SPECTOR PHOTO GROUP

2010 Annual Report

This annual report is offered to you in one of our products:
the "Create photo book with personalised cover".

This report is an english translation of the official Dutch version. See our website www.spectorphotogroup.com. A printed copy can be sent upon request.

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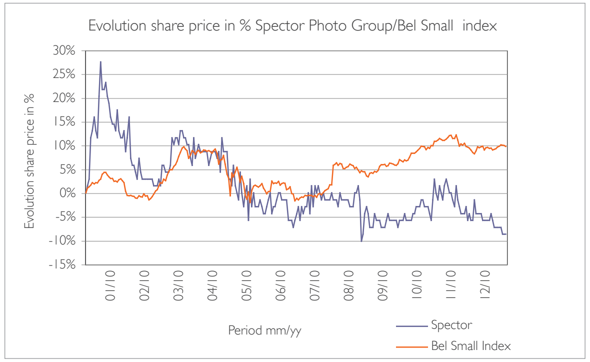
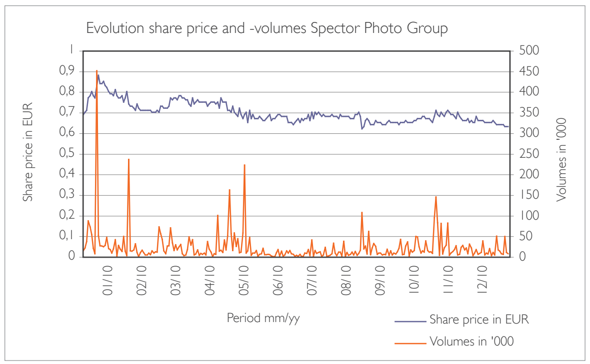


January to December 2010
EVOLUTION SHARE PRICE AND VOLUMES
OF SPECTOR PHOTO GROUP



The share of Spector Photo Group is listed on Euronext Brussels.

- ISIN code: BE0003663748
- SRW code: 3663.74
- Stock code: SPEC
- Reuters code: SPEC.BR

RELEVANT NUMERICAL DATA OF
THE SHARE

	2009	2010
Closing price on 31 December	€ 0.67	€ 0.63
Average closing price	€ 0.74	€ 0.70
Highest closing price	€ 1.16	€ 0.88
Highest intraday listing	€ 1.24	€ 0.90
Lowest closing price	€ 0.35	€ 0.62
Lowest intraday listing	€ 0.34	€ 0.58
Total traded volumes in shares	14 256 875	5 725 155
Average traded day volume in shares	56 129	22 553
Total turnover in EUR	€ 11 708 989	€ 4 112 385
Estimated average daily turnover	€ 46 098	€ 16 190
Rotation*	67.47%	25.28%

** Rotationcis calculated on the total number of freely tradeable shares based on the most recent notifications*

DIARY FOR SHAREHOLDERS

11 May 2011	Before market opens	Publication of trading update for first quarter of 2011
11 May 2011	two o'clock in the aftemooon	Annual General Meeting of Shareholders
11 May 2011	three o'clock in the afternooon	Extraordinary General Meeting of Shareholders
30 August 2011*	after market closes	Publication of half-year's results and
27 October 2011*	after market closes	2011 half-year's financial report Publication of trading update for third quarter of 2011
8 March 2012*	before market opens	Publication of 2011 annual results

** indicative dates*

COMMUNICATION WITH SHAREHOLDERS
AND INVESTORS

Spector Photo Group attaches particular importance to regular and transparent communication with shareholders and investors.

- Publication of trading updates and results (see diary for shareholders).
- A separate 'Investor Relations' section on the corporate website www.spectorphotogroup.com
- Free subscription for investors to receive press releases, via the website identified above.

Spector's share is covered by two financial analysts who regularly publish research reports. These are:

- Guy Sips of KBC Securities
- Siddy Jobe of Bank Degroof

LETTER TO THE SHAREHOLDERS

The year 2010 presented a diverse picture of the various activities of the Group. While the Imaging Group slowly but surely digested the disappearance of analogue photography, the Retail Group witnessed difficult market conditions and a particularly weak fourth quarter.

The consumer electronics market is undergoing a dual effect. On the one hand, the average price of consumer products is decreasing and, on the other, consumers are adopting a cautious attitude. Doubts about economic developments and, more specifically, the uncertain political situation in Belgium are not incentives to encourage consumers to a higher consumption of our products. At the same time, there were no innovations in the various product families in 2010. The emergence of the tablets could provide a new impetus to the consumption pattern of electronics in 2011.
In view of the uncertain market trends, we cannot formulate any forecasts for 2011.

2010 marked a turning point for the Imaging Group. For the first time in several years, digital photography was able to compensate for the decline of analogue photos. In 2010, the Imaging Group succeeded in reducing its break-even point significantly. The photo lab in Sweden was closed, and its production was transferred to Wetteren, Belgium. The logistical throughput in the Wetteren laboratory was improved considerably, which ensured that the profitability of the Imaging Group improved significantly.
These effects are set to continue for the entire year of 2011.

We would like to thank our employees for their efforts in 2010. We are grateful for the steadfast loyalty of our shareholders, our suppliers and partners, and our customers to our group.

Tonny Van Doorslaer
Executive Chairman

KEY FIGURES Audited and consolidated figures prepared according to IFRS (in € '000)

INCOME STATEMENT FOR THE PERIOD

	2009	2010
Revenue	243 978	223 347
REBITDA	8 842	10 027
Profit/loss (-) from operating activities, before non-recurring items (REBIT)	620	4 635
Non-recurring items from operating activities		- 1 501
Profit/loss (-) from operating activities (EBIT)	620	3 134
EBITDA	8 842	9 542
Financial result	- 4 293	- 3 448
Income tax expense (-)/income	946	413
Profit/loss (-) from continuing activities	- 2 726	99
Profit/loss (-) from continuing activities, corrected for non-cash items	3 362	5 888
Profit/loss (-) from discontinued operations	- 1 062	
Profit/loss (-) for the period	- 3 788	99
Attributable to the group	- 3 788	99

FINANCIAL POSITION AS AT 31 DECEMBER

	2009	2010
Total assets	121 541	122 974
Gross financial debt	46 470	46 141
Net financial debt	28 028	29 557
Total equity	29 097	30 475
Solvency ratio	23.9%	24.8%
Gearing ratio	96.3%	97.0%
Current ratio	88.0%	110.8%

SPECTOR PHOTO GROUP'S SEGMENT INFORMATION

	2009	2010
Revenue		
Retail	169 922	161 321
Imaging	74 821	62 679
Corporate	777	580
Intersegment	- 1 542	- 1 233
Spector Photo Group	243 978	223 347
Discontinued activities	3 565	
Total	247 542	223 347
Profit/loss (-) from operating activities, before non-recurring items (REBIT)	620	4 635
Retail	3 127	3 248
Imaging	- 1 976	1 652
Corporate	- 530	- 266
REBITDA	8 842	10 027
Retail	5 282	5 034
Imaging	4 089	5 357
Corporate	- 529	- 364
Profit/loss (-) from operating activities (EBIT)	620	3 134
Retail	3 127	3 152
Imaging	- 1 976	596
Corporate	- 530	- 614
EBITDA	8 842	9 542
Retail	5 282	4 984
Imaging	4 089	4 923
Corporate	- 529	- 364

CASH FLOW DETAILS

	2009	2010
REBITDA	8 842	10 027
EBITDA	8 842	9 542
EBITDA as % of revenue	3.6%	4.3%
Profit/loss (-) before taxes, corrected for non-cash items	4 894	6 521
Profit/loss (-) from continuing activities, corrected for non-cash items	3 362	5 888
Profit/loss (-) from continuing activities, corrected for non-cash items as % of revenue	1.4%	2.6%
Net result of the year attributable to equity holders of the parent company, corrected for non-cash items	3 058	5 888

DEFINITIONS

Revenue = Operating income from continuing operations
REBIT = Profit/loss (-) from operating activities before non-recurring items.
EBIT = Profit/loss (-) from operating activities (Earnings Before Interest and Tax).
REBITDA = Profit/loss (-) from operating activities before non-recurring items, adjusted for depreciation, amortisation, impairment and provisions.
EBITDA = Profit/loss (-) from operating activities adjusted for depreciation, amortisation, impairment and provisions (Earnings Before Interest, Tax, Depreciation and Amortisation).
Profit/loss (-) before taxes, adjusted for non-cash items = Profit/loss (-) before taxes, adjusted for depreciation, amortisation, impairment provisions, and financial non-cash items.
Profit/loss (-) from continuing operations, adjusted for non-cash items = Profit/loss (-) after taxes, adjusted for depreciation, amortisation, impairment, provisions, financial non-cash elements, and deferred taxes.
Share of the shareholders in the parent company in the net profit/loss for the period, adjusted for non-cash items = Net profit/loss adjusted for depreciation, amortisation, impairment, provisions, financial non-cash items, deferred taxes, and non-cash items from discontinued operations.
Gross financial debt = Financial obligations.
Net Financial debt = Financial obligations less cash, cash equivalents, and other financial assets.
Solvency ratio = Total equity as a percentage of the total assets.
Net debt/equity ratio (gearing ratio) = Net financial debt as a percentage of the total equity.
Liquidity ratio = Current assets as a percentage of current liabilities.

KEY FIGURES PER SHARE

Key figures per share (in €, except for the number of shares)	**2009**	**2010**
Number of shares	36 619 505	36 619 505
Shares with dividend rights	35 412 433	35 412 433
Revenue	6.89	6.31
Profit/loss (-) from operating activities, after non-recurring items (EBIT)	0.02	0.09
REBITDA	0.25	0.28
EBITDA	0.25	0.27
Profit/loss (-) before taxes (EBT)	-0.10	-0.01
Profit/loss (-) from continuing activities	-0.08	0.00
Profit/loss (-) from discontinued operations	-0.03	0.00
Profit/loss (-) for the period	-0.11	0.00
Profit/loss (-) before taxes, corrected for non-cash items	0.14	0.18
Profit/loss (-) from continuing activities, corrected for non-cash items	0.09	0.17
Profit/loss (-) for the period attributable to equity holders of the parent company	-0.11	0.00
Net result of the year attributable to equity holders of the parent company, corrected for non-cash items	0.09	0.17
Share price for the period	0.67	0.63

The Spector Photo Group NV Articles of Association were amended on 6 November 2007 as a result of the abolition of bearer securities, as published in the Supplements to the Belgian Official Gazette of 21 November 2007.

NUMBER OF SHARES

The total number of shares amounts to 36,619,505.

The structure of the shareholdership at year-end can be found on page 99 of this document.

FINANCIAL SERVICES

The financial servicing of the Shares is carried out in Belgium by BNP Paribas Fortis and KBC Bank free of charge for the shareholders. In the event that the Company should change its policy concerning this matter it will publish this in the Belgian financial press.

DEMATERIALISATION OF SECURITIES

In the context of the Act of 14 December 2005 for compulsory abolition of bearer securities and the resulting compulsory dematerialisation of physical bearer securities with effect from 1 January 2008, Spector Photo Group calls upon the services of Euroclear Belgium NV.

Euroclear Belgium NV is the Belgian Central Depositary that provides all types of services to financial intermediaries and issuers of securities, including the custody of securities, dematerialisation services, processing of market transactions, etc.

SPECTOR PHOTO GROUP PROFILE

Spector Photo Group is a diversified photo and multimedia group operating in 14 countries. It has two core activities that are structured into two separate divisions, the Retail Group, on the one hand, and the Imaging Group on the other, which supply services and products mainly to consumers. The Retail Group focuses on consumer electronics and on multimedia products on several local markets. It presents itself more as a retailer providing service rather than as a price-cutter. Today, the new digital photoproducts dominate at the Imaging Group, but the individual photo prints remain very important, and this is on a European scale.

They each develop a separate strategy and use the most suitable distribution channels for this. The customer is always most important in this context.

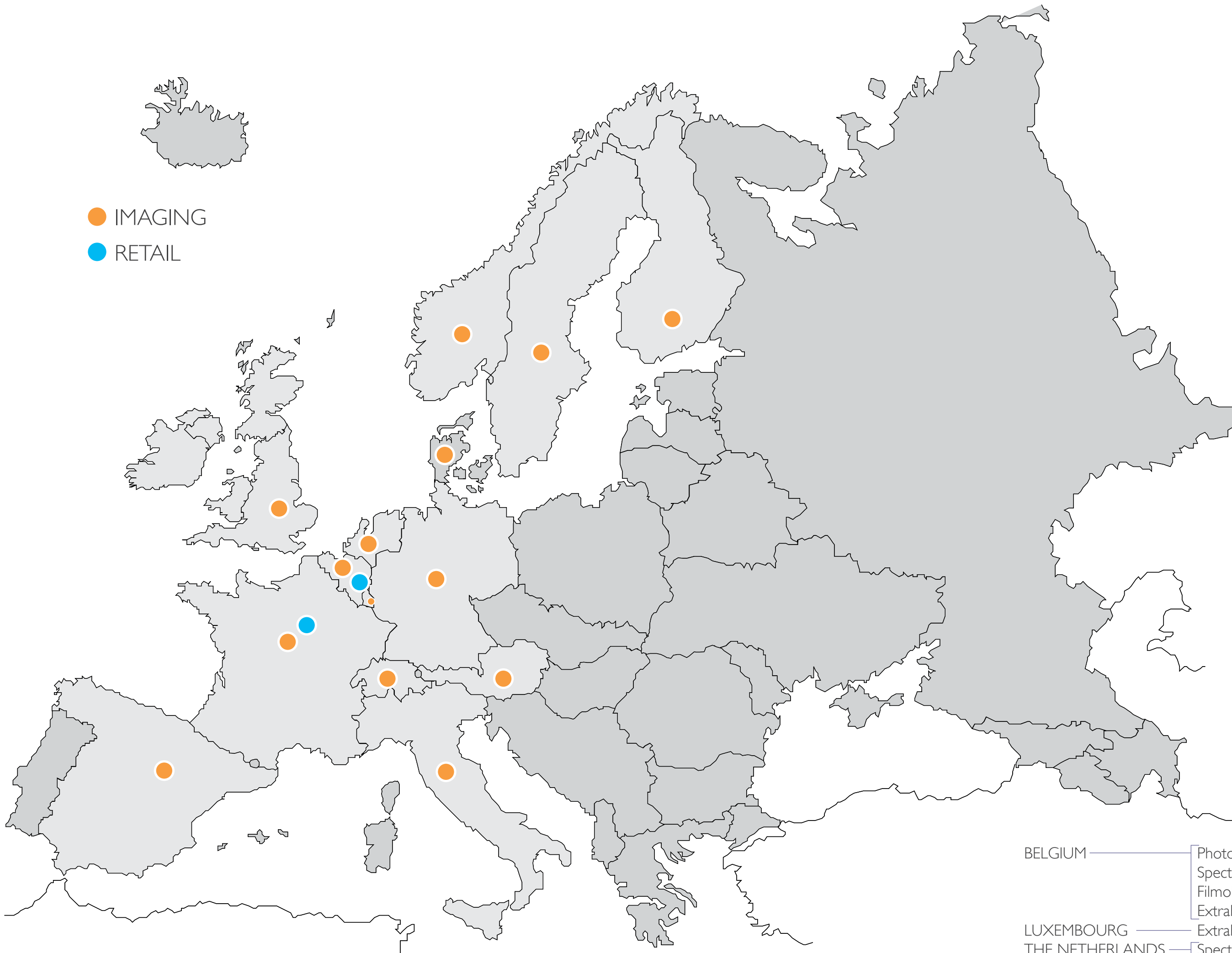
MISSION

The mission of Spector Photo Group consists of providing consumers with the opportunities to enjoy their audiovisual experiences to the maximum. Spector Photo Group offers consumers the opportunity to record emotional moments in order to relive and cherish them again later, and thus create added value for stakeholders, shareholders and staff.

MILESTONES

1964: Foundation of DBM-Color.
1965: DBM-Color commenced operations.
1976: Creation of the Spector logo.
1977: Creation of the Spector brand name and link with the logo.
1982: Expansion into the Netherlands.
1984: Joint venture for mail order activities in France under the name Extra Film (joint venture between DBM-Color and Extra Film from Sweden).
1988: Acquisition of Tecnocrome (photofinishing organisation in Belgium).
1990: Extra Film (Sweden) joined the Group and French Extra Film joint venture became a full subsidiary.
1991: The Group acquired a majority interest in Prominvest, a holding company listed on the Brussels stock exchange. Via a reverse takeover, the Group became part of Prominvest, which meant the Group indirectly obtained a stock-exchange listing.
1993: Change of the Group's name to Spector Photo Group, and merger by absorption of Prominvest by Spector Photo Group.
1994: Acquisition of photofinishing labs in France.
1995: Expansion into Austria and acquisition of a majority interest in Extra Film Switzerland.
1996: Agreement with the Swiss Interdiscount holding company providing access to Hungarian and German markets and for 100% control of Extra Film Switzerland; also resulted in the acquisition of Photo Hall in Belgium; and was followed by the takeover of the French mail order company Maxicolor.
1997: Maxicolor expands activities into Belgium and the Netherlands.
1998: Listing of Photo Hall, followed by takeover of Hifi International in Luxembourg.
1999: Holding acquired in the Italian photo lab FLT.
2001: Withdrawal from the German and Austrian markets, and streamlining of the photofinishing division to five (5) labs in Belgium, Sweden, France, Hungary, and Italy.
2002: Merger by absorption of Photo Hall by Spector Photo Group, followed by the start of a programme to re-model the Hungarian organisation to match the Belgian Photo Hall concept.
2003: Start of programme to expand ExtraFilm to become the group's brand name for 'web-to-post' activities in Europe.
2004: Acquisition of the trading securities of KodaPost in Scandinavia, and of Litto-Color, a photofinishing lab in Belgium with commercial activities in the Benelux and France.
Closing of the lab in Hungary.
2005: ExtraFilm becomes the recommended photo print partner for Windows XP in France, Germany, Great Britain and Spain. Closing of the lab in Munster, France. Capital increase of EUR 41.8 million.
2006: Litto-Color, the lab in Ostend, divested.
Sacap France was closed.
2007: The brand names ExtraFilm, Maxicolor and Wistiti were combined under the ExtraFilm name.
Centralisation of the two channels for photo shops, Filmobel (hardware) and Spector (photo service), under one organisation in Wetteren, Belgium.
2008: Completion of the restructuring of the Imaging Group with the centralisation of Extra Film SA in Belgium.
Photo Hall celebrated its 75th birthday.
2009: Sale of the Hungarian Föfoto via an MBO.
Photo Hall launches its slogan 'The Smart Choice'.
2010: Closing of the lab in Tanumshede, Sweden – Centralisation and automation of the production activities in Wetteren, Belgium.

GEOGRAPHICAL PRESENCE



BELGIUM	Photo Hall (Retail)
	Spector (Imaging)
	Filmobel (Imaging)
	ExtraFilm (Imaging)
LUXEMBOURG	ExtraFilm (Imaging)
THE NETHERLANDS	Spector (Imaging)
	ExtraFilm (Imaging)
FRANCE	Hifi International (Retail)
	ExtraFilm (Imaging)
SWEDEN	ExtraFilm (Imaging)
NORWAY	ExtraFilm (Imaging)
FINLAND	ExtraFilm (Imaging)
DENMARK	ExtraFilm (Imaging)
SWITZERLAND	ExtraFilm (Imaging)
ITALY	ExtraFilm (Imaging)
GERMANY	ExtraFilm (Imaging)
AUSTRIA	ExtraFilm (Imaging)
UNITED KINGDOM	ExtraFilm (Imaging)
SPAIN	ExtraFilm (Imaging)

RETAIL GROUP

INTRODUCTION

The Retail Group of Spector Photo Group operates under the name Photo Hall and specialises in selling consumer electronics. It contains the chains of Photo Hall in Belgium and Hifi International in Luxembourg.

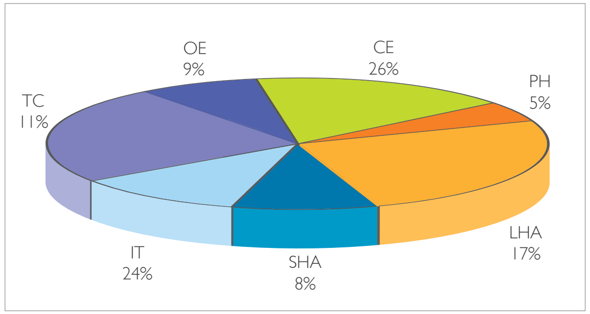
At the end of 2010, Photo Hall Belgium had 91 shops (+1), Hifi International in Luxembourg had 17 shops (unchanged). Photo Hall Belgium (www.photohall.be) and Hifi International (www.hifi.lu) also each have an e-commerce point of sales.
During the course of 2010, four new shops were opened in Belgium, specifically in Houthalen, Lommel, Ciney, and Libramont. Three shops were closed, and one franchise shop was taken into own management.
Roughly around a third of the Photo Hall shops are inner city shops; shops in shopping centres also account for a third. Shops in retail parks represent the remaining third. The latter have an average surface of 250 square metres, while the other shops have an average of some 175 square metres.
The average surface of the Luxembourg Hifi International shops amounts to 400 square metres. An exception to this is the shop in Bertrange, which has a surface of 2,800 square metres.

INTERNATIONAL MARKET ENVIRONMENT

According to the market research office GfK, consumers in Western Europe spent an amount of 187.6 billion euros (+2.1%) in 2010 on purchasing technical consumer goods; Greece was the only country that faced lower sales across the entire range. The other Western European countries witnessed a fairly similar evolution.

Consumer Electronics (CE) with 26% is the most important product group: this includes televisions, hifi and audio equipment, navigation devices, etc.
On an annual basis, the revenue fell by -0.6%, in the fourth quarter it was even down by -5.3%. This product group seemed to be most heavily affected by the severe winter weather at the end of 2010. Television sets make up the bulk of this product group. The penetration level of sets with a flat screen amounts to about 70% in Western Europe, thanks to their high innovation. A subsequent wave of innovation will include an upgrade of the current television sets to 3D or Internet access, which will provide the viewer with a new experience. Technological developments in these areas are indeed very promising.

Information Technology (IT), 24% of the total, had the best performance of the product groups, with growth of 5.5% in 2010. Countries such as Sweden, Germany and Austria even recorded double-digit growth. One of the driving forces behind the strong growth was the mobile computer. The fully-fledged, all-in-one desktop computer also enjoyed satisfactory development.



Large household appliances (LHA), 17% of the total sales, growth of 2.8% in 2010, experienced growth in most Western European countries with the exception of the Netherlands, France, Spain and Greece. A good replacement market and more focus on energy efficient appliances driven by the EU energy label, for washing machines, dishwashers, and refrigeration appliances, formed the basis of the growth in revenue.

Telecom (TC), 11% of revenue, had a flat sales result in 2010. Smartphones already make up one third of the revenue, but the total revenue is negatively affected by the subsidised sale of telephones.

Office equipment and supplies (OE), 9% of the revenue, turn, saw a 1% decrease of sales in 2010. The traditional laser printer did not do well and will remain under pressure as in recent years. Multifunction devices, however, are doing very well. The success product is the digital video projector, which recorded revenue growth of 40%.

Small household appliances (SHA) represent 8% of the market revenue. This product group is highly dependent on the fourth quarter, which was very successful in 2010 with revenue growth of 7.3%. The increase over the entire year was 5.3%. Coffee and espresso equipment continue to do well in the market, as do personal care appliances, e.g. electric toothbrushes. Kitchen appliances also had higher revenue.

Photo (PH) is the smallest product group, with 5% of revenue. The revenue rose by 2.2% in 2010, driven by strong performance in Belgium, Austria and Italy. While sales of digital cameras stagnated, compact system cameras enjoyed a lot of success. These are non-SLR cameras (Single-lens reflex) with interchangeable lenses, which have only been on the market for two years.

THE BELGIAN MARKET IN 2010

On the basis of the GfK TEMAX reports, GfK noted an increase in sales of technical consumer goods in Belgium in 2010. After a gradual recovery in the first three quarters, the fourth quarter recorded a decrease of 2.7%, a decline attributed to the winter weather conditions that kept consumers at home.

Technical consumer goods include the following product groups: consumer electronics, photo, large and small household appliances, information technology, telecom, and office equipment and accessories. Photo Hall Belgium is active in all the product groups except large and small household appliances. Hifi International in Luxemburg, on the other hand, is active in all these product groups.

Figures in millions of euros	2010	qu4 2010	2010 vs 2009	qu.4 2010 vs qu.4 2009
Consumer electronics	1 298	347	-5.4%	-5.3%
Photo	245	63	1.2%	0.3%
Large household appliances	1 148	294	4.4%	5.0%
Small household appliances	455	132	5.4%	1.8%
Information technology	1 430	350	7.9%	-8.5%
Telecom	549	163	-8.7%	-2.8%
Office equipment and accessories	579	148	2.9%	-0.5%
Total GfK Temax Belgium	**5 704**	**1 497**	**1.2%**	**-2.7%**

Evolution excluding household appliances	4 101	1 071	0.4%	-4.7%

Source: GfK Retail and Technology and own calculations

Remarkable in the figures for 2010 is the large variation in performance between the different segments. The worst annual performance was recorded by telecom. Despite the growth of 50% in sales of smartphones, total revenue from mobile phones in Belgium decreased due to the deterioration of the sale of regular mobile phones.

Consumer electronics, accounting for nearly 25% of the technical consumer goods, experienced a revenue decrease of 5.4% in 2010. Television sets make up the bulk of this segment and had a slight decrease in revenue. Sales of LCD and plasma screens declined, while their prices also continue to fall. The breakthrough of LED and 3D TV ensured that the revenue decline from this product group was slowed down. LED is gradually becoming established, while the step to 3D TV is slightly larger due to the limited programme offerings and the need to use the 3D spectacles. Consumer electronics also includes product groups such as camcorders, navigation systems, and DVD players. The lower sales figures for these products, and their sensitive price decreases, have resulted in revenue declines of more than 10%.

THE RETAIL GROUP IN 2010

In 2010, the Retail Group again had to cope with significant price deflation for its most important products. On top of this, the early inset of the winter deranged the year-end sales. The result was a decline in revenue of 5.1%. This decline appeared approximately equally in Belgium at Photo Hall and Hifi International in Luxembourg.

In terms of product lines, Photo Hall recorded growth of 4% in cameras, thanks to the success of reflex cameras with +8%. Sales of telecom, GSM and GPS, stabilised despite the success of the smartphone and despite the increase in sales in number of units by +5%. Sales of televisions sets rose by 8% in number, but due to the average decrease in price, revenue declined by 4%. The DVD, video, and audio product lines recorded the worst performance.

