives are also subsequently carried at fair value.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and amounts reported in the financial statements and accompanying notes. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 30.

Having considered the Group s current financial position, its cashflow projections, its existing bank debt facility and other potential sources of funding available to the Group, the directors believe that the Group will be able to continue in operational existence for at least the next 12 months from the date of approval of these consolidated financial statements and that it is appropriate to continue to prepare the consolidated financial statements on a going concern basis.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all Group entities.

Certain prior year amounts have been reclassified to conform to current presentation.

c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and reporting policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains or losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

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d) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less any accumulated depreciation and any impairment losses (see note 1(h)). The cost of self-constructed assets includes the cost of materials, direct labour and attributable overheads. It is not Group policy to revalue any items of property, plant and equipment.

Depreciation is charged to the statement of operations on a straight-line basis to write-off the cost of the assets over their expected useful lives as follows:

Leasehold improvements	5-10 years
Office equipment and fittings	10 years
Buildings	50 years
Computer equipment	3-5 years
Plant and equipment	5-10 years

Land is not depreciated. The residual values, if not insignificant, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted if appropriate, at each balance sheet date.

Leased assets as lessee

Leases under terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and any impairment losses.

Depreciation is calculated in order to write-off the amounts capitalised over the estimated useful lives of the assets, or the lease term if shorter, by equal annual instalments. The excess of the total rentals under a lease over the amount capitalised is treated as interest, which is charged to the statement of operations in proportion to the amount outstanding under the lease. Leased assets are reviewed for impairment (see note 1(h)).

Leases other than finance leases are classified as operating leases , and the rentals thereunder are charged to the statement of operations on a straight line basis over the period of the leases. Lease incentives are recognised in the statement of operations on a straight-line basis over the lease term.

Leased assets as lessor

Leases where the Group substantially transfers the risks and benefits of ownership of the asset to the customer are classified as finance leases within finance lease receivables. The Group recognises the amount receivable from assets leased under finance leases at an amount equal to the net investment in the lease. Finance lease income is recognised as revenue in the statement of operations reflecting a constant periodic rate of return on the Group s net investment in the lease.

Assets provided to customers under leases other than finance leases are classified as operating leases and carried in property, plant and equipment at cost and are depreciated on a straight-line basis over the useful life of the asset or the lease term, if shorter.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the replaced item can be measured reliably. All other costs are recognised in the statement of operations as an expense as incurred.

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e) Business combinations

All business combinations are accounted for by applying the purchase method.

The cost of a business combination is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued in exchange for control together with any directly attributable expenses. To the extent that settlement of all or any part of a business combination is deferred for a period of 12 months or longer, the fair value of the deferred component is determined through discounting the amounts payable to their present value at the date of exchange. The discount component is unwound as an interest charge in the statement of operations over the life of the obligation.

Where a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the estimated present value of the adjustment is included in the cost at the acquisition date. Changes in these amounts subsequently are reflected in goodwill.

When the initial accounting for a business combination is determined provisionally, any subsequent adjustments to the provisional values allocated to the identifiable assets, liabilities and contingent liabilities are made within twelve months of the acquisition date and treated retrospectively as an adjustment to goodwill.

f) Goodwill

In respect of business combinations that have occurred since January 1, 2004 (being the transition date to IFRS), goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under the old basis of accounting, Irish GAAP, (Previous GAAP). Save for retrospective restatement of deferred tax as an adjustment to retained earnings in accordance with IAS 12, *Income Taxes,* the classification and accounting treatment of business combinations undertaken prior to the transition date were not reconsidered in preparing the Group s opening IFRS balance sheet as at January 1, 2004.

To the extent that the Group s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired exceeds the cost of a business combination, the identification and measurement of the related assets, liabilities and contingent liabilities are revisited accompanied by a reassessment of the cost of the transaction, and any remaining balance is immediately recognised in the statement of operations.

At the acquisition date, any goodwill is allocated to each of the cash generating units expected to benefit from the combination s synergies. Following initial recognition, goodwill is stated at cost less any accumulated impairment losses (see note 1(h)).

g) Intangibles, including research and development (other than goodwill)

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable (that is, capable of being divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability) or when it arises from contractual or other legal rights,

regardless of whether those rights are transferable or separable from the Group or from other rights and obligations.

Intangible assets acquired as part of a business combination are capitalised separately from goodwill if the intangible asset meets the definition of an asset and the fair value can be reliably measured on initial recognition. Subsequent to initial recognition, these intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (note 1(h)). Definite lived intangible assets are reviewed for indicators of impairment annually while indefinite lived assets and those not yet brought into use are tested for impairment annually, either individually or at the cash generating unit level.

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Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of operations as an expense as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and attributable overheads and third party costs. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other development expenditure is expensed as incurred. Subsequent to initial recognition, the capitalised development expenditure is carried at cost less any accumulated amortisation and any accumulated impairment losses (note 1(h)).

Expenditure on internally generated goodwill and brands is recognised in the statement of operations as an expense as incurred.

Amortisation

Amortisation is charged to the statement of operations on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents and licences	6-15 years
Capitalised development costs	15 years
Other (including acquired customer and supplier lists)	6-15 years

Certain trade names acquired are deemed to have an indefinite useful life.

Where amortisation is charged on assets with finite lives, this expense is taken to the statement of operations through the selling, general and administrative expenses line.

Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

h) Impairment

The carrying amount of the Group s assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset s recoverable amount (being the greater of fair value less costs to sell and value in use) is assessed at each balance sheet date.

Fair value less costs to sell is defined as the amount obtainable from the sale of an asset or cash-generating unit in an arm s length transaction between knowledgeable and willing parties, less the costs that would be incurred in disposal. Value in use is defined as the present value of the future cash flows expected to be derived through the continued use of an asset or cash-generating unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not yet been adjusted. The estimates of future cash flows exclude cash inflows or outflows attributable to financing activities and income tax. For an asset that does not generate largely independent cash flows, the recoverable amount is

determined by reference to the cash generating unit to which the asset belongs.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date at the cash generating unit level. The goodwill and indefinite-lived assets were reviewed for impairment at December 31, 2006, December 31, 2007 and December 2008. See note 12.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of operations.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of other assets in the cash-generating units on a pro-rata basis.

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An impairment loss is reversed only to the extent that the asset s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of goodwill is not reversed.

Following recognition of any impairment loss (and on recognition of an impairment loss reversal), the depreciation or amortisation charge applicable to the asset or cash generating unit is adjusted prospectively with the objective of systematically allocating the revised carrying amount, net of any residual value, over the remaining useful life.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes all expenditure which has been incurred in bringing the products to their present location and condition, and includes an appropriate allocation of manufacturing overhead based on the normal level of operating capacity. Net realisable value is the estimated selling price of inventory on hand in the ordinary course of business less all further costs to completion and costs expected to be incurred in selling these products.

The Group provides for inventory, based on estimates of the expected realisability of the Group s inventory. The estimated realisability is evaluated on a case-by-case basis and any inventory that is approaching its use-by date and for which no further re-processing can be performed is written off. Any reversal of an inventory provision is recognised in the statement of operations in the year in which the reversal occurs.

j) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses incurred. Cost approximates fair value given the short dated nature of these assets.

k) Trade and other payables

Trade and other payables are stated at cost. Cost approximates fair value given the short dated nature of these liabilities.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with a maturity of three months or less. The Group has no short-term bank overdraft facilities. Where restrictions are imposed by third parties, such as lending institutions, on cash balances held by the Group these are treated as financial assets in the financial statements.

m) Interest-bearing loans and borrowings

Loans and borrowings, including promissory notes

Under IFRS interest-bearing loans, borrowings and promissory notes are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at

amortised cost, with any difference between cost and redemption value being recognised in the statement of operations over the period of the borrowings on an effective interest basis.

Convertible notes

Under IFRS convertible notes that can be converted into share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the statement of operations is calculated using the effective interest rate method.

n) Share-based payments

For equity-settled share-based payments (share options), the Group measures the services received and the corresponding increase in equity at fair value at the measurement date (which is the grant date) using a trinomial model. Given that the share options granted do not vest until the completion of a specified period of service, the fair value, which is assessed at the grant date, is recognised on the basis that the services to be rendered by employees as consideration for the granting of share options will be received over the vesting period.

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The share options issued by the Group are not subject to market-based vesting conditions as defined in IFRS 2, *Share-based Payments*. Non-market vesting conditions are not taken into account when estimating the fair value of share options as at the grant date; such conditions are taken into account through adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised equates to the number of equity instruments that actually vest. The expense in the statement of operations in relation to share options represents the product of the total number of options anticipated to vest and the fair value of those options; this amount is allocated to accounting periods on a straight-line basis over the vesting period. Given that the performance conditions underlying the Group s share options are non-market in nature, the cumulative charge to the statement of operations is only reversed where the performance condition is not met or where an employee in receipt of share options relinquishes service prior to completion of the expected vesting period. Share based payments, to the extent they relate to direct labour involved in development activities, are capitalised, see 1(g).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The Group does not operate any cash-settled share-based payment schemes or share-based payment transactions with cash alternatives as defined in IFRS 2.

o) *Government grants*

Grants that compensate the Group for expenses incurred such as research and development, employment and training are recognised as revenue or income in the statement of operations on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the statement of operations as other operating income on a systematic basis over the useful life of the asset.

p) Revenue recognition

Goods sold and services rendered

Revenue from the sale of goods is recognised in the statement of operations when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from products is generally recorded as of the date of shipment. Revenue is recognised when the Group has satisfied all of its obligations to the customer. Revenue, including any amounts invoiced for shipping and handling costs, represents the value of goods supplied to external customers, net of discounts and excluding sales taxes.

Revenue from services rendered is recognised in the statement of operations in proportion to the stage of completion of the transaction at the balance sheet date.

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Group, that the risks and rewards of ownership have passed to the buyer and the revenue can be measured. No revenue is recognised if there is uncertainty regarding recovery of the consideration due at the outset of the transaction or the possible return of goods.

The Group leases instruments under operating and finance leases as part of its business. In cases where the risks and rewards of ownership of the instrument pass to the customer, the fair value of the instrument is recognised as revenue at the commencement of the lease and is matched by the related cost of sale. In the case of operating leases of instruments which typically involve commitments by the customer to pay a fee per test run on the instruments, revenue is recognised on the basis of customer usage of the instruments. See also note 1(d).

Other operating income

Rental income from sub-leasing premises under operating leases, where the risks and rewards of the premises remain with the lessor, is recognised in the statement of operations as other operating income on a straight-line basis over the term of the lease.

q) Employee benefits

Defined contribution plans

The Group operates defined contribution schemes in various locations where its subsidiaries are based. Contributions to the defined contribution schemes are recognised in the statement of operations in the period in which the related service is received from the employee.

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Other long-term benefits

Where employees participate in the Group s other long-term benefit schemes (such as permanent health insurance schemes under which the scheme insures the employees), or where the Group contributes to insurance schemes for employees, the Group pays an annual fee to a service provider, and accordingly the Group expenses such payments as incurred.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

r) Foreign currency

A majority of the revenue of the Group is generated in US dollars. The Group s management has determined that the US dollar is the primary currency of the economic environment in which the Company and its subsidiaries (with the exception of the Group s subsidiaries in Germany and Sweden) principally operate. Thus the functional currency of the Company and its subsidiaries (other than those subsidiaries in Germany and Sweden) is the US Dollar. The functional currency of the German and Swedish subsidiaries is the euro and the Swedish Kroner, respectively. The presentation currency of the Company and Group is the US Dollar. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The resulting gains and losses are included in the statement of operations. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Results and cash flows of subsidiary undertakings, which have a functional currency other than the US Dollar, are translated into US Dollars at average exchange rates for the year, and the related balance sheets have been translated at the rates of exchange ruling on the balance sheet date. Any exchange differences arising from the translations are recognised in the currency translation reserve via the statement of recognised income and expense.

s) Derivative financial instruments

The activities of the Group expose it primarily to changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments, when necessary, such as forward foreign exchange contracts to hedge these exposures.

The Group enters into forward contracts to sell US Dollars forward for euro. The principal exchange risk identified by the Group is with respect to fluctuations in the euro as a substantial portion of its expenses are denominated in euro but its revenues are primarily denominated in US Dollars. Trinity Biotech monitors its exposure to foreign currency movements and may use these forward contracts as cash flow hedging instruments whose objective is to cover a portion of this euro expense.

At the inception of a hedging transaction entailing the use of derivatives, the Group documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. The Group also documents its quarterly assessment of the effectiveness of

the hedge in offsetting movements in the cash flows of the hedged items.

Derivative financial instruments are recognised at fair value. Where derivatives do not fulfil the criteria for hedge accounting, they are classified as held-for-trading and changes in fair values are reported in the statement of operations. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles and equates to the current market price at the balance sheet date.

The portion of the gain or loss on a hedging instrument that is deemed to be an effective cash flow hedge is recognised directly in the hedging reserve in equity and the ineffective portion is recognised in the statement of operations. As the forward contracts are exercised the net cumulative gain or loss recognised in the hedging reserve is transferred to the statement of operations and reflected in the same line as the hedged item.

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t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns different to those of other segments. Stemming from the Group s internal organisational and management structure and its system of internal financial reporting, segmentation by geographic location of assets is regarded as being the predominant source and nature of the risks and returns facing the Group and is thus the primary segment format under IAS 14, *Segment Reporting.* Business segmentation is therefore the secondary segment format.

u) Tax (current and deferred)

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of operations except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax represents the expected tax payable (or recoverable) on the taxable profit for the year using tax rates enacted or substantively enacted at the balance sheet date and taking into account any adjustments stemming from prior years.

Deferred tax is provided on the basis of the balance sheet liability method on all temporary differences at the balance sheet date which is defined as the difference between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are not subject to discounting and are measured at the tax rates that are anticipated to apply in the period in which the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Deferred tax assets and liabilities are recognised for all temporary differences (that is, differences between the carrying amount of the asset or liability and its tax base) with the exception of the following:

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

ii. Where, in respect of temporary differences associated with investments in subsidiary undertakings, the timing of the reversal of the temporary difference is subject to control and it is probable that the temporary difference will not reverse in the foreseeable future.

Where goodwill is tax deductible, a deferred tax liability is not recognised on initial recognition of goodwill. It is recognised subsequently for the taxable temporary difference which arises when the goodwill is amortised for tax with no corresponding adjustment to the carrying value of the goodwill.

The carrying amounts of deferred tax assets are subject to review at each balance sheet date and are derecognised to the extent that future taxable profits are considered to be inadequate to allow all or part of any deferred tax asset to be utilised.

v) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

w) Cost of sales

Cost of sales comprises product cost including manufacturing and payroll costs, quality control, shipping, handling, and packaging costs and the cost of services provided.

x) Finance income and costs

Financing expenses comprise costs payable on leases, loans and borrowings including promissory notes. Interest payable on loans and borrowings, promissory notes and convertible notes is calculated using the effective interest rate method. Interest payable on finance leases is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Financing expenses also includes the financing element of long term liabilities which have been discounted.

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Finance income comprises interest income on deposits and is recognised in the statement of operations as it accrues, using the effective interest method.

y) Warrant reserve

The Group calculates the fair value of warrants at the date of issue taking the amount directly to equity. The fair value is calculated using a recognised valuation methodology for the valuation of financial instruments (that is, the trinomial model). The fair value which is assessed at the grant date is calculated on the basis of the contractual term of the warrants.

z) New IFRS Standards and Interpretations not applied

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting after January 1, 2008, some of which have not yet been adopted by the EU. The following standards and interpretations have yet to be adopted by the Group:

International Financial Reporting Standards (IFRS/IAS)		***Effective date***
IFRS 3	(Revised) Business Combinations	July 1, 2009 (adopted by the EU)
IFRS 8	Operating Segments	January 1, 2009 (adopted by the EU)
IAS 1 (amendment)	Presentation of Financial Statements	January 1, 2009 (not adopted by the EU)
IAS23 (amendment)	Borrowing Costs	January 1, 2009 (not adopted by the EU)
IAS 27	Consolidated and Separate Financial Statements	July 1, 2009 (not adopted by the EU)
IAS 32/ IAS 1 (amendment)	Puttable Instruments and Obligations arising on Liquidation	January 1, 2009 (not adopted by the EU)
IFRS 2 Share-based Payments	Vesting Conditions and Cancellations	January 1, 2009 (not adopted by the EU)
IAS 39 (amendment)	Eligible hedged items	July 1, 2009 (not adopted by the EU)
IFRS 1 (amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	January 1, 2009 (not adopted by the EU)
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 13	Customer Loyalty Programmes	January 1, 2009 (not adopted by the EU)
IFRIC 15	Agreements for the Construction of Real Estate	January 1, 2009 (not adopted by the EU)
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	January 1, 2009 (not adopted by the EU)

The Group does not anticipate that the adoption of these standards and interpretations will have a material effect on its financial statements on initial adoption. Upon adoption of IFRS 8 and IAS 1, the Group may be required to disclose additional information on its operating segments but this will have no effect on reported income or net assets.

2. SEGMENT INFORMATION

Segment information is presented in respect of the Group s geographical and business segments. The primary format, geographical segments, is based on the Group s management and internal reporting structure. Sales of

product between companies in the Group are made on commercial terms which reflect the nature of the relationship between the relevant companies. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise interest-bearing loans, borrowings and expenses and corporate expenses. Segment capital expenditure is the total cost during the period to acquire segment plant, property and equipment and intangible assets that are expected to be used for more than one period, whether acquired on acquisition of a business combination or through acquisitions as part of the current operations.

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Geographical segments

The Group comprises two main geographical segments (i) the Americas and (ii) Rest of World. The Group s geographical segments are determined by the location of the Group s assets and operations.

The Group has also presented a geographical analysis of the segmental data for Ireland on the basis of the aggregation thresholds contained in IAS 14.

Business segments

The Group operates in one business segment, the market for diagnostic tests for a range of diseases and other medical conditions. In determining the nature of its segmentation, the Group has considered the nature of the products, their risks and rewards, the nature of the production base, the customer base and the nature of the regulatory environment. The Group acquires, manufactures and markets a range of diagnostic products. The Group s products are sold to a similar customer base and the main body whose regulation the Group s products must comply with is the Food and Drug Administration (FDA) in the US.

The following presents revenue and profit information and certain asset and liability information regarding the Group s geographical segments.

a) The distribution of revenue by geographical area based on location of assets was as follows:

Revenue

		Rest of World			
	Americas	*Ireland*	*Other*	*Eliminations*	*Total*
Year ended December 31, 2008	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Revenue from external customers	48,615	72,676	18,848		140,139
Inter-segment revenue	28,345	22,248	12,435	(63,028)	
Total revenue	76,960	94,924	31,283	(63,028)	140,139

		Rest of World			
	Americas	*Ireland*	*Other*	*Eliminations*	*Total*
Year ended December 31, 2007	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Revenue from external customers	37,095	64,210	42,312		143,617
Inter-segment revenue	24,815	27,196	10,134	(62,145)	
Total revenue	61,910	91,406	52,446	(62,145)	143,617

		Rest of World			
	Americas	*Ireland*	*Other*	*Eliminations*	*Total*
Year ended December 31, 2006	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*

Revenue from external customers	33,247	55,665	29,762		118,674
Inter-segment revenue	21,161	24,968	9,679	(55,808)	
Total revenue	54,408	80,633	39,441	(55,808)	118,674

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b) The distribution of revenue by customers geographical area was as follows:

	December 31, 2008	*December 31, 2007*	*December 31, 2006*
Revenue	*US$ 000*	*US$ 000*	*US$ 000*
Americas	69,915	68,481	60,748
Europe (including Ireland) *	43,481	43,631	34,452
Asia / Africa	26,743	31,505	23,474
	140,139	143,617	118,674

* Revenue for customers in Ireland is not disclosed separately due to the immateriality of these revenues.

c) The distribution of revenue by major product group was as follows:

	December 31, 2008	*December 31, 2007*	*December 31, 2006*
Revenue	*US$ 000*	*US$ 000*	*US$ 000*
Clinical Laboratory	121,143	119,113	103,395
Point of care	18,996	24,504	15,279
	140,139	143,617	118,674

d) The distribution of segment results by geographical area was as follows:

Year ended December 31, 2008

		Rest of World		
	Americas	*Ireland*	*Other*	*Total*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*
Result before exceptional expenses	807	10,848	(2,391)	9,264
Impairment expense (note 3)	(17,645)	(66,152)	(1,996)	(85,793)
Restructuring expenses (note 3)	(185)	(1,904)		(2,089)
Result after exceptional expenses	(17,023)	(57,208)	(4,387)	(78,618)
Unallocated expenses *				(957)
Operating loss				(79,575)
Net financing costs (note 4)				(2,095)
Loss before tax				(81,670)
Income tax credit (note 9)				3,892
Loss for the year				(77,778)

Year ended December 31, 2007

		Rest of World		

	Americas *US$ 000*	*Ireland* *US$ 000*	*Other* *US$ 000*	*Total* *US$ 000*
Result before goodwill impairment and restructuring expenses	15	10,868	447	11,330
Goodwill impairment (note 3)		(19,156)		(19,156)
Restructuring expenses (note 3)	(6,215)	(11,961)	(2,615)	(20,791)
Result after goodwill impairment and restructuring	(6,200)	(20,249)	(2,168)	(28,617)
Unallocated expenses *				(755)
Operating loss				(29,372)
Net financing costs (note 4)				(2,691)
Loss before tax				(32,063)
Income tax expense (note 9)				(3,309)
Loss for the year				(35,372)

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Year ended December 31, 2006

		Rest of World		
	Americas	*Ireland*	*Other*	*Total*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*
Result	(6,621)	10,790	(1,843)	2,326
Unallocated expenses *				(385)
Operating profit				1,941
Net financing costs (note 4)				(1,489)
Profit before tax				452
Income tax credit (note 9)				2,824
Profit for the year				3,276

* Unallocated expenses represent head office general and administration costs of the Group which cannot be allocated to the results of any specific geographical area.

e) The distribution of segment assets and segment liabilities by geographical area was as follows:

As at December 31, 2008

		Rest of World		
	Americas	*Ireland*	*Other*	*Total*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*
Assets and liabilities				
Segment assets	58,248	128,907	19,630	206,785
Impairment (note 3)	(17,645)	(66,152)	(1,996)	(85,793)
Segment assets after goodwill impairment and restructuring	40,603	62,755	17,634	120,992
Unallocated assets:				
Income tax assets (current and deferred)				3,333
Cash and cash equivalents				5,184
Total assets as reported in the Group balance sheet				129,509
Segment liabilities before restructuring	6,909	10,451	4,601	21,961
Impact of restructuring (note 22)	6	1,138		1,144
Segment liabilities after restructuring	6,915	11,589	4,601	23,105
Unallocated liabilities:				
Income tax liabilities (current and deferred)				4,378
Interest-bearing loans and borrowings (current and non-current)				36,121

Total liabilities as reported in the Group balance sheet	63,604

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As at December 31, 2007

		Rest of World		
	Americas	*Ireland*	*Other*	*Total*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*
Assets and liabilities				
Segment assets before goodwill impairment and restructuring	61,551	154,285	24,090	239,926
Goodwill impairment (note 3)		(19,156)		(19,156)
Impact of restructuring	(5,469)	(10,626)	(2,115)	(18,210)
Segment assets after goodwill impairment and restructuring	56,082	124,503	21,975	202,560
Unallocated assets:				
Income tax assets (current and deferred)				4,719
Cash and cash equivalents				8,700
Total assets as reported in the Group balance sheet				215,979
Segment liabilities before restructuring	5,885	15,387	4,390	25,662
Impact of restructuring (note 22)	808	691	517	2,016
Segment liabilities after restructuring	6,693	16,078	4,907	27,678
Unallocated liabilities:				
Income tax liabilities (current and deferred)				9,323
Interest-bearing loans and borrowings (current and non-current)				42,133
Total liabilities as reported in the Group balance sheet				79,134

f) The distribution of long-lived assets, which are property, plant and equipment, goodwill and intangible assets and other non-current assets (excluding deferred tax assets), by geographical area was as follows:

		December 31, 2008 *US$ 000*	*December 31, 2007* *US$ 000*
Rest of World	Ireland	33,511	95,675
Rest of World	Other	7,174	10,029
Americas		10,572	26,529
		51,257	132,233

g) The distribution of depreciation and amortisation by geographical area was as follows:

		December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Depreciation:				
Rest of World	Ireland	1,799	1,450	1,336
Rest of World	Other	1,149	1,537	1,163
Americas		1,477	1,354	1,237
		4,425	4,341	3,736
Amortisation:				
Rest of World	Ireland	3,113	2,971	2,298
Rest of World	Other	206	151	104
Americas		297	296	285
		3,616	3,418	2,687

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h) The distribution of share-based payment expense by geographical area was as follows:

		December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Rest of World	Ireland	996	1,146	922
Rest of World	Other	38	37	24
Americas		132	220	195
		1,166	1,403	1,141

See note 19 for further information on share-based payments.

i) The distribution of restructuring expenses (see note 3) by geographical area was as follows:

		December 31, 2008 US$ 000
Impairment:		
Rest of World	Ireland	66,152
Rest of World	Other	1,996
Americas		17,645
		85,793
Restructuring expenses:		
Rest of World	Ireland	1,904
Rest of World	Other	
Americas		185
		2,089

Asset Impairments arose as a result of the annual impairment review which was performed on 31 December 2008 (see note 3).
The Board of Directors announced a restructuring of the business in December 2008, which resulted in certain one-off expenditure being incurred. These termination payments and other restructuring costs resulted in an after tax charge of $1.9 million (see note 3).

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		December 31, 2007 US$ 000
Impairment:		
Rest of World	Ireland	19,156
Rest of World	Other	
Americas		
		19,156
Restructuring expenses:		
Rest of World	Ireland	11,961
Rest of World	Other	6,215
Americas		2,615
		20,791

In 2007, the total restructuring expenses above of US$20,791,000 includes an inventory write off of US$11,772,000. As part of the restructuring plan (see note 3), Trinity Biotech undertook to reduce the number of products and instruments within the two key product lines of Haemostasis and Infectious Diseases. As a result, the Group has recognised US$11,772,000 for inventory written off relating to those Haemostasis and Infectious Diseases products and instruments being rationalised for the year ended December 31, 2007. The write off was included as part of the total restructuring expenses in cost of sales in the 2007 statement of operations. The distribution of the inventory write off by geographical area was as follows:

		December 31, 2007 US$ 000
Inventory write off		
Rest of World	Ireland	4,146
Rest of World	Other	2,279
Americas		5,347
		11,772

In 2006, the Group undertook to write off inventory of US$5.8 million. Following the acquisition of the haemostasis business of bioMerieux Inc (bioMerieux), Trinity Biotech sought to combine the range of products acquired with the Group s existing product range. As part of this process it was decided to discontinue various existing products and this resulted in a US$5.8 million write-off of inventory. This write-off was disclosed as a separate line item in cost of sales in the 2006 statement of operations. The distribution of the inventory provision recognised in 2006 by geographical area was as follows:

		December 31, 2006 US$ 000
Inventory provision		
Rest of World	Ireland	1,751
Rest of World	Other	2,362

Americas	1,687
	5,800

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j) The distribution of interest expense by geographical area was as follows:

		December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Rest of World	Ireland	1,817	2,595	1,982
Rest of World	Other	8	15	12
Americas		335	538	659
		2,160	3,148	2,653

k) The distribution of taxation credit / (expense) by geographical area was as follows:

		December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Rest of World	Ireland	3,716	531	(1,156)
Rest of World	Other	9	(662)	975
Americas		167	(3,178)	3,005
		3,892	(3,309)	2,824

l) During 2008, 2007 and 2006 there were no customers generating 10% or more of total revenues.

m) The distribution of capital expenditure, including expenditure on non-current assets in business combinations, by geographical area was as follows:

		December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Rest of World	Ireland	8,101	14,742
Rest of World	Other	1,239	3,130
Americas		3,507	3,199
		12,847	21,071

3. IMPAIRMENT CHARGES AND RESTRUCTURING EXPENSES

Asset impairment charges totalling US$85,793,000 have been recognised in the statement of operations in the year ended December 31, 2008. In accordance with IAS 36 the Group carries out an annual impairment review of the asset valuations. The Group carries out its impairment review on 31 December each year. In determining whether a potential asset impairment exists, the Company considered a range of internal and external factors. One such factor was the relationship between the Group s market valuation and the book value of its net assets.

Trinity Biotech s market capitalization in the recent equity market conditions was significantly below the book value of its net assets. In such circumstances given the accounting standard guidance, the Group decided to recognize at December 31, 2008 a non-cash impairment charge of US$81.3 million after tax. The impairment was taken against goodwill and other intangible assets, property, plant and equipment and prepayments (see notes 11, 12 and 16). The tax impact of the impairment charges is described in note 9.

The Board of Directors announced a restructuring of the business in December 2008. The restructuring aimed to reduce costs through improved operational efficiency within the Group. As a result of the restructuring, there was a reduction in the size of the workforce, mainly affecting the sales, marketing and administration functions. Termination payments and other restructuring costs resulted in an after tax charge of US$1.9 million in the current year. Included in this amount is US$1.5 million relating to the resignation of Brendan Farrell as Chief Executive Officer in October 2008.

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The impact of the above items on the statement of operations for the year ended December 31, 2008 was as follows:

	Impairment *US$ 000*	*Restructuring* *US$ 000*	*Total* *US$ 000*
Selling, general & administration expenses			
Impairment of PP&E (note 11)	13,095		13,095
Impairment of goodwill and other intangible assets (note 12)	71,684		71,684
Impairment of prepayments (note 16)	1,014		1,014
Employee termination payments *(a)*		589	589
Director s compensation for loss of office and share option expense *(b)*		1,465	1,465
Other restructuring expenses		35	35
Total impairment loss and restructuring expenses before tax	85,793	2,089	87,882
Income tax impact of impairment loss and restructuring expenses (note 9)	(4,536)	(215)	(4,751)
Total impairment loss and restructuring expenses after tax	81,257	(1,874)	83,131

(a) Under the restructuring plan announced in December 2008, the Group s workforce was reduced by about 10%. The redundancies occurred in the Group s US, Irish and German operations. The total redundancy costs amounted to US$589,000, of which an amount of US$156,000 is accrued at December 31, 2008.

(b) An expense of US$1,465,000 was recorded in the current year in relation to the resignation of the former Chief Executive Officer, Brendan Farrell. Mr. Farrell left the company in October 2008. The expense comprises termination payments of US$1,283,000, of which US$988,000 is included in accrued restructuring expenses at December 31, 2008, and an accelerated share option expense of US$182,000.

In December 2007, the Board of Directors announced a restructuring of the business. The impact of this restructuring resulted in an after tax charge to the statement of operations of US$19,207,000 for the year ended December 31, 2007. In addition, the Group recognised an impairment loss of US$19,156,000 against goodwill (see note 12).

The restructuring included the following elements:

the rationalisation of the Haemostasis and Infectious Diseases reagent and instrumentation product lines;

the reorganisation of the US sales force;

the closure of the Group s operation in Sweden;

the streamlining of the Group s development activities and,

a redundancy programme to reduce headcount across the Group.

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The impact of the above items on the statement of operations for the year ended December 31, 2007 was as follows:

Year Ended 31 December 2007	*Impairment Loss* *US$ 000*	*Restructuring* *US$ 000*	*Total* *US$ 000*
Cost of sales			
Inventory provision *(a) (c)*		11,772	11,772
Termination payments *(c) (d)*		953	953
		12,725	12,725
Research & development			
Write-off of capitalised development and license costs *(b)*		6,667	6,667
Termination payments *(c) (d)*		240	240
		6,907	6,907
Selling, general & administration expenses			
Impairment of goodwill (note 12)	19,156		19,156
Termination payments *(c) (d)*		842	842
Lease obligation provision *(c)*		116	116
Other		201	201
	19,156	1,159	20,315
Total inventory write off, restructuring expenses and goodwill impairment before tax	**19,156**	**20,791**	**39,947**
Income tax impact of inventory write off, restructuring expenses and goodwill impairment (note 9)		(1,584)	(1,584)
Total inventory write off, restructuring expenses and goodwill impairment after tax	**19,156**	**19,207**	**38,363**

The non cash element of the restructuring expenses amounted to US$18,573,000 and the goodwill impairment of US$19,156,000 also had no cash impact.

(a) Under the 2007 restructuring plan, Trinity Biotech undertook to reduce the number of products and instruments within the two key product lines of Haemostasis and Infectious Diseases. The purpose of the rationalisation was to reduce complexity in the business, to improve selling and operating efficiencies and to eliminate low revenue generating products. As a result, the Group recognised US$11,772,000, including US$147,000 in respect of the closure of the Swedish operation (see note (c)), for inventory written off relating to those Haemostasis and Infectious Diseases products and instruments being rationalised for the year ended December 31, 2007.

(b) The Group decided to terminate or suspend a number of product development projects, which resulted in a write-off of capitalised development and license costs for the year ended December 31, 2007 of US$6,667,000.