In Luxemburg, Hifi International again achieved a significant double-digit increase in revenue with its range of large and small household appliances by +17%. Revenue from TV sets remained stable. In the IT area, Hifi International recorded a 6.6% fall in revenue. The success of tablet computers, such as the iPad, could

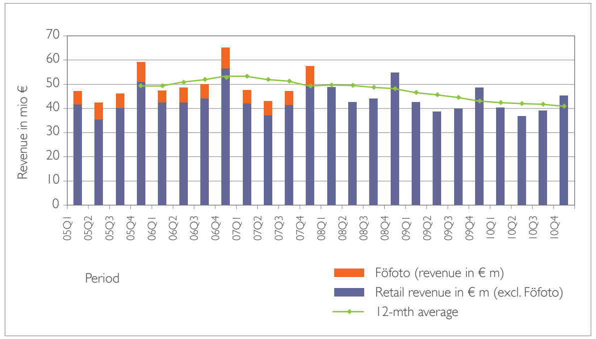
not compensate for the fall in sales of notebooks and netbooks. Telecom, including GPS devices, and video DVD - for DVD players and video cameras sales are decreaasing, but for Blu-Ray players sales are increasing - realised a more than average decrease.

The top three product groups for Photo Hall consisted of computer equipment, telecom, and cameras. The top three groups at Hifi International are computer equipment, televisions, and cameras, the same as last year.

KEY FIGURES RETAIL GROUP

(in € millions)	2009	2010	Δ in %
Revenue	169.92	161.32	-5.1%
REBIT	3.13	3.25	3.9%
REBITDA	5.28	5.03	-4.7%
EBIT	3.13	3.15	0.8%
EBITDA	5.28	4.98	-5.6%

LONG-TERM EVOLUTION



This chart shows the evolution of the quarterly revenue since 2005. During the period from 2005 to the end of 2007, revenue grew gradually. The revenue decline in 2008 is mainly due to the deconsolidation of the Hungarian Főfoto, the less favourable economic environment in Belgium, and the closure of two shops in France. In 2009, the retail operations in both Belgium and Luxembourg had to cope with the full impact of the economic crisis. In 2010, revenue is still under pressure from the economic crisis and price deflation on most electronics products. The decrease in revenues in the fourth quarter of 2010 was mainly due to the wintery weather conditions in the month of December.

THE RETAIL GROUP ON INTERNET

It is impossible nowadays to image our society without internet, Photo Hall (www.photohall.be) and Hifi International (www.hifi.lu) also use this important medium, not only as an information and communications channel, but also - and increasingly - as an additional sales channel.

The increasing complexity and technical developments make it more and more difficult for consumers to find their way through the extensive maze of product offerings.

In order to help its customers in their choice, the websites of Photo Hall and Hifi International make comprehensive and technical information available about their products. Under the feature 'How to make "the smart choice"?', customers find tips to assist them. The information is grouped into the themes of cameras, GPS, GSM, IT, MP3 players, TV, video cameras, and Windows 7.

Besides all the products available in the shops, www.photohall.be also offers exclusive products that cannot be found in the shops. These articles are recognisable by the 'internet exclusive' logo and are continually renewed. Collection of each internet purchase is free in the shop that the customer selects. Home delivery is also possible.

To enable customers to make purchases at home via internet with full confidence, Photo Hall is a member of BeCommerce. In addition to the strict Belgian legislation, all BeCommerce members have to comply with the Code of Conduct of the Belgian Direct Marketing Association (BDMA). The rules imposed, relate to:

- the protection of the customer's privacy;
- the handling of complaints by the Surveillance Committee;
- the transactions of the remote sales (ordering procedure, after-sales service, etc.);
- providing information to the consumer;
- advertising ethics.

Internet sales of Photo Hall had a double-digit growth in 2010, but are still at a low level.

PHOTO HALL 'THE SMART CHOICE'

A survey in cooperation with a market research organisation came to the conclusion that Photo Hall is properly positioned in the retail market, but that it exerts too little emphasis on the market. This is why it was decided to launch the slogan 'the smart choice'.

The 'smart choice' relates to:

- **pleasant shops and sales staff who are always at the customer's service.** The shops are a comfortable size for people and ideally situated all over Belgium. Thus, with background music and in friendly and warm surroundings, customers can allow specialised sales staff to guide them. The sales staff are always happy to provide the best possible advice to customers and act as an intermediary to resolve their problems.
- **a careful selection of the best and newest products offered on the market,** at competitive prices. Photo Hall wants to make its customers lives easier by offering them clear and strong choices that best meet their expectations. Done with their indecision when faced with a wall of shelves full of products!
- the **price guarantee**. If, in spite of Photo Hall's price monitoring, the customer **has bought an article that is seen at a cheaper price elsewhere, Photo Hall undertakes to pay back the difference.**

In addition to the 'smart choice', Photo Hall endeavours to guarantee good after-sales service for its customers. Photo Hall always wants its customers to be 100% satisfied with their new purchases. Photo Hall therefore undertakes to provide the customer with personal support, both in the sale and delivery, by means of **strong after-sales service.**

All equipment sold by Photo Hall has been subjected to countless quality tests by the manufacturers before being brought onto the market. Photo Hall only works with the largest brand names to enable it to provide articles of the highest quality.

TABLET PCS: GREAT SUCCESS, BUT AT THE EXPENSE OF OTHER PRODUCTS ?

The launch of the iPad in 2010 was very successful and put the tablet PC on the map. According to market research office IDC, in 2010, 17 million tablet PCs had already been sold, a number that could grow to 45 million in 2011 and even 70.8 million in 2012. Apple's iPad would initially claim 90% of the sales, this percentage would have decreased to 75% at the end of 2010 due to the rise of the Galaxy Tab from Samsung.

Apple owes its success to the reinvention of the tablet PC. Originally the tablets were heavy equipment that was operated with a stylus pen. In contrast, the iPad is thin and lightweight, with a touch screen that can easily be operated using the fingers. The unit is very mobile and mainly relies on internet applications.

The big question that arises is what impact the success of the tablet PC will have on sales of desktop PCs, notebooks or netbooks. Some manufacturers, such as Acer and Samsung, remain positive about the sales of notebooks and netbooks, but generally it cannot be denied that there will be a negative effect. Market research offices such as Gartner have already adjusted their predictions of sales figures for PCs in 2010 and 2011 downwards, due to the popularity of tablets; from +17.9% to +14.3% in 2010; and from +18.1% to + 15.9% in 2011. The PC market should still continue to grow in 2011, but less rapidly. Due to the strong growth of the tablets, approximately 10% of the total computer market in 2014 will consist of tablets.

Everyone definitely agrees that tablet PCs are no substitute for PCs, but there is obviously an effect. Thus consumers postpone buying PCs in anticipation of the further development and launching of new devices. The hype surrounding the iPad also plays a significant role.
Although the tablet computer is often more expensive than the netbook, it seems that this cannot prevent the success of the tablet computer. Since their appearance in 2007, netbooks have not really been a success. After all, they lean too much towards notebooks or laptops. The tablet, on the other hand, is an ideal device for mobile work, not to do office work, but rapidly and easily to consult information and media. and to perform minor tasks. In this sense, the tablet is positioned between the laptop and the smartphone.

The big difference between tablet computers on the one hand, and netbooks on the other, is in their use. Tablet computers are ideal for content 'consumption' (social networking, listening to music, viewing photos and movies, reading, playing games, etc.), while netbooks, and in fact Laptops too, are designed for more content 'creation' (word processing, spreadsheet creation, photo editing, etc.). Since 75% of the time people spend on the computer it is used for content 'consumption', it is not illogical that the tablet computer has a bright future ahead. The new lifestyle is also moving in the direction that people want to access information at any time, at any place, and the tablet computer also provides a solution for this. As far as the 'creation' of content is concerned, it is clear that the user needs a keyboard and a larger screen, therefore the smaller screen of the netbook is not really an advantage for long-term success of this type of device.

The success of the tablet computer also has to do with the amount of applications available, more than the number of existing PC applications. This large number of applications also explains the current dominance of the iPad and devices that use Google's Android operating system. Because the traditionally major players in the electronics industry have not been able to come up with really innovative products, Apple has obtained the opportunity to take a significant lead. In operating systems, there is a lot expected from Android 3.0, a version that is fully adapted to the tablets. Research in Motion (Blackberry), however, has only just started with its own operating system after the iPad had already become so successful.

In a second phase, it cannot be excluded that the tablet computer will be equipped with a number of accessories more closely linked to traditional computers, such as docking stations, with keyboard, for example. But more important is the anticipated fall in prices that the market for tablet computers will continue to support, as well as an avalanche of new models. At the CES trade show in Las Vegas at the start of 2011, 80 new tablets were presented.

IMAGING GROUP

MARKET EVOLUTIION SINCE 2005

STARTING POINT IN 2005

ANALOGUE versus DIGITAL

- Analogue photography has clearly begun to decline, the market estimates a gradual decline over the next 10 years.
- Digital photography is begins to emerge, driven by camera manufacturers who see a huge market opening up.

PRODUCTS

- It is expected that consumers who buy cameras will also massively order prints, enabling the analogue decline to be compensated within a few years.
- Digital prints are a simple product, for which the ordering is very easy via internet, and which moreover requires limited investment in production. It even entails a simplification of the processes. To illustrate, a schematic representation of the analogue and digital photo production is included below.

ENVIRONMENTAL FACTORS

- The Internet is still slow, YouTube is launched; Google exists already for over 5 years.

Schematic presentation of analogue photo production

Receipt of post bags + preparation for processing (coding addresses)	Opening film cassette + preparation for development	Development in dark room	Printing photos	Drying photos + checking + cutting photos	Invoicing + dispatching

Schematic presentation of digital photo production

Receipt of order via website	Printing of photos	Drying photos + checking + cutting photos	Invoicing + dispatching

EVOLUTION IN 2007

ANALOGUE versus DIGITAL

- Analogue prints are decreasing much more rapidly than originally expected, meaning revenues and cash flows have declined even faster.
- Digital prints are still growing strongly, but growth is slowing and it is clear that there will be needed more to compensate for the decline of analogue.

PRODUCTS

- The emphasis is on sales of cameras and other hardware, which means the revenue from photo finishing of the specialised photographic businesses is becoming less important.
- The Imaging Group is responding to this by further expanding Filmobel as a wholesaler.
- New photoproducts such as photo books, photos on canvas, and photo gifts are emerging. These products should generate additional revenue that can clearly not come from the prints alone.
- These products require product development and design, which requires more complex steps in the production process. To illustrate, a schematic representation of the production flow chart for photo books is included below.
- There are very few suppliers of machinery for these products and, in view of the relatively low volumes, automation is not yet an option.

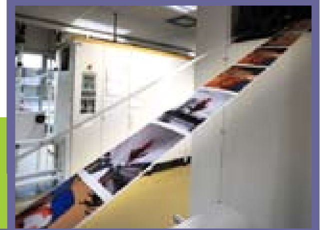
ENVIRONMENTAL FACTORS

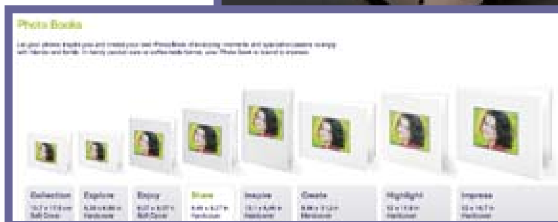
- Facebook and Twitter were only launched in 2006, and the iPhone in 2007.

Production flow chart for photo books

Receipt of photo book order via website → Printing of pages with photos ('dry') → Cutting + assembly of inner book → Assembling cover with inside pages → Invoicing + discpatching

Receipt of photo book order via website → Printing pf cover ('dry') → Assembly of cover → Assembling cover with inside pages

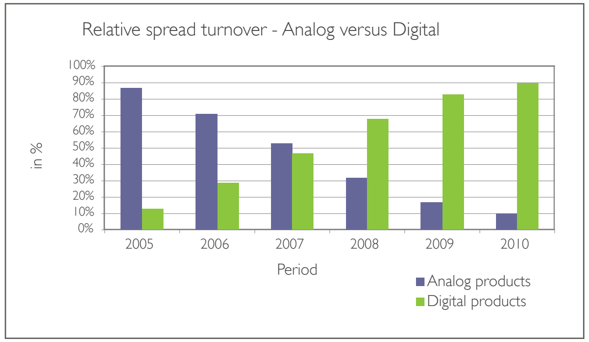




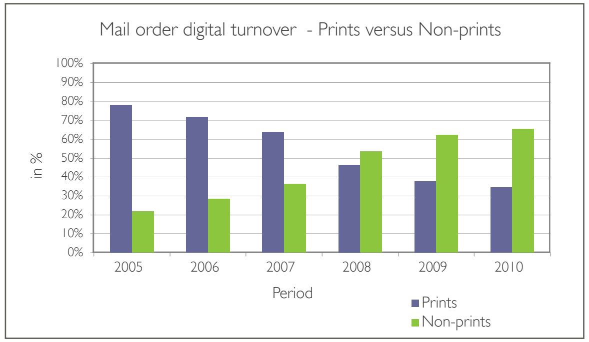
EVOLUTION IN 2010

ANALOGUE versus DIGITAL

- Analogue printing has almost disappeared and this is scarcely five years after the decline began.
- Digital prints are still only 25% of the total digital revenues; the remainder comes from products that have only existed for a few years, such as photo books.



Source: Spector Photo Group



Source: Spector Photo Group

PRODUCTS

- Growth in digital printing is capping, and it is anticipated that there may be a slight decrease of this simple product in the long term. This also means that the bulk of production will consist of the more complex products, making the process seem increasingly like an assembly line.
- Growth in new products is slowing down, from triple digits to double digits, but new initiatives, such as use of designs, better software, and acceleration of the Internet, mean that good growth will continue.
- Nevertheless, there is a need for new applications, because consumers are becoming increasingly mobile, take more photos with their smartphones, and the files are getting bigger and contain increasingly more information, such as location, time, rotation, flash, face recognition, etc.

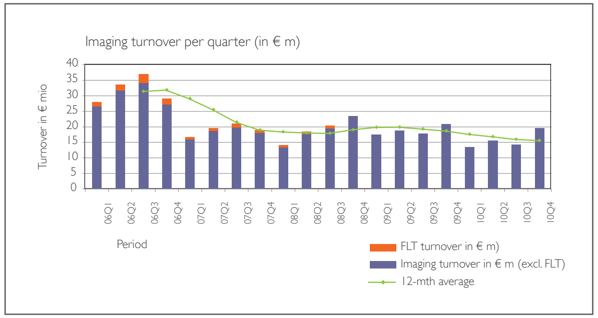
ENVIRONMENTAL FACTORS

- Facebook and social media are increasingly important for consumers. Because there are more options for sharing images with friends and family, these media are becoming a part of the marketing mix.
- This requires further investment in more powerful web solutions, and a continuous adjustment of possibilities and applications for consumers, such as integration with Flickr, and Picasa, among others.
- The iPad was launched in 2010, a new type of computer for the future ?

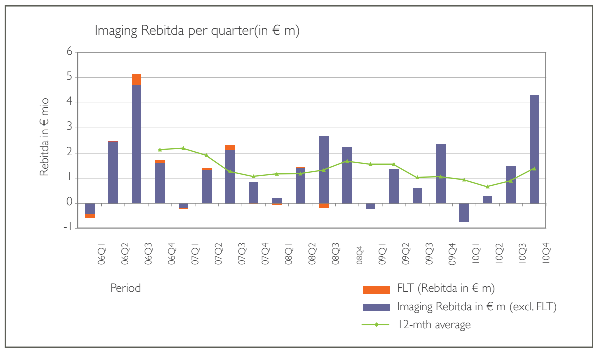

Toscane 2009

Within the Imaging Group, the evolutions of the previous years have led to the need of a higher level of automation, which could only be implemented after the centralisation of production. This has been realised in 2010, so that the Group's volumes have now been centralised in Wetteren, which has resulted in a major improvement in both the efficiency and profitability.

The Group is therefore increasingly evolving towards a fully integrated internet model, in which both the creation, online by the consumer, processing, production and the dispatch can be seamlessly steered and managed through the imaging platform. Full attention can now be refocused on attracting revenue.



Source: Spector Photo Group



Source: Spector Photo Group

The evolution of the product mix from photos (prints) to the new products, such as photo books, cards, calendars, gifts, etc. (non-prints) has also led to a seasonal shift. Where the third quarter was the most important until 2007, this has shifted to the fourth quarter since 2008. This is also shown in the diagrams above.

Within this context, the Imaging Group has always chosen to position itself as the user-friendliest service, with high quality and strong customer focus as spearheads.
With the Imaging Group, consumers can always make magnificent products from their photos with the least effort and at a fair price.

The Imaging Group's strategy for further growth, both geographically and into new channels, relies on the Group's strengths.

- Geographical growth in countries where we are still small: Spain, Germany, the Netherlands, and the UK,
- New channels: offering existing products to SMEs (books as catalog, cards, wall decorations), the gifting market, and specialty retailers.

This strategy requires further adjustments to the web platform, which will be implemented during 2011, so that the activities in these new domains can be started.

PHOTO BOOKS, CARDS, CALENDARS, DIARIES, … AND STUDIO 100.

The photo book is without doubt the most successful digital photoproduct. It is the ideal product of choice to give shape to emotions and translate them into a tangible and lasting product. In order to provide customers with even more opportunities to design their own tailor-made photo book, the Group developed new software that enables creation of a photo book online, as opposed to offline as previously. This was launched in September 2010, and already won awards in October 2010.
For the second time, Microsoft Switzerland organised the 'Best of Swiss Silverlight Awards', in close cooperation with the Best of Swiss Web Association. The jury, chaired by Prof. Dr. Markus Stolze of the 'Institut für Software' at the Hochschule für Technik (College of Technology) in Rapperswil, Switzerland, had particularly focused on aspects such as technological innovation, unconventional design, stability, usability, and business relevance of the proposed solutions. ExtraFilm's new online photo book editor won the highest award, the 'Best of Swiss Silverlight – Gold 2010 Award'.

The photo book software provides endless possibilities for creating one's own personalised photo book. Eight formats are available, from 13.7 x 17.5 cm to 30.5 x 42.5 cm; 12 types of covers and 120 different designs ensure that there is certainly one suitable for every possible occasion. And for those who want even more, there are a couple of nice options, such as a luxury gift box, high gloss finish and notes pages.

Once the consumer has taken the step towards the photo book, there is nothing to prevent him or her designing personal photo or greetings cards, or a calendar. As with the photo books, online software provides many possibilities in terms of design and layout. Very special are the 4YOU and 2Gether products. The 4YOU card is a card that consists of four panels, e.g. to present a menu. The 2Gether card is a card folded in two that is supplied in a matching and classy loose cover and envelope, ideal for special occasions.

Year after year, there is a growing list of available small gifts, printed with photos of your choice. A mug, a money-box, a glass, T-shirts for all ages, puzzles, aprons for new hobby cooks, mouse mats, sunshades, cushions, and even a teddy bear or a jewellery box belong to the possibilities that Spector Photo Group offers its customers.

But what the smallest children will appreciate most are probably the exclusive products based on the Studio 100 characters. Bibs showing Bumba, a cushion showing Mega Mindy, a collage poster with Mega Toby, a desk calendar with K3, a wall calendar of the Huis Anubis, a photo on canvas of Kabouter Plop or a poster on PVC with Piet Piraat (forex). Each child will find what they like in the extensive product range.

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

CURRENT SITUATION OF EACH DIVISION

Retail Group – Photo Hall

The retail operations in the Photo Hall Group realised revenue amounting to EUR 161.32 million in 2010, a fall of 5.1% in comparison with EUR 169.92 million in 2009. As in 2009, price deflation of most electronic equipment played a major role in this decline. On top of this were also the winter weather conditions in December 2010, which kept many consumers at home. The end of the year is traditionally the most important period for our retail operations, which meant the disappointing weather conditions put heavy pressure on the annual figure. In comparison: GfK market research shows that sales of consumer electronics in Belgium fell by 5.4% in 2010; GfK press release of 17 February 2011.

The REBIT of the Retail Group rose by 3.9% to EUR 3.25 million, the REBITDA fell by 4.7% to EUR 5.03 million.

In terms of product lines, Photo Hall recorded growth of 4% in cameras, thanks to the success of reflex cameras with +8%. Revenues from mobile telephony also had significant growth of 11%, thanks to the success of the smartphone. Sales of TV sets increased by 8% in number of units. With the average price decrease, however, the revenue fell by 4%.

In Luxemburg, Hifi International again achieved an important double-figure increase in revenue with its range of large and small household appliances by +17%. Revenue from TV sets remained stable. In the IT area, Hifi International recorded a fall in revenue of 6.6%. The success of tablet computers such as the iPad could not compensate the fall in sales of notebooks and netbooks.

The top three product groups for Photo Hall consisted of computer equipment, telecom, and cameras. These are computer equipment, televisions, and cameras at Hifi International, the same as last year.

During the course of 2010, four new shops were opened in Belgium, specifically in Houthalen, Lommel, Ciney, and Libramont. Three were closed, and one franchise shop was taken into own management. The number of shops in the Grand Duchy of Luxembourg remained unchanged. At the end of 2010, Photo Hall Belgium had 91 shops, and Hifi International had 17 shops. Photo Hall Belgium and Hifi International also each have their online shops.

Number of points of sale	2009	2010
Belgium		
own shops	86	88
e-commerce	1	1
under franchising	4	3
Luxembourg		
own shops	17	17
e-commerce	1	1
Subtotal		
own shops	103	105
e-commerce	2	2
onder franchising	4	3
Total number of points of sale	109	110

Imaging Group - Photomedia

The revenue for the Imaging Group amounted to EUR 62.68 million in 2010, a decrease of 6.2% in comparison with 2009. The REBIT rose from minus EUR 1.98 million in 2009 to EUR 1.65 million in 2010. The REBITDA recorded an increase of 31% and finished at EUR 5.36 million.

Profitability improved considerably due to the rapid and successful implementation of the automation in production and logistics and the integration of the production activities of the Swedish lab in Wetteren. The website was further developed so that it now also offers the possibility to create photo books online. After an initial phase characterised by a transition from analogue to digital prints and a second phase of exponential growth of photo-related products, the group is entering a third phase of two-digit growth in photo-related products combined with increased profitability. On an annual basis, revenues were unfavourably affected by ending the trade in photo paper following a decision of the supplier.

The revenues from ExtraFilm's **digital mail-order** activities increased over the entire year by 1% in comparison with 2009, while the analogue activities fell by 43%. This means that digital photography now represents 90% of the mail-order revenues (81% in 2009, 70% in 2008), with analogue now only responsible for 10%.

Due to the significant modifications in the production process and updating of the website to online applications, fewer marketing campaigns were conducted during the first nine months of 2010. This caused a fall in volumes on an annual basis. In contrast, the profitability increased. In the fourth quarter of 2010, the digital mail-order activities again recorded promising growth; revenue increased by 7%, and the number of photo books increased by 24%.

Filmobel, the hardware wholesaler to the professional photography trade, saw a stabilisation of its revenue in 2010. In contrast, its profitability improved substantially.

The **Spector** brand, which is used exclusively for supplying specialised photographic businesses, experienced a fall in revenue during 2010, but this was nevertheless less pronounced than in 2009.

KEY ELEMENTS OF THE INCOME STATEMENT FOR THE PERIOD

RECURRING RESULTS FROM OPERATING ACTIVITIES

Spector Photo Group realised revenue of EUR 223.35 million (-8.5%) with a REBIT of € 4.63 million (+647%) in the 2010 financial year, compared with € 243.98 million and € 0.62 million respectively in 2009. At the level of its REBITDA, Spector Photo Group achieved an improvement of 13.4%, from EUR 8.84 million to EUR 10.03 million.

NON-RECURRENT ITEMS FROM OPERATING ACTIVITIES

The non-recurring items amounted to EUR 1.50 million and include mainly the cost of closing the production laboratory in Sweden, and a gain realised on the sale of the building in Tanumshede, Sweden. On the basis of the actuarial calculation and a thorough risk analysis, it was decided to recognise a provision for pension commitments concerning Spector Verwaltung GmbH, the German company that was an active unit in the wholesale photofinishing business until 2001.

Taking into account these non-recurring items, the EBIT at group level rose from EUR 0.62 million to EUR 3.13 million (+406%), while the EBITDA increased by 7.9% to EUR 9.54 million.

With effect from 1 July 2010, the 'Externally acquired customer relationships' have been recognised as intangible assets with indefinite useful lives in compliance with IAS 38, paragraph 88. Changes in market conditions due to technological developments, including a change in approach to customers, a change in the acquisition channels, and a resulting change in the customer's pattern of behaviour, are reflected in the history of the customer relationships that Spector Photo Group has built up during the last four to five years. On the basis of an analysis of all the relevant factors, no foreseeable limit can be set to the period over which the assets are expected to generate net cash inflows. A limited useful life with linear amortisation over 7 years therefore no longer corresponds to the real situation. In compliance with IAS 38 paragraphs 107 and 108, the externally acquired customer relationships are no longer amortised, but submitted to an annual impairment test in accordance with IAS 36 to determine whether these assets may be impaired. The impairment test has shown that no impairment loss is to be recognised. The change in the assessment of the useful life from 'finite' to 'indefinite' was accounted for as a change in estimates in accordance with IAS 8.

FINANCIAL RESULT

The financial result for the 2010 financial year again improved and amounted to minus EUR 3.45 million, compared to minus EUR 4.29 million in 2009. The improvement of EUR 0.85 million is mainly the result of less financial expenses (minus EUR 0.60 million) and less negative exchange differences (minus EUR 0.36 million).

TAXES

Spector Photo Group realised a positive tax result of EUR 0.41 million in 2010, compared to EUR 0.95 million in 2009. The current taxes amount to minus EUR 0.63 million. The deferred taxes amount to a credit of EUR 1.05 million.

DISCONTINUED OPERATIONS

The discontinued operations in the 2009 financial year included the Retail Group's Hungarian Föfoto, which was sold on 4 June 2009 by means of an MBO (Management Buy-Out). This then resulted in a loss of EUR 1.06 million. No operations were discontinued in 2010.

RESULT FOR THE FINANCIAL YEAR

A profit of EUR 0.10 million was realised in the 2010 financial year, compared to a loss of EUR 3.79 million in the 2009 financial year. The improvement in the result by EUR 3.88 million compared to the 2009 financial year can be simply explained as follows:

- Operating profit: improved by EUR 2.52 million.
- Financial result: improvement by EUR 0.85 million.
- Taxes: reduction of EUR 0.54 million.
- Discontinued operations: improvement by EUR 1.06 million.