Under IFRS the Group writes off research and development expenditure as incurred, with the exception of expenditure on projects whose outcome has been assessed with reasonable certainty as to technical feasibility, commercial viability and recovery of costs through future revenues. Such expenditure is capitalised at cost within intangible assets as development costs. Factors which impact our judgement to capitalise certain research and development expenditure include the degree of regulatory approval for products and the results of any market research to determine the likely future commercial success of products being developed. We review these factors each year to determine whether our previous estimates as to feasibility, viability and recovery should be changed.

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In December 2007, the Group announced its decision to focus on a smaller number of R&D projects, with a particular focus on projects which will make the greatest contribution to the strategic growth and development of the Group. Consequently, it was decided to terminate or suspend a number of projects. As a result, US$5,134,000 of development costs were written off for the year ended December 31, 2007. The write off of capitalised developments costs in 2007 related to a number of specific projects, the two most significant being the HIV over-the-counter (OTC) product and the development of the HIV Western Blot confirmatory test which accounts for US$2,772,000 of the total amount of capitalised development costs written off of US$5,134,000. The decision to suspend the HIV OTC project was based on an assessment of expected market size for this product. The Group s market assessment, carried out in 2007, indicated that the market opportunity for this product was significantly less than was originally envisaged. The Group s decision to suspend the development of its HIV Western Blot confirmatory test was also due to changes in the marketplace. The remaining development projects, which account for US$2,631,000 of the total capitalised development costs being written off in 2007 resulted from the strategic decision made by the Group in 2007 to focus on a smaller number of R&D projects.

Based on the decision to suspend a number of projects, US$439,000 was also written off for license costs which were capitalised in prior years. These license costs related to projects which have been written off in the year ended December 31, 2007.

A further of US$1,094,000 was written off technology intangible assets acquired from bioMerieux. This represented the portion of such assets which related to instruments and reagents which were being culled as part of the 2007 restructuring (see note 12).

(c) As part of the restructuring announced in December 2007, Trinity Biotech decided to close its manufacturing facility located in Umea, Sweden. This facility manufactured a portion of the Group s Haemostasis products and was acquired as part of the Biopool AB acquisition in 2001. The manufacture of these products was transferred to the Group s Irish and US facilities during 2008. As part of the closure of this facility, the Group recognised an inventory write off of US$147,000 and a write down of property, plant and equipment of US$42,000. A total of US$448,000 was accrued at December 31, 2007 which consisted of termination payments of US$332,000, and lease obligations of US$116,000.

(d) The reduction in the number of products, the more focused R&D approach and the closure of the Swedish operation enabled the Group to reduce its workforce and consequently total redundancy costs of US$1,470,000 were accrued for at December 31, 2007 (see note 22).

4. FINANCIAL INCOME AND EXPENSES

	Note	*December 31, 2008 US$ 000*	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Financial income:				
Interest income		65	457	1,164
Financial expense:				
Finance lease interest		(123)	(65)	(27)
Interest payable on interest bearing loans and borrowings	*20*	(1,912)	(2,834)	(2,167)
Convertible note interest	*21*			(278)
Other interest expense		(125)	(249)	(181)

	(2,160)	(3,148)	(2,653)
Net Financing Costs	(2,095)	(2,691)	(1,489)

Other interest expense recognised in 2008, 2007 and 2006 mainly comprises an interest expense arising from the discounting of the deferred consideration payable to bioMerieux, resulting from the acquisition of the haemostasis business during 2006, to reflect the present value of this additional consideration, see note 23.

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5. OTHER OPERATING INCOME

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Rental income from premises	237	233	204
Employment / training grants	936	180	71
	1,173	413	275

6. (LOSS)/ PROFIT BEFORE TAX

The following amounts were charged / (credited) to the statement of operations:

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Directors emoluments (including non-executive directors):			
Remuneration	1,617	2,370	2,213
Pension	241	147	119
Compensation for loss of office	1,283		
Share based payments	776	920	732
Other	44		
Auditors remuneration			
Audit fees	809	1,544	629
Non audit fees	31	77	50
Depreciation leased assets	372	260	120
Depreciation owned assets	4,053	4,081	3,616
Amortisation	3,616	3,418	2,687
(Profit) / loss on the disposal of property, plant and equipment	(682)	16	(2)
Net foreign exchange differences	(224)	68	(240)
Operating lease rentals:			
Plant and machinery	31	38	85
Land and buildings	4,421	3,798	2,838
Other equipment	437	407	240

7. PERSONNEL EXPENSES

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Wages and salaries	48,755	48,385	42,113
Social welfare costs	5,338	5,118	4,407
Pension costs	1,442	1,388	987
Share-based payments	1,166	1,403	1,141

	56,701	56,294	48,648

Personnel expenses are shown net of capitalisations. Total personnel expenses (wages and salaries, social welfare costs and pension costs), inclusive of amounts capitalised, for the year ended December 31, 2008 amounted to US$61,644,000 (2007: US$60,502,000) (2006: US$49,647,000). Total share based payments, inclusive of amounts capitalised in the balance sheet, amounted to US$1,193,000 for the year ended December 31, 2008 (2007: US$1,482,000) (2006: US$1,262,000). See note 19.

Included in personnel expenses for the year ended December 31, 2008 is US$589,000 which relates to termination payments resulting from the restructuring announced in December 2008 (see note 3).

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The average number of persons employed by the Group in the financial year was 757 (2007: 802) (2006: 794) and is analysed into the following categories:

	December 31, 2008	*December 31, 2007*	*December 31, 2006*
Research and development	57	51	44
Administration and sales	261	268	246
Manufacturing and quality	439	483	504
	757	802	794

8. PENSION SCHEME

The Group operates defined contribution pension schemes for certain of its full time employees. The benefits under these schemes are financed by both Group and employee contributions. Total contributions made by the Group in the financial year and charged against income amounted to US$1,442,000 (2007: US$1,388,000) (2006: US$987,000) (note 7). The pension accrual for the Group at December 31, 2008 was US$332,000 (2007: US$NIL), (2006: US$NIL).

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9. INCOME TAX (CREDIT) / EXPENSE

(a) The charge for tax based on the (loss) / profit comprises:

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Current tax expense			
Corporation tax at 12.5%	58	60	519
Manufacturing relief			(49)
	58	60	470
Overseas tax (a)	35	114	25
Adjustment in respect of prior years (b)	(33)	(67)	(290)
Total current tax expense	60	107	205
Deferred tax (credit) / expense (c)			
Origination and reversal of temporary differences (see note 13)	(3,858)	(1,042)	(107)
Origination and reversal of net operating losses (see note 13)	(94)	4,244	(2,922)
Total deferred tax (credit) / expense	(3,952)	3,202	(3,029)
Total income tax (credit) / charge in income statement (d)	(3,892)	3,309	(2,824)

(a) The overseas tax charge in 2008, 2007 and 2006 relates primarily to US State Taxes.

(b) The credit in 2008 relates primarily to the release of a provision for US State taxes at December 31, 2007 which was not considered

to be required. The credit in 2007 principally arises in respect of the finalisation of a claim for Irish Research and Development Tax Credits (R&D tax credits) in respect of the year ended December 31, 2006. The credit in 2006 of US$290,000 relates primarily to the release of US$200,000 that had been provided at December 31, 2005 which was not considered to be required at December 31, 2006. The remaining US$90,000 principally arises in respect of the finalisation of a claim for R&D tax credits in respect of the year ended December 31, 2005.

(c) In 2008 there was a deferred tax credit of US$3,744,000 (2007: US$538,000) recognised in respect of Ireland. In 2008

there was a deferred tax credit of US$208,000 (2007: US$3,740,000 expense) recognised in respect of overseas tax jurisdictions.

(d) The tax credit in 2008 includes a deferred tax credit of US$4,536,000 relating to the impairment and a deferred tax credit of US$215,000 relating to the restructuring (see note 3). The income tax charge in 2007 includes a deferred tax credit of US$1,584,000 relating to the restructuring (see note 3). The income tax charge in 2007 also includes a tax expense of US$3,780,000 relating to the derecognition of deferred tax assets previously recognised, which primarily arose on tax losses carried forward in the Group s US operations. The

derecognition of these deferred tax assets was considered appropriate in light of the increased tax losses caused by the restructuring and uncertainty over the timing of the utilisation of the tax losses.

Effective tax rate	*December 31, 2008* *US$ 000*	*December 31, 2007* *US$ 000*	*December 31, 2006* *US$ 000*
(Loss) / profit before taxation	(81,670)	(32,063)	452
As a percentage of (loss) / profit before tax:			
Current tax	0.07%	(0.34%)	46.32%
Total (current and deferred)	4.76%	(10.32%)	(625.44)%

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The following table reconciles the applicable Republic of Ireland statutory tax rate to the effective total tax rate for the Group:

	December 31, 2008	*December 31, 2007*	*December 31, 2006*
Irish corporation tax	12.50%	12.50%	12.50%
Manufacturing relief			(10.76%)
Adjustments in respect of prior years	0.04%	0.21%	(64.15%)
Effect of tax rates on overseas earnings	1.67%	5.08%	(529.98%)
Effect of non deductible expenses	(6.48%)	(8.24%)	43.90%
Effect of current year net operating losses and temporary differences for which no deferred tax asset was recognised	(3.21%)	(9.00%)	
Effect of derecognition of deferred tax assets relating to loss carryforwards and temporary differences at the start of the period		(11.79%)	
Effect of benefit of loss carryforwards			(25.18%)
Effect of Irish income taxable at higher tax rate	(0.05%)	(0.13%)	2.44%
R&D tax credit	0.29%	1.05%	(54.21%)
Effective tax rate	4.76%	(10.32%)	(625.44%)

Deferred tax recognised directly in equity

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Relating to forward contracts as hedged instruments	26	23	4
	26	23	4

(b) The distribution of (loss)/profit before taxes by geographical area was as follows:

		December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Rest of World	Ireland	(59,917)	(23,143)	9,585
Rest of World	Other	(4,395)	(2,182)	(1,855)
Americas		(17,358)	(6,738)	(7,278)
		(81,670)	(32,063)	452

(c) At December 31, 2008, the Group had unutilised net operating losses as follows:

	December 31, 2008	*December 31, 2007*	*December 31, 2006*

	US$ 000	*US$ 000*	*US$ 000*
USA	10,167	9,158	8,138
France	1,812	1,085	264
Germany	3,245	3,540	2,320
Ireland	290	290	290
UK	197	160	580
	15,711	14,233	11,592

The utilisation of these net operating loss carryforwards is limited to future profits in the USA, France, Germany, Ireland and the UK. The US net operating loss has a maximum carryforward of 20 years. US$3,043,000 of the net operating losses in the USA will expire by December 31, 2024, US$5,095,000 will expire by December 31, 2026, US$1,316,000 will expire by December 31, 2027 and US$713,000 will expire by December 31, 2028. The French, German, Irish and UK net operating losses can be carried forward indefinitely.

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At December 31, 2008, the Group recognised a deferred tax asset of US$133,000 (2007: US$203,000) in respect of net operating loss carryforwards in Germany and the UK, as there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which will result in taxable amounts against which the unused tax losses can be utilised before they expire. The utilisation of these net operating loss carryforwards is limited to future profits in Germany and the UK.

At December 31, 2008, the Group had unrecognised deferred tax assets in respect of unused tax losses, unused tax credits and deductible temporary differences as follows:

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
USA unused tax losses	4,126	3,717	
Germany unused tax losses	866	945	
France unused tax losses	598	290	87
Ireland unused tax losses	73	73	
USA unused tax credits	346	314	185
USA deductible temporary differences	3,464	1,600	
Unrecognised Deferred Tax Asset	9,473	6,939	272

A deferred tax asset of US$4,126,000 (2007: US$3,717,000) in respect of net operating losses in the USA, US$866,000 (2007: US$945,000) in respect of net operating losses in Germany, US$598,000 (2007: US$290,000) in respect of net operating losses in France and US$73,000 (2007: US$73,000) in respect of net operating losses in Ireland were not recognised at December 31, 2008 due to uncertainties regarding full utilisation of these losses in the related tax jurisdiction in future periods (see note 13). The Group has US state credit carryforwards of US$346,000 at December 31, 2008 (2007: US$314,000). A deferred tax asset of US$346,000 (2007: US$314,000) in respect of US state credit carryforwards was not recognised in 2008 due to uncertainties regarding future full utilisation of these state credit carryforwards in the related tax jurisdiction in future periods. Excepting state credit carryforwards of US$5,000 which expire by December 31, 2009, the balance of the state credits carry forward indefinitely.

(d) There are no income tax consequences for the Company attaching to the payment of dividends by Trinity Biotech plc to shareholders of the Company.

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10. (LOSS)/ EARNINGS PER SHARE

Basic (loss)/ earnings per ordinary share

Basic (loss)/ earnings per ordinary share for the Group is computed by dividing the loss after taxation of US$77,778,000 (2007: loss after tax of US$35,372,000) (2006: profit after tax of US$3,276,000) for the financial year by the weighted average number of A ordinary and B ordinary shares in issue of 81,394,075 (2007: 76,036,579) (2006: 70,693,753). 1,400,000 of the total weighted average shares used as the EPS denominator relate to the 700,000 B ordinary shares in issue. In all respects these shares are treated the same as A ordinary shares except for the fact that they have two voting rights per share, rights to participate in any liquidation or sale of the Group and to receive dividends as if each Class B ordinary share were two Class A ordinary shares. Hence the (loss)/ earnings per share for a B ordinary share is exactly twice the (loss)/ earnings per share of an A ordinary share.

	December 31, 2008	*December 31, 2007*	*December 31, 2006*
A ordinary shares	79,994,075	74,636,579	69,293,753
B ordinary shares (multiplied by 2)	1,400,000	1,400,000	1,400,000
Basic (loss)/ earnings per share denominator	81,394,075	76,036,579	70,693,753
Reconciliation to weighted average earnings per share denominator:			
Number of A ordinary shares at January 1 (note 18)	74,756,765	73,601,497	60,041,521
Number of B ordinary shares at January 1 (multiplied by 2)	1,400,000	1,400,000	1,400,000
Weighted average number of shares issued during the year	5,237,310	1,035,082	9,252,232
Basic (loss)/ earnings per share denominator	81,394,075	76,036,579	70,693,753

The weighted average number of shares issued during the year is calculated by taking the number of shares issued by the number of days in the year each share is in issue divided by 365 days.

Diluted (loss)/ earnings per ordinary share

Diluted (loss)/ earnings per ordinary share is computed by dividing the loss after tax of US$77,778,000 (2007: loss after tax of US$35,372,000) (2006: profit after tax of US$3,276,000) for the financial year by the diluted weighted average number of ordinary shares in issue of 81,394,075 (2007: 76,036,579) (2006: 72,125,740).

The basic weighted average number of shares for the Group may be reconciled to the number used in the diluted (loss)/ earnings per ordinary share calculation as follows:

	December 31, 2008	*December 31, 2007*	*December 31, 2006*
Basic (loss)/ earnings per share denominator (see above)	81,394,075	76,036,579	70,693,753
Issuable on exercise of options and warrants			1,431,987
Diluted (loss)/ earnings per share denominator *	81,394,075	76,036,579	72,125,740

* At December 31,

2008, the number of shares issuable on the exercise of options and warrants is not dilutive. At December 31, 2007, the number of shares issuable on the exercise of options and warrants was anti-dilutive and hence the diluted (loss)/ earnings per share was calculated excluding the number of shares issuable on the exercise of options and warrants. If the number of shares issuable on the exercise of options and warrants had not been anti-dilutive, 1,854,825 shares issuable on the exercise of options and warrants would have been included in the diluted (loss)/ earnings per share denominator in 2007. The after tax effect of the interest saving on convertible notes is nil in 2007 as the final interest payment

on the convertibles notes was paid on January 2, 2007.

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The after tax effect of the interest saving on convertible notes for 2006 was anti-dilutive and hence the diluted earnings per share has been calculated excluding the after tax effect of the interest saving on the convertible notes of US$208,000 in 2006. If the after tax effect on interest saving on convertible notes had not been anti-dilutive, 2,209,506 shares issuable on the conversion of convertible notes would have been included in the diluted earnings per share denominator in 2006.

Earnings per ADS

In June 2005, Trinity Biotech adjusted its ADS ratio from 1 ADS: 1 Ordinary Share to 1 ADS: 4 Ordinary Shares. Earnings per ADS for all periods presented have been restated to reflect this exchange ratio.

Basic (loss)/ earnings per ADS for the Group is computed by dividing the loss after taxation of US$77,778,000 (2007: loss after tax of US$35,372,000) (2006: profit after tax of US$3,276,000) for the financial year by the weighted average number of ADS in issue of 20,348,519 (2007: 19,009,144) (2006:17,673,438).

	December 31, 2008	*December 31, 2007*	*December 31, 2006*
A ordinary shares ADS	19,998,519	18,659,144	17,323,438
B ordinary shares ADS	350,000	350,000	350,000
Basic (loss)/ earnings per share denominator	20,348,519	19,009,144	17,673,438

Diluted (loss)/ earnings per ADS for the Group is computed by dividing the loss after taxation of US$77,778,000 (2007: loss after tax of US$35,372,000) (2006: profit after tax of US$3,276,000) for the financial year, by the diluted weighted average number of ADS in issue of 20,348,519 (2007: 19,009,144) (2006: 18,031,435).

The basic weighted average number of ADS shares for the Group only may be reconciled to the number used in the diluted earnings per ADS share calculation as follows:

	December 31, 2008	*December 31, 2007*	*December 31, 2006*
Basic (loss)/ earnings per share denominator (see above)	20,348,519	19,009,144	17,673,438
Issuable on exercise of options and warrants			357,997
Issuable on conversion of convertible notes			
Diluted (loss)/ earnings per share denominator *	20,348,519	19,009,144	18,031,435

* At December 31, 2008, the number of ADSs issuable on the exercise of options and warrants is not dilutive. At December 31, 2007, the number of

ADSs issuable on the exercise of options and warrants was anti-dilutive and hence the diluted (loss)/ earnings per share was calculated excluding the number of ADSs issuable on the exercise of options and warrants. If the number of ADSs issuable on the exercise of options and warrants had not been anti-dilutive, 463,706 ADSs issuable on the exercise of options and warrants would have been included in the diluted (loss)/ earnings per ADS denominator in 2007.

The after tax effect of the interest saving on convertible notes is nil in 2007 as the final interest payment on the convertibles notes was paid on January 2, 2007. The after tax effect of the interest saving on convertible notes for 2006 was anti-dilutive and hence the diluted earnings per ADS share has been stated excluding the after tax effect of the interest saving on the convertible notes of US$208,000 in 2006. If the after tax effect on interest saving on convertible notes had not been anti-dilutive, 552,377 ADSs issuable on the conversion of convertible notes would have been included in the diluted earnings per ADS denominator in 2006.

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11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings US$ 000	*Leasehold improvements US$ 000*	*Computers, fixtures and fittings US$ 000*	*Plant and equipment US$ 000*	*Total US$ 000*
Cost					
At January 1, 2007	5,439	3,407	5,022	22,448	36,316
Acquisitions through business combinations (note 26)				23	23
Other additions	15	266	549	7,856	8,686
Disposals / retirements			(52)	(1,107)	(1,159)
Exchange adjustments	382	2	9	446	839
At December 31, 2007	5,836	3,675	5,528	29,666	44,705
At January 1, 2008	5,836	3,675	5,528	29,666	44,705
Additions	34	41	313	3,551	3,939
Disposals / retirements		(34)	(126)	(1,642)	(1,802)
Exchange adjustments	(154)		(9)	(185)	(348)
At December 31, 2008	5,716	3,682	5,706	31,390	46,494
Accumulated depreciation and impairment losses					
At January 1, 2007	(818)	(1,317)	(2,614)	(9,312)	(14,061)
Charge for the year	(119)	(347)	(799)	(3,076)	(4,341)
Disposals / retirements			52	430	482
Restructuring write off				(133)	(133)
Exchange adjustments	(33)	(2)	(1)	(207)	(243)
At December 31, 2007	(970)	(1,666)	(3,362)	(12,298)	(18,296)
At January 1, 2008	(970)	(1,666)	(3,362)	(12,298)	(18,296)
Charge for the year	(124)	(381)	(621)	(3,299)	(4,425)
Impairment loss		(1,149)	(1,185)	(10,761)	(13,095)
Disposals / retirements		35	81	944	1,060
Exchange adjustments	17		6	94	117
At December 31, 2008	(1,077)	(3,161)	(5,081)	(25,320)	(34,639)
Carrying amounts					
At December 31, 2008	4,639	521	625	6,070	11,855

At December 31, 2007	4,866	2,009	2,166	17,368	26,409

The annual impairment review performed at December 31, 2008, showed that the carrying value of the Group s assets exceeded the amount to be recovered through use or sale of the assets by a total of US$97,126,000. The details of the impairment review are described in note 12. When an impairment loss is identified in a cash generating unit, it must be first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. In this manner, an impairment loss of US$13,095,000 has been allocated to property, plant and equipment. The recoverable amount of property, plant and equipment was determined to be the value in use of each cash generating unit.

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The impairment loss relating to property, plant and equipment arose in the following cash generating units:

	US$ 000
Trinity Biotech Manufacturing Limited	9,709
Biopool US Inc	2,821
Primus Corporation Inc	377
Trinity Biotech France SARL	179
Trinity Biotech (UK Sales) Limited	9
	13,095

Assets held under operating leases (where the Company is the lessor)

Included in the carrying amount of property, plant and equipment are a number of assets included in plant and equipment which generate operating lease revenue for the Group. The net book value of these assets as at December 31, 2008 is US$768,000 (2007: US$3,913,000). Depreciation charged on these assets in 2008 amounted to US$1,082,000 (2007: US$1,527,000). Impairment charged on these assets amounted to US$2,373,000 in 2008.

Included in disposals/ retirements in 2008 is US$612,000 (2007: US$550,000) relating to the net book value of leased instruments reclassified as inventory on return from customers.

Assets held under finance leases

Included in the carrying amount of property, plant and equipment is an amount for capitalised leased assets of US$537,000 (2007: US$2,913,000). Impairment charged on these assets amounted to US$1,987,000 in 2008. The leased equipment secures the lease obligations (note 27). The depreciation charge in respect of capitalised leased assets for the year ended December 31, 2008 was US$372,000 (2007: US$260,000). This is split as follows:

At December 31, 2008	*Freehold land and buildings US$ 000*	*Leasehold improvements US$ 000*	*Computers, fixtures and fittings US$ 000*	*Plant and equipment US$ 000*	*Total US$ 000*
Depreciation charge		43	46	283	372
Impairment charge		168	280	1,539	1,987
Carrying value					
At December 31, 2008		33	55	449	537

At December 31, 2007	*Freehold land and buildings US$ 000*	*Leasehold improvements US$ 000*	*Computers, fixtures and fittings US$ 000*	*Plant and equipment US$ 000*	*Total US$ 000*
Depreciation charge		43	46	171	260
Carrying value					
At December 31, 2007		244	382	2,287	2,913

Property, plant and equipment under construction

Included in plant and equipment at December 31, 2008 is an amount of US$148,000 (2007: US$92,000) relating to assets in the course of construction. A further US$56,000 was included as assets under construction in 2008, relating

to plant and equipment which was not fully completed by December 31, 2008. These assets were not depreciated in 2008.

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12. GOODWILL AND INTANGIBLE ASSETS

	Goodwill *US$ 000*	*Development costs* *US$ 000*	*Patents and licences* *US$ 000*	*Other* *US$ 000*	*Total* *US$ 000*
Cost					
At January 1, 2007	76,617	18,240	10,093	23,719	128,669
Acquisitions, through business combinations (note 26)	2,982			1,500	4,482
Other additions		7,508		372	7,880
Exchange adjustments		64		11	75
At December 31, 2007	79,599	25,812	10,093	25,602	141,106
At January 1, 2008	79,599	25,812	10,093	25,602	141,106
Additions		8,426		482	8,908
Exchange adjustments		(26)		(6)	(32)
At December 31, 2008	79,599	34,212	10,093	26,078	149,982
Accumulated amortisation and Impairment losses					
At January 1, 2007		(950)	(2,123)	(3,828)	(6,901)
Charge for the year		(547)	(797)	(2,074)	(3,418)
Goodwill impairment	(19,156)				(19,156)
Restructuring write off (note 3)		(5,134)	(1,533)		(6,667)
Exchange adjustments		(31)		(5)	(36)
At December 31, 2007	(19,156)	(6,662)	(4,453)	(5,907)	(36,178)
At January 1, 2008	(19,156)	(6,662)	(4,453)	(5,907)	(36,178)
Charge for the year		(750)	(627)	(2,239)	(3,616)
Impairment loss	(40,390)	(21,480)	(3,728)	(6,086)	(71,684)
Exchange adjustments		18		3	21
At December 31, 2008	(59,546)	(28,874)	(8,808)	(14,229)	(111,457)
Carrying amounts					
At December 31, 2008	20,053	5,338	1,285	11,849	38,525
At December 31, 2007	60,443	19,150	5,640	19,695	104,928

Included within development costs are costs of US$3,453,000 which were not amortised in 2008 (2007: US$12,333,000). These development costs are not being amortised as the projects to which the costs relate were not fully complete at December 31, 2008 or at December 31, 2007. As at December 31, 2008 these projects are expected to be completed during the period from January 1, 2009 to June 30, 2010 at an expected approximate further cost of US$5.0 million.

Other intangible assets consist primarily of acquired customer and supplier lists, trade names, website and software costs.

Amortisation is charged to the statement of operations through the selling, general and administrative expenses line.

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Included in other intangibles are the following indefinite lived assets:

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Fitzgerald trade name	970	970
RDI trade name	560	560
Primus trade name	418	1,870
	1,948	3,400

No trade names were purchased as part of the 2007 or 2006 acquisitions (note 26). The trade name assets purchased as part of the acquisition of Primus and RDI in 2005 and Fitzgerald in 2004 were valued by an external valuer using the relief from royalty method and based on factors such as (1) the market and competitive trends and (2) the expected usage of the name. It was considered that these trade names will generate net cash inflows for the Group for an indefinite period.

Impairment testing for intangibles including goodwill and indefinite lived assets

Goodwill and other intangibles with indefinite lives are tested annually for impairment at each balance sheet date at a cash-generating unit (CGU) level, i.e. the individual legal entities. For the purpose of these annual impairment reviews goodwill is allocated to the relevant CGU.

The recoverable amount of goodwill and intangible assets contained in each of the Group s CGU s is determined based on the greater of the fair value less cost to sell and value in use calculations. The Group operates in one business segment and accordingly the key assumptions are similar for all CGU s. The value in use calculations use cash flow projections based on the 2009 budget and projections for a further four years using a projected revenue growth rate of 3% and a cost growth rate of 3%. At the end of the five year forecast period, terminal values for each CGU, based on a long term growth rate are used in the value in use calculations. The cashflows and terminal values for the CGU s are discounted using pre-tax discount rates which range from 8% to 41%.

The impairment review carried out at December 31, 2008 identified a total impairment loss of US$97,126,000 in six CGU s. In other words, the carrying value of their net assets exceeded the discounted future cashflows by a total of US$97,126,000. The impairment loss arose from the impairment review performed on Trinity Biotech Manufacturing Limited, Biopool US Inc, Trinity Biotech (UK Sales) Limited, Primus Corporation, Clark Laboratories Inc. and Trinity Biotech France SARL.

In accordance with IAS 36, *Impairment of Assets*, the impairment loss for each CGU was first allocated to reduce the carrying amount of any goodwill allocated to the CGU, then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the CGU. The full impairment loss for Biopool US Inc and Trinity Biotech France SARL could not be reflected in the 2008 financial statements for these entities because each of these entities had insufficient assets to write down after excluding those assets with a known recoverable amount. The amount of impairment loss that could not be recorded for Biopool US Inc and Trinity Biotech France SARL was US$10,279,000 and US$1,054,000 respectively. As a result, the impairment loss that was recorded in the 2008 financial statements was US$85,793,000.

The table below sets forth the impairment loss recorded for each of the CGU s at December 31, 2008:

	US$ 000
Trinity Biotech Manufacturing Limited	57,889
Primus Corporation Inc.	13,988
Biopool US Inc.	8,649
Trinity Biotech (UK Sales) Limited	3,036

Trinity Biotech France SARL	1,973
Clark Laboratories Inc.	258
Total impairment loss	**85,793**

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The table below sets forth the breakdown of the impairment loss for each class of asset at December 31, 2008:

	US$ 000
Goodwill and other intangible assets	71,684
Property, plant and equipment (see note 11)	13,095
Prepayments (see note 16)	1,014
Total impairment loss	**85,793**

The impairment loss at December 31, 2008 allocated to goodwill arose on the following acquisitions:

	US$ 000
bioMerieux	19,886
Primus Corporation	7,688
Biopool	4,486
Sigma Clinical Chemistry	4,005
Adaltis	1,952
Sterilab Services	905
Nephrotek SARL	677
Other	791
Total impairment loss allocated to goodwill	**40,390**

The value in use calculation and the impairment charge arising therefrom are subject to significant estimation, uncertainty and accounting judgements and are particularly sensitive in the following areas. In the event that there was a variation of 10% in the assumed level of future growth in revenues, which would represent a reasonably likely range of outcomes, there would be the following impact on the level of the goodwill impairment loss recorded at December 31, 2008:

An increase in impairment of US$5.3 million in the event of a 10% decrease in the growth in revenues.

A decrease in impairment of US$5.0 million in the event of a 10% increase in the growth in revenues.

Similarly if there was a 10% variation in the discount rate used to calculate the potential goodwill impairment of the carrying values, which would represent a reasonably likely range of outcomes, there would be the following impact on the level of the goodwill impairment loss recorded at December 31, 2008:

An increase in impairment of US$4.8 million in the event of a 10% increase in the discount rate.

A decrease in impairment of US$4.7 million in the event of a 10% decrease in the discount rate.

Impairment loss arising on annual impairment review in 2007

Arising from the 2007 impairment review, an impairment loss of US$19,156,000 was recognised in the financial statements for the year ended December 31, 2007, representing the excess of the carrying value over the discounted future cashflows. This impairment loss arose in Trinity Biotech Manufacturing Limited, one of the Group s CGU s. Trinity Biotech Manufacturing Limited manufactures haemostasis, infectious diseases, point of care and clinical chemistry products at its plant in Bray, Ireland, which are then sold to third party distributors and other selling entities within the Group. The impairment loss was allocated entirely to goodwill and in particular to goodwill arising on the following acquisitions:

December 31, 2007

	US$ 000
Bartels	7,340
Cambridge	3,005
Ortho	783
Dade	8,028
	19,156

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In 2007 this impairment loss was allocated to the goodwill arising on the abovementioned acquisitions as sales of the products associated with each of these acquisitions are now static or declining.

Impairment loss on bioMerieux technology asset

In December 2007, the Group announced a restructuring of its activities (see note 3). As part this restructuring, the Group decided to rationalise its three existing haemostasis product lines with a view to creating a single product line consisting of the best products from each line. As a direct consequence, a number of the Group s haemostasis products were identified for culling, including a number of products acquired from bioMerieux in 2006. As a result, the Group recognised in 2007 a specific impairment loss of US$1,094,000 against the carrying value of the technology assets acquired from bioMerieux. The impairment loss represented 25% of the carrying value of the technology assets at the date of the group restructuring, as the products being culled represent approximately 25% of sales of those products acquired from bioMerieux. The remaining useful economic life of the remaining 75% of the carrying value of the technology asset was unaffected and was amortised on a straight line basis, through December 31, 2008. No other assets were impaired in 2007 as a direct result of the product rationalisation.

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13. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities of the Group are attributable to the following:

	Assets		*Liabilities*		*Net*	
	2008	*2007*	*2008*	*2007*	*2008*	*2007*
	US$ 000	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Property, plant and equipment	1,285	15	(885)	(1,618)	400	(1,603)
Intangible assets			(3,069)	(6,998)	(3,069)	(6,998)
Inventories	1,214	1,733			1,214	1,733
Provisions	255	1,520			255	1,520
Other items		466	(419)	(621)	(419)	(155)
Tax value of loss carryforwards recognised	297	203			297	203
Deferred tax assets/(liabilities)	3,051	3,937	(4,373)	(9,237)	(1,322)	(5,300)

The deferred tax asset in 2008 is due mainly to deductible temporary differences and the elimination of unrealised intercompany inventory profit. The deferred tax asset decreased in 2008 principally due to an increase in unrecognised deferred tax assets. As deferred tax assets are only recognised where there is a reversing deferred tax liability in the same jurisdiction reversing in the same period, the recognised deferred tax asset decreases in line with the decrease in deferred tax liabilities.

At December 31, 2008, the Group recognised a deferred tax asset of US$133,000 (2007: US$203,000) in respect of net operating loss carryforwards in Germany and the UK, as there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which will result in taxable amounts against which the unused tax losses can be utilised before they expire. The utilisation of these net operating loss carryforwards is limited to future profits in Germany and the UK.

The deferred tax liability is caused by the net book value of non current assets being greater than the tax written down value of non current assets, temporary differences due to the acceleration of the recognition of certain charges in calculating taxable income permitted in Ireland, the USA and Germany, and deferred tax recognised on fair value asset uplifts in connection with business combinations. The deferred tax liability decreased in 2008, principally due to the elimination of deferred tax recognised on fair value uplifts in connection with business combinations which were impaired in 2008.