INVESTMENTS

The investments in 2010 amounted to EUR 4.07 million, of which EUR 1.98 million was in property, plant and equipment, and EUR 2.09 million in intangible assets. The investments of EUR 1.18 million for the Retail Group mainly concern the equipping and furnishing of the shops.

The Imaging Group invested mainly in machinery for the production of photo books and photo gifts in the context of the automation project for the production in Wetteren, Belgium, specifically EUR 0.78 million. The investments in various software amounted to EUR 0.72 million.The acquisition of external customer relationships amounted EUR 1.37 million.

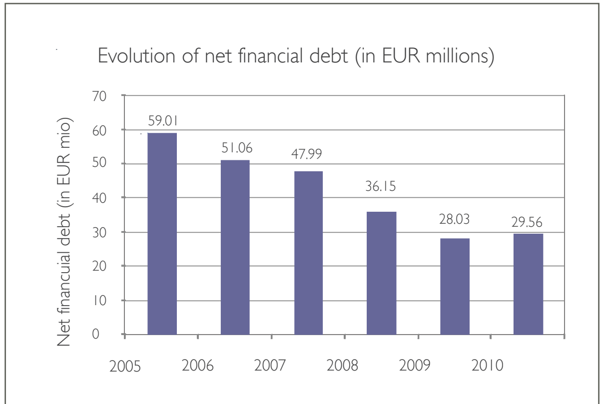
DIVIDEND

The Board of Directors will recommend the General Meeting of Shareholders not to pay a dividend for the 2010 financial year.

STATEMENT OF FINANCIAL POSITION

The net assets showed a slight increase from EUR 121.54 million at year-end 2009 to EUR 122.97 million at year-end 2010. The most important items are the following:

- The net financial debt amounted to EUR 29.56 million as at year-end 2010, compared to EUR 28.03 million at year-end 2009.
  The lower sales at the end of the year led to higher inventories and thus to higher short-term financing.



- The long-term debt of Photo Hall Multimedia to the bank consortium was renegotiated and extended at the end of 2010. The new credit terms are in line with the previous terms. An important part of the short-term financial debt was thus transferred to long-term financial debt.
- Equity rose from EUR 29.10 million at year-end 2009 to EUR 30.48 million at the end of 2010, EUR 0.86 per share, mainly due to a positive effect on the currency translation reserves of EUR 1.28 million.
- The net carrying amount for the external customer relationships amounted to EUR 8.90 million, of which EUR 7.59 million was for externally-acquired customer relationships and EUR 1.30 million for directly attributable costs.
- The inventories item increased by EUR 4.72 million, a reflection of the less-than-expected retail sales at the end of the financial year.
- The non-current assets decreased by EUR 2.66 million euros, due to the annual depreciation and amortisation on the one hand, and due to the sale of the Swedish laboratory on the other.

PROSPECTS FOR 2011

The market evolution remains uncertain for the Retail Group, which means that no prospects can be formulated.

The Imaging Group again expects growth in revenue for 2011 and a further improvement in profitability, thanks to the significant automation in production and logistics that was implemented in mid-2010, and which will have its effect over the full 12 months in 2011.

THE POSSIBLE CHANGE OR INTERPRETATION UNDER IAS/IFRS OF THE RULES ON THE ENTRY OF INTANGIBLE ASSETS, MORE SPECIFICALLY EXTERNALLY ACQUIRED CUSTOMER RELATIONSHIPS OF THE IMAGING GROUP.

The Board of Directors has decided to measure the externally-acquired customer relationships according to the cost model (IAS 38:74) for the opening balance as at 1 January 2004. According to the Board of Directors, this means that the directly attributable preparatory costs were considered as a component of the cost price of the externally-acquired customer relationships, which is in accordance with IAS 38:27. At the time this annual report was drawn up, there has still been no official interpretation on this from the competent body. It is not known whether such an official interpretation will be provided, and what this may then contain. Depending on the issuing of such an interpretation and its contents, or any change of circumstances, the entry might be able to be adjusted. For reasons of transparency, the company always publishes a breakdown.

IMPORTANT FUTURE ASSUMPTIONS

The assumptions concerning the future of the intangible assets other than goodwill and trading securities, mainly the externally-acquired customer relationships, are closely connected to the strategy of the Imaging Group concerning the transition from analogue to digital photography – as described in the market risks – and the translation of this strategy in the business plan that is the basis of the impairment tests referred to under note 15 of the annual report.

The evolution of the total customer portfolio and therefore the evolution of the externally-acquired customer relationships will be the result of future efforts invested in acquiring new customers. Expenditure concerned is only incurred under the prerequisite of profitable growth, measured using the 'Lifetime Value' concept. Expenditure within the Lifetime Value concept is only allowed for acquiring customers that have a payback period of less than three years, in which the payback is calculated on the basis of the future expected cash flows.

With effect from 1 July 2010, the 'Externally acquired customer relationships' have been recognised as intangible assets with indefinite useful lives in compliance with IAS 38, paragraph 88. Changes in market conditions due to technological developments, including a change in approach to customers, a change in the acquisition channels, and a resulting change in the customer's pattern of behaviour, are reflected in the history of the customer relationships that Spector Photo Group has built up during the last four to five years. On the basis of an analysis of all the relevant factors, no foreseeable limit can be set to the period over which the assets are expected to generate net cash inflows. In compliance with IAS 38 paragraphs 107 and 108, the externally acquired customer relationships are no longer amortised, but submitted to an annual impairment test in accordance with IAS 36 to determine whether these assets may be impaired.

As a result of the combination, on the one hand, of limiting the investments by means of the Lifetime Value concept and, on the other, the annual impairment testing, the Group believes that risks related to these assets are limited.

The Board of Directors agrees with the Audit committee's opinion that the changed market in which the group is currently operating does not provide a reason

CONFLICT OF INTERESTS

In 2010, there were no conflicts of interests of a financial nature in areas of application of Article 523 of the Belgian Company Code. During 2010, there were no situations as referred to in Article 524 of the Belgian Company Code.

SUBSEQUENT EVENTS

On 28 March 2011, the Board of Directors decided to convert the long-term loan to Photomedia NV, as defined in the loan agreement dated 23 February 2006, into capital of Photomedia NV. On 31 March 2011 the outstanding debt amounted to EUR 24,076,761.96, valued at nominal value. In return for the contribution in kind, 49,580 new shares were created with the same rights and benefits as the existing shares. The purpose of this capital increase is, on the one hand, to strengthen the capital structure and thus also the equity structure of Photomedia NV, and on the other, to allow Photomedia NV to obtain a new credit facility with NIBC Bank NV.

On 7 April 2011, Photomedia NV (Imaging Group) concluded a credit agreement with NIBC Bank NV. This concerns a total package of EUR 14.8 million, of which EUR 6.8 million are term loans and EUR 8 million in a revolving credit facility. The term for the total package is five (5) years.

The participation certificates in Spector Coördinatiecentrum NV, acquired on 12 September 2000 by NIBC for EUR 12.5 million, were transferred by NIBC to Photomedia NV. This results, under IFRS terms, in the associated debt and related interest expense disappearing from the consolidated figures.

The newly agreed borrowing and facility agreement will enable the Imaging Group on one hand, to improve its financial position and, on the other, substantially to reduce its interest expenses. Additionally, this enables the Imaging Group to expand its short-term borrowing capacity.

RESEARCH AND DEVELOPMENT

In view of the company's nature and operations, there were no activities related to research and development in 2010.

FEES RELATING THE COMMITTEE OF STATUTORY AUDITORS

The Committee of Statutory Auditors receive an annual fee of EUR 38 ('000), in accordance with the resolution of the Ordinary General Meeting of Shareholders of 14 May 2008 and indexed according to the general consumer price index.
In addition, local auditors were granted total reimbursements of EUR 140 ('000) for work concerning the audits in the associates with which Spector Photo Group forms a group.

During the 2010 financial year, the Committee of Statutory Auditors and the local auditors received an additional fee totalling EUR 18 ('000) for work outside the scope of their engagement.

This mainly concerned work in the area of simplification of the group structure, tax-related services, and specific IFRS audits.
Apart from these, no remunerations or benefits in kind were granted, either by Spector Photo Group NV, or by any other of its associates. There were also no payments made to persons with whom the statutory auditors have concluded joint ventures, with the exception of the companies that conducted the local audits in the foreign branches of the Group.

APPLICATION OF ARTICLE 526 OF THE BELGIAN COMPANY CODE

The composition of the Audit Committee satisfies the requirements stipulated in the Belgian Company Code. In accordance with Article 526, the Audit Committee is composed of three (3) independent members of the Board of Directors, of whom at least one member possesses the necessary expertise and professional experience in the field of accounting and audit.

The Audit Committee is composed as follows: MCM BVBA, permanently represented by Mr. Geert Vanderstappen, Patrick De Greve BVBA, permanently represented by Mr. Patrick De Greve, and Norbert Verkimpe BVBA, permanently represented by Mr. Norbert Verkimpe.

Mr. Geert Vanderstappen possesses the necessary expertise and professional experience in the field of accounting and audit as a result of his career and current professional activities.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Code
Composition and operation of the Board of Directors
Composition and operation of the committees
Day-to-day management
Evaluation process of the Board of Directors, the committees and individual directors
Risk management
Shareholders' structure
Information pursuant to Article 34 of the Belgian Royal Decree of 14 November 2007
Remuneration report
Brief biographies of the Board members

CORPORATE GOVERNANCE CODE

Spector Photo Group NV commits itself to comply with all the relevant statutory provisions concerning Corporate Governance. The Belgian Royal Decree of 6 June 2010, published in the Belgian Official Gazette on 28 June 2010, stipulates that the 2009 Belgian Code on Corporate Governance, 'the Code', applies to reporting years beginning on 1 January 2009 or later, as the only code within the meaning of Section 96:2 of the Belgian Company Code. Spector Photo Group NV uses this code as its reference code. The Code is available on the website of the Belgian Corporate Governance Committee, www.corporategovernancecommittee.be.

The main aspects of the Corporate Governance policy of Spector Photo Group NV are presented in the Corporate Governance Charter that can be consulted at the website www.spectorphotogroup.com. The Corporate Governance Charter is regularly updated.

Where there are deviations from the Code due to the company's specific structure and nature of its activities, these deviations are explained in accordance with the "comply or explain" principle.

COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS

The Board of Directors consists of 9 members, 6 of whom are non-executive members.

The roles and responsibilities of the members of the Board of Directors, the composition, structure and organisation are described in detail in the Corporate Governance Charter of Spector Photo Group NV.

As at 31 December 2010, the Board of Directors was composed as follows:

Name		Non-executive director	Independent director	Audit Committee	Nomination and Remuneration Committee	Term of the current appointment
Mr. Tonny Van Doorslaer	◊					Until 11 May 2011
Mr. Philippe Vlerick	×	×			×	Until 11 May 2011
Vean NV, represented by its permanent representative Mr. Luc Vansteenkiste	×	×	×		◊	Until 11 May 2011
Exceca Allocation AB, represented by its permanent representative Mr. Jonas Sjögren	×	×				Until 31 December 2010
Patrick De Greve BVBA, represented by its permanent representative Mr. Patrick De Greve	×	×	×	×		Until 11 May 2011
MCM BVBA, represented by its permanent representative Mr. Geert Vanderstappen	×	×	×	◊	×	Until 11 May 2011
Norbert Verkimpe BVBA, represented by its permanent representative Mr. Norbert Verkimpe	×	×	×	×		Until 11 May 2011
Mr. Christophe Levie	×					Until 11 May 2011
Mr. Stef De corte	×					Until 11 May 2011

◊ Chairman
× Member

Term of the current appointments

Except for Exceca Allocation AB, represented by its permanent representative Mr. Jonas Sjögren, which offered its resignation with effect from 31 December 2010, the Board appointments expire immediately following the Annual General Meeting of Shareholders on 11 May 2011.

The Board of Directors wishes to thank Mr. Jonas Sjögren for his years of dedication and contribution to the proper management of the company.

The Board of Directors proposes the following motions for the General Meeting of Shareholders on 11 May 2011:

- to accept the resignation of Exceca Allocation AB, represented by its permanent representative Mr. Jonas Sjögren, with effect from 31 December 2010.
- to appoint as directors:
  - Mr. Tonny Van Doorslaer, executive director;
  - Mr. Philippe Vlerick, non-executive director;
  - VEAN NV, represented by its permanent representative Mr. Luc Vansteenkiste, non-executive director;
  - Patrick De Greve BVBA, represented by its permanent representative Mr. Patrick De Greve, non-executive director;
  - MCM BVBA, represented by its permanent representative Mr. Geert Vanderstappen, non-executive director;
  - Norbert Verkimpe BVBA, represented by its permanent representative Mr. Norbert Verkimpe, non-executive director;
  - VIT NV, represented by its permanent representative Ms. Katrien Mattelaer, non-executive director.
  - Mr. Christophe Levie, executive director,
  - Mr. Stef De corte, executive director, and this for a period of three years, commencing from 11 May 2011, and ending after the Ordinary General Meeting of Shareholders of 2014.
- based on the information known to the Company, as well as from the information provided by the directors establishing, the independence of the directors MCM BVBA, Norbert Verkimpe BVBA and Patrick De Greve BVBA, as well of their permanent representatives, since they all satisfy the criteria for independence set forth in Article 526ter of the Belgian Company Code and the 2009 Belgian Code on Corporate Governance.

Subject to approval by the General Meeting of Shareholders of 11 May 2011, the Board of Directors after that date will be as follows:

Name		Non-executive director	Independent director	Term of the appointments
Mr. Tonny Van Doorslaer	◊			Until 14 May 2014
Mr. Philippe Vlerick	×	×		Until 14 May 2014
Vean NV, represented by its permanent representative Mr. Luc Vansteenkiste	×	×		Until 14 May 2014
Patrick De Greve BVBA, represented by its permanent representative by Mr. Patrick De Greve	×	×	×	Until 14 May 2014
MCM BVBA, represented by its permanent representative Mr. Geert Vanderstappen	×	×	×	Until 14 May 2014
Norbert Verkimpe BVBA, represented by its permanent representative Mr. Norbert Verkimpe	×	×	×	Until 14 May 2014
VIT NV, represented by its permanent representative Ms. Katrien Mattelaer	×	×		Until 14 May 2014
Mr. Christophe Levie	×			Until 14 May 2014
Mr. Stef De corte	×			Until 14 May 2014

◊ Chairman
× Member

No member of the Board of Directors has family connections with other members of the Board, executive, supervisory or regulatory bodies of the company.

The position of Executive Chairman is a deviation from principle 1.5 of the Belgian Code on Corporate Governance, which stipulates that the chairman of the board and the chief executive officer (CEO should not be the same individual). In view of the organisational structure of the Group, in which Spector Photo Group has developed into a holding company under which the two divisions, Photo Hall Multimedia (Retail Group) and Photomedia (Imaging Group), operate independently, each with its own strategy, decision-making and financial structure, the Board of Directors believes that combining the position of CEO with that of Chairman of the Board of Directors is in the best interests of the Company.

Three executive and five non-executive directors

To the extent that the General Meeting of 11 May 2011 accepts the appointment of the directors as proposed by the Board of Directors, there will be six non-executive directors that are members of the Board of Directors commencing from that date.

Four independent directors

The Board of Directors considers the following members to be independent directors:

- VEAN NV, permanently represented by Mr. Luc Vansteenkiste;
- MCM BVBA, permanently represented by Mr. Geert Vanderstappen;
- Patrick De Greve BVBA, permanently represented by Mr. Patrick De Greve;
- Norbert Verkimpe BVBA, permanently represented by Mr. Norbert Verkimpe.

The General Meeting of Shareholders of 14 May 2008 ratified the independence of VEAN NV, MCM BVBA, Patrick De Greve BVBA, and Norbert Verkimpe BVBA, as well as their permanent representatives, in accordance with Article 524:4 of the Belgian Company Code.

To the extent that the General Meeting of 11 May 2011 accepts the appointment of the directors as proposed by the

Board of Directors, VEAN NV, permanently represented by Mr. Luc Vansteenkiste, will no longer be considered as an independent director. A director who has served for more than three terms as a non-executive director is no longer considered to be an independent director according to the criteria of independence of Article 526 of the Belgian Company Code.

With the proposed appointment of VIT NV, represented by Ms. Katrien Mattelaer, the Board of Directors has already taken efforts to achieve gender diversity within the Board of Directors

Directorships at other companies

The brief biographies of the Board members each contain their main directorships at other companies; please see pages 39 to 42 of this document.

Internal measures to promote good Corporate Governance practices

On the basis of the provisional timetable of publications for 2011, the Board of Directors has set for itself the following 'closed periods':

- from 11 April 2011 to 12 May 2011 inclusive,
- from 30 July 2011 to 31 August 2011 inclusive,
- from 27 September 2011 to 28 October 2011 inclusive,
- from 8 February 2012 to 9 March 2012 inclusive.

Activity report of the Board of Directors in 2010

In 2010, 8 meetings took place under the chairmanship of Tonny Van Doorslaer.

One meeting dealt mainly with the budget for 2010, two meetings dealt mainly with the adoption of the financial statements as at 31 December 2009 and the half-year's statements as at 30 June 2010. The meeting of December 2010 had as specific agenda item the approval of the amended and adjusted facilities agreement with the bank consortium concerning Photo Hall Multimedia.

At the other meetings, the Board of Directors mainly discussed the regular reporting concerning the results of the group and the company's financial position, the investment strategy, and the recommendations from the Board's committees, such as changes in the area of management, the composition of the committees, and the annual evaluation of the members of the Executive Committee. The Board of Directors deliberated on matters including the strategy and progress of each division, the management structure, and proposals for acquisitions or divestments.

Of 60 possible attendees, 2 meetings x 7 directors plus 1 meeting x 6 directors, and 5 meetings x 8 directors, there were 9 apologies for absence. Mr. Christian Dumolin, director until 14 April 2010, and Mr. Patrick De Greve each apologised once for absence, and Mr. Jonas Sjögren apologised for absence six times. Although the articles of association state that the decisions can be made by a majority of votes, all decisions made by the Board of Directors in 2010 were unanimous.

Conflict of interests

In accordance with Article 523 of the Belgian Company Code, a director who has a direct or indirect financial interest that conflicts with a decision or transaction under the Board of Director's powers, must report this to the other directors before the Board of Directors makes a decision on it. The director concerned will not participate in the Board's deliberations on these transactions or decisions, or votes in this regard.

In 2010, no situations arose in which a director directly or indirectly, had a conflict of interests with the Board of Directors. Nor did any situations arise as referred to in Article 524 of the Belgian Company Code.

The relationship of the Board of Directors with the associates

Spector Photo Group NV holds – directly and/or indirectly – at least 95% of the shares in all its associated subsidiaries, and 49% in FLT (Fotolabore Tagliabue).
See also: pages 67 and 103 for a full summary showing the precise holdings.

COMPOSITION AND OPERATION OF THE COMMITEES

The Board of Directors has established two committees: an Audit Committee, and an Nomination and Remuneration Committee. The regulations of both committees have been incorporated in the Corporate Governance Charter.

Audit Committee

Composition of the Audit Committee

The following members of the Audit Committee have been appointed until after the 2011 Annual General Meeting of Shareholders, which will take place on 11 May 2011:

- MCM BVBA, permanently represented by Mr. Geert Vanderstappen, independent director and chairman of the committee;
- Patrick De Greve BVBA, permanently represented by Mr. Patrick De Greve, independent director;
- Norbert Verkimpe BVBA, permanently represented by Mr. Norbert Verkimpe, independent director.

The Audit Committee is exclusively composed of independent directors and thus meets the requirements for composition stipulated in the Belgian Code on Corporate Governance, and in Article 526bis of the Belgian Company Code.

Also in accordance with Article 526bis of the Belgian Company Code, at least one member of the Audit Committee possesses the necessary expertise and professional experience in the field of accounting and audit.

Mr. Geert Vanderstappen, an independent and non-executive director, possesses the necessary expertise and professional experience in the field of accounting and audit as a result of his career and current professional activities.

Activity report of the Audit Committee in 2010

The Audit Committee met four (4) times in 2010. Two meetings were mainly devoted to reviewing the consolidated financial statements as at 31 December 2009 and the half-yearly consolidated figures as at 30 June 2010. One meeting was devoted to the annual impairment tests concerning the identified cash-generating units, in accordance with IAS 36, to examine whether an impairment loss should be recognised. One meeting was mainly devoted to the internal control and risk management systems. Other important agenda items for the committee were the status of projects concerning internal control and risk management systems, the renewal of the appointment of the auditor, the programme, activities and evaluation of the internal audit, and questions concerning financial reporting according to IFRS.

All members attended the meetings.

Nomination and Remuneration Committee

Composition of the Nomination and Remuneration committee

The Board of Directors meeting of 14 May 2008 appointed the following members to the Nomination and Remuneration Committee for a term of three (3) years:

- VEAN NV, represented by Mr. Luc Vansteenkiste, chairman of the committee, independent director;
- Mr. Philippe Vlerick, non-executive director;
- Exceca Allocation AB, represented by its permanent representative Mr. Jonas Sjögren, non-executive director.

At the Board of Directors meeting on 21 June 2010, it was decided to replace Exceca Allocation AB, permanently represented by Mr. Jonas Sjögren, as a member of the Nomination and Remuneration Committee by MCM BVBA, permanently represented by Mr. Geert Vanderstappen.

By appointing an independent director to replace Exceca Allocation AB, permanently represented by Mr. Jonas Sjögren, the composition of the Nomination and Remuneration Committee meets the provisions of Article 526quater of the Belgian Company Code and the principles of the 2009 Belgian Corporate Code on Governance.

Pursuant to the provisions of Article 526quater, on the first subsequent Board of Directors' meeting following the Annual General Meeting of 11 May 2011, it will be proposed to split the Nomination and Remuneration Committee into an Nomination Committee on one hand, and a Remuneration Committee on the other, taking into account the composition of the Remuneration Committee meeting the requirements of Article 526quater:2 of the Belgian Company Code and the principles of the 2009 Belgian Code on Corporate Governance.

In accordance with the provisions of the Belgian Code on Corporate Governance on this issue, Mr. Tonny Van Doorslaer participates in meetings that deal with the remuneration of other members of the executive management.

Activity report of the Nomination and Remuneration committee in 2010

The Nomination and Remuneration Committee met twice in 2010, and handled matters including the changes in the management area, the general remuneration policy, and the individual remuneration for members of the Executive Committee. All members attended the meetings.

DAY-TO-DAY MANAGEMENT

Managing Director

In accordance with article 19 of the Articles of Association, the power for the day-to-day management has been delegated to a Managing Director.

The Managing Director, or two directors acting jointly represent the Company in and out of court and in fact. The Board of Directors of Spector Photo Group NV has appointed

Mr. Tonny Van Doorslaer as Managing Director. Due to the combination with the position of Chairman, Mr. Tonny Van Doorslaer is therefore Executive Chairman. At the Extraordinary General Meeting of Shareholders to be held on 11 May 2011, immediately following the Annual General Meeting, or possibly on 14 June 2011 at 3 p.m. if the statutory quorum is not achieved, it will be proposed to amend the Articles of Association so that the position of Executive Chairman will also have a statutory basis.

Executive Committee

The Managing Director has selected an Executive Committee for the day-to-day management of the company, which consists of:

- Tonny Van Doorslaer, Executive Chairman;
- Stef De corte, Managing Director of the Imaging Group;
- Christophe Levie, Managing Director of the Retail Group.

Spector Photo Group does not have a management committee in the sense of Article 524bis of the Belgian Company Code.
At the Extraordinary General Meeting of Shareholders on 11 May 2011, it will be proposed to amend the company's Articles of Association by inserting a new article that empowers the Board of Directors, if deemed necessary in the future, to set up a management committee according to Article 524bis of the Belgian Company Code.

EVALUATION PROCESS OF THE BOARD OF DIRECTORS, THE COMMITTEES AND INDIVIDUAL DIRECTORS

In 2011, under the Chairman's leadership, the Board of Directors will conduct an evaluation of its own size, composition and performance, as well as that of the committees and individual directors.
In this evaluation, the Board of Directors will assess how the Board of Directors or the committees operate, whether the important issues are thoroughly prepared and discussed, evaluate the performance of each director and harmonise the current composition of the Board of Directors or the Committees with the required composition of the Board of Directors or of the Committees.

RISK MANAGEMENT

Description of the risks and uncertainties

Financial risks
The most important financial risks to which the Group is exposed, relate to the Group's financial liabilities, the outstanding trade receivables, and transactions in currencies other than the euro.

Liquidity risk
The long-term debt of Photo Hall Multimedia to the bank consortium was renegotiated at the end of 2010, and extended until 31 December 2015. The new credit terms are in line with the previous terms. The availability of credit therefore coincides with the degree to which the Group succeeds in generating free cash flows with which it can further reduce its financial debt position between 2010 and 2011. The Group manages this risk by continuing to develop a transparent and constructive relationship with the bank consortium.

Credit risk
A significant proportion of the Imaging Group's activities are conducted by means of 'remote sales' to end-consumers. This involves exposure to non-collectability of many, relatively small, trade receivables. The group manages this risk by encouraging online payment for its e-commerce activities on the one hand and, on the other, conducting proper credit management.
In cases of non-payment on the due dates, additional costs are charged depending on the overdue periods. In due course, the collection of the receivables is handed over to debt-collection agencies. For other trade receivables, credit limits and payment terms are set for each customer. Dunning procedures are started when these terms are exceeded. Deliveries are blocked to customers who have exceeded their credit limits or payment terms.

There was no significant risk concentration as at 31 December 2010. No write-downs are recognised for the overdue receivables, if their collectability is considered as probable.

Exchange rate risk
The Company publishes its consolidated financial statements in euros. A significant portion of its assets, liabilities, revenues and costs are expressed in currencies other than the euro, including the Swiss franc, Norwegian krone, and the Swedish krona. Although exchange rate fluctuations can have an effect on the Group's results, the company judges this risk as being too small to take specific measures, apart from strict monitoring by the management.

Market risks
With the Imaging Group, the Company mainly operates in a market that is highly susceptible to changes. The most important market-related risks are related to technological developments and their effect on consumer behaviour, the development of consumer prices, and competitiveness.
For the Retail Group, the market-related risks are related to price deflation, consumer behaviour, and competitiveness.