Deferred tax assets and liabilities are only offset when the entity has a legally enforceable right to set off current tax assets against current tax liabilities and where the intention is to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously. At December 31, 2008 and at December 31, 2007 no deferred tax assets and liabilities are offset as it is not certain as to whether there is a legally enforceable right to set off current tax assets against current tax liabilities and it is also uncertain as to what current tax assets may be set off against current tax liabilities and in what periods.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised by the Group in respect of the following items:

	December 31, 2008	*December 31, 2007*
	US$ 000	*US$ 000*
Deductible temporary differences	8,536	3,944

Capital losses	6,138	6,138
US state credit carryforwards	346	314
Net operating losses	15,248	13,560
	30,268	23,956

No deferred tax asset is recognised in 2008 or 2007 in respect of a capital loss forward of US$6,138,000 in Ireland as it was not probable that there will be future capital gains against which to offset these capital losses.

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A deferred tax asset of US$4,126,000 (2007: US$3,717,000) in respect of net operating losses of US$10,167,000 (2007: US$9,158,000) in the US was not recognised due to uncertainties regarding the timing of the utilisation of these losses in the related tax jurisdiction in future periods. A deferred tax asset of US$3,464,000 (2007: US$1,600,000) in respect of deductible temporary differences of US$8,536,000 (2007: $3,944,000) in the US was not recognised due to uncertainties regarding the timing of the utilisation of these temporary differences in the related tax jurisdiction in future periods.

A deferred tax asset of US$346,000 (2007: US$314,000) in respect of US state credit carryforwards was not recognised due to uncertainties regarding the timing of the utilisation of these state credit carryforwards in the related tax jurisdiction in future periods.

A deferred tax asset of US$866,000 (2007: US$945,000) in respect of net operating losses of US$2,979,000 (2007: US$3,232,000) in Germany was not recognised due to uncertainties regarding the timing of the utilisation of these losses in the related tax jurisdiction in future periods.

A deferred tax asset of US$73,000 (2007: US$73,000) in respect of net operating losses of US$290,000 (2007: US$290,000) in Ireland was not recognised due to uncertainties regarding the timing of the utilisation of these losses in the related tax jurisdiction in future periods.

A deferred tax asset of US$598,000 (2007: US$290,000) in respect of net operating losses of US$1,812,000 (2007: US$880,000) in France was not recognised due to uncertainties regarding the timing of the utilisation of these losses in the related tax jurisdiction in future periods.

Unrecognised deferred tax liabilities

At December 31, 2008 and 2007, there was no recognised or unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group s subsidiaries. The Company is able to control the timing of the reversal of the temporary differences of its subsidiaries and it is probable that these temporary differences will not reverse in the foreseeable future.

Movement in temporary differences during the year

	Balance January, 1 2008 US$ 000	*Recognised in income US$ 000*	*Recognised on acquisitions US$ 000*	*Recognised in equity US$ 000*	*Balance December 31, 2008 US$ 000*
Property, plant and equipment	(1,603)	2,003			400
Intangible assets	(6,998)	3,929			(3,069)
Inventories	1,733	(519)			1,214
Provisions	1,520	(1,265)			255
Other items	(155)	(290)		26	(419)
Tax value of loss carryforwards recognised	203	94			297
	(5,300)	3,952		26	(1,322)

	Balance January, 1 2007 US$ 000	*Recognised in income US$ 000*	*Recognised on acquisitions US$ 000*	*Recognised in equity US$ 000*	*Balance December 31, 2007 US$ 000*
Property, plant and equipment	(1,723)	120			(1,603)

Intangible assets	(6,285)	(428)	(285)		(6,998)
Inventories	1,886	(153)			1,733
Provisions	1,055	465			1,520
Other items	(1,170)	1,038		(23)	(155)
Tax value of loss carryforwards recognised	4,447	(4,244)			203
	(1,790)	(3,202)	(285)	(23)	(5,300)

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14. OTHER ASSETS

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Finance lease receivables (see note 16)	776	773
Other assets	101	123
	877	896

The Group leases instruments as part of its business. In 2008, the Group reclassified future minimum finance lease receivables with non-cancellable terms between one and five years of US$776,000 (2007: US$773,000) from trade and other receivables to other assets (see note 16).

15. INVENTORIES

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Raw materials and consumables	11,245	10,849
Work-in-progress	11,033	9,243
Finished goods	20,039	24,328
	42,317	44,420

All inventories are stated at the lower of cost or net realisable value. Total inventories for the Group are shown net of provisions of US$16,461,000 (2007: US$18,234,000).

The movement on the inventory provision for the three year period to December 31, 2008 is as follows:

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Opening provision at January 1	18,234	7,284	3,654
Charged during the year	1,570	13,856	6,280
Utilised during the year	(2,182)	(2,323)	(2,511)
Released during the year	(1,161)	(583)	(139)
Closing provision at December 31	16,461	18,234	7,284

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16. TRADE AND OTHER RECEIVABLES

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Trade receivables, net of impairment losses	24,962	23,104
Prepayments*	736	1,665
Value added tax	195	108
Finance lease receivables	439	388
Other receivables	1,086	418
	27,418	25,683

Trade receivables for the Group are shown net of an impairment losses provision of US$619,000 (2007: US$657,000) (see note 29).

* Prepayments are shown net of amounts written down as part of the impairment review of US$1,014,000 (see note 3).

Leases as lessor

(i) Finance lease commitments Group as lessor

The Group leases instruments as part of its business. Future minimum finance lease receivables with non-cancellable terms are as follows:

	December 31, 2008 US$ 000		
	Gross investment	Unearned income	Minimum payments receivable
Less than one year	764	325	439
Between one and five years (note 14)	1,394	618	776
	2,158	943	1,215

	December 31, 2007 US$ 000		
	Gross investment	Unearned income	Minimum payments receivable

Less than one year	673	285	388
Between one and five years (note 14)	1,448	675	773
	2,121	960	1,161

In 2008, the Group classified future minimum lease receivables between one and five years of US$776,000 (2007: US$773,000) to Other Assets, see note 14. Under the terms of the lease arrangements, no contingent rents are receivable.

(ii) Operating lease commitments Group as lessor

The Group has leased a facility consisting of 9,000 square feet in Dublin, Ireland. This property has been sub-let by the Group. The lease contains a clause to enable upward revision of the rent charge on a periodic basis. The Group also leases instruments under operating leases as part of its business.

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Future minimum rentals receivable under non-cancellable operating leases are as follows:

	December 31, 2008 US$ 000		
	Land and buildings	Instruments	Total
Less than one year	223	1,160	1,383
Between one and five years	892	1,552	2,444
More than five years	613		613
	1,728	2,712	4,440

	December 31, 2007 US$ 000		
	Land and buildings	Instruments	Total
Less than one year	232	2,198	2,430
Between one and five years	929	3,566	4,495
More than five years	871		871
	2,032	5,764	7,796

17. CASH AND CASH EQUIVALENTS

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Cash at bank and in hand	3,182	4,193
Short-term deposits	2,002	4,507
Cash and cash equivalents in the statements of cash flows	5,184	8,700

Cash relates to all cash balances which are readily available at year end. Cash equivalents relate to all cash balances on deposit, with a maturity of less than three months, which are not restricted. See note 27 (c).

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18. CAPITAL AND RESERVES

	Share capital A ordinary shares US$ 000	*Share capital B ordinary shares* US$ 000	*Share premium* US$ 000	*Translation reserve* US$ 000	*Warrant reserve* US$ 000	*Hedging reserves* US$ 000	*Convertible notes equity component* US$ 000	*(Accumulated deficit)/ retained earnings* US$ 000	*Total* US$ 000
Balance at January 1, 2006	818	12	124,227	(1,622)	3,803	(64)	164	6,280	133,618
Total recognised income and expense				1,347		64		3,276	4,687
Share-based payments								1,262	1,262
Options exercised	2		212						214
Class A shares issued on conversion of convertible notes	20		3,624						3,644
Class A shares issued in private placement	126		24,879						25,005
Share issue expenses			(1,168)						(1,168)
Balance at December 31, 2006	966	12	151,774	(275)	3,803		164	10,818	167,262
Balance at January 1, 2007	966	12	151,774	(275)	3,803		164	10,818	167,262
Total recognised income and expense				1,072		201		(35,372)	(34,099)
Share-based payments								1,482	1,482
Options exercised	4		450						454
Class A shares issued on conversion of convertible notes	9		1,813						1,822
Convertible notes transfer to retained earnings on maturity							(164)	164	
			(76)						(76)

Share issue expenses								
Balance at December 31, 2007	979	12	153,961	797	3,803	201	(22,908)	136,845
Balance at January 1, 2008	979	12	153,961	797	3,803	201	(22,908)	136,845
Total recognised income and expense				(806)		(226)	(77,778)	(78,810)
Share-based payments							1,193	1,193
Options exercised								
Class A shares issued on conversion of convertible notes								
Class A shares issued in private placement	79		7,037					7,116
Share issue expenses			(439)					(439)
Fair Value of Warrants issued during the year			(695)		695			
Balance at December 31, 2008	1,058	12	159,864	(9)	4,498	(25)	(99,493)	65,905

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18. CAPITAL AND RESERVES (Continued)

Share capital

In thousands of shares	*Class A Ordinary shares 2008*	*Class A Ordinary shares 2007*
In issue at January 1	74,757	73,602
Issued for cash	7,260	285
Issued for non cash (note 21)		870
In issue at December 31	82,017	74,757

In thousands of shares	*Class B Ordinary shares 2008*	*Class B Ordinary shares 2007*
In issue at January 1	700	700
Issued for cash		
In issue at December 31	700	700

The Group had authorised share capital of 200,000,000 A ordinary shares of US$0.0109 each (2007: 200,000,000 A ordinary shares of US$0.0109 each) and 700,000 B ordinary shares of US$0.0109 each (2007: 700,000 B ordinary shares of US$0.0109 each) as at December 31, 2008.

(a) During 2008, the Group issued 7,260,816 A Ordinary shares as part of a private placement. These shares were issued for a consideration of US$7,116,000, settled in cash. The Group incurred costs of US$439,000 in connection with the issue of shares.

(b) During 2007, the Group issued 285,216 A Ordinary shares from the exercise of warrants and employee options for a consideration of US$454,000, settled in cash. A further 870,052 shares (equivalent to US$1,821,000) were issued on a non cash basis as the Group made its final convertible debt repayment by way of shares during the year, which resulting in the release of the carrying amount of the convertible notes liability on the balance sheet (see note 21). In 2007, the Group incurred costs of US$76,000 (2006: US$1,168,000) (2005: US$317,000) in connection with the issue of shares.

(c) In April 2006, Trinity Biotech completed a US$25,005,000 private placement of 11,593,840 of Class A Ordinary Shares of the Group. The Group issued a further 145,156 shares from the exercise of employee options for a consideration of US$214,000. Transactions costs relating to the private placement and the exercise of employee options amounted to US$1,168,000. 1,821,980 shares (equivalent to US$3,644,000) were issued on a non cash basis as the Group made part of its convertible debt repayments by way of shares (see note 21).

(d) Since its incorporation the Group has not declared or paid dividends on its A Ordinary Shares or B Ordinary Shares. The Group anticipates, for the foreseeable future, that it will retain any future earnings in order to fund its business operations. The Group does not, therefore, anticipate paying any cash or share dividends on its A Ordinary or B Ordinary shares in the foreseeable future. As provided in the Articles of Association of the Company, dividends or other distributions will be declared and paid in US Dollars.

(e)

The Class B Ordinary Shares have two votes per share and the rights to participate in any liquidation or sale of the Group and to receive dividends as if each Class B Ordinary Share were two Class A Ordinary Shares. In all other respects they rank pari passu with the A ordinary shares.

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign currency denominated operations of the Group since January 1, 2004.

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Warrant reserve

The warrant reserve comprises the equity component of share warrants issued by the Group for the purpose of fundraising. The Group calculates the fair value of warrants at the date of issue taking the amount directly to a separate reserve within equity. The fair value is calculated using the trinomial model. The fair value which is assessed at the grant date is calculated on the basis of the contractual term of the warrants.

In accordance with IFRS 2, 1,258,824 warrants with a fair value of US$3,803,000 (2007: 1,258,824 warrants with a fair value of US$3,803,000) have been classified as a separate reserve. A further 58,500 warrants were issued by the Group in 2001 and consequently they do not fall within scope of IFRS 2 and hence have not been fair valued. In 2008 the Group issued 2,178,244 warrants with a fair value of US$695,000. There were no new warrants issued by the Group in 2007.

The following input assumptions were made to fair value the warrants issued by the Group during 2008:

Fair value at date of measurement	US$0.32	
Share price	US$	0.91
Exercise price	US$	1.39
Expected volatility		51.31%
Contractual life		5 years
Risk free rate		2.57%
Expected dividend yield		

The following input assumptions were made to fair value the warrants previously issued by the Group in 2004:

Fair value at date of measurement	US$3.02	
Share price	US$	4.78
Exercise price	US$	5.25
Expected volatility		78.31%
Contractual life		5 years
Risk free rate		3.26%
Expected dividend yield		

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions entered into but not yet crystallised.

Convertible notes equity component

Under IAS 32, the equity and liability elements of the convertible notes are recorded separately, with the equity component of the convertible notes being calculated as the excess of the issue proceeds over the present value of the future interest and principal repayments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. On January 2, 2007, the maturity date of the convertible notes, the amount classified as equity of US$164,000 was reclassified from equity to retained earnings.

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19. SHARE OPTIONS AND SHARE WARRANTS

Warrants

The Company granted warrants to purchase 940,405 Class A Ordinary Shares in the Company to agents of the Company who were involved in the Company s private placements in 1994 and 1995 and the debenture issues in 1997, 1999 and 2002. A further warrant to purchase 100,000 Class A Ordinary Shares was also granted to a consultant of the Company. At December 31, 2008 there were no warrants outstanding under these awards. In January 2004, the Company completed a private placement of 5,294,118 Class A Ordinary Shares of the Company at a price of US$4.25 per A Ordinary share. The investors were granted five year warrants (vesting immediately) to purchase an aggregate of 1,058,824 Class A Ordinary Shares in the Company at an exercise price of US$5.25 per share. The Company granted further warrants (vesting immediately) to purchase 200,000 Class A Ordinary Shares in the Company to agents of the Company who were involved in this private placement in January 2004 at an exercise price of US$5.25. These warrants also have a term of five years. At December 31, 2008 there were warrants to purchase 1,258,824 A Ordinary shares in the Company outstanding under this award.

The Company granted warrants to purchase 2,178,244 Class A Ordinary Shares (vesting immediately) in April 2008. These warrants were issued at an exercise price of US$1.39 and have a term of five years.

	December 31, 2008	*December 31, 2007*
Outstanding at beginning of year	1,258,824	1,317,324
Granted	2,178,244	
Exercised		(10,000)
Forfeited		(48,500)
Outstanding at end of year	3,437,068	1,258,824

Options

Under the terms of the Company s Employee Share Option Plan, options to purchase 8,374,046 (excluding warrants of 3,437,068) A Ordinary Shares were outstanding at December 31, 2008. Under the plan, options are granted to officers, employees and consultants of the Group at the discretion of the Compensation Committee (designated by the board of directors), under the terms outlined below.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Vesting conditions

The options vest following a period of service by the officer or employee. The required period of service is determined by the Compensation Committee at the date of grant of the options (usually the date of approval by the Compensation Committee) and it is generally over a four year period. There are no market conditions associated with the share option grants.

Contractual life

The term of an option is determined by the Compensation Committee, provided that the term may not exceed seven years from the date of grant (some of the Group s earlier plans had a ten year life). All options will terminate 90 days after termination of the option holder s employment, service or consultancy with the Group (or one year after such termination because of death or disability) except where a longer period is approved by the Board of Directors. Under certain circumstances involving a change in control of the Group, the Compensation Committee may accelerate the exercisability and termination of the options up to a maximum of one year.

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The number and weighted average exercise price of share options and warrants per ordinary share is as follows (as required by IFRS 2, this information relates to all grants of share options and warrants by the Group):

	Options and warrants	*Weighted-average exercise price US$*	*Range US$*
Outstanding January 1, 2006	8,848,457	2.35	0.81-5.25
Granted	1,617,000	2.02	1.35-2.30
Exercised	(145,155)	1.47	0.98-1.75
Forfeited	(708,235)	2.15	0.81-5.00
Outstanding at end of period	9,612,067	2.32	0.98-5.25
Exercisable at end of year	5,605,469	2.50	0.98-5.25
Outstanding January 1, 2007	9,612,067	2.32	0.98-5.25
Granted	364,667	2.24	1.35-2.80
Exercised	(285,210)	1.59	0.98-2.72
Forfeited	(623,405)	2.07	0.98-4.00
Outstanding at end of period	9,068,119	2.36	0.98-5.25
Exercisable at end of year	6,417,223	2.48	0.98-5.25
Outstanding January 1, 2008	9,068,119	2.36	0.98-5.25
Granted	4,378,244	1.14	0.74-1.66
Exercised			
Forfeited	(1,635,249)	1.58	0.74-4.50
Outstanding at end of period	11,811,114	2.01	0.74-5.25
Exercisable at end of year	8,670,013	2.27	0.74-5.25

There were no share options exercised in 2008. The weighted average share price per A Ordinary share at the date of exercise for options exercised in 2007 was US$2.59 (2006: US$2.19).

The opening share price per A Ordinary share at the start of the financial year was US$1.65 (2007: US$2.14) (2006: US$2.04) and the closing share price at December 31, 2008 was US$0.40 (2007: US$1.70) (2006: US$2.14). The average share price for the year ended December 31, 2008 was US$0.93.

A summary of the range of prices for the Company s stock options and warrants for the year ended December 31, 2008 follows:

	Outstanding		**Exercisable**	
		Weighted-		Weighted-

Exercise price range	No. of options/warrants	Weighted-avg exercise price	avg contractual life remaining (years)	No. of options/warrants	Weighted-avg exercise price	avg contractual life remaining (years)
US$0.74-US$0.99	2,093,667	US$0.87	4.28	833,667	US$0.98	0.75
US$1.00-US$2.05	5,338,372	US$1.47	3.78	4,165,860	US$1.50	3.36
US$2.06-US$2.99	2,908,750	US$2.36	3.80	2,200,162	US$2.43	3.42
US$3.00-US$5.25	1,470,325	US$4.96	0.35	1,470,324	US$4.96	0.35
	11,811,114			8,670,013		

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The weighted-average remaining contractual life of options outstanding at December 31, 2008 was 3.45 years (2007: 3.21 years). The information above also includes outstanding warrants.

A summary of the range of prices for the Company s stock options and warrants for the year ended December 31, 2007 follows:

	Outstanding			Exercisable		
Exercise price range	No. of options	Weighted-avg exercise price	Weighted-avg contractual life remaining (years)	No. of options	Weighted-avg exercise price	Weighted-avg contractual life remaining (years)
US$0.81-US$0.99	1,218,834	US$0.98	1.44	1,218,834	US$0.98	1.44
US$1.00-US$2.05	3,033,711	US$1.60	3.32	2,005,868	US$1.55	2.48
US$2.06-US$2.99	3,250,750	US$ 2.37	4.66	1,660,364	US$ 2.49	3.90
US$3.00-US$5.25	1,564,824	US$ 4.89	1.37	1,532,157	US$ 4.92	1.32
	9,068,119			6,417,223		

The recognition and measurement principles of IFRS 2 have been applied to share options granted under the Company s share options plans since November 7, 2002 which have not vested by January 1, 2005 in accordance with IFRS 2.

Charge for the year under IFRS 2

The charge for the year is calculated based on the fair value of the options granted which have not yet vested.

The fair value of the options is expensed over the vesting period of the option. US$1,166,000 was charged to the statement of operations in 2008, (2007: US$1,403,000) (2006: US$1,141,000) split as follows:

		December 31, 2008 US$ 000	*December 31, 2007 US$ 000*	*December 31, 2006 US$ 000*
Share-based payments	cost of sales	51	71	89
Share-based payments	research and development	48	108	36
Share-based payments	selling, general and administrative	1,067	1,224	1,016
Total		1,166	1,403	1,141

The total share based payments charge for the year was US$1,193,000. However, a total of US$27,000 (2007: US$79,000) (2006: US$121,000) of research and development share based payments were capitalised in intangible development project assets during the year.

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The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of services received is measured based on a trinomial model. The following are the input assumptions used in determining the fair value of share options granted in 2008, 2007 and 2006:

	Key management personnel 2008	Other employees 2008	Key management personnel 2007	Other employees 2007	Key management personnel 2006	Other employees 2006
Weighted average fair value at measurement date	US$ 0.47	US$ 0.39	US$ 0.96	US$ 1.17	US$ 0.97	
Total share options granted	1,665,000	535,000	364,667	860,000	757,000	
Weighted average share price	US$ 0.89	US$ 0.92	US$ 2.28	US$ 2.09	US$ 1.95	
Weighted average exercise price	US$ 0.89	US$ 0.92	US$ 2.28	US$ 2.09	US$ 1.95	
Weighted average expected volatility	51.61%	46.79%	47.41%	56.11%	54.88%	
Weighted average expected life	6.36 years	4.60 years	4.18 years	5.73 years	4.47 years	
Weighted average risk free interest rate	2.77%	3.28%	4.35%	4.55%	4.83%	
Expected dividend yield	0%	0%	0%	0%	0%	

No options were granted to the key management during 2007.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility is based on the historic volatility (calculated based on the expected life of the options). The Group has considered how future experience may affect historical volatility. The profile and activities of the Group are not expected to change in the immediate future and therefore Trinity Biotech would expect estimated volatility to be consistent with historical volatility.

20. INTEREST-BEARING LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group s interest-bearing loans and borrowings. For more information about the Group s exposure to interest rate and foreign currency risk, see note 29.

	Note	*December 31, 2008 US$ 000*	*December 31, 2007 US$ 000*
Current liabilities			
Finance lease liabilities		430	657
Bank loans, secured	27(c)		

- Repayable by instalment		5,302	8,220
- Repayable not by instalment		6,924	6,944
		12,656	15,821
Non-current liabilities			
Finance lease liabilities		1,138	1,648
Bank loans, secured	27(c)		
- Repayable by instalment		22,327	24,664
		23,465	26,312

Bank loans

Trinity Biotech has a US$48,340,000 club banking facility with Allied Irish Bank plc and Bank of Scotland (Ireland) Limited (the banks). The facility consists of a US Dollar floating interest rate term loan of US$41,340,000, which runs until July 2012, and a one year revolver of US$7,000,000.

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The facility was amended in October 2008, increasing the length of the term to July 2012, and amending the repayment schedule from $4,134,000 every January and July (originally commencing January 2007) to an amount of $1,072,000 in July 2008, $2,144,000 in January 2009, $3,215,000 in July 2009 and every six months thereafter. Hence, during 2008 amounts of $4,134,000 and $1,072,000 were paid in January and July respectively. The revolver loan element of the facility has remained at US$7,000,000. This facility is secured on the assets of the Group (see note 27 (c)).

Various covenants apply to the Group s bank borrowings. At December 31, 2008, the total amount outstanding under the facility amounted to US$34,551,000, net of unamortised funding costs of US$315,000.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	December 31, 2008 US$ 000		
	Minimum lease payments	Interest	Principal
Less than one year	514	84	430
In more than one year, but not more than two	477	58	419
In more than two years but not more than five	757	38	719
	1,748	180	1,568

	December 31, 2008 US$ 000		
	Minimum lease payments	Interest	Principal
Less than one year	779	122	657
In more than one year, but not more than two	550	89	461
In more than two years but not more than five	1,287	100	1,187
	2,616	311	2,305

Under the terms of the lease arrangements, no contingent rents are payable.

Promissory notes

During 2006, the Group issued a promissory note for the payment of deferred consideration to bioMerieux as part of the acquisition of their haemostasis business. However, these notes were non-interest bearing and are included under Other Financial Liabilities at December 31, 2007 (see note 23). The deferred consideration was paid in full in 2008 and accordingly, there is no liability at 31 December, 2008.

Terms and debt repayment schedule

The terms and conditions of outstanding interest bearing loans and borrowings at December 31, 2008 are as follows:

Facility	*Currency*	*Nominal interest rate*	*Year of maturity*	*Fair Value December 31, 2008*	*Carrying Value December 31, 2008*	*Fair Value December 31, 2007*	*Carrying Value December 31, 2007*

Fixed bank loans	USD	5.00%		2009	2	2	19	20
Floating (LIBOR) bank loans	USD	2.74%	2009	2012	34,551	34,551	39,808	39,808
Finance lease liabilities	Euro	6.13%	2009	2012	1,551	1,524	2,153	2,142
Finance lease liabilities	GBP	7.54%	2009	2010	44	44	145	163
Total interest-bearing loans and borrowings					36,148	36,121	42,125	42,133

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21. CONVERTIBLE NOTES INTEREST BEARING

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Convertible notes		
Due within one year		
Total		

At December 31, 2008 and December 31, 2007 the balance outstanding on the convertible notes, resulting from the private placement of US$20,000,000 in July 2003 and a further US$5,000,000 in January 2004 was US$nil. The final principal repayment of US$1,822,000 was made by way of shares in January 2007. The final interest payment of US$14,000 was made in cash on the same date.

Under IAS 32, the equity and liability elements of the convertible notes were recorded separately, with the equity component of the convertible notes being calculated as the excess of the issue proceeds over the present value of the future interest and principal repayments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. Transaction costs were allocated to the liability and equity components in proportion to the allocation of proceeds. The corresponding interest expense recognised in the statement of operations is calculated using the effective interest rate method. The effective interest rate is the normal coupon rate of 3% adjusted for the effect of transaction costs and the amount classified as equity.

	2008 US$ 000	*2007 US$ 000*
Proceeds from issue of convertible notes		25,000
Transaction costs		(1,307)
Net		23,693
Converted to shares		(17,355)
Cash repayments		(7,288)
Amount classified as equity		(297)
Accreted interest capitalised		1,247
Carrying amount of liability at December 31		

The amount of the convertible notes classified as equity on January 1, 2005 of US$297,000 is net of attributable transaction costs of US$16,000. Of the US$297,000, US$71,000 has been reclassified from equity to share capital and share premium following the share conversions in December 2003 and January 2004. On January 2, 2007, the maturity date of the convertible notes, the amount classified as equity of US$226,000 was stated net of the related deferred tax asset of US$62,000 and carried at US$164,000. The net balance of US$164,000 classified as equity at the date of maturity was reclassified from equity to retained earnings on maturity.

22. TRADE AND OTHER PAYABLES

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Trade payables	11,585	8,454

Payroll taxes	393	514
Employee related social insurance	429	520
Accrued restructuring expenses	1,144	2,016
Accrued liabilities	7,506	11,821
Deferred income	1,912	1,454
	22,969	24,779

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Accrued restructuring expenses

The restructuring accrual at the year end relates to contract termination costs and employee termination benefits associated with the restructuring announced in December (see note 3).

Following the announcement of the restructuring in December 2007 (see note 3), the Group recognised an accrual of US$2,016,000 for expected restructuring costs. Of the total restructuring accrual of US$2,016,000, US$1,470,000 related to costs accrued for contract termination costs and employee termination benefits and included US$332,000 for termination payments accrued as part of the closure of the Swedish operation. US$116,000 related to a building lease and other non-redundancy obligations arising from the closure of the Swedish manufacturing operation.

23. OTHER FINANCIAL LIABILITIES

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Consideration		
Due within 1 year		2,725
		2,725

Consideration

In June 2006, the Group acquired the haemostasis business of bioMerieux for a cash consideration of US$38.2 million. In addition bioMerieux was entitled to deferred consideration up to a maximum of US$6.2 million, payable in June 2007 and up to an additional US$5.3 million, payable in June 2008, depending on the performance of the business during 2006. At December 31, 2006, it was determined that the deferred consideration of US$3.2 million and US$2.8 million would be payable in July 2007 and July 2008 respectively. Deferred consideration of US$3,208,000 was paid in July 2007. In accordance with the Group s policy these deferred consideration amounts have been discounted to reflect their fair value at the date of acquisition. At December 31, 2007, the fair value of the deferred consideration still outstanding amounted to US$2,725,000 (2006: US$5,688,000). In June 2008, the final portion of the deferred consideration of US$2,802,000 was paid and accordingly, there was no liability at December 31, 2008.

24. PROVISIONS

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Provisions	50	100

Movement on provisions during the year is as follows:

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*

Balance at January 1	100	100
Provisions released during the year	(50)	
Balance at December 31	50	100

During 2008 the Group experienced no significant product warranty claims. However, the Group believes that it is appropriate to retain a product warranty provision to cover any future claims. The provision at December 31, 2008 represents the estimated cost of product warranties, the exact amount which cannot be determined. US$50,000 represents management s best estimate of these obligations at December 31, 2008.

25. OTHER PAYABLES

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Other payables	59	74

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26. BUSINESS COMBINATIONS

2008 Acquisitions

There were no acquisitions made by the Group in the current financial year.

2007 Acquisitions

In September 2007, the Group acquired the immuno technology business of Cortex Biochem Inc (Cortex) for a total cash consideration of US$2,925,000, consisting of cash consideration of US$2,887,000 and acquisition expenses of US$38,000.

In October 2007, the Group acquired certain components relating to the distribution business of Sterilab Services UK (Sterilab), a distributor of Infectious Diseases products, for a total of US$1,489,000, consisting of cash consideration of US$1,480,000 and acquisition expenses of US$9,000.

The results for both acquisitions in 2007 are incorporated from the date of acquisition in the consolidated statement of operations for the year ended December 31, 2007.

	Cortex *US$ 000*	*Sterilab* *US$ 000*	*Total* *US$ 000*
Property, plant and equipment		23	23
Inventories	41	88	129
Trade and other receivables	152		152
Intangible assets	844	656	1,500
	1,037	767	1,804
Deferred tax liability (see note 13)	102	183	285
Trade and other payables	45		45
	147	183	330
Fair value of net assets	890	584	1,474
Goodwill arising on acquisition	2,035	905	2,940
	2,925	1,489	4,414
Consideration:			
Cash payments	2,887	1,480	4,367
Costs associated with the acquisition	38	9	47
	2,925	1,489	4,414

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Goodwill capitalised during 2007 in respect of the Cortex and Sterilab acquisitions amounted to US$2,940,000 and comprised:

	Book values *US$ 000*	Fair value adjustments *US$ 000*	Fair value *US$ 000*	Consideration *US$ 000*	Goodwill *US$ 000*
Cortex					
Trade and other receivables	152		152		
Inventories	218	(177)	41		
Intangible assets		844	844		
	370	667	1,037		
Deferred tax liability		102	102		
Trade and other payables	45		45		
	325	565	890	2,925	2,035
Sterilab					
Property, plant and equipment	23		23		
Inventories	99	(11)	88		
Intangible assets		656	656		
	122	645	767		
Deferred tax liability		183	183		
Trade and other payables					
	122	462	584	1,489	905

Impact of the acquisition on the statement of operations and cashflow

Due to their size, the impact of the acquisition of Cortex and Sterilab does not have a significant impact on the statement of operations and cashflow in 2007.

The following represents the increases to goodwill which took place in 2007.

	US$ 000
Goodwill recognised with respect to 2007 acquisitions	
- Cortex	2,035
- Sterilab	905
Goodwill recognised with respect to 2006 acquisitions	
- bioMerieux	42

Total goodwill movement in 2007	2,982

2006 Acquisitions

In June 2006, Trinity Biotech acquired the haemostasis business of bioMerieux Inc. (bioMerieux) for a total consideration of US$44.4 million, consisting of cash consideration of US$38.2 million, deferred consideration of US$5.5 million (net of discounting) and acquisition expenses of US$0.7 million. At December 31, 2006, Trinity Biotech had accrued US$5,688,000 for the deferred consideration to be paid in June 2007 and June 2008 (see note 23). Deferred consideration of US$3,208,000 (US$3,120,000 net of discounting) was paid to bioMerieux in June 2007. At December 31, 2007, the Group had accrued deferred consideration US$2,725,000 to be paid in June 2008. A payment of $2,802,000 was paid to bioMerieux in June 2008 in respect of the final portion of this deferred consideration and accordingly there is no liability at December 31, 2008.

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In October, 2006, Trinity Biotech acquired the French distribution business of Laboratoires Nephrotek SARL (Nephrotek) for a total consideration of US$1,175,000, consisting of cash consideration of US$1,060,000 and acquisition expenses of US$115,000.