The strategy of the Imaging Group is mainly based on the findings of prospective market research from which new opportunities have emerged for the business following the transition from analogue to digital photography. These findings have an inherent risk of error, and they can also be affected by future technological developments that have not yet been taken into account. The Group manages these risks by permanently keeping in touch with the technological world, the market, and consumers so that, if necessary, it can rapidly revise not only its strategy, but also its investment and business plans.

The future profitability of the Company, for both the Retail Group and the Imaging Group, will also depend on the selling prices that it can achieve for its products and services. The price elasticity of the demand, combined with the development of the margins, involves a risk for the Group's profitability. Although the Group assumes continued price pressure in its business plan, it proactively manages other risks by reducing its fixed overhead costs on the one hand and, on the other, by continuously developing new products that are less sensitive to the general price pressure.

The future market share and business figures of the Group, both in the Retail Group and in the Imaging Group, can be affected by campaigns of existing competitors or the entry of new competitors. By permanently monitoring its competitive position, the Group takes this factor into account in the further development of its plans and its operations. The current economic crisis means we are experiencing continued pressure on the revenues within the Retail Group. Consumers are more careful about purchasing more expensive consumer goods.

Risks related to disputes

The Company and some of its subsidiaries are involved in tax disputes that are pending in the tax courts, and for which provisions have been formed if required. With respect to the subsidiary Vivian Photo Products NV, there is a tax dispute, dating from the 1991 financial year, which is pending at the Court of Appeal. The disputed tax amounts to EUR 479 ('000), increased by interest amounting to EUR 810 ('000), for which a provision has been recognised.

Concerning the tax claim relating to Extra Film A/S, Norway, in which the Company would be subject to an exit tax, whereas the company has never ceased to exist, an appeal has been lodged against the assessment issued. In accordance with IAS 37 paragraph 14, no provision needs to be recognised for this.

Description of the internal control and risk management systems

The Executive Committee supervises the development and enforcement of internal control and risk management systems that provide reasonable assurance regarding the achievement of the objectives, the reliability of the financial reporting, and compliance with applicable laws and regulations.

The management of risks forms an integral part of the way in which the Group is managed. The group has taken measures - and will continue to do this - with a view to controlling these risks as effectively as possible. However, no assurance can be given that these measures will be fully effective in all possible circumstances, and therefore it is impossible to rule out that some of these risks could arise and could have an impact on the company. Other risks currently unknown to the Company, or which are not considered material at present, could prove detrimental to the Company or to the value of its shares.

The analysis of the risks surrounding the planning, organising, managing and controlling of operations are being further elaborated and structured. This Enterprise Risk Management (ERM) project covers the risk management in financial, strategic, and operational areas to minimise the exposure to risks. This means that the business risks are being systematically identified, measured and controlled, so that the risk profile is in line with the risk appetite. The Audit Committee monitors the ERM project. After its implementation, the Audit Committee will also systematically evaluate the ERM system.

The internal audit department of Spector Photo Group ensures that the risk management process is complied with, that the minimum internal control requirements are met, and that the identification and management of the risks are implemented effectively.

The Audit Committee subjects the company's systems for internal control and risk management to an annual check. The Audit Committee also evaluates the operation of the internal audit department on an annual basis.

SHAREHOLDERS' STRUCTURE

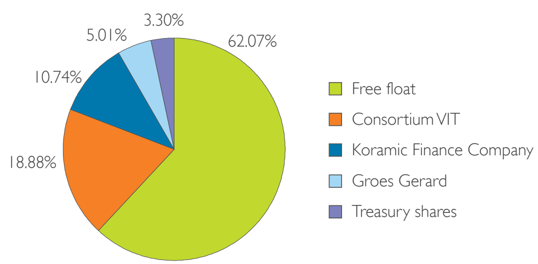
Structure of the Shareholdership

The law and the Articles of Association require each shareholder whose voting rights linked to the securities with voting rights exceed or fall below the thresholds of 3%, 5% or any multiple of 5%, to notify the Company and the FSMA, formerly CBFA, of this fact.

In 2010, the Company received the following notifications:
Transparency declaration of 27 July 2010
Audhumla SA, Boulevard Royal 11, L–2449 Luxembourg, controlled by Staffan Sjögren, notified the FSMA (formerly CBFA) and Spector Photo Group NV that it had fallen below the threshold of 3% stipulated in the Articles of Association on 27 July 2010.
The previous notification, dated 31 October 2008, reported an interest of 1,514,304 shares, or 4.14% of the total voting rights.

Spector Photo Group and its subsidiaries possess 1,207,072 or 3.30% treasury shares. The number of treasury shares remained unchanged in 2010.

Shareholders' structure as it appears from the notifications received



More detailed information on the shareholdership in the Company, as at year-end clossing date, can be found on page 103 of this document.

General Meeting of Shareholders

The Annual General Meeting takes place on the second Wednesday of the month of May at 2 p.m. The right to take part in the General Meeting will only be granted:
either on the basis of the registration of the shareholders in the register of the company's registered shares or bonds or warrants and after communication to the Board of Directors by letter, telegram, telex, fax or in other written manner, of their wish to take part in the meeting, unless specified otherwise in the convocation;
or: on the basis of the depositing of the dematerialised shares or bonds or warrants at the registered office of the company, unless specified otherwise in the convocation of the meeting;
or: if the shares or bonds or warrant are represented by a global certificate that is deposited with a settlement institution, on the basis of a certificate drawn up by the holder of the global certificate or by the financial intermediary at which the shareholder, bondholder or warrant holder holds the respective shares, bonds or warrants on a securities account, which states the unavailability of the shares, bonds or warrants until on the date of the General Meeting at the places and time stated in the letter of convocation;
or: on the basis of a certificate drawn up by the recognised account holder or by the settlement institution, which states the unavailability of the dematerialised shares or bonds or warrants until on the date of the General Meeting at the places stated in the letter of convocation; this at least three working days and at most six working days before the date stipulated for the assembly of the General Meeting, all this subject to subsequent legal amendments concerning this matter.

In view of the forthcoming legislative changes, the Act of 20 December 2010 on the exercising of certain rights of shareholders of listed companies, which will introduce some fundamental changes to the current regulations regarding the convening and holding of general meetings of public companies, at the Extraordinary General Meeting of Shareholders to be held on 11 May 2011, immediately following the Annual General Assembly, or possibly on 14 June 2011 at 3 p.m. if the statutory quorum is not reached, it will be proposed that the relevant provisions of the Articles of Association be amended such that they will already be adapted for this forthcoming legislation. Specifically, among other things, this means that the convocation, the contents of which will also change, for the next General Meeting will take place earlier, and that only the shareholders who can prove that they are shareholders 14 days before the General Meeting, via the date in the registration system, will be able to participate in the General Meeting. Fundamental changes will also be implemented concerning the use of proxies to enable participation in the General Meeting.

Communication with shareholders

Spector Photo Group attaches particular importance to regular and transparent communication to its shareholders. This communication includes, among other things:

- Publication of annual results, half-year results and quarterly 'Trading updates'.
- A separate 'Investor Relations' section on the corporate website.
- Free subscription to the relevant press releases for investors via the same website.
- Regular presence at presentations and events for private investors.

Remunerations and interests of members of the supervisory bodies: please see page 38 of this document.

Joint control

Spector Photo Group is not aware of any agreements between certain shareholders as a result of which common policy concerning Spector Photo Group is conducted.

INFORMATION PURSUANT TO ARTICLE 34 OF THE BELGIAN ROYAL DECREE OF 14 NOVEMBER 2007

Group structure

See Annual Report page 103.

Treasury shares

The General Meeting of 6 November 2007 explicitly authorised the Board of Directors in accordance with the provisions of the Belgian Company Code, to acquire treasury shares or profit-sharing certificates by purchase or exchange, or to dispose of them, without a prior resolution of the General Meeting being required, directly or via a person acting under their own name but on behalf of the company, or via a direct subsidiary as referred to in Article 627 of the Belgian Company Code, provided this acquisition or disposal is necessary to avoid an impending serious disadvantage for the company.

This authorisation applies for a period of three years from the publication of the resolution identified above in the Supplements to the Belgian Official Gazette and can be renewed, pursuant to Article 620:1 of the Belgian Company Code.
The company's treasury shares included in the 'Eurolist by Euronext' can be disposed of by the Board of Directors without prior approval of the General Meeting.

The General Meeting of 6 November 2007 also authorised the Board of Directors, in accordance with Article 620 of the Belgian Company Code, to acquire by purchase or exchange the maximum permitted number of shares at a price equal to at least eighty-five percent (85%) and no more than one hundred and fifteen percent (115%) of the most recent closing price at which these shares were listed on the Eurolist by Euronext on the day preceding the purchase or exchange. This authorisation applies for a period of 18 months from the publication of this resolution in the Supplements to the Belgian Official Gazette and can be renewed, pursuant to Section 620:1 of the Belgian Company Code.

Since this authorisation has now expired, at the Extraordinary General Meeting of Shareholders to be held on 11 May 2011, immediately following the Annual General Meeting, or possibly on 14 June 2011 at 3 p.m. if the statutory quorum is not reached, it will be proposed to renew this authorisation, including taking account of the currently amended statutory stipulations.

Share option plan

The Board of Directors decided unanimously at its meeting on 26 November 1999 to introduce share option plans for the benefit of employees and consultants of Spector Photo Group NV and associates, in the sense of Article 11 of the Belgian Company Code.

The free offer of the options to the employees will be considered as a benefit in kind that is taxable as remuneration. In view of the fixed measurement of this benefit, as provided for in the Act of 26 March 1999 concerning the Belgian Action Plan for Employment and including various provisions, this constitutes a form of remuneration that is beneficial for tax purposes.

The share options from 2001, which expired at year-end 2009, have lost all their value.
The share options from 2002, which expired at year-end 2010, have lost all their value.

Warrant Plan

The Extraordinary General Meeting of Shareholders of Spector Photo Group NV on 28 November 2005 resolved to issue 600,000 warrants in the sense of Article 42 of the Act of 26 March 1999 concerning the Belgian 1998 Action Plan for Employment and containing various provisions (the "Share Options Act"). Each warrant gives the right to subscribe for a single share. This Warrant Plan is designed to create a long-term incentive for the beneficiaries who, as directors or consultants, can make a significant contribution to the success and the growth of the company. In addition, this Warrant Plan aims to create a common interest among the beneficiaries and the shareholders that is directed towards an increase in the Company's share price.

In accordance with the Economic Recovery Act of 27 March 2009, the Board of Directors resolved to extend the exercise period of the warrants granted on 28 November 2005, for which the initial exercise period expires on 30 September 2010, for an additional period of four (4) years until 30 September 2014. During the extended period, the beneficiaries will be entitled to existing shares and not to new shares.

Year of offer	2005	
Exercise price	€ 3.36	
Number of warrants offered	600 000	
Number of outstanding/accepted warrants	600 000	
Initial exercise periods	03/2006 03/2007 03/2008 03/2009 03/2010	09/2006 09/2007 09/2008 09/2009 09/2010
Additional exercise periods in accordance with the Economic Recovery Act of 27 March 2009	03/2011 03/2012 03/2013 03/2014	09/2011 09/2012 09/2013 09/2014

Granting and exercising the warrants will have an effect on the employee expenses and thus on the results of the company, because of the application of IFRS 2 ' Share-based Payment '.

The 'theoretical value' of the warrants, calculated according to a conventional valuation method (Black & Scholes), amounts to EUR 0.22366 per warrant or a total of EUR 134,198, and is recognised as an employee expense for the financial year in which they were issued (2005). For this theoretical measurement of the value, account was taken of the last closing price of the share before the offer of these warrants, which was EUR 1.48, and with the exercise price of the warrants amounting to EUR 3.36. The expected volatility was based on the average volatility over a period of a year. No effects of any expected premature exercising were included, as this was not considered relevant.

Share price at allotment	€ 1.48
Exercise price	€ 3.36
Duration	5 years
Expected volatility	40%
Dividend yield	0%
Risk-free interest rate	3.10%

REMUNERATION REPORT

The Nomination and Remuneration Committee makes recommendations to the Board of Directors concerning (i) the remuneration policy for the non-executive directors and for the members of the executive management, and (ii) the remuneration level for the non-executive directors and for the members of the executive management. These recommendations are subject to the approval of the Board of Directors and by the shareholders at the Annual General Meeting.

The composition, operation and specific responsibilities of the Nomination and Remuneration Committee are described under article IV.2 and the associated appendices 1 and 2 of the Corporate Governance Charter.

Remuneration of non-executive directors

Non-executive directors each receive a reimbursement of EUR 12,500 per annum.
Mr. Tonny Van Doorslaer, appointed as Executive Chairman by the Board meeting of 26 August 2009, receives no remuneration in his capacity as Chairman of the Board of Directors.

The remuneration in the capacity of Managing Director – also Chief Executive Officer – is reported on page 38 of this document, under 'Remunerations and interests of the members of the Executive Committee'.

There are no separate reimbursements provided for the members of the committees, except for the three non-executive directors who are members of the Audit Committee, MCM BVBA, Patrick De Greve BVBA, and Norbert Verkimpe BVBA. As a supplement to their general annual remuneration, they each receive annual remuneration of EUR 2,500 for this. In addition to the remuneration identified above, Mr. Philippe Vlerick indirectly receives an annual remuneration of EUR 20 ('000) from his appointment as a non-executive director and Chairman of the Board of Directors of a subsidiary. Total directors' reimbursements of EUR 106 ('000) were paid out during the 2010 financial year, and EUR 121 ('000) for the 2009 financial year.

There is no contract between the company or its associates and the members of the Board of Directors that provides for any payment on their retirement as director. Such a scheme does exist, however, for Mr Tonny Van Doorslaer, but exclusively in his capacity as Managing Director; please see brief biographies on pages 39 to 42 of this document.

The non-executive directors do not receive performance-related remuneration; neither are they permitted to subscribe to the current Share Option Plans, nor to the Warrant Plan; please see pages 37 and 38. The directors directly hold a total of 257,521 shares of the company. Certain directors represent other reference shareholders, and are indirect shareholders.

A breakdown of these indirect interests can be found on pages 35, and 39 to 42 of this document.

Only executive directors were allowed to subscribe to the current Share Option Plan and Warrant Plans. Their subscriptions are contained in the figures reported for the Executive Committee; please see below.
None of the directors has received a loan granted by Spector Photo Group NV or any other related company.

Remuneration of the members of the Executive Committee (in € '000)

Members of the Executive Committee who are members of the Board of Directors receive no remuneration for their membership of the Board of Directors.

The remuneration of the Executive Committee members is determined by the Board of Directors at the recommendation of the Nomination and Remuneration Committee. For the Managing Directors of the Retail Group or the Imaging Group, a part of their remuneration is performance-related as an encouragement to support the Group's short-term and long-term performance. The variable remuneration is directly linked to the realisation of their divisional and their individual targets.

The Nomination and Remuneration Committee determines the variable remuneration on the basis of the financial performance and the success of the strategic initiatives of the Retail division or the Imaging division respectively.

The Executive Chairman receives no variable remuneration in accordance with the decision of the Board of Directors on 26 August 2009.

The total cost for the 2010 financial year amounts to EUR 861 ('000). The remuneration components for the Executive Committee members are shown below.
No guarantees or loans have been granted to the members of the Executive Committee by Spector Photo Group NV or associates.

Separately from their remuneration, Messrs Van Doorslaer and De corte also held Spector Photo Group NV shares as at 31 December 2010. Details can be found in the brief biographies further in this document.

Remunerations and interests of the members of the Executive Committee (in € '000)

Executive Committee member	Fixed remuneration component (1)	Variable remuneration component (1) (2)	Other remuneration components (3)	Number of warrants (exercise price per warrant) (4)
1. Tonny Van Doorslaer	225		8	400 000 (EUR 3.36)
2. Stef De corte				150 000 (EUR 3.36)
3. Christophe Levie				50 000 (EUR 3.36)
Total 1, 2 and 3	752	94	15	600 000 (EUR 3.36)

(1) Cost to the company, i.e. gross amount including social security contributions (employee and employer).
(2) The variable component is provided in the form of a bonus plan that is determined each year by the Nomination and Remuneration Committee.
(3) The other components refer to the costs for pensions, insurances, and the cash value of the other benefits in kind (expense allowances, company car, etc.).
(4) For the exercise periods, please see page 37 of this document.

BRIEF BIOGRAPHIES OF THE MEMBERS OF THE BOARD OF DIRECTORS

TONNY VAN DOORSLAER
Executive Chairman
Office address:
Spector Photo Group N.V.,
Kwatrechtsteenweg 160,
9230 Wetteren, Belgium.

Master in Law. After a ten-year career in the financial world with Kredietbank, Mr. Van Doorslaer has fulfilled various management functions within the Group, in both the financial and general management areas.
Managing Director of the Company and member of the Executive Committee since 1987. Executive Chairman since August 2009.
His current appointment runs until the Annual General Meeting of Shareholders of 2011. At the General Meeting of Shareholders of 11 May 2011, it will be proposed that Mr. Tonny Van Doorslaer be reappointed as Executive Chairman for a period of three years.
Current appointments with other disassociated companies include:
• Recticel NV (director and member of the Audit Committee);
• Guberna (member of the Board of Trustees).
Mr. Van Doorslaer has no family connections with other members of the Company's executive, management or supervisory bodies.

Mr. Van Doorslaer is holder of 221,449 registered shares and 400,000 warrants of Spector Photo Group NV. He has a contract that, only on resignation at the Company's request, provides him with financial compensation that amounts to a maximum of 12 times his monthly remuneration.

PHILIPPE VLERICK
Vice-Chairman of the Board
of Directors, non-executive director
Office address: Vlerick Group,
Doorniksewijk 49,
8500 Kortrijk, Belgium.

Holder of several degrees from Belgian and foreign universities in philosophy, law, management, and business administration. Extensive experience as a director and manager in numerous companies, of which several in the financial and industrial sectors.

Active in sector federations and special interest groups of the business world (VBO-FEB, Voka, etc.).
Non-executive director at the company since 1995. Vice Chairman since 28 November 2005. Member of the Nomination and Remuneration Committee. His current appointment as director with the Company runs until the Annual General Meeting of Shareholders of 2011.

At the General Meeting of Shareholders of 11 May 2011, it will be proposed that Mr. Philippe Vlerick be reappointed as non-executive director for a period of three years.

Current appointments with other companies include:
• BIC Carpets NV (chairman);
• UCO NV (chairman, managing director);
• Raymond Uco Denim Private Limited (chairman);
• Exmar NV (director);
• KBC Group (deputy chairman);
• Besix NV (director);
• BMT NV (director);
• ETEX Group SA (director);
• Kredietbank Luxemburg (deputy chairman);
• Vlerick Leuven Gent Management School (partner-director);
• Photo Hall Multimedia NV (chairman);
• HIFI International SA (chairman);
• Corelio NV (director);
• LVD Company NV (director);
• Pentahold NV (chairman);
• IVC NV (director);
• Concordia Textiles NV (director).

In addition, Mr. Vlerick is director of several family companies.
Mr. Vlerick has no family connections with other members of the Company's executive, management or supervisory bodies.

Mr. Vlerick holds no share options of Spector Photo Group NV. He holds no registered shares of the Company. However, he is the main shareholder of the companies that have united in the VIT Consortium, which is holder of 6,914,244 shares (18.8%) of Spector Photo Group NV, of which 36,072 shares are held by Mr. Vlerick privately.

There is no contract between the Company or its associates and Mr. Vlerick, which provides any benefit on resignation or retirement.

LUC VANSTEENKISTE
Permanent representative of
VEAN N.V., non-executive director
Office address: Recticel N.V.,
Olympiadenlaan 2,
1140 Brussel, Belgium

Graduate Chemical Engineer. Extensive experience as director in numerous companies and as a manager at Recticel that, under his leadership, has developed into a listed company with activities in 27 countries. Honorary Chairman of the Federation of Belgian Enterprises (VBO-FEB), also active in several other sector federations and special interest groups of the entrepreneurial world.

Non-executive, independent director at the company since 1995, and Chairman of the Board from 2001 until August 2009. Also chairman of the Nomination and Remuneration committee since 28 November 2005. His current appointment as director with the Company runs until the Annual General Meeting of Shareholders of 2011.

At the General Meeting of Shareholders of 11 May 2011, it will be proposed that Vean NV, permanently represented by Mr. Luc Vansteenkiste, be reappointed as non-executive director for a period of three years.

Current directorships with other companies:
- Sioen Industries NV (director);
- Ter Beke Vleeswaren NV (director);
- Delhaize Group NV (director);
- Recticel NV (vice chairman);
- Guberna VZW (director).

Mr. Vansteenkiste has no family connections with other members of the Company's executive, management or supervisory bodies.

Mr. Vansteenkiste holds no registered shares and no share options of Spector Photo Group NV and also has no other commercial link with the Group.

There is no contract between the Company or its associates and Mr. Vansteenkiste, which provides any benefit on resignation or retirement.

PATRICK DE GREVE
Permanent representative of
Patrick De Greve B.V.B.A.,
non-executive director
Office address: Putstraat 15,
9051 Sint-Denijs-Westrem, Belgium.

Master in Economic Sciences and in Management (MBA). As general manager of a management school with an international reputation, Mr. De Greve is very familiar with strategic and operational policy aspects of listed and unlisted companies. He has the necessary expertise relating changes of processes in organisations and companies.

Non-executive, independent director at the Company since 2004, and member of the Audit Committee since 2005. Mr. De Greve meets the independence criteria stipulated in Article 526ter of the Belgian Company Code, as provided for by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises. His current appointment as director with the Company runs until the Annual General Meeting of Shareholders of 2011.

At the General Meeting of Shareholders of 11 May 2011, it will be proposed that Patrick De Greve BVBA, permanently represented by Mr. Patrick De Greve, be reappointed as a non-executive director for a period of three years.

During the past five years, Mr. De Greve only fulfilled a director's appointment at the Vlerick Leuven Ghent Management School, and since 2008 he has been a member of the Board of Directors at Guberna.

Mr. De Greve has no family connections with other members of the Company's executive, management or supervisory bodies.
Mr. De Greve holds no registered shares or share options of Spector Photo Group NV and also has no other commercial link with the Group, which enables him to act as an independent director.

There is no contract between the Company or its associates and Mr. De Greve, which provides any benefit on resignation or retirement.

GEERT VANDERSTAPPEN
Permanent representative of
MCM B.V.B.A., non-executive director
Office address: Pentahold N.V.,
Belgicastraat 11,
1930 Zaventem, Belgium.

Graduate Engineer. Acted as the financial director with the Company between 1993 and 1999, thus more than five years ago. As partner at Pentahold NV and Buy-Out Fund CVA, Mr. Vanderstappen possesses sound financial expertise.
Non-executive, independent director since 28 November 2005.
Director and chairman of the Audit Committee.

Mr. Vanderstappen meets the independence criteria stipulated in Article 526 of the Belgian Company Code, and also possess the necessary expertise in the field of accounting and audit in the sense of Article 526bis:2 of the same Code as provided by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises.

His current appointment as director with the Company runs until the Annual General Meeting of Shareholders of 2011.

At the General Meeting of Shareholders of 11 May 2011, it will be proposed that MCM BVBA, permanently represented by Mr. Geert Vanderstappen, be reappointed as a non-executive director for a period of three years.

Current directorships with other companies include:
- Kinepolis NV;
- Vergokan International NV;
- Pentahold NV;
- Best² NV;
- Interio International NV.

Mr. Vanderstappen has no family connections with other members of the Company's executive, management or supervisory bodies.

Mr. Vanderstappen holds no registered shares of Spector Photo Group NV and also has not subscribed to any share options. There is no contract between the company or its associates and Mr. Vanderstappen, which provides any benefit on resignation or retirement.

NORBERT VERKIMPE
Permanent representative of
Norbert Verkimpe B.V.B.A.,
non-executive director
Office address:
Norbert Verkimpe B.V.B.A.,
Bommelsrede 29,
9070 Destelbergen, Belgium.

Regional Director and Competence Centre Director of Bisnode AB (Sweden), CEO of WDM International BV, chairman of WDM Belgium and WDM Belgium Holding. Extensive experience as director in numerous companies. Active in special interest groups of the entrepreneurial world (Guberna, Flemish Management Association, Belgian Direct Marketing Association, Stichting Marketing).

Non-executive, independent director and member of the Audit Committee since 14 May 2008. Mr. Verkimpe meets the independence criteria stipulated in Article 526 of the Belgian Company Code, as provided for by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises. His current appointment as director with the Company runs until the Annual General Meeting of Shareholders of 2011.

At the General Meeting of Shareholders of 11 May 2011, it will be proposed that Norbert Verkimpe BVBA, permanently represented by Mr. Norbert Verkimpe, be reappointed as a non-executive director for a period of three years.

Current directorships with other companies include:
- WDM International BV (CEO);
- WDM Belgium (chairman);
- WDM Belgium Holding (CEO & chairman);
- Xenarjo NV (director);

Mr. Verkimpe has no family connections with other members of the Company's executive, management or supervisory bodies. Mr. Verkimpe possesses no share options of Spector Photo Group NV and holds no registered shares of the company in a private capacity. There is no contract between the company or its associates and Mr. Verkimpe, which provides benefits on resignation or retirement.

CHRISTOPHE LEVIE
Managing Director Retail Group,
executive director
Office address:
Photo Hall Multimedia N.V.,
Lusambostraat 36,
1190 Brussel, Belgium.

Mr. Levie is a law graduate, and has been active since 1986 in several management functions within Photo Hall Multimedia NV, which joined the group in 1996.

Since 1998, Mr. Levie has been Managing Director of Photo Hall – with activities in Belgium, Luxembourg and France. Member of the executive committee of Spector Photo Group since 2005. At the General Meeting of 12 May 2010, Mr. Christophe Levie was appointed as a Director of Spector Photo Group.

His current appointment as director with the Company runs until the Annual General Meeting of Shareholders of 2011.
At the General Meeting of Shareholders of 11 May 2011,

it will be proposed that Mr. Christophe Levie be reappointed as executive director for a period of three years.

Mr. Levie does not fulfil any director's appointments at any other disassociated company, nor has he done so during the past five years. He has no family connections with other members of the Company's executive, supervisory or regulatory bodies. Mr. Levie holds no shares of Spector Photo Group NV and also has no subscription to any share options. Mr. Levie holds 50,000 warrants.

He has a contract, dated 24 August 2004, which only on resignation at the company's request, provides him with financial compensation that amounts to twice his average annual reimbursement over the last three years.