The results of these acquisitions for 2006 are incorporated from the date of acquisition in the consolidated statement of operations for the year ended December 31, 2006. The fair value of the identifiable assets and liabilities were as follows:

	bioMerieux *US$ 000*	*Nephrotek* *US$ 000*	*Total* *US$ 000*
Property, plant and equipment	2,354	64	2,418
Inventories	12,529	345	12,874
Intangible assets	11,150	235	11,385
	26,033	644	26,677
Deferred tax liability (see note 13)	1,293	77	1,370
Trade and other payables	1,319	69	1,388
	2,612	146	2,758
Fair value of net assets	23,421	498	23,919
Goodwill arising on acquisition	21,002	677	21,679
	44,423	1,175	45,598
Consideration:			
Cash payments	38,157	821	38,978
Deferred consideration	5,511	239	5,750
Costs associated with the acquisition	755	115	870
	44,423	1,175	45,598

Goodwill capitalised during 2006 in respect of the acquired haemostasis business from bioMerieux and the acquired distribution business from Nephrotek amounted to US$21,679,000 and comprises:

	Book values *US$ 000*	Fair value adjustments *US$ 000*	Fair value *US$ 000*	Consideration *US$ 000*	Goodwill *US$ 000*
bioMerieux					
Property, plant and equipment	2,659	(305)	2,354		
Inventories (including prepayments)	12,848	(319)	12,529		
Intangible assets		11,150	11,150		

	15,507	10,526	26,033		
Deferred tax liability		1,293	1,293		
Trade and other payables	1,219	100	1,319		
	14,288	9,133	23,421	44,423	21,002
Nephrotek					
Property, plant and equipment	96	(32)	64		
Inventories	394	(49)	345		
Intangible assets		235	235		
	490	154	644		
Deferred tax liability		77	77		
Trade and other payables	40	29	69		
	450	48	498	1,175	677

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During the period, following the acquisition, fair value adjustments were made to recognise intangible assets acquired in 2006. The inventory acquired under the acquisition of the haemostasis business of bioMerieux was provided to Trinity Biotech on a phased basis over the 12 month period after the acquisition date. Consequently, at December 31, 2006, the fair valuation of inventory had been assessed on a provisional basis and the fair value exercise was completed in 2007. The final fair valuation of inventory resulted in a write down during 2007 of inventory acquired of US$42,000. The fair value of all other assets and liabilities was complete at December 31, 2006.

	Provisional fair value 2006 US$ 000	Adjustments to net assets 2007 US$ 000	Adjustments to costs 2007 US$ 000	Final fair value 2007 US$ 000
bioMerieux				
Intangible assets	11,150			11,150
Working capital	14,883	(42)		14,841
	26,033	(42)		25,991
Deferred tax liability	1,293			1,293
Trade and other payables	1,319			1,319
	23,421	(42)		23,379
Consideration and costs	44,423			42,423

27. COMMITMENTS AND CONTINGENCIES

(a) ***Capital Commitments***

The Group has no capital commitments authorised and contracted for as at December 31, 2008 (2007: US$Nil).

(b) ***Leasing Commitments***

The Group leases a number of premises under operating leases. The leases typically run for periods up to 25 years. Lease payments are reviewed periodically (typically on a 5 year basis) to reflect market rentals. Operating lease commitments payable during the next 12 months amount to US$4,438,000 (2007: US$4,943,000) payable on leases of buildings at Dublin and Bray, Ireland, Berkshire, UK, Paris, France, Jamestown, New York, Kansas City, Missouri, New Jersey, Concord, Massachusetts and Carlsbad, California and motor vehicles and equipment in the UK and Germany. US$181,000 (2007: US$170,000) of these operating lease commitments relates to leases whose remaining term will expire within one year, US$902,000 (2007: US$1,084,000) relates to leases whose remaining term expires between one and two years, US$350,000 (2007: US$574,000) between two and five years and the balance of US$3,005,000 (2007: US$3,115,000) relates to leases which expire after more than five years. See note 28 for related party leasing arrangements.

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Future minimum operating lease commitments with non-cancellable terms in excess of one year are as follows:

	Year ended 2008 Operating leases US$ 000
2009	4,438
2010	3,972
2011	3,491
2012	3,164
2013	3,030
Later years	39,595
Total lease obligations	57,690

	Year ended 2007 Operating leases US$ 000
2008	4,943
2009	4,370
2010	3,680
2011	3,298
2012	3,138
Later years	43,122
Total lease obligations	62,551

For future minimum finance lease commitments, in respect of which the lessor has a charge over the related assets, see note 20.

(c) ***Bank Security***

The Group s bank borrowings (note 20) are secured by a fixed and floating charge over the assets of Group entities, including specific charges over the shares in the subsidiaries and the Group s patents. Various covenants apply to the Group s bank borrowings with respect to profitability, interest cover, capital expenditure, working capital and location of assets. As at December 31, 2008 the Group was in breach of one of these covenants which had been waived by the banks. The covenant which was breached concerned minimum tangible net worth for the year end December 31, 2008 (see note 29).

(d) ***Section 17 Guarantees***

Pursuant to the provisions of Section 17, Irish Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of Trinity Biotech Manufacturing Limited, Trinity Biotech Manufacturing Services Limited, Trinity Research Limited, Benen Trading Limited, Trinity Biotech Financial Services Limited and Trinity Biotech Sales Limited, subsidiary undertakings in the Republic of Ireland, for the financial year to December 31, 2008 and, as a result, these subsidiary undertakings have been exempted from the filing provisions of Section 17, Irish Companies (Amendment) Act, 1986. Where the Company enters into these guarantees of the indebtedness of other companies within its Group, the Company considers these to be insurance arrangements and accounts for them as such. The Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee. The Company does not enter into financial guarantee with third parties.

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(e) ***Government Grant Contingencies***

The Group has received training and employment grant income from Irish development agencies. Subject to existence of certain conditions specified in the grant agreements, this income may become repayable. No such conditions existed as at December 31, 2008. However if the income were to become repayable, the maximum amounts repayable as at December 31, 2008 would amount to US$1,997,000 (2007: US$644,000).

28. RELATED PARTY TRANSACTIONS

The Group has related party relationships with its subsidiaries, and with its directors and executive officers.

Leasing arrangements with related parties

The Group has entered into various arrangements with JRJ Investments (JRJ), a partnership owned by Mr O Caoimh and Dr Walsh, directors of the Company, to provide for current and potential future needs to extend its premises at IDA Business Park, Bray, Co. Wicklow, Ireland.

In July 2000, Trinity Biotech entered into an agreement with JRJ pursuant to which the Group took a lease of a 25,000 square foot premises adjacent to the existing facility for a term of 20 years at a rent of 7.62 per square foot for an annual rent of 190,000 (US$279,000). During 2006, the rent on this property was reviewed and increased to 11.00 per square foot, resulting in an annual rent of 275,000 (US$404,000).

In November 2002, the Group entered into an agreement for a 25 year lease with JRJ for offices that have been constructed adjacent to its premises at IDA Business Park, Bray, Co. Wicklow, Ireland. The annual rent of 381,000 (US$560,000) is payable from January 1, 2004.

In December 2007, the Group entered into an agreement with Mr. O Caoimh and Dr Walsh pursuant to which the Group took a lease on an additional 43,860 square foot manufacturing facility in Bray, Ireland at a rate of 17.94 per square foot (including fit out) giving a total annual rent of 787,000 (US$1,158,000).

Trinity Biotech and its directors (excepting Mr O Caoimh and Dr Walsh who express no opinion on this point) believe that the arrangements entered into represent a fair and reasonable basis on which the Group can meet its ongoing requirements for premises.

Compensation of key management personnel of the Group

At December 31, 2008, the key management personnel of the Group is made up of three key personnel, the two executive directors and the Chief Financial Officer/Company Secretary, Mr Kevin Tansley. Mr Brendan Farrell served as Chief Executive Officer until October 2008 and, accordingly, his remuneration up to that date has been included in the analysis below.

At December 31, 2007, the key management personnel of the Group was made up of five key personnel, the four executive directors and the Chief Financial Officer/Company Secretary. On November 1, 2007, Mr Kevin Tansley became an executive officer on his appointment to Chief Financial Officer and Company Secretary.

Compensation for the year ended December 31, 2008 of these personnel is detailed below:

	December 31, 2008 *US$ 000*	December 31, 2007 *US$ 000*
Short-term employee benefits	1,789	2,293
Compensation for loss of office	1,283	
Post-employment benefits	277	149
Equity compensation benefits	736	853
	4,085	3,295

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Total director emoluments included in note 6 includes non executive directors fees of US$200,000 (2007: US$130,000) and equity compensation benefits of US$39,000 (2007: US$67,000) and excludes the compensation costs of the Chief Financial Officer of US$408,000. Total directors remuneration is also included in personnel expenses (note 7).

Directors and executive officers interests in the Company s shares and share option plan

	A Ordinary Shares	*Share options*
At January 1, 2008	5,881,205	4,977,083
Exercised		
Granted		1,665,000
Additions /(Removals)*	(589,135)	(1,885,000)
Expired Options		(642,998)
Shares sold		
Shares purchased	1,482,000	
At December 31, 2008	6,774,070	4,114,085

* The amounts removed are wholly attributable to shares and share options held by Mr Brendan Farrell as Mr. Farrell was not an executive officer at the year end.

	A Ordinary Shares	*Share options*
At January 1, 2007	5,881,205	4,812,083
Exercised		
Granted		
Additions		165,000
Shares sold		
Shares purchased		
At December 31, 2007	5,881,205	4,977,083

Rayville Limited, an Irish registered company, which is wholly owned by the two executive directors and certain other executives of the Group, owns all of the B non-voting Ordinary Shares in Trinity Research Limited, one of the Group s subsidiaries. The B shares do not entitle the holders thereof to receive any assets of the company on a winding up. All of the A voting ordinary shares in Trinity Research Limited are held by the Group. Trinity Research Limited may, from time to time, declare dividends to Rayville Limited and Rayville Limited may declare dividends to its shareholders out of those amounts. Any such dividends paid by Trinity Research Limited are ordinarily treated as a

compensation expense by the Group in the consolidated financial statements prepared in accordance with IFRS, notwithstanding their legal form of dividends to minority interests, as this best represents the substance of the transactions.

In February 2008, Dr. Walsh advanced a loan to Trinity Biotech Manufacturing Limited amounting to 650,000 (US$956,000) at an annual interest rate of 5.68%. The company repaid the loan to Dr. Walsh prior to the year end. There were no other director loans advanced during 2008 and there were no loan balances payable to or receivable from directors at January 1, 2008 and at December 31, 2008.

In December 2006, the Remuneration Committee of the Board approved the payment of a dividend of US$5,331,000 by Trinity Research Limited to Rayville Limited on the B shares held by it. This amount was then lent back by Rayville to Trinity Research Limited. This loan was partially used to fund executive compensation in 2007 and will fund future executive compensation over the next number of years under the arrangement described above, with the amount of such funding being reflected in compensation expense over the corresponding period. As the dividend payment is matched by a loan from Rayville Limited to Trinity Research Limited which is repayable solely at the discretion of the Remuneration Committee of the Board and is unsecured and interest free, the Group netted the dividend paid to Rayville Limited against the corresponding loan from Rayville Limited in the 2007 and 2006 consolidated financial statements.

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The amount of payments to Rayville included in compensation expense was US$1,911,000, US$2,061,000 and US$1,866,000 for 2006, 2007 and 2008 respectively, of which US$1,779,000, US$1,867,000 and US$1,609,905 respectively related to the key management personnel of the Group. Dividends payable to Rayville at December 31, 2008 amounted to US$60,000. There were no dividends payable to Rayville Limited as of December 31, 2006 or 2007. Of the US$1,866,000 of payments made to Rayville Limited in 2008, US$386,000 represented repayments of the loan to Trinity Research Limited referred to above.

29. DERIVATIVES AND FINANCIAL INSTRUMENTS

The Group uses a range of financial instruments (including cash, bank borrowings, convertible notes, promissory notes, finance leases, receivables, payables and derivatives) to fund its operations. These instruments are used to manage the liquidity of the Group in a cost effective, low-risk manner. Working capital management is a key additional element in the effective management of overall liquidity. The Group does not trade in financial instruments or derivatives. The main risks arising from the utilisation of these financial instruments are interest rate risk, liquidity risk and credit risk.

Effective interest rate and repricing analysis

The following table sets out all interest-earning financial assets and interest bearing financial liabilities held by the Group at December 31, indicating their effective interest rates and the period in which they re-price:

As at December 31,

2008		*Effective interest*	*Total*	*6 mths or less*	*6 12 mths*	*1 2 years*	*2 5 years*
US$ 000	*Note*	*rate*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Cash and cash equivalents	*17*	2.16%	5,184	5,184			
Secured bank loans floating	*20*	2.74%	(34,551)	(34,551)			
Secured bank loans fixed	*20*	5%	(2)	(2)			
Finance lease liabilities fixed	*20*	6.98%	(1,568)		(16)	(28)	(1,524)
Total			(30,937)	(29,369)	(16)	(28)	(1,524)

As at December 31,

2007		*Effective interest*	*Total*	*6 mths or less*	*6 12 mths*	*1 2 years*	*2 5 years*
US$ 000	*Note*	*rate*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*	*US$ 000*
Cash and cash equivalents	*18*	4.54%	8,700	8,700			
Secured bank loans floating	*21*	6.99%	(39,808)	(39,808)			
Secured bank loans fixed	*21*	5%	(20)			(20)	
	21	6.32%	(2,305)	(6)	(39)	(221)	(2,039)

Finance lease liabilities fixed					
Total	(33,433)	(31,114)	(39)	(241)	(2,039)

The effective interest rate on all loans and borrowings is the same as the actual interest rates.

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Interest rate risk

The Group borrows in US dollars at floating and fixed rates of interest. Year-end borrowings totalled US$36,121,000 (2007: US$42,133,000), (net of cash: US$30,937,000 (2007: US$33,433,000)), at interest rates ranging from 2.74% to 6.98% (2007: 5.0% to 6.99%).

The total year-end borrowings consists of fixed rate debt of US$1,570,000 (2007: US$2,325,000) at interest rates ranging from 5% to 6.98% (2007: 5% to 6.32%) and floating rate debt of US$34,551,000 (2007:US$39,808,000) at an interest rate of 2.74% (2007: 6.49% to 6.99%). In broad terms, a one-percentage point increase in interest rates would increase interest income by US$52,000 (2007: US$87,000) and increase the interest expense by US$349,000 (2007: US$401,000) resulting in an increase in the net interest charge of US$297,000 (2007: increase by US$314,000).

Interest rate profile of financial liabilities

The interest rate profile of financial liabilities of the Group was as follows:

	December 31, 2008 US$ 000	*December 31, 2007 US$ 000*
Fixed rate instruments		
Fixed rate financial liabilities	(1,570)	(2,325)
Variable rate instruments		
Financial assets	5,184	8,700
Floating rate financial liabilities	(34,551)	(39,808)
	(30,937)	(33,433)

Fixed rate instrument comprise fixed rate borrowings and finance lease obligations. The weighted average interest rate and weighted average period for which the rate is fixed is as follows:

	December 31, 2008	*December 31, 2007*
Fixed rate financial liabilities		
Weighted average interest rate	6.16%	6.09%
Weighted average period for which rate is fixed	3.56 years	4.44 years

Financial assets comprise of cash and cash equivalents at December 31, 2008 and at December 31, 2007 (see note 17).

Floating rate financial liabilities comprise other borrowings that bear interest at a rate of 2.74%. These borrowings are provided by lenders at a margin of 2.25% over inter-bank rates.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through the statement of operations. Therefore a change in interest rates at December 31, 2008 would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no effect on profit or loss for the period. This assumes that all other variables, in particular foreign currency rates, remain constant.

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Fair Values
The table below sets out the Group s classification of each class of financial assets/liabilities and their fair values:

	Note	*Loans and receivables*	*Cash flow hedge derivatives*	*Liabilities at amortised cost*	*Total carrying amount*	*Fair Value*
December 31, 2008						
Trade receivables	*16*	24,962			24,962	24,962
Cash and cash equivalents	*17*	5,184			5,184	5,184
Finance lease receivable	*14, 16*	1,215			1,215	1,215
Forward contracts used for hedging			(27)		(27)	(27)
Grant income receivable		1,008			1,008	1,008
Secured bank loans	*20*			(34,553)	(34,553)	(34,553)
Finance lease liabilities	*20*			(1,568)	(1,568)	(1,595)
Trade and other payables (excluding deferred revenue)				(21,057)	(21,057)	(21,057)
Other payables	*25*			(59)	(59)	(59)
Provisions	*24*			(50)	(50)	(50)
		32,369	(27)	(57,287)	(24,945)	(24,972)

	Note	*Loans and receivables*	*Cash flow hedge derivatives*	*Liabilities at amortised cost*	*Total carrying amount*	*Fair Value*
December 31, 2007						
Trade receivables	*16*	23,104			23,104	23,104
Cash and cash equivalents	*18*	8,700			8,700	8,700
Finance lease receivable	*13, 16*	1,161			1,161	1,161
Forward contracts used for hedging			224		224	224
Grant income receivable		285			285	285
Secured bank loans	*21*			(39,828)	(39,828)	(39,827)
Finance lease liabilities	*21*			(2,305)	(2,305)	(2,298)
Trade and other payables (excluding deferred revenue)				(23,327)	(23,327)	(23,327)
Other financial liabilities	*24*			(2,725)	(2,725)	(2,725)
Other payables	*26*			(74)	(74)	(74)
Provisions	*25*			(100)	(100)	(100)
		33,250	224	(68,359)	(34,885)	(34,877)

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Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, based on observable market rates plus a premium which reflects the risk profile of the Group at the reporting date, were as follows:

	December 31, 2008		*December 31, 2007*	
Loans and borrowings	2.74%		6.74%	6.99%
Leases	5.02%	5.14%	5.84%	7.20%

There was no significant difference between the fair value and carrying value of the Group s trade receivables and trade and other payables at December 31, 2008 and December, 31 2007 as all fell due within 6 months.