STEF DE CORTE
Managing Director Imaging Group,
executive director
Office address: Photomedia N.V.
Kwatrechtsteenweg 160,
9230 Wetteren, Belgium.

Graduate Engineer. Active in the Company since 1999, first as Finance & Administration Manager, then Director of the Wholesale Division, which then included 18 labs in Europe, later as Chief Financial Officer, and since December 2005 as Managing Director of the Imaging Group.

Formerly active in several consultant functions in the area of production, logistics and general business policy, with Bekaert-Stanwick and at ABB Service.

Executive committee member since 1999. At the General Meeting of 12 May 2010, Mr. Stef De corte was appointed as a Director of Spector Photo Group. His current appointment as director with the Company runs until the Annual General Meeting of Shareholders of 2011. At the General Meeting of Shareholders of 11 May 2011, it will be is proposed that Mr. Stef De corte be reappointed as executive director for a period of three years.

With the exception of his director's appointment at Acortis BVBA, Mr. De corte fulfils no director's appointments at any other disassociated company, nor has he done so during the past five years.

He has no family connections with other members of the Company's executive, supervisory or regulatory bodies.
Mr. De corte holds no shares in Spector Photo Group NV, but Acortis BVBA, permanently represented by Mr. De corte, holds 52,500 shares. Mr. De corte has subscribed to 150,000 warrants.

He has a contract that - only on resignation at the Company's request - provides him with financial compensation of 12 monthly reimbursements.

JONAS SJÖGREN
Permanent representative of Exceca Allocation AB,
non-executive director
Office address: Landbovägen 2D,
S-42166 Västra Frölunda, Sweden.

At the General Meeting of Shareholders of 11 May 2011, it will be proposed that the resignation of Exceca Allocation AB, permanently represented by Mr. Jonas Sjögren, as non-executive director be accepted with effect from 31 December 2010.

KATRIEN MATTELAER
Permanent representative of VIT N.V.,
Office address: Vlerick Group,
Doorniksewijk 49, 8500 Kortrijk, Belgium.

At the General Meeting of Shareholders of 11 May 2011, it will be proposed that VIT NV, permanently represented by Ms. Katrien Mattelaer, be appointed as a non-executive director for a period of three years.
Graduate in Applied Economic Sciences and Master in Business Administration. Since 2004, independent consultant in the areas of financial advice, supervision of acquisitions and valuation of businesses.

Previously worked as Director, CFO at Trust Capital Partners NV, as investment manager at Koceram NV, and as a senior consultant with TCM Europe - Groupe Depuydt.

Ms. Mattelaer has no family connections with other members of the Company's executive, supervisory or regulatory bodies. Ms. Mattelaer holds no share options of Spector Photo Group NV and holds no registered shares of the Company personally, but PANA BVBA, permanently represented by Ms. Mattelaer, does hold 28,750 shares of Spector Photo Group NV. There is no contract between the company or its associates and Ms. Mattelaer, which provides any benefit on resignation or retirement.

GENERAL INFORMATION CONCERNING SPECTOR PHOTO GROUP

1. GENERAL INFORMATION CONCERNING THE COMPANY

1.1. Identity

The company's name is 'Spector Photo Group N.V.', abbreviated to 'Spector'. Its registered office is at Kwatrechtsteenweg 160, 9230 Wetteren, Belgium.

1.2. Foundation and duration

Spector was founded for an indefinite term on 23 December 1964 under the name 'DBM Color N.V.' by deed passed in the presence of Civil-law notary Luc Verstraeten at Assenede, published in the Supplements to the Belgian Official Gazette of 15 January 1965. The Articles of Association were last modified by deed passed in the presence of Civil-law notary Tom De Sagher on 6 November 2007, published in the Supplements to the Belgian Official Gazette of 21 November 2007, as a result of the Act of 14 December 2005 governing the abolition of bearer securities.

An Extraordinary General Meeting is being convened that will be held on 11 May 2011 at 3 p.m. to amend the articles of association to bring them into line with current legislation in force.

1.3. Legal form

Spector was set up as a public limited liability company *(naamloze vennootschap)* according to Belgian law.

1.4. Company objective

The objective of the company is defined in article 3 of the Articles of Association as follows:

a) the production, import, purchase, sale, supply, renting out, leasing and storage of all products, materials and equipment for recoding and reproduction of pictures, signals and sound, and in the field electronic equipment, information technology, multimedia, sound and picture media, telecommunications, office equipment, photography, photoengraving, film and software, as well as their accessories and the associated services and related articles;

b) the acquisition, production, use and development of every image and trade name and patent that may or may not be related to the aforementioned activities and licence provision.

c) the purchase, sale, the reconstruction, the letting, the subletting, the financial borrowing, the leasing, the concession and the operating, under whatever form, of all moveable an immovable goods and machines, plants, equipment, commercial vehicles and cars, which are relevant to the company's activities;

d) the investing, managing and using of financial assets;

e) the setting up and cooperating with enterprises and companies, the purchase and the management of participating interests or shares in companies or enterprises of which the objective is similar or related to the objective defined above or is of the nature to promote achieving it, and in financial companies; the financing of such companies or enterprises by loans, guarantees or any other similar form whatsoever; the participation as member of the Board of Directors or of any other similar body for the management and the observation of the position of liquidator for the companies identified above;

f) the performance of all operations, studies and management services of administrative, technical, commercial and financial nature, chargeable to enterprises of which it is shareholder or for the account of third parties.

The company may, in Belgium and abroad, at its own expense of at the expense of third parties, conduct all industrial, trading and financial transactions that could extend or promote its business.

1.5. Register

Spector is registered at the legal entities register of Dendermonde under number RPR 0405.706.755. Its VAT-number (for Value-Added Tax) is BE 0405.706.755.

2. GENERAL INFORMATION CONCERNING THE CAPITAL

2.1. Issued capital

The authorised and paid-up capital of Spector as at 31 December 2006 amounted to EUR 64,193,915.72, and is represented by 36,619,505 fully paid-up authorised shares with no face value.

There are also 31,874,597 VVPR strips that provide the right to a reduced withholding tax of 15% instead of 25% on dividends. In order to enjoy this benefit, the shareholders need to present their coupons of the shares at the same time with the coupons of the VVPR strips to the dividend-paying organisation, and do this before 30 November of the year in which the dividend is granted.

2.2. Registered capital, convertible bonds

Article 34 of the Articles of Association provides that the Board of Directors is authorised for a term of five years starting from the publication of the resolution of the General Shareholders' Meeting of 28 November 2005 in the Supplements to the Belgian Official Gazette of 22 December 2005, within the statutory limitations, to increase the issued authorised share capital on one or more occasions, both by contributions in cash and by contributions in kind as well as by means of the incorporation of reserves and/or issue premiums, with or without issuing new shares, as well as by means of issuing, once or several times, bonds convertible into shares, bonds with warrants or warrants connected or not connected to another security, and all this for a maximum global amount of EUR 64,193,918.72. This ceiling applies to the issue of bonds convertible into shares, bonds with warrants, or warrants that are connected or not connected to another security, to the amount of the capital increases that could result from the conversion of these bonds or the exercising of these warrants.

The Board of Directors is hereby authorised by the General Shareholders' Meeting, based on a resolution taken in accordance with the provisions of Article 560 of the Belgian Company Code, within the framework of issuing securities within the registered capital, to modify the respective rights of the existing categories of shares or securities that do or do not represent the capital.
This authorisation is valid in so far as it is in accordance with the applicable statutory provisions. The Board of Directors will not in any case use this authorisation with the aim to, or in such a way that this would prejudice the shareholders' rights connected to the existing shares.

The Articles of Association also provide that the Board of Directors is explicitly authorised for a term of three years starting from the publication of the resolution of the General Meeting of Shareholders of the twenty eighth of November two thousand and five (28 November 2005) in the Supplements to the Belgian Official Gazette, to use the authorisation granted by the existing provision to increase the capital in the circumstances, under the conditions, and within the restrictions of Article 607 of the Belgian Company Code.

The Board of Directors determines the dates and the conditions of the capital increases that it has decided to implement pursuant to the previous paragraphs, including the possible payment of the share premiums. It determines the conditions for the issue of bond loans upon which it has decided pursuant to the previous paragraphs. When use is made of the previous paragraphs, the Board of Directors determines, in accordance with Articles 592 and following of the Belgian Company Code, the period and other conditions for the exercising of the preferential rights by shareholders when they are vested with this right by law. The Board of Director can also, in accordance with the same Articles 592 and following, in the interest of the Company and under the conditions provided by law, restrict or exclude the pre-emptive rights of the shareholders, in favour of one or several persons selected by the Board of Directors, regardless whether these persons are staff members of the Company or of its subsidiaries. When a share premium is paid as a consequence of the present clause, it will automatically be transferred to a non-distributable account called "share premiums", which can only be disposed of under the conditions required for the capital reduction. However, the premium can be incorporated in the registered share capital at any time; this resolution can be taken by the Board of Directors in accordance with the first paragraph.

In view of the expiry of the period identified above, at the Extraordinary General Meeting of Shareholders to be held on 11 May 2011, immediately following the Annual General Meeting, or possibly on 14 June 2011 at 3 p.m. if the statutory quorum is not reached, it will be proposed to extend the authorisations for a new period of five years.

2.3. Profit sharing certificates

None.

2.4. Conditions for changes of the capital

Statutory conditions.

2.5. Transactions

a) 8 November 1991, publication in Belgian Official Gazette of 29 November 1991: Capital increase in the context of the share option plan, by cash contribution worth BEF 2,872,620 and creation of 23,609 new shares. As a result of this, the registered capital amounted to BEF 1,016,633,457, represented by 1,425,510 shares of which 205,140 were AFV shares.
b) 5 June 1992, publication in Belgian Official Gazette of 27 June 1992. Capital increase by cash contribution worth BEF 117,166,543 by creation of 68,921 new shares. As a result of this, the capital amounted to BEF 1,133,800,000, represented by 1,494.431 shares of which 205,140 were AFV shares.
c) 29.12.29 December 1992, publication in Belgian Official Gazette of 23 January 1993: Capital increase in the context of the share option plan, by cash contribution worth BEF 3,569,693 by creation of 29,907 new shares. Accordingly, the capital amounted to BEF 1,137,369,693, represented by 1,524,338 shares of which 205,140 were AFV shares.
d) 9 July 1993, publication in Belgian Official Gazette of 3 July 1993: Capital increase in the context of the share option plan, by cash contribution worth BEF 1,497,571 by creation of 6,809 new shares. As a result of this, the registered capital amounted to BEF 1,138,867,274, represented by 1,531,147 shares of which 205,140 were AFV shares.
e) Conversion of shares, publication in Belgian Official Gazette of 2 October 1993: In view of the merger with Prominvest that would take place on 29 October 1993, the extraordinary General Meeting of 7 September 1993 decided to proceed with the conversion of all 1,531,147 existing Spector shares into 2,703,317 new shares, in which each existing share gave the right to 1.76555 new shares. As a result of this, the registered capital would be represented by 2,703,317 new shares, of which 362,185 were AFV shares. This conversion was performed in order to create an exchange ratio of one Spector share to one Prominvest share. After this operation, Prominvest held 96% of the Spector shares.
f) 29 October 1993, publication in Belgian Official Gazette of 23 November 1993: Merger due to acquisition by Prominvest N.V.: in the merger, the capital of Prominvest was added to Spector's capital. This increased Spector's registered capital to BEF 2,265,805,017 by the creation of 2,675,000 new shares, so that 5,378,317 shares represented the capital.
After this, the capital was increased by BEF 341,690 and BEF 1,406,194,933 for the revaluation gains and share pre-

miums respectively, each without issuing new shares, to an amount of BEF 4,013,690,061. Immediately after this transaction, the capital was reduced by BEF 3,050,082,500 and 2,596,810 Spector treasury shares were destroyed, including all AFV shares. After the merger, Spector's capital therefore amounted to BEF 963,607,561, represented by 2,781,507 shares.

g) 15 February 1994, publication in Belgian Official Gazette of 15 March 1994: Capital increase by exercising of warrants: due to the exercising of the warrants, the capital was increased to BEF 1,488,390,561, represented by 3,306,290 shares of which 524,783 were VVPR shares.

h) 10 May 1995, publication in Belgian Official Gazette of 3 June 1995: Increase of share capital under suspensive condition amounting to the number of shares subscribed to by means of warrants, multiplied by the accounting parity of the existing registered shares at the moment of exercising the warrants. The maximum number of shares to be created was 826,572 VVPR shares.

i) 4 October 1996 : Bringing into line of ordinary and VVPR shares by granting of the VVPR-strip coupon sheet. As result of this 524,783 VVPR strips were created and the capital was represented by 3,306,290 ordinary shares.

j) 5 October 1996, publication in Belgian Official Gazette of 29 October 1996: Increase of share capital due to exercising of 14,658 warrants, subscription at par of BEF 450 per share, supplemented with the payment of a share premium of BEF 1,125 per share, as a result of which 14,658 new ordinary shares with the same number of VVPR strips were created. As result of this the capital was raised by BEF 6,596,100 to BEF 1,496,986,661, represented by 3,320,928 ordinary shares, with 539,441 VVPR strips in circulation.

k) 8 November 1996, publication in Belgian Official Gazette of 3 December 1996: Increase of share capital in the context of the authorised capital by a cash contribution of BEF 2,159,176,311 BEF, which is BEF 664,189,650 capital supplemented by a share premium of BEF 2,088,507,455 by creation of 1,475,977 new ordinary shares and the same number of VVPR strips. As result of this, the capital amounted to BEF 2,159,176,311 represented by 4,796,925 shares, with 2,015,418 VVPR strips in circulation.

l) 13 May 1998, publication in Belgian Official Gazette of 6 June 1998: (i) Increase of share capital by incorporation of BEF 2,104,997,705 of share premiums, without creation of new shares. As result of this, the capital amounted to BEF 4,264,174,016 represented by 4,796,925 shares, with 2,015,418 VVPR strips in circulation;(ii) Issue of 600,000 transferable registered warrants, with discontinuation of preferential right to the benefit of Fotoinvest CVBA or its legal successors. Each warrant gives the right to subscribe to 1 new share of the company at a price per share equal to the average of the closing prices of Spector shares during the 60 trading days that precede the exercising, with a minimum equal to the average of the stock exchange price during 30 days prior to the date of issue. The warrant can be exercised at every moment, individually or jointly, during a period of five years counting from the date of emission, (i) with effect from the notification by the Belgian Banking, Finance and Insurance Commission (CBFA) of a public takeover bid on the shares of the company, or (ii) with effect from moment that an audit announcement is sent to the Banking and Finance Commission and/or the company receives knowledge of the purchase by one or more persons who by mutual agreement act with 20% or more of the voting-right securities of the company, or (iii) as soon as the price of the company's shares on the Brussels Stock Exchange's First Market become identifiably and substantially affected by systematic buying orders or by constant rumours concerning a take-over bid on the shares of the company, subject to approval of the capital increase on condition an to the extent that the warrants identified above amounting to the maximum amount equal to the number of subscription rights represented by the warrants, multiplied by the fraction unit value of the share at the moment of subscription.

m) 23 June 1998, publication in Belgian Official Gazette of 21 July 1998: Increase of share capital due to exercising of 115 warrants, subscription at par of BEF 889 per share, supplemented with the payment of a share premium of BEF 65 per share, as a result of which 115 new shares with the same number of VVPR strips were created. As result of this, the capital amounted to BEF 4,264,351,116, represented by 4,797,040 shares, with 2,015,533 VVPR strips in circulation.

n) 14 June 2000, publication in Belgian Official Gazette of 06 July 2000: Increase of share capital due to exercising of 812 warrants, subscription at par of BEF 889 per share, supplemented with the payment of a share premium of BEF 65 per share, as a result of which 812 new shares with the same number of VVPR strips were created. As result of this, the capital amounted to BEF 4,265,601,596, represented by 4,797,852 shares, with 2 VVPR strips in circulation.

o) 30 March 2001, publication in Belgian Official Gazette of 20 April 2001: (i) Capital reduction by BEF 3,850,394,314 to bring the registered share capital from BEF 4,265,601,596 to BEF 415,207,282 by settlement of losses incurred on the actually paid-up capital for tax purposes without destruction of shares, with proportional reduction of the fraction unit value of the shares, and subject to approval for the corresponding amendment of article 5 of the Articles of Association concerning the level of the registered capital; (ii) Increase of share capital, with discontinuation of preferential right, by cash contribution of BEF 300 million and issue of 783,046 registered shares with no indication of nominal value; (iii) Incorporation of the share premium amounting to BEF 232,235,199 in the capital so that the issued registered share capital was increased by an Amount of BEF 232,235,199 to bring it from BEF 482,972,083 to BEF 715,207,282 without creation of new shares; (iv) Conversion of the issued registered share capital amounting to BEF 715,207,282, rounded off, to EUR 17,729,525.41 so that the issued registered capital after conversion amounts to EUR 17,729 525,41.

p) 19 July 2002, publication in Belgian Official Gazette of 15 August 2002:
(i) Increase of share capital by an amount of EUR 3,749,778.97 to increase it from EUR 17,729,525.41 to EUR 21,479,304.38 by contribution in the context of the merger by acquisition of the NV Photo Hall Multimedia, in which the entire capital of NV Photo Hall without exception or qualification transfers under universal title to Spector Photo Group NV, issuing 1,180,355 new shares, coupon number 11 and following attached, without indication of nominal value, of the same nature and providing the same rights and benefits as the existing shares; (ii) Incorporation of share premium amounting to EUR 913,057.14 in order to bring it from EUR 21,479,304.38 to EUR 22,392,361.52 without issuing new shares.

q) 14 December 2005, publication in Belgian Official Gazette of 5 January 2006:
(i) Capital increase by an amount of EUR 39,999,999.20 thus bringing it from EUR 22,392,361.52 to EUR 62,392,360.72 by the issue at EUR 1.40 per newly created share of 28,571,428 newly created VVPR bearer shares without indication of their nominal value, offering the same rights and benefits as the Company's existing shares with reduced withholding taxes (the VVPR shares); ii) capital increase by EUR 1,801,555.00 thus bringing it from EUR 62,392,360.72 to EUR 64,193,915.72, by contribution in kind of a receivable belonging to De Bommels NV, and of a receivable belonging to R.N.A. NV, and of a receivable belonging to Olca NV, by the issue at an issue price of EUR 1.40 per share of 1,286,824 new Company bearer shares without indication of their nominal value, offering the same rights and benefits as the Company's existing shares with reduced withholding taxes (the so-called VVPR shares); (iii) Recording the issue of 600,000 warrants in total, which at their being exercised at the exercise price of EUR 3.36 per warrant, give right to one share with the same rights and benefits as the Company's existing shares with reduced withholding taxes (the so-called VVPR shares); (iv) Recording the amount of the authorised capital at EUR 64,193,915.72.
(iv) Recording the amount of the authorised capital at EUR 64,193,915.72.

r) 6 November 2007, publication in Belgian Official Gazette of 21 November 2007:
(i) Approval of the resolution to amend the Articles of Association as a result of the amended legislation concerning the abolition of bearer securities and the dematerialisation of securities; (ii) Amending article 35 of the Articles of Association concerning acquisition or disposal of treasury shares.

2.6. Summary of transactions

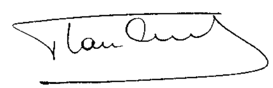
year	number of shares	capital
1964	200	1 000 000 BEF
1966	400	2 000 000 BEF
1970	800	4 000 000 BEF
1976	1 124	8 000 000 BEF
1983	1 904	13 550 480 BEF
1987	500 752	50 864 428 BEF
1988	699 500	180 000 000 BEF
1989	791 402	383 000 000 BEF
1990	1 401 901	1 013 760 837 BEF
1991	1 425 510	1 016 633 457 BEF
1992	1 524 338	1 137 369 693 BEF
1993	2 781 507	963 607 561 BEF
1994	3 306 290	1 488 390 561 BEF
1996	4 796 925	2 159 176 311 BEF
1998	4 797 040	4 264 351 116 BEF
2000	4 797 852	4 265 601 596 BEF
2001	5 580 898	17 729 525.41 EUR
2002	6 761 253	22 392 361.52 EUR
2005	36 619 505	64 193 915.72 EUR

DISCHARGE OF DIRECTORS AND THE COMMITTEE OF STATUTORY AUDITORS

Due to the statutory provisions and the Articles of Association, it is requested that the directors and the Committee of Statutory Auditors be granted discharge for the performance of their engagements during the financial year ended on 31 December 2010.

Wetteren, Belgium, 14 April 2011

On behalf of the Board of Directors



Tonny Van Doorslaer,
Executive Chairman

STATEMENT CONCERNING THE RESPONSIBILITY OF THE MANAGEMENT

Mr. Tonny Van Doorslaer, Executive Chairman, Mr. Christophe Levie, Managing Director of the Retail Group and Mr. Stef De corte, Managing Director of the Imaging Group declare, in the name and on behalf of Spector Photo Group, that to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with the applicable standards for annual accounts, present a true and fair view of the assets, liabilities, financial position and results of Spector Photo Group NV and the enterprises incorporated in the consolidation;
- the annual report gives a true and fair view of the developments and results and of the position of Spector Photo Group and the enterprises incorporated in the consolidation.

REPORT OF THE COMMITTEE OF STATUTORY AUDITORS

SPECTOR PHOTO GROUP NV
Kwatrechtsteenweg 160
9230 WETTEREN
RPR/RPM : BE 0405.706.755

COMMITTEE OF STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF SPECTOR PHOTO GROUP NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

In accordance with the legal requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the consolidated financial statements as well as the required additional statements .

Unqualified audit opinion on the consolidated financial statements with an explanatory paragraph

We have audited the consolidated financial statements for the year ended 31 December 2010 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of EUR (000) 122.974 and a profit for the year of EUR (000) 99.

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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises / Instituut van de Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.
In accordance with the above-mentioned auditing standards, we considered the group's accounting system, as well as its internal control procedures. We have obtained from management and the company's officials, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the appropriateness of the accounting policies (1) and consolidation principles, the reasonableness of the significant accounting estimates made by the company, as well as the overall presentation of the consolidated financial statements. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended 31 december 2010 give a true and fair view of the group's assets and liabilities, its financial position, the results of its operation and cash flow in accordance with International Financial Reporting Standards as adopted by the European Union

Notwithstanding our unqualified opinion, we draw the attention to the consolidated director's report in which the valuation of the intangible assets is motivated, taken into account the changing market conditions. The motivation of the valuation of the intangible assets depends on the future positive development of the markets on which the business plan is based.

Additional statements

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

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

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

Gent, April 14, 2011

The Committee of Statutory Auditors

PKF bedrijfsrevisoren CVBA Represented by	Grant Thornton, Lippens & Rabaey Represented by
D. De Jonge Statutory Auditor	J. Lippens Statutory Auditor

2010 CONSOLIDATED FINANCIAL STATEMENTS

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INCOME STATEMENT FOR THE PERIOD (in € '000)

	Note	2009	2010
Revenue	2	243 978	223 347
Other operating income	3	5 038	5 459
Changes in inventory of finished goods & work in progress	4		14
Work performed by enterprise and capiltalised	5		40
Trade goods, raw materials and consumables	6	175 923	159 888
Employee expenses	7	31 728	30 373
Depreciation and amortisation expenses	8	8 941	5 738
Other operating expenses	9	31 803	28 225
Profit/loss (-) from operating activities, before non-recurring items	10	620	4 635
Non-recurring items from operating activities	11		- 1 501
Profit/loss (-) from operating activities		620	3 134
Financial income		536	565
Financial costs		-4 829	- 4 013
Financial cost-net, before non-recurring items		-4 293	- 3 448
Financial result	12	- 4 293	- 3 448
Profit/loss (-) before taxes, before non-recurring financial items		-3 673	- 313
Profit/loss (-) before taxes		-3 673	- 313
Income tax expense (-)/ income	13	946	413
Profit/loss (-) from continuing activities		-2 726	99
Discontinued operations			
Profit/loss (-) from discontinued operations		-1 062	
Profit/loss (-) for the period		-3 788	99
Attributable to equity holders of the parent company		-3 788	99

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD (in € '000)

	2009	2010
Profit/loss (-) for the period	- 3 788	99
Currency translation adjustments :	2 327	1 279
Gains/losses (-) arising during the year	- 34	689
Reclassification adjustments for gains/losses (-) included in profit or loss	2 361	589
Total comprehensive income for the period attributable to equity holders of the parent company	- 1 461	1 378

The reclassification adjustments related to 2009 contain EUR 757 ('000) for assets held for sale.

PROFIT/LOSS (-) PER SHARE (in €, except for the number of shares)

	2009	2010
Number of shares	36 619 505	36 619 505
Shares with dividend rights	Number	Number
	35 412 433	35 412 433
Income statement for the period		
Profit/loss (-) from continuing activities	-0.08	0.00
Profit/loss (-) from discontinued operations	-0.03	
Profit/loss (-) for the period attributable to equity holders of the parent company	-0.11	0.00
Comprehensive income for the period		
Total comprehensive income for the period attributable to equity holders of the parent company	-0.04	0.04

STATEMENT OF FINANCIAL POSITION AS AT THE END OF THE PERIOD (in € '000)

ASSETS	Note	2009	2010
Non-current assets			
Property, plant and equipment	14	20 640	17 980
Consolidation goodwill and other goodwill	15	19 164	18 849
Intangible assets other than goodwill	16	9 966	10 288
Other non-current financial assets	17	49	49
Trade and other receivables	18	252	224
Deferred tax assets	19	7 032	7 760
Non-current assets		57 103	55 151
Current assets			
Assets held for sale	20	681	636
Inventories	21	28 717	33 445
Trade and other receivables	22	16 129	16 267
Investment securities - current		3	3
Cash and cash equivalents	23	18 439	16 580
Current income tax assets	24	469	892
Current assets		64 438	67 823
TOTAL ASSETS		121 541	122 974

EQUITY AND LIABILITIES	Note	2009	2010
Total equity			
Capital		64 194	64 194
Reserves and retained earnings/ accumulated loss (-)		- 33 904	- 33 804
Treasury shares (-)		- 2 422	- 2 422
Currency translation adjustments		1 229	2 508
Shareholder's equity		29 097	30 475
Total equity	25	29 097	30 475
Non-current liabilities			
Non-current interest-bearing financial obligations	26	16 337	28 697
Employee benefit liabilities	27	148	535
Non-current provisions	28	1 403	1 069
Deferred tax liabilities	30	1 319	979
Non-current liabilities		19 208	31 279
Current liabilities			
Liabilities held for sale	31	698	653
Current interest-bearing financial obligations	26	30 133	17 444
Trade and other payables	32	35 914	37 971
Employee benefit liabilities	27	4 452	4 320
Current income tax liabilities	33	2 039	194
Current portion of provisions	29		637
Current liabilities		73 236	61 219
TOTAL EQUITY AND LIABILITIES		121 541	122 974

STATEMENT OF CHANGES IN EQUITY (in € '000)

	Capital	Retained earnings	Treasury shares	Currency translation adjustments	Shareholders' equity	Total equity
Balance as at 31.12.2008	64 194	-30 115	-2 422	-1 098	30 559	30 559
Currency translation differences				2 327	2 327	2 327
Net profit/loss (-) for the period		-3 788			-3 788	-3 788
Total comprehensive income		-3 788		2 327	-1 461	-1 461
Balance as at 31.12.2009	64 194	-33 904	-2 422	1 229	29 097	29 097
Currency translation differences				1 279	1 279	1 279
Net profit/loss (-) for the period		99			99	99
Total comprehensive income		99		1 279	1 378	1 378
Balance as at 31.12.2010	64 194	-33 804	-2 422	2 508	30 475	30 475

STATEMENT OF CASH FLOWS FOR THE PERIOD (in € '000)

For the year ended on 31 December	2009	2010
Operating activities		
Net result	- 3 788	99
Depreciation, write-offs, impairment of property, plant and equipment	3 764	3 620
Depreciation, write-offs, impairment of intangible assets	5 018	2 305
Write-offs, impairment on current and non-current assets	128	- 187
Provisions	- 719	671
Unrealised foreign exchange losses/gains (-)	1 170	732
Net interest income (-)/expense	3 041	2 447
Loss/gain (-) on sale of property, plant and equipment	- 44	- 520
Income tax expenses	- 2 478	- 1 046
Other non-cash costs	2 362	589
Profit from operations before changes in working capial and provisions	8 454	8 710
Decrease/increase (-) in trade and other receivables	3 250	- 1 007
Decrease/increase (-) in inventories	8 420	- 4 599
Increase/decrease (-) in trade and other payables	- 1 651	2 973
Increase/decrease (-) in provisions		- 378
Increase/decrease (-) in provisions for employees	- 12	364
Cash generated from operations	18 460	6 063
Interest paid (-)/received	- 2 998	- 2 441
Income tax paid (-)/received	602	- 3 014
Cash flow from operating activities	16 064	607

	2009	2010
Investing activities		
Proceeds from sale of property, plant and equipment	134	1 689
Proceeds from sale of subsidiaries	- 42	
Acquisition of property, plant and equipment	- 6 121	- 1 980
Acquisition of intangible assets	- 2 262	- 2 095
Cash flow from investing activities	- 8 291	- 2 386
Financing activities		
Proceeds from borrowings	3 719	4 056
Repayment of borrowings	- 5 870	- 4 438
Cash flow from financing actvities	- 2 151	- 382
Net increase/decrease (-) in cash and cash equivalents	5 623	- 2 160
Cash and cash equivalents at the beginning of the year	12 438	18 439
Cash and cash equivalents at the beginning of the year discontinued operations	898	640
Effect of exchange rate fluctuations	121	288
Cash and cash equivalents at the end of the period	18 439	16 580
Cash and cash equivalents at the end of the period in assets held for sale	640	628
Total cash and cash equivalents	19 079	17 208

The consolidated statement of cash flows is based on the net result, to which the non-cash items are then added in order to recompile the cash flows.

Cash flows from operating activities

The cash flow from operating activities is mainly affected by the net result and the non-cash items.
Details about depreciation, amortisation and impairments can be found in the notes to the consolidated statement of financial position on page 73 of this document. The non-cash flows mainly concern write-downs on investments in plant and equipment, and on intangible assets.
In the 2009 financial year, the write-downs on non-current and current assets amounted to EUR 128 ('000), of which minus EUR 148 ('000) on inventories, EUR 306 ('000) on trade receivables, and minus EUR 30 ('000) on other receivables. The other non-cash costs consist, on the one hand, of a non-cash cost resulting from the realised currency translation differences on the sale of the Hungarian Föfoto of EUR 758 ('000) and the liquidation of Sacap Hong Kong of EUR 117 ('000), and on the other, from currency translation differences related to long-term intercompany loans of EUR 1,487 ('000), which were previously recognised directly in a separate item of the equity and taken to the statement of comprehensive income on realisation.
In the 2010 financial year, the write-downs on non-current and current assets amounted to minus EUR -187 ('000), of which minus EUR 79 ('000) on inventories, and EUR -108 ('000) on trade receivables. The other non-cash costs consist of currency translation differences related to long-term intercompany loans of EUR 589 ('000), which were previously recognised directly in a separate item of the equity and taken to the statement of comprehensive income on realisation.
The interest expenses decreased to EUR 2,447 ('000) in 2010, compared to EUR 3,041 ('000) in 2009. The cash outflow amounted to minus EUR 2,441 ('000), compared to minus EUR 2,998 ('000) in 2009.

In 2009, the net cash and cash equivalents increased positively due to the taxes amounting to EUR 602 ('000). In the 2010 financial year, taxes of EUR 3,014 ('000) were paid.
Furthermore, the cash flow was subject to an effect related to the changes in the working capital.
At Group level, the trade receivables, the other receivables and the inventories decreased further during 2009. In the Retail Group, the inventories and the trade receivables decreased considerably, while trade payables remained stable. In the Imaging Group, there was a decrease in the trade receivables and trade payables. In 2009, the other tax assets decreased by EUR 2,683 ('000) and the other tax liabilities decreased by EUR 1,426 ('000). As a result of tax disputes, a ruling in favour of the Group was delivered at the end of 2007. The tax administration made the repayments in January and March 2009, which mainly explains the decrease in the other tax assets and tax liabilities. In the 2010 financial year, the trade receivables remained stable in contrast to the trade payables, which increased. The inventories in the Retail Group increased considerably, a reflection of the less-than-expected retail sales at the end of the financial year.

Cash flow from investing activities

The investments in 2009 mainly related to the purchase of Hifi International's central building in Bettembourg, Luxembourg.
Furthermore, the Retail Group's investments in 2009 and 2010 mainly concerned the setting up of new shops and the refurbishment of existing shops.
In 2009 and 2010, the Imaging Group's main investments were in machines and the development of designs for photo books and photo gifts.

The inflow of cash funds in 2010 amounted to EUR 1,689 ('000), which mainly concerned the sale of the building in Tanumshede, Sweden.

The 'Receipts from the sale of subsidiaries' item in 2009 related to the sale of the Hungarian Föfoto amounting to minus EUR 42 ('000).

(in € '000)	**2009**
Property plant and equipment	2 197
Intangible assets	58
Inventories	1 642
Trade and other receivables	429
Cash and cash equivalents	42
Non-current provisions	- 10
Non-current interest-bearing financial obligations	-2 223
Current trade and other payables	-2 135
Total sale price	0
Less cash and cash equivalents of subsidiaries	- 42
Proceeds from the sale of subsidiaries	- 42

Cash flow from financing activities

In 2010, the liabilities were reduced by EUR 382 ('000), compared to EUR 2,151 ('000) in 2009.

In 2009, the cash and cash equivalents increased by EUR 5,743 ('000) to EUR 19,079 ('000) as at the financial year-end.
The cash and cash equivalents decreased by EUR 1,871 ('000) to EUR 17,208 ('000) as at the financial year-end 2010.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

STATEMENT OF COMPLIANCE

Spector Photo Group NV is a company having its seat in Belgium. The statement of financial position and the income statement of Spector Photo Group comprises the company, its subsidiaries, the Group's proportional share in joint ventures, and the Group's interests in associates, jointly referred to as 'Spector Photo Group' or the 'Group'. The Board of Directors issued the consolidated statement of financial position and income statement for publication on 14 April 2011. The consolidated financial positions and income statement have been prepared in accordance with the International Financial Reporting Standards (IFRS), the standards for financial reporting and the interpretations issued by the International Accounting Standards Board (IASB), as approved by the European Union, and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

APPLICATION OF IFRS STANDARDS AND INTERPRETATIONS

The first application of the IFRS standards and interpretations to the consolidated financial statements of the Spector Photo Group in accordance with the International Financial Reporting Standards (IFRS) was performed with the preparation of the consolidated statement of financial position and income statement for 2005. During the current financial year, the company applied all published new and revised standards and interpretations that are relevant to its activities and which are in force for the accounting period that started on 1 January 2010, as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The group has not yet proceeded with the early application of the new standards, amended existing standards and interpretations that had already been endorsed by the EU on the date of the financial statements' approval, but which were not compulsorily applicable for the period commencing on 1 January 2010:

Amendment to IAS 1 Presentation of Financial statements - Clarification of the statement of changes in equity: applicable for financial years commencing on or after 1 January 2011.

Amendment to IAS 12 Income tax liabilities – Deferred taxes: Collectability of underlying assets: applicable for financial years commencing on or after 1 January 2012.

Amendment to IAS 24 Related Party Disclosures: applicable for financial years commencing on or after 1 January 2011.

Amendment to IAS 27 The Consolidated and Separate financial statements – Transitional measures for amendments as a result of IAS 27: applicable for financial years commencing on or after 1 July 2010.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of rights issues: applicable for financial years commencing on or after 1 February 2010.

Amendment to IAS 34 Interim financial reporting – Important events and transactions: applicable for financial years commencing on or after 1 January 2011.

Amendment to IFRS 3 Business combinations: applicable for financial years commencing on or after 1 July 2010.

- Transitional measures for a conditional payment of a business combination that occurred prior to the effective date of the revised version of IFRS 3
- Measurement of minority interests
- Retention and voluntary replacement of share-based payments.

Amendment to IFRS 7 Financial Instruments: Disclosures – Clarification of disclosures: applicable for financial years commencing on or after 1 July 2011.

IFRS 9 Financial Instruments: applicable for financial years commencing on or after 1 January 2013.

Amendment to IFRIC 13 Customer Loyalty Programmes – Fair value award credits: applicable for financial years commencing on or after 1 January 2011.

Amendment to IFRIC 14 IAS 19 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: applicable for financial years commencing on or after 1 January 2011.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: applicable for financial years commencing on or after 1 July 2010.

IFRS1 First Time Adoption of IFRS – Changes due to the Annual improvements to IFRS for financial years commencing on 1 January 2011 and 1 July 2011.

The future application of the standards and interpretations identified above are not expected to have any material effect on the consolidated financial statements of Spector Photo Group NV.

With effect from 1 January 2009, the Group has been presenting its operating segments in accordance with IFRS 8 Operating Segments.

The reporting of segmented information previously occurred according to the business segments and according to the geographical segments in accordance with IAS 14 Segmented information. The application of IFRS 8 had no effect on the operating segments, or on the Group's realised results.

SUMMARY OF MOST SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements' presentation currency is the euro, rounded to the nearest thousand. The consolidated financial statements have been prepared under the historical cost convention. Any exceptions to this historical cost convention will be disclosed in the accounting policies below.

The consolidated financial statements comprise the financial statements of Spector Photo Group NV and its subsidiaries drawn up as at 31 December each year.

The consolidated financial statements are presented before the profit appropriation of the parent company proposed to the General Meeting of Shareholders.

Consolidation principles

Subsidiaries are those companies in which Spector Photo Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has control, directly or indirectly, over the operations. Subsidiaries are recognised in the consolidation using the full consolidation method. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date that control ceases.

Joint ventures are companies over which the Group exercises joint control. The financial statements of these companies are consolidated using the proportional consolidation method.

Associates are those companies in which Spector Photo Group has, directly or indirectly, significant influence over the financial and operating policies, but which it does not control. This is presumed by ownership of between 20% and 50% of the voting rights.

Associates are recognised using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. When Spector Photo Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that Spector Photo Group has incurred obligations or made payments on behalf of the associate.

Available-for-sale financial assets, and investments in associates over which Spector Photo Group exercises no control and holds less than 20% of the voting rights, are initially measured at fair value unless this cannot be reliably assessed.

Investments that do not qualify for measurement at fair value are recognised at their historical cost. Changes in fair value after initial recognition, with the exception of impairment losses that are recognised in the income statement, are incorporated directly in equity. On divestment, the cumulative changes previously recognised in the equity, are transferred to the income statement. All intercompany transactions, balances, and unrealised gains and losses on transactions between group companies have been eliminated. If one of the group companies uses different accounting policies, the individual financial statements are changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the company's most important subsidiaries and associates can be found in the notes.

Revenues

Sale of goods

Revenue from the sale of goods is recognised in the income statement:

- when the significant risks and rewards of ownership have been transferred to the buyer;
- when the entity does not retain the effective control or involvement which usually belongs to the owner concerning the goods sold;
- when the amount of the proceeds can be reliably established;
- when it is probable that the economic benefits concerning the transaction will flow to the entity;
- and when costs already incurred or still to be incurred concerning the transaction can be measured reliably.

Rendering of Services

If the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction as at the balance sheet date.

Interest, royalties, and dividends

Interest is recognised in accordance with the effective interest method.

Royalties are recognised on an accrual basis in accordance with the terms of agreements.

Dividends are recognised at the time when the shareholder's right to receive payment is established. Revenues are measured at the fair value of the payment for the sale of goods and services, net of value-added tax, trade rebates or volume discounts, and after eliminating sales within the Group.

Expenses

Financial expenses comprise interest amounts payable on borrowings. Other non-operating expense or income comprises foreign exchange losses and gains with respect to non-operating activities, and losses and gains on hedging instruments with respect to non-operating activities.

Financing expenses are recognised in the period in which they are incurred. Interest expenses of repayments on finance leases are recognised in the income statement using the effective interest rate method.

Operating lease payments are recognised as expenses in the income statement on a straight-line basis over the term of the lease.

Foreign currency translation

The functional and presentation currency of Spector Photo Group NV and its subsidiaries in countries of the Eurozone is the euro.

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transaction or at the end of the month before the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Foreign exchange gains and losses are recognised in the income statement in the period in which they arise. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate on the date of the transaction.

Assets and liabilities of foreign subsidiaries are translated to euros at the rates of exchange prevailing at the reporting date. Income, expenses, cash flows, and other movement items are translated at the average exchange rates for the period. The components of the (shareholders') equity are translated at historical rates. Translation gains and losses arising from the conversion to euros of the equity at the rate on reporting date, are recognised as 'Currency translation adjustments' under the (shareholder's) equity item.

Property, plant and equipment

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the item can be measured reliably. This principle applies both to initial costs incurred when the asset is acquired or manufactured and to the costs of subsequent additions after initial recognition. The cost of a property, plant and equipment asset is determined as the purchase price, including import duties and non-refundable purchase taxes less any trade discounts or rebates, and any costs directly attributable to bring the asset to its working condition and location for its intended use.

Cost is discounted to present value if payment is deferred beyond normal credit terms. Subsequent expenditure is capitalised when it can be clearly demonstrated that it has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant, and equipment.

Subsequent measurement

Land and buildings: revaluation model

Subsequent to initial recognition as an asset, land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent cumulative depreciation and subsequent accumulated impairment losses. Increases in carrying value of an asset as a result of revaluation are taken directly to equity in the revaluation reserve via the income statement. However, the increase is recognised in the income statement in so far as it reverses a decrease in revaluation reserve recognised in the income statement for the same asset. If the carrying value of an asset decreases as a result of a revaluation, the decrease is recognised in the income statement. However, the decrease is taken directly to equity as revaluation reserve in the income statement in so far as it does not exceed the amount recognised in the revaluation reserve in the income statement for the same asset.

Buildings are depreciated using the straight-line method, proportionately on a monthly basis, and the estimated useful life is generally defined as follows:

- Administration 3%
- Production 5%

Other property, plant, and equipment: cost model

For all other items of property, plant, and equipment, the carrying amounts are their cost reduced by any accumulated depreciation and impairment losses. The depreciable amount of an asset is allocated on a systematic basis over the useful life of the asset. The depreciation expenses are recognised in the income statement, unless they are included in the carrying amount of another asset. The residual value of an asset is often insignificant and therefore is immaterial in the calculation of the depreciable amount. All other items of property, plant, and equipment are depreciated using the straight-line method, pro rata on a monthly basis, and defined in general as follows:

Plant	10% - 20%
Machines	14% - 20%
Minilabs	20%
Office equipment	14%
Cars	20%
Vehicles	33%
Computer hardware	20% - 33%

Improvements to buildings are capitalised and depreciated over the remaining useful life of the buildings themselves, where improvements to leased buildings are capitalised and depreciated over the remaining term of the lease or their expected useful life if shorter.

Derecognised assets

An item of property, plant, and equipment is derecognised on disposal, or when no future economic benefits are expected from its use and subsequent disposal. Gains and losses on derecognition of property, plant and equipment are taken to income statement.

Leases

Property, plant and equipment leases under 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 leases are capitalised at an amount equal to the fair value, or, if lower, the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The minimum lease payments are allocated between repayment of the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. The corresponding liabilities are classified as other non-current payables or current liabilities, depending on the period in which they become due. Lease interest is charged to the income statement as a financial cost over the lease period.

Capitalised leased assets are depreciated over the useful life of the asset, consistent with the depreciation policy for depreciable assets that are owned.

Leases under which substantially all the risks and rewards of ownership are effectively transferred to the lessor are classified as operating leases.

Investment Property

Investment property is measured at depreciated cost, including all transaction costs, less any accumulated impairment losses. The fair value of the investment property is disclosed in the notes to the consolidated financial statements. An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on the derecognition of an investment property are calculated as the difference between the net proceeds from disposal and the carrying value of the asset, and recognised in the income statement in the period of derecognition.

Goodwill

Goodwill acquired in a business combination is recognised as an asset and measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill resulting from acquisitions from 1 January 2004 and later is not amortised, and goodwill previously carried on the balance sheet is no longer amortised after 1 January 2004. Goodwill is subjected to an impairment test, annually or more frequently, if events or changes in circumstances indicate that the goodwill's carrying value may be impaired. An impairment loss recognised for goodwill cannot be reversed in a subsequent period. Gains and losses on the disposal of a business combination include the carrying amount of goodwill relating to the business combination sold. Goodwill is allocated to cash-generating entities for the purpose of impairment testing. If the acquirer's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities exceeds the cost of the business combination, the acquirer reassesses the identification and measurement of the acquiree's identifiable assets, liabilities, and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after that reassessment is recognised immediately in the income statement.

Intangible assets

An intangible asset is recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the enterprise, and the cost of the asset can be measured reliably. An intangible asset is measured initially at cost.
Cost is discounted to present value if payment is deferred beyond normal credit terms.

Research and development costs

Research costs are recognised as an expense at the time they are incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products, is capitalised if the product is technically and commercially feasible and the company has sufficient resources to complete development and use or sell the asset. The expenditure capitalised includes the cost of raw materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is measured at cost less any accumulated amortisation and impairment losses. Other development costs are recognised as expenses at the time they are incurred.

Other intangible assets

Other intangible assets, including trading securities, acquired by the group, are recognised at cost less any accumulated amortisation and impairment losses. Expenses for internally generated goodwill and brands are recognised in the income statement as an expense at the time they are incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which they relate. All other expenditure is considered as expenses.

Amortisation

For an intangible asset with a limited useful life, the amortisable amount is allocated on a systematic basis over its estimated useful life. Intangible assets are amortized using the straight-line method, pro rata on a monthly basis. The depreciation expenses are recognised in the income statement, unless they are included in the carrying amount of another asset. Intangible assets are generally amortised using the following rates:

- Trading securities 5%
- Standard software packages are immediately taken to expenses
- Other intangible assets 14% - 20%

There is a rebuttable assumption that the useful life of an intangible asset will not exceed 20 years.

Derecognition or disposal

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use and subsequent disposal. Gains and losses on derecognition are taken to income statement at the time of the asset's derecognition.

Externally acquired customer relationships

Capitalised customer relationships are measured at cost as at the date of transition to IFRS. Based on an analysis of all of the relevant factors, including the changing markets and the transition from analogue to digital photography, the Board has decided to amortise the value of these assets in the opening balance and the future capitalised externally acquired customer relationships using the straight-line method over a period of seven years, with no residual value.

With effect from 1 July 2010, the 'Externally acquired customer relationships' have been recognised as intangible assets with indefinite useful lives in compliance with IAS 38, paragraph 88. Changes in market conditions due to technological developments, including a change in approach to customers, a change in the acquisition channels, and a resulting change in the customer's pattern of behaviour, are reflected in the history of the customer relationships that Spector Photo Group has built up during the last four to five years. On the basis of an analysis of all the relevant factors, no foreseeable limit can be set to the period over which the assets are expected to generate net cash inflows. A limited useful life with linear amortisation over 7 years therefore no longer corresponds to the real situation. In compliance with IAS 38 paragraphs 107 and 108, the externally acquired customer relationships are no longer amortised, but submitted to an annual impairment test in accordance with IAS 36 to determine whether these assets may be impaired. The change in the assessment of the useful life from 'finite' to 'indefinite' was accounted for as an a change in estimates in accordance with IAS 8.

Subsequent expenditure

Externally acquired customer relationships are recognised as intangible assets if they meet the following criteria:

- customer relationships must be identifiable
- the company has control over the customer relationships
- future revenues must result from these customer relationships

The expenditure to acquire customer relationships is capitalised as intangible assets if the acquisition corresponds to the following methods:

(1) Purchase from companies possessing customer relationships.
(2) Exchange with companies possessing customer relationships.
(3) Purchase of the right to access a channel by which customer relationships can be acquired in a privileged manner.

(1) Purchase from companies possessing customer relationships
Mail Order companies within the Group purchase customer relationships files from other mail order companies outside the photographic sector on a regular basis. In fact, these companies sell the right to consider their customer relationships as customer relationships of Spector Photo Group, and to treat them as such; as a result of which they effectively become customer relation-ships of Spector Photo Group. The costs incurred that are directly attributable to the preparation of the asset for its intended use, are recognised in the statement of financial position in accordance with IAS 38, paragraph 27.

(2) Exchange with companies possessing customer relationships
In line with the acquisition method described in (1), customer relationships are exchanged between mail order companies of different industrial sectors. The related purchase invoices are the basis for the capitalisation of such exchange transactions, in accordance with IAS 38, paragraph 16.
In addition, as under (1), the directly attributable costs incurred in preparation of the immaterial asset for its intended use, are capitalised.

(3) Purchase of the right to access a channel by which customer relationships can be acquired in a privileged manner:
In contrast to acquisition methods (1) and (2), the first customer-supplier transaction is only acknowledged at acquisition. There is not yet an existing customer relationship, which is in fact the case in acquisition methods (1) and (2). Yet, there is a privileged relation between the customers and the entity, which is equal to a customer relationship. In these cases, the possible customers have given their explicit or implicit approval to be contacted by the entity in order to close a sales transaction leading to the acquisition of a customer relationship by the entity.
The underlying invoices for the right to develop a future relationship are the basis for these externally acquired relationships to be recognised in the statement of financial position. In addition, the directly attributable costs incurred in preparation of the immaterial asset for its intended use, are capitalised.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of an asset requiring a long preparation period prior to its intended use or sale, are capitalised as part of the cost of this asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits for the entity and the costs can be measured reliably.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

Impairment of assets

At each reporting date, the Group reviews whether there is any indication that an item of property, plant, and equipment and other non-current assets may be impaired. If there is such an indication, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. A full impairment test is performed annually for goodwill and intangible assets with indefinite lives, or which are not yet available for use, by comparing their carrying amounts with their recoverable amounts. The recoverable amount of an asset is the higher of its net selling price and its value in use. The value in use is the net present value of the estimated future cash flows arising from the use of an asset or a cash-generating unit. For an asset for which no individual cash flows can be attributed, the recoverable amount is calculated at the level of the cash-generating unit to which the asset belongs. Where an asset's recoverable amount is below the carrying amount, the latter is reduced to the recoverable amount. The impairment is immediately charged to the income statement. Where the previously recorded impairment no longer exists, the carrying amount is partially or totally re-established at its recoverable amount. An impairment loss recognised for goodwill cannot be reversed in a subsequent period.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of the inventories is calculated using the weighted-average cost method. The group continually examines the inventories to identify damaged, obsolete or unmarketable stocks. Such inventories are written down to the net realisable value, provided this is less than the cost price according to the method stated above. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and any necessary selling costs.

When inventories are sold, the carrying amount of these inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period that the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount for inventories recognised as an expense in the period in which the reversal occurs.

Trade and other receivables

Trade and other receivables are carried at nominal value less impairment losses. At each reporting date, an estimate is made for bad debts when it is probable that the entity will not be able to collect all amounts due. Bad debts are written off during the year in which they are identified.

Income taxes

Income tax on the profit or loss for the year comprises both current and deferred taxes. Current tax for current and prior periods is recognised as a liability for the amount of taxes still unpaid. If the amount already paid for current and prior periods exceeds the amount due for these periods, the excess is recognised as an asset. The possible refunding of taxes paid in prior periods as a result of a tax loss in subsequent years, is also recognised as an asset. Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the tax authorities, on the basis of the tax rates and tax laws that have been enacted or substantively enacted in legislation at the balance sheet date.

Deferred income tax liabilities and assets are calculated using the 'balance sheet liability method', for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unallocated taxable losses and tax assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted in legislation on the balance sheet date. Current and deferred tax assets and liabilities are measured using the announced tax rates and tax laws in the event that announcements of tax rates and tax laws by the government have the substantive effect of actual enactment.

Derivative financial instruments

Derivative financial instruments are initially recognised at cost. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The effective part of the gains or losses from the changes in fair value of derivatives, which are specifically recognised as hedging instruments for hedging the variability of cash flows of an asset or liability recognised in the statement of financial position, an off-balance sheet firm commitment, or an expected transaction, is recognised in equity. Changes in fair value of derivatives not formally recognised as hedging instruments or not eligible for hedge accounting, are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks, on-demand deposits with an original maturity of three months or less, and short-term, highly liquid investments that are readily convertible to known amounts of cash and for which the risk of change in value is negligible.

The cash and cash equivalents include current account overdrafts which are payable on demand at the request of the Bank.

Share capital

Repurchase of own shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in the equity item. Repurchased shares are classified as treasury shares and presented as a reduction in total equity.

Dividends

Dividends are recognised at the time when the General Meeting of Shareholders approves their payment.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at cost, without taking into account of transaction costs incurred. Subsequent to initial recognition, interest-bearing loans and borrowings are included at amortised cost, with any difference between the cost and the redemption value being recognised proportionately in the income statement over the period of borrowings on an effective interest rate basis.

Trade and other payables

Trade and other payables are measured at nominal value.