Liquidity risk

The Group s operations are cash generating. Short-term flexibility is achieved through the management of the group s short-term deposits and through the use of a US$7,000,000 revolver loan facility.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2008 *US$ 000*		*Carrying amount* *US$ 000*	*Contractual cash flows* *US$ 000*	*6 mths or less* *US$ 000*	*6 mths 12 mths* *US$ 000*	*1 2 years* *US$ 000*	*2 5 years* *US$ 000*
Financial liabilities							
Secured bank loans	floating	34,551	36,289	9,614	3,463	6,817	16,395
Secured bank loans	fixed	2	2	2			
Finance lease liabilities	fixed	1,568	1,748	260	254	477	757
Trade & other payables		22,969	22,969	22,969			
		59,090	61,008	32,845	3,717	7,294	17,152

Trinity Biotech has a US$48,340,000 club banking facility with AIB plc and Bank of Scotland (Ireland) Limited (the banks). The facility consists of a five year term loan of US$41,340,000 and a one year revolver of US$7,000,000. At December 31, 2008, the total amount outstanding under the facility amounted to US$34,553,000. Various covenants apply to these borrowings. In the event that the Group breaches these covenants, this may result in the borrowings becoming payable immediately. As at December 31, 2008 the Group was in breach of one of these covenants which had been waived by the banks. The covenant which was breached concerned minimum tangible net worth for the year end December 31, 2008. The margin applied to the loan facility has remained consistent at 2.25% above LIBOR.

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As at December 31, 2007 *US$ 000*	*Carrying amount* *US$ 000*	*Contractual cash flows* *US$ 000*	*6 mths or less* *US$ 000*	*6 mths 12 mths* *US$ 000*	*1 2 years* *US$ 000*	*2 5 years* *US$ 000*
Financial liabilities						
Secured bank loans floating	39,808	44,309	12,537	4,942	9,484	17,346
Secured bank loans fixed	20	21	9	9	3	
Finance lease liabilities fixed	2,305	2,616	408	371	550	1,287
Trade & other payables	24,779	24,779	24,779			
	66,912	71,725	37,733	5,322	10,037	18,633

Foreign exchange risk

The majority of the Group s activities are conducted in US Dollars. The primary foreign exchange risk arises from the fluctuating value of the Group s euro denominated expenses as a result of the movement in the exchange rate between the US Dollar and the euro. Arising from this, where considered necessary, the Group pursues a treasury policy which aims to sell US Dollars forward to match a portion of its uncovered euro expenses at exchange rates lower than budgeted exchange rates. These forward contracts are primarily cashflow hedging instruments whose objective is to cover a portion of these euro forecasted transactions. All of the forward contracts normally have maturities of less than one year after the balance sheet date. All of the forward contracts in place at December 31, 2008 have a maturity of less than one year after the balance sheet date. Where necessary, these forward contracts will be rolled over at maturity.

Euro denominated sales remained relatively consistent with the prior year, in percentage terms. The Group had foreign currency denominated cash balances equivalent to US$1,257,000 at December 31, 2008 (2007: US$1,659,000).

The Group states its forward exchange contracts at fair value in the balance sheet. The Group classifies its forward exchange contracts as hedging forecasted transactions and thus accounts for them as cash flow hedges. During 2008 and 2007, changes in the fair value of these contracts were recognized in equity and then in the case of contracts which were exercised during 2008 and 2007, the cumulative gain or losses were transferred to the statement of operations.

At December 31, 2008 the fair value of the forward exchange contract in place amounted to a liability of US$27,000 (2007: asset of US$224,000).

The following are the contractual maturities of the forward contracts used for hedging in place at December 31, 2008, which crystallize in 2009:

As at December 31, 2008 *US$ 000*	*Carrying amount* *US$ 000*	*Contractual cash flows* *US$ 000*	*6 mths or less* *US$ 000*	*6 mths 12 mths* *US$ 000*
Forward contract used for hedging:				
Outflow	(27)	(3,900)	(2,700)	(1,200)
Inflow		3,896	2,694	1,202
	(27)	(4)	(6)	2

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Sensitivity analysis

A 10% strengthening of the US dollar against the following currencies at December 31, 2008 would have increased/ (decreased) profit or loss and other equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss US$ 000	*Other equity movements US$ 000*
December 31, 2008		
Euro	1,808	2
Pound Sterling	(24)	
December 31, 2007		
Euro	1,991	(20)
Pound Sterling	(580)	
Swedish Kroner	9	

A 10% weakening of the US dollar against the above currencies at December 31, 2008 and December 31, 2007 would have the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Credit Risk

The Group has no significant concentrations of credit risk. Exposure to credit risk is monitored on an ongoing basis. The Group maintains specific provisions for potential credit losses. To date such losses have been within management s expectations. Due to the large number of customers and the geographical dispersion of these customers, the Group has no significant concentrations of accounts receivable.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and forward contracts, the Group s exposure to credit risk arises from default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments.

The Group maintains cash and cash equivalents and enters into forward contracts, when necessary, with various financial institutions. These financial institutions are located in a number of countries and Group policy is designed to limit exposure to any one institution. The Group performs periodic evaluations of the relative credit standing of those financial institutions. The carrying amount reported in the balance sheet for cash and cash equivalents and forward contracts approximate their fair value.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

	Carrying Value December 31, 2008 US$ 000	*Carrying Value December 31, 2007 US$ 000*
Third party trade receivables	24,962	23,104
Finance lease income receivable	1,215	1,161
Cash & cash equivalents	5,184	8,700
Grant income receivable	1,008	285
Forward exchange contracts used for hedging		224

	32,369	33,474

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The maximum exposure to credit risk for trade receivables and finance lease income receivable by geographic location is as follows:

	Carrying Value December 31, 2008 US$ 000	*Carrying Value December 31, 2007 US$ 000*
United States	11,310	11,137
Euro-zone countries	4,006	3,969
UK	950	1,749
Other European countries	1,866	583
Other regions	8,045	6,827
	26,177	24,265

The maximum exposure to credit risk for trade receivables and finance lease income receivable by type of customer is as follows:

	Carrying Value December 31, 2008 US$ 000	*Carrying Value December 31, 2007 US$ 000*
End-user customers	11,404	11,974
Distributors	12,623	11,723
Non-governmental organisations	2,150	568
	26,177	24,265

Due to the large number of customers and the geographical dispersion of these customers, the Group has no significant concentrations of accounts receivable.

Impairment Losses

The ageing of trade receivables at December 31, 2008 is as follows:

In thousands of US$	*Gross 2008*	*Impairment 2008*	*Gross 2007*	*Impairment 2007*
Not past due	16,916	97	14,288	151
Past due 0-30 days	4,274	15	5,208	65
Past due 31-120 days	2,011	89	3,365	35
Greater than 120 days	2,380	418	900	406
	25,581	619	23,761	657

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

In thousands of US$	*2008*	*2007*	*2006*

Balance at January 1	657	1,074	587
Charged to costs and expenses	544	578	896
Amounts recovered during the year	(82)	(190)	(100)
Amounts written off during the year	(500)	(805)	(309)
Balance at December 31	619	657	1,074

The allowance for impairment in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the account owing is possible. At this point the amount is considered irrecoverable and is written off against the financial asset directly.

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Capital Management

The Group s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors earnings per share as a measure of performance, which the Group defines as profit after tax divided by the weighted average number of shares in issue.

The Board of Directors have a policy to maintain a capital structure consisting of both debt and equity and constantly monitors the mix of long term debt to equity. This approach is of particular importance with respect to the acquisition strategy of the Group whereby the Group has funded recent acquisitions using both equity and long term debt depending on the size of the acquisition and the capital structure in place at the time of the acquisition.

The Group has a long term lending facility with a number of lending banks (see note 20) and Trinity Biotech is listed on the NASDAQ which allows the Group to raise funds through equity financing where necessary.

The Board of Directors is authorised to purchase its own shares on the market on the following conditions;

the aggregate nominal value of the shares authorised to be acquired shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company at the close of business on the date of the passing of the resolution:

the minimum price (exclusive of taxes and expenses) which may be paid for a share shall be the nominal value of that share:

the maximum price (exclusive of taxes and expenses) which may be paid for a share shall not be more than the average of the closing bid price on NASDAQ in respect of the ten business days immediately preceding the day on which the share is purchased.

There were no changes to the Group s approach to capital management during the year.

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

30. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements requires the Group to make estimates and judgements that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Group evaluates these estimates, including those related to intangible assets, contingencies and litigation. The estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Key sources of estimation uncertainty

Note 12 contains information about the assumptions and the risk factors relating to goodwill impairment. Note 19 outlines information regarding the valuation of share options and warrants. In note 29, detailed analysis is given about the interest rate risk, credit risk, liquidity risk and foreign exchange risk of the Group.

Critical accounting judgements in applying the Group s accounting policies

Certain critical accounting judgements in applying the group s accounting policies are described below:

Research and development expenditure

Under IFRS as adopted by the EU, we write-off research and development expenditure as incurred, with the exception of expenditure on projects whose outcome has been assessed with reasonable certainty as to technical feasibility, commercial viability and recovery of costs through future revenues. Such expenditure is capitalised at cost within intangible assets and amortised over its expected useful life of 15 years, which commences when commercial production starts.

Factors which impact our judgement to capitalise certain research and development expenditure include the degree of regulatory approval for products and the results of any market research to determine the likely future commercial success of products being developed. We review these factors each year to determine whether our previous estimates as to feasibility, viability and recovery should be changed.

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Impairment of intangible assets and goodwill

Definite lived intangible assets are reviewed for indicators of impairment annually while goodwill and indefinite lived assets are tested for impairment annually, individually or at the cash generating unit level.

Factors considered important, as part of an impairment review, include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business;
- Obsolescence of products;
- Significant decline in our stock price for a sustained period; and
- Our market capitalisation relative to net book value.

When we determine that the carrying value of intangibles, non-current assets and related goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, any impairment is measured based on our estimates of projected net discounted cash flows expected to result from that asset, including eventual disposition. Our estimated impairment could prove insufficient if our analysis overestimated the cash flows or conditions change in the future.

Allowance for slow-moving and obsolete inventory

We evaluate the realisability of our inventory on a case-by-case basis and make adjustments to our inventory provision based on our estimates of expected losses. We write-off any inventory that is approaching its use-by date and for which no further re-processing can be performed. We also consider recent trends in revenues for various inventory items and instances where the realisable value of inventory is likely to be less than its carrying value.

Allowance for impairment of receivables

We make judgements as to our ability to collect outstanding receivables and where necessary make allowances for impairment. Such impairments are made based upon a specific review of all significant outstanding receivables. In determining the allowance, we analyse our historical collection experience and current economic trends. If the historical data we use to calculate the allowance for impairment of receivables does not reflect the future ability to collect outstanding receivables, additional allowances for impairment of receivables may be needed and the future results of operations could be materially affected.

Accounting for income taxes

Significant judgement is required in determining our worldwide income tax expense provision. In the ordinary course of a global business, there are many transactions and calculations where the ultimate tax outcome is uncertain. Some of these uncertainties arise as a consequence of revenue sharing and cost reimbursement arrangements among related entities, the process of identifying items of revenue and expense that qualify for preferential tax treatment and segregation of foreign and domestic income and expense to avoid double taxation. In addition, we operate within multiple taxing jurisdictions and are subject to audits in these jurisdictions. These audits can involve complex issues that may require an extended period of time for resolution. Although we believe that our estimates are reasonable, no assurance can be given that the final tax outcome of these matters will not be different than that which is reflected in our historical income tax provisions and accruals. Such differences could have a material effect on our income tax provision and profit in the period in which such determination is made. In management s opinion, adequate provisions for income taxes have been made.

Deferred tax assets and liabilities are determined for the effects of net operating losses and temporary differences between the book and tax bases of assets and liabilities, using tax rates projected to be in effect for the year in which the differences are expected to reverse. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing whether deferred tax assets can be recognised, there is no assurance that these deferred tax assets may be realisable. The extent to which recognised deferred tax assets are not realisable could have a material adverse impact on our income tax provision and net income in the period in which such determination is made.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Item 18, note 13 to the consolidated financial statements outlines the basis for the deferred tax assets and liabilities and includes details of the unrecognized deferred tax assets at year end. The Group derecognized deferred tax assets arising on unused tax losses except to the extent that there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which will result in taxable amounts against which the unused tax losses can be utilised before they expire. The derecognition of these deferred tax assets was considered appropriate in light of the increased tax losses caused by the restructuring and uncertainty over the timing of the utilisation of the tax losses. Except for the derecognition of deferred tax assets there were no material changes in estimates used to calculate the income tax expense provision during 2008, 2007 or 2006.

31. GROUP UNDERTAKINGS

The consolidated financial statements include the financial statements of Trinity Biotech plc and the following principal subsidiary undertakings:

Name and registered office	*Principal activity*	*Principal Country of incorporation and operation*	*Group % holding*
Trinity Biotech plc IDA Business Park, Bray, Co. Wicklow, Ireland	Investment and holding company	Ireland	Holding company
Trinity Biotech Manufacturing Limited IDA Business Park, Bray, Co. Wicklow, Ireland	Manufacture and sale of diagnostic test kits	Ireland	100%
Trinity Research Limited IDA Business Park, Bray, Co. Wicklow, Ireland	Research and development	Ireland	100%
Benen Trading Limited IDA Business Park, Bray, Co. Wicklow, Ireland	Trading	Ireland	100%
Trinity Biotech Manufacturing Services Limited IDA Business Park, Bray, Co. Wicklow, Ireland	Engineering services	Ireland	100%
Trinity Biotech Financial Services Limited IDA Business Park, Bray, Co Wicklow, Ireland	Provision of financial services	Ireland	100%
Trinity Biotech Inc Girts Road, Jamestown, NY 14702, USA	Holding Company	U.S.A.	100%

Clark Laboratories Inc Trading as Trinity Biotech (USA) Girts Road, Jamestown NY14702, USA	Manufacture and sale of diagnostic test kits	U.S.A.	100%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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31. GROUP UNDERTAKINGS (Continued)

Name and registered office	*Principal activity*	*Principal Country of incorporation and operation*	*Group % holding*
Mardx Diagnostics Inc 5919 Farnsworth Court Carlsbad CA 92008, USA	Manufacture and sale of diagnostic test kits	U.S.A.	100%
Fitzgerald Industries International, Inc 2711 Centerville Road, Suite 400 Wilmington, New Castle Delaware, 19808, USA	Management services company	U.S.A.	100%
Biopool US Inc (trading as Trinity Biotech Distribution) Girts Road, Jamestown NY14702, USA	Sale of diagnostic test kits	U.S.A.	100%
Primus Corporation 4231 E 75th Terrace Kansas City, MO 64132, USA	Manufacture and sale of diagnostic test kits and instrumentation	U.S.A.	100%
Trinity Biotech (UK Sales) Limited 54 Queens Road Reading RG1 4A2, England	Sale of diagnostic test kits	UK	100%
Trinity Biotech GmbH Lehbrinksweg 59, 32657 Lemgo, Germany	Manufacture of diagnostic instrumentation and sale of diagnostic test kits	Germany	100%
Biopool AB S-903 47 Umea Sweden	Manufacture and sale of diagnostic test kits	Sweden	100%
Trinity Biotech France SARL 300A Rue Marcel Paul 21 Des Grands Godets 93 500 Champigny sur marne France	Sale of diagnostic test kits	France	100%

32. AUTHORISATION FOR ISSUE
These Group consolidated financial statements were authorised for issue by the Board of Directors on April 7, 2009.

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Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorised the undersigned to sign this annual report on its behalf.

TRINITY BIOTECH PLC

By: RONAN O CAOIMH
Mr Ronan O Caoimh
Director/Chief Executive Officer

Date: April 7, 2009

By: KEVIN TANSLEY
Mr Kevin Tansley
Company secretary/ Chief Financial Officer

Date: April 7, 2009

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Item 19 ***Exhibits***

Exhibit No.	Description of Exhibit
12.1	Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.
12.2	Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.
13.1	Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15.1	Consent of Independent Registered Public Accounting Firm (KPMG)