Employee benefit liabilities

Employee benefits are recognised as an expense when the entity makes use of the economic benefit arising from the service provided by an employee in exchange for employee benefits, and as a liability when an employee has provided service in exchange for employee benefits to be paid in the future.

Current employee benefits

Current employee benefits are employee benefits that are entirely payable within twelve months after the end of the period in which the employees have performed the related service.

Post-employment benefits

Post-employment benefits include pensions and other benefits, such as post-employment life insurance, and medical care benefits after retirement.

- Defined contribution pension plans

  Contributions to defined contribution benefit pension plans are recognised as en expense in the income statement for the year to which they are related.

  Any contributions already paid in advance, which are in excess of the due and payable contributions for services prior to the reporting date, are reflected as assets under prepaid expenses and accruals. Any contributions to a defined contribution plan that do not fall due within 12 months after the reporting date in which the employees performed the related services, are discounted to their present value.
- Defined benefit plans

  For defined benefit plans, the carrying amount recognised in the statement of financial position is determined as the present value of the gross defined benefit obligation adjusted for the still unrecognised actuarial gains and losses, and less any past service costs not yet recognised and with the fair value of any plan assets. Where this calculation results in a net surplus, the recognised asset is limited to the total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

  The recognition of actuarial gains and losses is determined separately for each defined benefit plan. To the extent that the net cumulative unrecognised gain or loss exceeds 10% of the greater of the present value of the gross defined benefit obligation on the reporting date and the fair value of the plan assets, this excess is recognised in the income statement over the expected average remaining working lives of the employees participating in that plan. Past service costs are recognised as an expense allocated on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are recognised immediately as an expense. The present value of the gross defined benefit obligations and the related past-service costs are calculated by a qualified actuary using the projected unit credit method. The discount rate used is the market yield as at reporting date on high quality corporate bonds that have residual terms approximating to the terms of the Group's estimated gross commitments related to post-employment benefit payments. The amount recognised in the income statement consists of current service costs, interest costs, the expected return on any plan assets, and actuarial gains and losses.

Other non-current employee benefits

The non-current employee benefits, other than pension plans, life insurance policies, and medical assistance, consist of future benefits that employees have earned in return for their service in current or prior periods. These benefits are accrued over the employees' active periods of employment using the accounting methodology similar to that for defined benefit pension plans. However, actuarial gains and losses and any past-service costs are immediately recognised and no 'corridor' is applied.

Termination benefits

Termination benefits are recognised as a liability and an expense when the enterprise is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date according to a detailed formal plan without possibility of withdrawal or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits falling due more than 12 months after the reporting date are discounted to present value.

Remuneration in the form of equity instruments

The share option programmes allow the Group's employees to acquire shares of Spector Photo Group NV. The option exercise price equals the average market price of the underlying shares during an agreed period before the date of the offer. No compensation expense is recognised for the options issued before 7 November 2002 (IFRS 2 transition rules). Share-based payments to employees and other people, who provided similar services, are measured at fair value of the equity instruments at the moment they are awarded. The fair value is measured using a Black & Scholes model. The fair value, as measured on the date of the share-based payments award, is recognised in costs that can be spread over any waiting period using the straight-line method.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A provision for restructuring is recognised provided the Group has approved a detailed and formal restructuring plan, identifying at least the following: the operation or part of the business concerned, the principal locations affected, the location, function and estimated number of employees who will be compensated for terminating their services, the costs related to this, and when the plan will be implemented. Moreover, the Group must have raised a valid expectation among those affected that the restructuring will be carried out. Costs relating to the company's ongoing activities are not provided for.

A provision for onerous contracts is recognised if the unavoidable cost of meeting its obligations under the contract exceed the expected economic benefits to be received from a contract.

Provisions are not recognised for future operating losses.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that all associated conditions will be met and the grant will be received. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grants relate to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Segment information

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The primary segmentation is based on the following operating segments: 'Retail', 'Imaging', and 'Corporate'.

Segment results include revenue and expenses directly generated by a segment and the relevant portion of revenue and expenses that can be attributed to the segment.

Segment assets and liabilities consist of those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment assets and liabilities do not include income tax items.

Transfer prices between business segments are set at arm's length basis in a manner similar to transactions with third parties.

THE EXTERNALLY ACQUIRED CUSTOMER RELATIONSHIPS OF SPECTOR PHOTO GROUP UNDER IFRS

Customer relationships are classified as intangible assets, as determined by IFRS. Customer relationships have an undeniable economic value. Indeed, investments in customer relationships represent the future profitability of the company. The concept of 'customer relationships' is recognised by IAS, which state in IAS 38 paragraph 16: 'An entity can possess a clientele or market share and, by developing customer relationships and customer loyalty, expect the customers to continue doing business with the entity. However, in the absence of any legally enforceable rights or other means to protect the relations with the customers or customer loyalty, control over the expected economic benefits resulting from customer relationships and customer loyalty is in most cases insufficient to state that such assets, for example, clientele, market share, customer relationships, and customer loyalty, meet the definition of intangible assets. In the absence of any legally enforceable rights to protect the customer relationships, exchange transactions with the same or similar non-contractual customer relationships, not pertaining to a business combination, are proof that the entity is nevertheless capable of exercising control over the expected future economic benefits resulting from such customer relationships. Since such exchange transactions are also evidence of the fact that the customer relationships are separable, such customer relationships satisfy the definition of intangible assets.'

To be considered an intangible asset, the customer relationships must meet the following criteria:

a. Customer relationships must be identifiable.
b. The company must have control over the customer relationships.
c. Future proceeds must result from these customer relationships.

The customer relationships of Spector Photo Group's Mail Order businesses meet all these criteria:

a. The Spector Photo Group's Mail Order companies have databases at their disposal that contain the name and address of each customer relationship, supplemented by important details of each individual customer's order and payment behaviour, such as date of last order, order frequency, ordered products, preference for certain promotions, correct payment, etc.
   The customer relationships are therefore identifiable and they are the subject of exchange, rental, and sales transactions with Mail Order companies from other sectors. They are therefore separable; see IAS 38, paragraph 12: an asset meets the identification criterion if it is separable and can be sold, let, or exchanged.
b. In compliance with all legal provisions, the Spector Photo Group's Mail Order companies can approach these customer relationships autonomously without any obligations to any third parties. In addition, the existence of previous transactions between the company and the customer indicates a contractual tie, even if this is not formally recorded. Legally speaking, Spector possesses an exclusive property. For that matter, the company is also legally responsible for the protection of the information regarding these customer relationships; the legal and judicial aspects are dealt with in several European Directives, translated into legal provisions by each member state. Finally, the aforementioned exchange, rental, and sales transactions also demonstrate the existence of control.
   The fact that, in addition to rental and sales transactions, exchange transactions can also be concluded, demonstrates that access by third parties can be restricted.
c. The Mail Order companies can determine the future business volume with each customer relationship on a statistical basis. These are not assessments or estimates, but mathematical calculations according to the 'Lifetime Value' concept. This concept enables the calculation of the 'Net Present Value' of future economic benefits for a group of customer relationships, taking all elements of the realised results into account. Because it has sufficient statistical data on each individual customer, Spector can apply this concept to the customer relationships of its Mail Order organisations with a high degree of certainty and reliability. Because of the changing market in which the group is operating today, a verification of these statistical models is required on an annual basis.

Recognition of intangible assets according to IFRS

IAS 38 paragraph 21 states that an intangible asset must be recognised if the expected future economic benefits are probable and if the cost of the asset can be reliably determined. The probability criterion is always considered to be met by separately acquired intangible assets; IAS 38 paragraph 25.
The acquisition cost of the customer relationships is substantiated by purchase invoices.

The separate acquisition of customer relationships is accomplished using various methods. The most common external acquisition methods, besides the acquisition of trading securities, and which are selected under IFRS, are:

- a Purchase from companies possessing customer relationships .
- b Exchange with companies possessing customer relationships.
- c Purchase of the right to access a channel by which customer relationships can be acquired in a privileged manner.

a. Purchase from companies possessing customer relationships

Mail Order companies within the group purchase customer relationships files from other mail order companies outside the photographic sector on a regular basis. These are customer relationships of companies such as La Redoute, 3 Suisses, etc. An invoice is also drawn up for each of these transactions.

To acquire customer relationships from another company, the Mail Order organisations must incur costs to prepare the asset for its intended use. For example, a specific offer must be prepared for the customer relationships of the selling company. This includes mainly the postal charges and a specially printed envelope containing a separate acquisition code, which enables the customer to effectively accept the offer, after which he or she becomes an acquired customer relationship of the Spector companies. Since these costs are necessary to realise the intangible asset, they are considered part of this intangible asset. Gifts and business presents, for example, are not included.

An essential difference with advertising is the fact that such transactions involve not just the communication of a message, but that effectively a specific offer is made to a specific target group of the public. Thus, not everyone can make use of this offer. For each of these offers, a separate acquisition code is defined, which is necessary to grant the customers access to the offer, and is also subsequently used by Spector to gain a detailed insight into the company's economic benefit from each customer relationship.

These costs are thoroughly audited, and only those costs that the Board of Directors believes meet the definition of 'preparatory costs', as specified in IAS 38 paragraph 27, are selected. These therefore only include the costs that can effectively be directly attributed to the preparation of the asset for its intended use. For Spector Photo Group, these directly attributable costs do not include any advertising or promotional costs, but only specific preparatory costs. The expenses that cannot be part of the cost of an intangible asset, as specified in IAS 38 paragraph 29, are excluded from this. In addition, as specified in IAS 38 paragraph 30, the initial operating losses are excluded from the carrying amount of the intangible fixed asset.

b. Exchange with companies possessing customer relationships

Fully in line with the acquisition method described above, customer relationships are sometimes exchanged between Mail Order companies from different industries, for example between 3 Suisses France and Extra Film SA.

The invoices concerned demonstrate the fact that this is also a separate external acquisition. Since for each outgoing invoice in such exchange transactions there is an incoming invoice for the same amount, there is no actual cash flow.

In addition, directly attributable expenses are incurred to prepare the intangible asset for its intended use. The invoices for these expenses are also capitalised as assets.

c. Purchase of the right to access a channel by which customer relationships can be acquired in a privileged manner

This acquisition method differs from the preceding methods, because the first customer-supplier transaction occurs upon acquisition. In other words: the selling company has not necessarily already concluded any sales transaction with its customer relationships. Yet these persons and the company involved do have an actual privileged relationship, which is equal to a customer relationship. In all these cases, the people involved have indeed explicitly or implicitly consented to being contacted by the company, resulting in the acquisition of a customer relationship. As with the previous acquisition methods, these customer relationships can make use of a special offer, with its own unique acquisition code that is not valid for everyone.

This specifically involves customer relationships from companies that distribute very specifically targeted offers to people who have explicitly or implicitly agreed to receive these offers.

In the Internet world, this involves the acquisition of contacts that have registered on a specific website, thereby explicitly consenting to a privileged relationship with a view to future transactions. In view of the privileged relationship, in which the consumer grants the right for the development of a future customer relationship, these relationships also effectively apply as customer relationships. These are also externally acquired customer relationships, as in some cases an invoice is even drawn up for this right based on a fixed sum per actual acquired customer relationship, or on a commission for each actual order.

This latter working method differs from a regular commission arrangement because the Spector companies acquire the right to approach the customer relationships directly for the next transaction at the same time. In other words: because they have gained control over these customer relationships.

Measurement of the customer relationships

After examination of the 'external acquisition' issue by the Joint Statutory Auditors Committee, the decision was taken to select the three methods identified above under IFRS, from a total of eight methods. All other acquisition methods were excluded because they cannot be considered for capitalisation as an asset under IFRS. The value at which the externally-acquired customer relationships are recognised according to the cost-price model of IAS 38 paragraph 74, are also separated for the sake of clarity into the costs of externally-acquired customer relationships and the directly attributable costs.

COMPANIES BELONGING TO THE GROUP

Subsidiaries, fully consolidated (❑)

Name and full address	V.A.T.- or national number	Share in the capital (in %)
❑ ALEXANDER PHOTO S.A. Boulevard Royal 11, 2449 Luxembourg, Luxembourg	1999 2234 620	100.00
❑ DBM-COLOR N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0402.247.617	100.00
❑ EXTRA FILM AB Östergatan 39, 4 Van, 211 22 Malmo, Sweden	SE 556 069 600 601	100.00
❑ EXTRA FILM AG Hauptstrasse 70, 4132 Muttenz, Switzerland	CH 213.717	100.00
❑ EXTRA FILM A/S Postbox 364, 7601 Levanger, Norway	NO 919 322 942	100.00
❑ EXTRA FILM N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0447.697.065	100.00
❑ EXTRA FILM S.A. Rue du Faubourg de Douai 128, 59000 Lille, France	FR 48 331 704 122	100.00
❑ EXTRA FILM LOGISTICS AG Grabenstrasse 25, 6340 Baar, Switzerland	CH 562.363	100.00
❑ FILMOBEL N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0408.058.709	100.00
❑ FOTRONIC S.A. (vereffend)* Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0423.052.731	100.00
❑ HIFIMMO S.A. Route de Luxembourg, BP 1, 3201 Bettembourg, Luxembourg	LU 234.51.084	100.00
❑ HIFI INTERNATIONAL S.A. Route de Luxembourg, BP 1, 3201 Bettembourg, Luxembourg	LU 124.90.336	100.00

Name and full address	V.A.T.- or national number	Share in the capital (in %)
❑ LITTO-COLOR N.V. (in liquidation) Zandvoordestraat 530, 8400 Oostende, Belgium	BE 0414.004.215	100.00
❑ ORC EUROPE S.A.R.L. * Rue du Faubourg de Douai 128, 59000 Lille, France	FR 51 348 331 281	100.00
❑ PHOTO HALL FRANCE S.A.R.L. Lotissement Augny 2000, 57685 Augny, France	FR 70 391 700 440	100.00
❑ PHOTO HALL MULTIMEDIA N.V. Lusambostraat 36, 1190 Brussel, Belgium	BE 0477.890.096	100.00
❑ PHOTOMEDIA N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0439.476.019	100.00
❑ PROMO CONCEPT INVESTMENT B.V.B.A. Kwatrechtsteenweg 158, 9230 Wetteren, Belgium	0423.852.188	100.00
❑ SACAP S.A. Rue Logelbach 124, 68000 Colmar, France	FR 19 353 224 694	100.00
❑ SPECTOR COORDINATIECENTRUM N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0437.663.406	100.00
❑ SPECTOR NEDERLAND B.V. Postbus 10274, 1301 AG Almere, The Netherlands	NL 6511004B01	100.00
❑ VIVIAN FOTO AB Östergatan 39, 4 Van, 211 22 Malmo, Sweden	SE 556334-8100	100.00
❑ VIVIAN PHOTO PRODUCTS N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	0428.718.323	100.00

* These companies were no longer part of the Group as at 31/12/2010

Key changes in the scope of consolidation

The key changes in the scope of consolidation between 2009 and 2010 are summarised below:

Merger of the companies **Extra Film SA**, the company that performs Mail Order activities in France under the brand ExtraFilm™ and **ORC Europe SARL**, by means of a 'Transmission Universelle de Patrimoine' TUP (complete transfer of assets and liabilities).

Of the companies put into liquidation in previous financial years, **the liquidations has been completed** in 2010 for the following companies: Fotronic SA, a company that formerly carried out trading in production equipment, and Spector Immobilien Verwaltung GmbH, a company whose most important asset, a building in Dresden, was sold in May 2008.

Of the companies put into liquidation in previous financial years, specifically Litto-Color NV, a company operating in the wholesale photofinishing market, **the liquidation has not yet been completed**.

Subsidiaries not included in the consolidation:

Name and full address	T.V.A.- or national number	Share of capital (in %) [1]
FLT S.p.A. [2] (from 1 October 2008) Galleria Passarella 1, 20122 Milaan, Italy	IT 13146200152	49.00
SPECTOR IMMOBILIEN VERWALTUNG GmbH (liquidated) [*] Laufamholzstrasse 171, 90482 Nürnberg, Germany	241 116 44302	100.00
SPECTOR VERWALTUNG GmbH [2] Laufamholzstrasse 171, 90482 Nürnberg, Germany	214 116 20551	100.00
VH SERVICE S.A. [2] Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0427.390.611	100.00

(1) Share of the capital of these companies that is held by companies included in the consolidation and people who act in their own name but at the expense of these companies.
(2) FLT is the Italian lab, operating in the photofinishing-market, recognised as a financial asset with effect from the fourth quarter of 2008.
Spector Verwaltung GmbH operated in the wholesale photofinishing market until 2001.
VH Service is a company that operated in the sale of equipment for medical imaging. During the course of 2003, the business and other assets of VH Service were sold.
(*) This company was no longer part of the Group as at 31 December 2010.

NOTES TO THE 2010 CONSOLIDATED FINANCIAL STATEMENTS

SEGMENT INFORMATION - PER BUSINESS SEGMENT

(in € '000)	Retail		Imaging		Corporate		Eliminations		Continuing activities		Discontinued operations Retail		Discontinued operations Imaging		Eliminations		Spector Photo Group	
	2009	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**
Revenue																		
External revenue	169 811	161 213	74 167	62 134					243 978	223 347	3 565						247 542	223 347
Inter-segment	111	108	654	545	777	580	1 542	1 233										
Total revenue	169 922	161 321	74 821	62 679	777	580	- 1 542	- 1 233	243 978	223 347	3 565						247 542	223 347
External other operating income	2 898	3 535	2 106	1 853	33	71			5 038	5 459	119						5 157	5 459
Inter-segment			61	52	103	116	164	167										
Total other operating income	2 898	3 535	2 167	1 905	136	187	- 164	- 167	5 038	5 459	119						5 157	5 459
Profit/loss (-) from operating activities, before non-recurring items	3 127	3 248	-1 976	1 652	- 530	- 266			620	4 635	- 151							
Profit/loss (-) from operating activities	3 127	3 152	-1 976	596	- 530	- 614			620	3 134	- 151							
Financial result	- 2 876	- 2 364	-3 789	-3 508	2 372	2 424			- 4 293	- 3 448								
Interest revenue	24	8	49	54	2 413	2 543	-2 431	-2 565	55	39								
Interest expense	2 901	2 372	2 594	2 649	27	31	-2 431	-2 565	3 090	2 486								
Profit/loss (-) before taxes	251	788	-5 765	-2 912	1 842	1 810			- 3 673	- 313								
Income tax expense (-)/income	-1 042	- 105	1 901	7 547	88	-7 029			947	413								
Profit/loss (-) from continuing activities	- 792	683	-3 864	4 635	1 929	-5 219			-2 726	99								
Profit/loss (-) from discontinued operations									-1 062									
Profit/loss (-) for the period									- 3 788	99								
Attributable to equity holders of the parent company									- 3 788	99								

(in € '000)	Retail		Imaging		Corporate		Eliminations		Continuing activities		Discontinued operations Retail		Discontinued operations Imaging		Eliminations		Spector Photo Group	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Total operating segment assets	65 903	69 459	46 332	43 249	9 756	9 453	- 8 724	- 8 561	113 267	113 600			681	636			121 541	122 974
Unallocated assets							- 34 604	- 37 026	7 594	8 738								
Total operating segment liabilities	27 526	30 350	13 130	12 671	851	1 108	- 399	- 406	41 108	43 722			2 653	2 608	-1 955	-1 955	92 444	92 499
Unallocated liabilities							-40 974	-43 226	50 638	48 123								
Total capital expenditures property, plant & equipment	3 940	1 070	2 181	909					6 121	1 980							6 121	1 980
Total capital expenditures intangible assets other than goodwill	38	110	2 224	1 974		12			2 262	2 095							2 262	2 095
Depreciations and other non-cash expenses	2 155	1 831	6 065	4 327	2	250			8 222	6 408							8 222	6 408
Number of persons employed in FTEs end of the period	486	484	323	260	2	2			811	746							811	746

GEOGRAPHICAL INFORMATION

(in € '000)	2009	2010
Revenue Belgium	136 629	127 580
Revenue Luxembourg	53 671	48 410
Revenue all other foreign countries	53 678	47 357
Total Spector Photo Group	243 978	223 347
Non-current assets		
Belgium	32 367	32 133
All other foreign countries	17 403	14 985
Total Spector Photo Group	49 770	47 118

The Spector Photo Group reporting covers two segments, the Retail Group and the Imaging Group, and is completed by Corporate and Discontinued Operations.

- The measurement of the result of the segments is performed in the same way as the measurement of the entity's result. This also applies for the measurement of the assets and liabilities. The principle for the financial reporting concerning transactions between the segments to be reported is determined at arm's length.
- For the information on products concerning the revenues from sales to external customers for the entire entity, please refer to the table containing the segment information.
- There is no dependence on key customers in the various segments.

Retail segment

The Retail segment consists entirely of the operating division, the Retail Group. This division consists of the legal entity Photo Hall Multimedia NV (Belgium) and its wholly-owned subsidiaries Photo Hall France SARL, Hifi International SARL (Luxembourg) and Hifimmo SA (Luxembourg). The Retail Group is centrally structured under Photo Hall Multimedia NV and is also centrally managed at operational level by the managing director of Photo Hall Multimedia NV, who reports directly to the Executive Chairman of Spector Photo Group NV on all of the Retail Group's activities. This division and its entities all operate in the same field: the retail trade in consumer electronics and related products.

The customers in this segment are also the final consumers in the countries in which this division's entities operate. All this division's entities mainly bring their products on the market via the channel of retail shops. Although all of the entities also operate websites on internet, the internet sales are not yet significant for their total revenues. There is also a wholesale division in Luxembourg that operates in France, Germany and Benelux.

These entities have similar levels of investment requirements and working capital, and generate comparable gross margins and EBIT margins. The Retail Group has a risk profile that differs from that of the Imaging Group.

Imaging segment

The Imaging segment also consists entirely of one operating division – specifically the Imaging Group. This division contains the legal entity Photomedia NV (Belgium) and its wholly-owned subsidiaries. The Imaging Group is centrally organised under Photomedia NV and is also centrally managed at operational level by the managing director of Photomedia NV, who reports directly to the Executive Chairman of Spector Photo Group NV on all of the Imaging Group's activities.

The operating entities within the Imaging Group provide goods and services that are directly concerned with both analogue and digital photography in the broad sense. These are mainly products and services concerned with the production of photo prints, which implies a specific production process for 'photofinishing'. Several entities in the Imaging Group deal in goods required for taking photos and printing them.

The final customers for these activities are almost always consumers. For the majority of the Imaging Group's entities, the final consumer is also the direct customer. The marketing concept that Filmobel NV uses under the Spector™ brand name is also aimed at the final consumer, although photographers are the direct customers.

The distribution channels are aligned with the market characteristics, which are often determined nationally and culturally. While these distribution channels in the traditional 'analogue' market can be used to justify separate segmentation, this is being flattened out in the new digital market. Generally speaking, the differences between mail order and trade appear to be smoothing out on the digital market. An early trend can be identified in which the pricing in these distribution channels is converging and, at the same time, so are the relative marketing efforts. It is also already clear today that the boundaries between the distribution channels will not only blur, but will also even be abandoned, so that a cross-channel concept will emerge. For example, consumers will increasingly often order photo prints via internet, then sometimes want the photos delivered to their homes by mail and, at other times, want to collect the photos from a retail shop in their neighbourhood.

The returns from virtually all the entities in this division are of similar size – notwithstanding any national, culture-related or channel-specific differences. These entities have similar levels of investment requirements and working capital, and generate comparable gross margins and EBIT margins. One of the Imaging Group's most important challenges is to retain the low cost level that has been achieved. This goal can only be realised within the Imaging Group as a whole, and not in a smaller entity or group.

Specific key performance indicators have been identified for the development of the Imaging Group's digital operations. The returns of these entities clearly differ from entities in the Retail Group; see above. The criteria for internal controlling are not relevant for the Retail Group. The Imaging Group has a risk profile that differs from that of the Retail Group.

Discontinued operations

The discontinued operations concern both the Imaging Group and the Retail Group.

More information about this is included in note 19 'Assets held for sale'.

2. REVENUE

In the 2009 financial year, the Group realised revenues of EUR 243,978 ('000).

The retail operations in the Photo Hall Group realised revenues amounting to EUR 169,922 ('000) in 2009, a fall of 10.8% in comparison with EUR 190,414 ('000) in 2008. Photo Hall in Belgium and Hifi International in Luxembourg saw a fall in the number of their sales transactions by a little more than 4%, with price deflation responsible for the remainder of the drop in revenue. In the product families, mobile telephony and reflex cameras were the only ones that showed increases in revenue, in both Belgium and Luxembourg. In Luxemburg, Hifi International achieved an important double-figure increase in revenue with its recently introduced range of household equipment. The top three in the product ranges of Photo Hall consist of IT, telecom and televisions. At Hifi International, these are IT, televisions and cameras. The revenues from the Imaging Group amounted to EUR 74,821 ('000) in 2009, a decrease of 2.2% in comparison with 2008. The revenues from mail-order activities of ExtraFilm™ increased over the entire year by 4.5% compared to 2008. Digital produced 83% of the revenue, with 17% still analogue. In 2009, the growth of digital photography could therefore compensate the almost 50% fall in analogue photography. New photo products, such as photo books, photo calendars, photo gifts, and photos on canvas continued to increase their relative importance. Filmobel, the hardware wholesaler to the professional photography trade, again realised an increase in its revenue in 2009. The Spector™ brand, which is used exclusively for supplying specialised photographic businesses, saw its turnover decrease in 2009.

In the 2010 financial year, Spector Photo Group realised revenues of EUR 223,347 ('000).

The Retail Group's revenues, amounting to EUR 161,321 ('000) in 2010, fell by 5.1% compared to EUR 169,922 ('000) in 2009. In terms of product families, Photo Hall recorded growth of 4% in cameras, thanks to the success of reflex cameras with +8%. Revenues from mobile telephony also had significant growth of +11%, thanks to the success of the smartphone. Sales of TV sets increased by 8% in number of units. With the average price decrease, however, the revenue fell by 4%.

In Luxemburg, Hifi International again achieved an important double-figure increase in revenue with its range of large and small household appliances by +17%. Revenue from TV sets remained stable. In the IT area, Hifi International recorded a fall in revenue of 6.6%. The success of tablet computers such as the iPad could not compensate the fall in sales of notebooks and netbooks.

The revenues from the Imaging Group amounted to EUR 62,679 ('000) in 2010, a decrease of 16.2% in comparison with 2009. After an initial phase characterised by a transition from analogue to digital prints and a second phase of exponential growth of photo-related products, the group is entering a third phase of double-digit growth in photo-related products. The revenues from the digital mail-order activities of ExtraFilm™ increased over the entire year by 1% in comparison with 2009, while the analogue activities fell by 43%. This means that digital photography represents 90% of the mail-order revenues, with analogue now only responsible for 10%. In the fourth quarter of 2010, the digital mail-order activities again recorded promising growth; revenue increased by 7%, and the number of photo books increased by 24%. On an annual basis, revenues were unfavourably affected by ending the trade in photo paper following a decision of the supplier. Filmobel, the hardware wholesaler to the professional photography trade, saw a stabilisation of its revenue in 2010. The Spector™ brand experienced a fall in revenue during 2010, but this was nevertheless less pronounced than in 2009.

3. OTHER OPERATING INCOME

The marketing support from strategic suppliers to the Retail Group represented the most important share in the other income and amounted to more than 60% for 2009 and 2010. The other income for the Retail Group in both 2009 and 2010 is mainly related to rental income, recharged costs, and income repaid by insurance for loss or damage claims. The other income of the Imaging Group dropped by 12% in 2010. The most important components for the Imaging Group are: the selling of waste materials from the laboratories to recycling companies, the recovered outstanding payments from mail-order customers, unused discount vouchers, and marketing contributions from the channel of the specialised photographic businesses.

4. CHANGES IN INVENTORY OF FINISHED GOODS AND WORK IN PROGRESS

This item is entirely attributable to the Imaging Group and amounts to EUR 14 ('000) for the 2010 financial year.

5. WORK PERFORMED BY ENTERPRISE AND CAPITALISED

This item is entirely attributable to the Imaging Group and amounts to EUR 40 ('000) for the 2010 financial year.

6. TRADE GOODS, RAW MATERIALS AND CONSUMABLES

The costs of trade goods, raw materials and consumables decreased overall by 9.1% in 2010 compared to 2009. In the Retail Group, the cost of trade goods, raw materials and consumables decreased by -11.1% in 2009. In 2010, the total cost of trade goods, raw materials and consumables decreased by -4.7%. The cost of trade goods, raw materials and consumables increased by 3.6% for the Imaging Group in 2009, due to the continued growth of revenues from digital mail-order operations and partly due to the positive impact of the wholesaling of hardware for the professional photography trade.

In 2010, the costs of trade goods, raw materials, and consumables saw a fall of –22.1% mainly due to the ending of the trade in photo paper.

7. EMPLOYEE EXPENSES

(in € '000)	2009	2010
Wages and salaries	24 865	23 115
Social security contributions	5 691	6 010
Other employee expenses	984	939
Contribution to defined contribution plans	231	302
Increase/decrease (-) in the defined benefit obligations	- 51	
Increase/decrease (-) in the other long-term employee benefit liabilities	8	8
Total	31 728	30 373

In 2009, the employee expenses decreased by -1.1%. The employee expenses in the Retail Group remained at the same level as 2008. In the Imaging Group, the employee expenses decreased by –3.2%. This decrease is mainly attributable to the employee expenses of FLT, three-quarters of which were still proportionally recognised in 2008.

In 2010, the employee expenses decreased by -4.3%. A stable workforce in the Retail Group meant that its employee expenses remained at the same level as 2009. The decrease of the employee expenses is mainly attributable to the Imaging Group's decrease by -9.5%. Due to the integration in Wetteren, Belgium, of the production activities from the Swedish lab, and the successful implementation of the automation in production and logistics, the workforce was significantly reduced.

The number of employees expressed as full time equivalents (FTEs) as at the 2010 year-end decreased to 746, compared to 811 as at year-end 2009.

Remunerations and interests of the members of the Executive Committee (in € '000)

Executive Committee member	Fixed remuneration component (1)	Variable remuneration component (1) (2)	Other remuneration components (3)	Number of warrants (exercise price per warrant) (4)
1. Tonny Van Doorslaer	225		8	400 000 (EUR 3.36)
2. Stef De corte				150 000 (EUR 3.36)
3. Christophe Levie				50 000 (EUR 3.36)
Total 1, 2 and 3	752	94	15	600 000 (EUR 3.36)

(1) Cost to the company, i.e. gross amount including social security contributions (employee's and employer's).
(2) The variable component is provided in the form of a bonus plan that is determined each year by the Nomination and Remuneration Committee. This bonus plan includes financial targets.
(3) The other components refer to the costs for pensions, insurance policies, and the cash value of the other benefits in kind (expense allowances, company car, etc.).
(4) For the exercise periods: please see page 86 and 87 of this document.

8. DEPRECIATION AND AMORTISATION EXPENSES

(in € '000)	2009	2010
Amortisation and write-downs of intangible assets, goodwill and trading securities	5 018	2 305
Depreciation and write-downs of property, plant and equipment	3 764	3 620
Write-downs on inventories	- 148	- 79
Write-downs on trade receivables	306	- 108
Total	8 941	5 738

In 2009, the Retail Group recorded a fall in depreciation, amortisation and write-downs of –23.46%. This fall is mainly attributable to the depreciation and write-downs on property, plant and equipment. The depreciation, amortisation and write-downs in the Imaging Group dropped overall by -13.1%, which is mainly attributable to the intangible assets.

In 2010, the depreciation and amortisation decreased further. In the Retail Group, the amortisation on non-current intangible assets remained more or less stable. The depreciation on property, plant, and equipment decreased by –4.3%. The decrease of the depreciation and amortisation in the Imaging Group is mainly attributable to the amortisation on intangible assets of -57.7%. With effect from 1 July 2010, the 'Externally acquired customer relationships' have been recognised as intangible assets with indefinite useful lives in compliance with IAS 38, paragraph 88. On the basis of an analysis of all the relevant factors, no foreseeable limit can be set for the period over which the assets are expected to generate net cash inflows. A limited useful life with linear amortisation over 7 years therefore no longer corresponds to the real situation. In compliance with IAS 38 paragraphs 107 and 108, the externally acquired customer relationships are no longer amortised, but submitted to an annual impairment test in accordance with IAS 36 to determine whether these assets may be impaired; see also pages 77 to 78 of our annual report. The decrease in depreciation on property, plant, and equipment was attributable to the lower investments in machines and equipment.

9. OTHER OPERATING EXPENSES

(in € '000)	2009	2010
Services & others costs	31 112	27 612
Other operating taxes	314	279
Loss on disposal of intangible assets, property, plant and equipment	20	46
Loss on disposal of trade receivables	264	242
Other operating charges	770	400
Provisions : increase/decrease (-)	- 677	- 354
Total	31 803	28 225

The other operating expenses further decreased by -6.76% in 2009. In the Retail Group, the other operating expenses decreased by –1.95%. The decrease of the other operating expenses, is mainly attributable to the Imaging Group's decrease by -10.81%. In particular, the services and the decrease in provisions contributed to this.
In 2010, the other operating expenses further decreased by –11.3% to EUR 28,225 ('000). In the Retail Group, the other operating expenses fell by –9.1%, mainly due to additional costs control of the overheads and marketing expenses. In the Imaging Group, the other operating expenses decreased by –12.8%. The overheads were strictly controlled and fewer marketing campaigns were conducted during the first nine months of 2010, which resulted in a decrease of marketing expenses by –22.9%.

10. PROFIT/LOSS (-) FROM OPERATING ACTIVITIES BEFORE NON-RECURRING ITEMS

Spector Photo Group achieved a recurrent operating result of EUR 620 ('000) in 2009. The Group achieved a recurrent operating result of EUR 4,635 ('000) in 2010.

11. NON-RECURRING ITEMS FROM OPERATING ACTIVITIES

In 2009, the non-recurring items from the operating activities were zero.

The non-recurring items amounted to EUR 1,501 ('000) in 2010, and include mainly the cost of closing the production laboratory in Sweden, and a gain realised on the sale of the building in Tanumshede (Sweden). On the basis of the actuarial calculation and a thorough risk analysis, it was decided to form a provision for pension commitments concerning Spector Verwaltung GmbH, the German company that was an active unit in the wholesale photofinishing business until 2001.

12. FINANCIAL RESULT (NET COST)

(in € '000)	2009	2010
Interest income	55	39
Interest expense	-3 090	-2 486
Net gain/loss (-) on realisation of other receivables & non-current financial assets	- 10	- 88
Addition (-)/reversal of impairment on other receivables & non-current financial assets	30	
Net foreign exchange gains/losses (-)	-1 279	- 917
Other financial income/expenses (-)	1	5
Financial cost-net, before non-recurring items	-4 293	-3 448
Non-recurring financial items		
Financial cost-net	-4 293	-3 448

Recurring financial items
The financial result before non-recurring items amounted to minus EUR 3,448 ('000), compared to minus EUR 4,293 ('000) in 2009. The improvement of EUR 846 ('000) is mainly the result of lower financial interest expenses amounting to minus EUR 604 ('000) and lower negative exchange rate differences of minus EUR 363 ('000). The exchange rate differences are attributable to various transactions between Spector Photo Group NV and its subsidiaries in countries outside the Eurozone. The exchange rate differences mainly concern the translation differences for the Swiss franc and the Swedish krona.

The financial statements were prepared using the following exchange rates.

Currency exchange rates	Closing rate 2009	Closing rate 2010	Average rate 2009	Average rate 2010
Swiss franc	1.4836	1.2504	1.5076	1.3700
Danish krone	7.4418	7.4535	7.4460	7.4477
Hungarian forint	270.4200	277.95	281.4375	276.5075
Norwegian krone	8.3000	7.8	8.6892	8.0034
Swedish krona	10.2520	8.9655	10.5874	9.4926
American dollar	1.4406	1.3362	1.3963	1.3207

13. INCOME TAX EXPENSE (-)/INCOME

Amounts recognised in the income statement

(in € '000)	2009	2010
Current tax expenses (-)/income		
Taxes on the result for the financial year	- 973	- 717
Adjustments to taxes for preceding periods	- 558	83
Addition to provisions for taxes	- 34	
	-1 565	- 633
Deferred taxes		
Originating and reversal of temporary differences	2 512	1 046
	2 512	1 046
Income tax expenses (-)/income recognised in the income statement	946	413

Reconciliation of effective income tax expenses (-)/income

(in € '000)	2009	2010
Tax calculated at the theoretical tax rate*	-6 367	-3 415
Profit/loss (-) before tax	-3 673	- 313
Theoretical tax rate	25.84%	30.30%
Impact of tax excempt revenues	4 510	1 567
Impact of non-deductible expenses	- 93	-1 051
Tax deduction for risk capital	1 245	1 061
Impact of utilised tax losses	- 315	1 092
Increase in provisions concerning tax claims	- 34	
Over/under (-) provided in preceding years	- 558	83
Other	46	29
Effective current income tax expenses (-)/income	-1 566	- 633
Impact of deferred taxes	2 512	1 046
Income tax expenses (-)/income recognised in the income statement	946	413

** The theoretical tax rate is calculated as the weighted average of the domestic theoretical tax rates applicable to profits of the taxable entities in the countries concerned.*

The non-tax-deductible expenses consist mainly of write-downs on non-current financial assets, non-deductible car expenses, reception expenses and restaurant expenses, non-deductible taxes, cash fines and social benefits such as meal vouchers.

In view of the overall loss situation in the result before taxation, an effective tax rate does not apply to the Group as a whole, neither for 2009, nor for 2010.

14. PROPERTY, PLANT & EQUIPMENT

(in € '000)	Land & buildings	Plant, machinery & equipment	Furniture, fixtures & vehicles	Total
Acquisition value				
Balance at end of previous year	24 023	32 330	21 543	77 896
Mutation				
Additional from internal development		40		40
Acquisitions	212	868	860	1 940
Sales & disposals (-)	- 3 564	- 16 943	- 823	- 21 331
Translation differences	178	962	13	1 153
Balance at end of current period	20 848	17 257	21 593	59 698
Depreciation and impairment				
Balance at end of previous year	13 033	27 894	16 329	57 256
Mutation				
Depreciation	486	1 725	1 409	3 620
Sales and disposals (-)	- 2 477	- 16 862	- 822	- 20 161
Translation differences	110	880	13	1 003
Balance at end of current period	11 152	13 637	16 928	41 718
Carrying amount				
at end of previous year	10 990	4 436	5 214	20 640
at end of current period	9 696	3 620	4 664	17 980

Leased assets, reported in the table above, which the Group leases in the form of finance leases, contain:

(in € '000)	Acquisition value	Accumulated depreciation and impairment	Carrying amount
Plant, machinery & equipment	755	- 485	270
Furniture, fixtures & vehicles	107	- 43	64
	862	- 528	334

Recognition at fair value used as the deemed cost

In accordance with IFRS 1, it was decided to measure buildings and land at the date of transition to IFRS at fair value and to use this fair value as its deemed cost at that date.

As a result of this option in the transition to IFRS on 1 January 2004, a gain of EUR 3,174 ('000) was recognised for the land, translated at the closing exchange rate on 31 December 2010. This gain concerns land of the subsidiaries Photo Hall Multimedia NV, Fotronic NV, Extra Film AB in Sweden, and Promo Concept Investment BVBA. In 2007, the building of Fotronic NV in Braine-l'Alleud, Belgium, was sold. The gain recognised in the transition to IFRS amounted to EUR 544 ('000) and is, even as the building itself, no longer recognised in the assets. At the end of 2010, the building of Extra Film AB in Sweden was also sold. The gain recognised in the transition to IFRS amounted to EUR 597 ('000) translated at the closing rate on 31 December 2010 and is, even as the building itself, is no longer recognised in the assets.

The determination of the fair value of the land and buildings identified mentioned above was performed by the accredited assessors Valorem Expertises in Belgium, and Claesson Konsult in Sweden. The properties were valued as unencumbered by tenancy rights. The costs of the transaction, such as costs for registration, civil-law notary, any VAT, publicity and estate agent's fees, were not included. Since the assessors noted that there was no market data available, in view of the specialised category of the properties and that these assets are seldom sold, except as premises in use by a company, these assets were recognised at their 'depreciated replacement value' in accordance with IAS 16. This means that the starting point is an estimate of the cost for rebuilding the property, including the cost of deeds, the costs of preparing the site, the construction costs and all applicable taxes. This initial recognition value is then depreciated for expenses including the commercial and physical age of the buildings, the cyclic economic conditions, and losses in value associated with any sale.

Without the selected option of recognising land and buildings at their fair value, the net carrying amount at the prior financial year-end would amount to EUR 8,450 ('000) instead of EUR 10,990 ('000). As at the end of the current period under review, this would have produced a net carrying amount of EUR 7,677 ('000) instead of EUR 9,695 ('000).

Net carrying amount

2009 evolution

The net carrying amount of the property, plant and equipment increased by EUR 2,380 ('000) between 2008 and 2009. For the 2009 financial year, the investments amounted to EUR 6,121 ('000), whereas the depreciation amounted to minus EUR 3,764 ('000). Exchange rate changes also had a positive effect on the net carrying amount by EUR 113 ('000).

2010 evolution

The net carrying amount of the property, plant and equipment decreased by EUR 2,660 ('000) between 2009 and 2010. The decrease is, on the one hand, due to the annual depreciation that amounted to minus EUR 3,620 ('000) and the investments amounting to EUR 1,980 ('000). As a result of the sale of the Swedish lab, the net carrying amount of the land and buildings decreased, and the plant, machinery, and equipment were also sold and discarded.

Investments in the Retail Group

The majority of the Retail Group's shops are rented. However, the main building of Photo Hall in Vorst, Belgium is owned by the Group. The central building of Hifi International in Bettembourg, Luxembourg, was purchased in 2009 for EUR 3,000 ('000). The other investments in property, plant, and equipment mainly refer to the interior decoration of new shops and the refurbishments of existing shops — mostly under the brand of Photo Hall or Hifi International. In 2009, these investments amounted to EUR 849 ('000); and in 2010 an amount of EUR 1,070 ('000) was invested.

Investments in the Imaging Group

The Imaging Group invested mainly in machines for the production of photo books and photo gifts in the context of the automation project for the production in Wetteren, Belgium, specifically EUR 781 ('000). The other investments in property, plant, and equipment amounting to EUR 128 ('000) relate to the buildings. Of the total investments, EUR 40 ('000) relates to self-constructed assets.

15. CONSOLIDATION GOODWILL AND OTHER GOODWILL

(in € '000)	Consolidation goodwill	Other goodwill	Total
Gross carrying amount			
Balance at end of previous year	46 002	13 832	59 834
Sales & disposals (-)		- 125	- 125
Disposals through business divestiture (-)	- 157		- 157
Translation differences		391	391
Balance at end of current period	45 845	14 098	59 943
Amortisation and impairment			
Balance at end of previous year	28 908	11 762	40 670
Mutation			
Amortisation		316	316
Sales and disposals (-)		- 125	- 125
Disposals through business divestiture (-)	- 157		- 157
Translation differences		391	391
Balance at end of current period	28 751	12 344	41 095
Carrying amount			
at end of previous year	17 094	2 070	19 164
at end of current period	17 094	1 754	18 849

On the one hand, this item concerns the consolidation goodwill, with the main components being: EUR 6,932 ('000) for Photo Hall, Belgium and Luxembourg, and EUR 5,254 ('000) for ExtraFilm Scandinavia. As a result of the liquidation of the entity Fotronic SA, the consolidation goodwill in acquisition cost and recognised amortisation decreased by EUR 157 ('000). The net carrying amount has remained unchanged. On the other, this item also contains local goodwill of EUR 1,541 ('000) for shops in the Retail Group, and EUR 214 ('000) goodwill for the customer file of Positif Group, which was acquired by the Imaging Group. Neither in 2009, nor in 2010 were there any acquisitions; the net carrying amount for local goodwill continued to be amortised. In accordance with IAS 36, the company performed impairment tests at the end of December in both 2009 and 2010 concerning the identified cash-generating units to examine whether they had suffered any impairment loss. These tests demonstrated that in each case the recoverable amount of the units was higher than the carrying amount of the entity. Consequently, no impairment needed to be recognised for the continuing operations.

The results of the tests for the four most important cash-generating units are examined in more detail below. These four units combined represent the total net carrying amount of the consolidated goodwill. This concerns the cash-generating units: Mail Order (Belgium, the Netherlands, France, Switzerland, Scandinavia, etc.); Hifi International, operating in the retail consumer electronics market in Luxembourg and France; Photo Hall Belgium, operating in the retail consumer electronics market in Belgium; and Spector BeNe – the cash-generating unit that contains the operations under the Spector™ concept and the related wholesale business in photo-linked products, with which the Spector™ concept provides a full range of offerings for photofinishing and photo-related products to its customers, who are professional photographers in Belgium and the Netherlands.

Mail order

The net carrying amount of the goodwill that was attributed to this entity was EUR 9,550 ('000) as at 31 December 2010.

The recoverable amount is higher than the net carrying amount stated above. The recoverable amount is calculated on the basis of the value in use.

This calculation uses projections of the future free cash flows for the five coming financial years and adds a continuing annual growth of 2%. The projections for 2011 correspond with the budgets approved by the Board of Directors, without taking account of the cost savings that could result from the restructuring measures still to be implemented. The projections for 2012, 2013, 2014 and 2015 are based on prudent extrapolations by the management. The continuing annual growth of 2% is justified by the permanent nature of the activities, including an increase in the overheads due to inflation and a conservative evolution in the revenues that takes account of the changing market conditions. The growth rates in the projections result from the individual evolution for each product group: (i) a fall in the revenues from analogue photography, based on the evolutions in recent years and confirmed for the coming years by several market studies. This fall is the result of a decrease in the number of customers using analogue photography, with which the operating income for each customer remains stable. With effect from 2010, the weight of

analogue will be very limited within the total operating income as a result of which this constant fall has little impact on the evolution of the total mail-order operations; (ii) a rise in the number of digital customers in accordance with the database model. This increase is the combination of, on the one hand, attracting new customers as a result of the continuing increase in the penetration rate of digital cameras and the marketing campaigns and, on the other, the dynamics in the composition of the customer base in which the proportion of new customers in relation to the total number of customers is decreasing year after year; (iii) an increase in the average revenues from each digital customer. This increase results from the increasing supply of products other than traditional photos, such as photo books, photo calendars, photo gifts and photos on canvas, with a higher price for each order. This market evolution from traditional photos to new products is also confirmed by various market studies.
The results of these calculations are discounted at 12% for the coming five years. This discount rate reflects: a market-level return on equity and loan capital, the current balance between equity and loan capital for this cash-generating unit, and the estimates of additional risks and volatility for the potential evolutions in the market in which this entity operates.

Hifi International Luxembourg
The net carrying amount of the goodwill that was attributed to this unit was EUR 3,595 ('000) as at 31 December 2010.
The recoverable amount is higher than the net carrying amount stated above. The recoverable amount is calculated on the basis of the value in use.
This calculation uses projections of the future free cash flows for the four coming financial years and adds a continuing annual growth of 2%. The projections for 2011 correspond with the budgets approved by the Board of Directors. The projections for 2012, 2013 and 2014 are based on extrapolations by the management. The constant annual growth of 2% is justified by the permanent nature of the activities, reflecting an increase in overhead costs due to inflation. The most important assumptions are a stable free cash flow for the period from 2011 to 2014, and a stable gross margin. The results of this calculation are discounted at 8.8%. This discount rate reflects a market-level return on equity and loan capital in their current mutual weights.

Photo Hall Belgium
The net carrying amount of the goodwill that was attributed to this unit was EUR 3,337 ('000) as at 31 December 2010.
The recoverable amount is higher than the net carrying amount stated above. The recoverable amount is calculated on the basis of the value in use.
This calculation uses projections of the future free cash flows for the four coming financial years and adds a continuing annual growth of 2%. The projections for 2011 correspond with the budgets approved by the Board of Directors. However, this is without taking into account the cost savings that could result from restructuring measures that could still be implemented. The projections for 2012, 2013 and 2014 are based on extrapolations by the management. The constant annual growth of 2% is justified by the permanent nature of the activities, reflecting an increase in overhead costs due to inflation. The most important assumptions are a stable free cash flow for the period from 2011 to 2014, and a stable gross margin.
This calculation also uses a discount rate of 8.8% and reflects a market-level return on equity and loan capital in their current mutual weights.

Spector BeNe (Belgium and Netherlands)
The net carrying amount of the goodwill that was attributed to this unit was EUR 612 ('000) as at 31 December 2010. The recoverable amount is higher than the net carrying amount stated above. The recoverable amount is calculated on the basis of the value in use.
This calculation uses projections of the future free cash flows for the five coming financial years and adds a continuing annual growth of 2%. The projections for 2011 correspond with the budgets approved by the Board of Directors. The projections for 2012, 2013, 2014 and 2015 are based on prudent extrapolations by the management. The continuing annual growth of 2% is justified by the permanent nature of the activities, including an increase in the overheads due to inflation and a conservative evolution in revenues that takes the changing market conditions into account. The results of these calculations are discounted at 11.08% for the coming five years. This discount rate reflects: a market-level return on equity and loan capital, the current balance between equity and loan capital for this cash-generating unit, and the estimates of additional risks and volatility for the potential evolutions in the market in which this unit operates

16. INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets mainly concern the externally acquired customer relationships of the mail-order enterprises in the Imaging Group of EUR 8,899 ('000) and, to a limited extent, patents, licences and software developed in-house. Page 64 and following of this document provides more detailed information on the externally acquired customer relationships. Up until 2004, there was a relative balance between the newly acquired customer relationships and the amortisation associated with them. Because of the transition from analogue to digital photography, the Imaging Group calls on other techniques and instruments to acquire new customers. These techniques qualify on fewer of the criteria for recognition as intangible assets.

(in € '000)	Concessions, patents, licenses, etc.	Development expenses capitalised	Customer relationships	Total
Acquisition Value				
Balance at end of previous year	15 665	70	72 224	87 959
Mutation				
Acquisitions	721		1 375	2 095
Sales & disposals (-)	- 3 254			- 3 254
Translation differences	75		3 701	3 777
Balance at end of current period	13 207	70	77 300	90 577
Amortisation and impairment				
Balance at end of previous year	14 527	70	63 396	77 992
Mutation				
Amortisation	469		1 520	1 989
Sales and disposals (-)	- 3 254			- 3 254
Translation differences	75		3 485	3 561
Balance at end of current period	11 817	70	68 401	80 288
Carrying amount				
at end of previous year	1 138		8 828	9 966
at end of current period	1 389		8 899	10 288

Compared to EUR 1,520 ('000) in acquisitions of external customer relationships, there was EUR 3,926 ('000) in amortisation of external customer relationships in 2009. In 2010, this concerned EUR 1,375 ('000) in acquisitions of external customer relationships contrasting with EUR 1,520 ('000) in amortisation. With effect from 1 July 2010, the 'Externally acquired customer relationships' have been recognised as intangible assets with indefinite useful lives in compliance with IAS 38, paragraph 88. Changes in market conditions due to technological developments, including a change in approach to customers, a change in the acquisition channels, and a resulting change in the customer's pattern of behaviour, are reflected in the history of the customer relationships that Spector Photo Group has built up during the last four to five years. On the basis of an analysis of all the relevant factors, no foreseeable limit can be set for the period over wich the assets are expected to generate net cash inflows. A limited useful life with linear amortisation over 7 years therefore no longer corresponds to the real situation. In compliance with IAS 38 paragraphs 107 and 108, the externally acquired customer relationships are no longer amortised, but submitted to an annual impairment test in accordance with IAS 36 to determine whether these assets may be impaired. The impairment test has shown that impairment is not required. The change in the assessment of the useful life from 'finite' to 'indefinite' was accounted for as a change in estimates in accordance with IAS 8. This change in estimates has had a positive effect of EUR 1,564 ('000) on the amortisation for the 2010 financial year. In view of the fact that henceforth an annual impairment test must be performed, the future effects are practically impossible to estimate.

The net carrying amount for concessions, patents and licences has increased to a limited extent by EUR 251 ('000) compared to 2009. The investments amount to EUR 721 ('000) for the 2010 financial year, and mainly concern investments for designs for photo books and photo gifts, harmonisation of the production software, updating the website to online applications, introduction of a new financial back office for mail order, and a new SAP implementation. No software developed in-house was capitalised in 2010. Amortisation in the 2010 financial year amounted to EUR 469 ('000) for this item.

The assumptions concerning the future of the intangible assets other than consolidation goodwill and other goodwill, being mainly the externally-acquired customer relationships, are closely connected with the strategy of the Imaging Group concerning the transition from analogue to digital photography – as described in the market risks on page 33 of this document – and the translation of this strategy in the business plan that is the basis of the impairment tests (see page 77 and following).

17. OTHER NON-CURRENT FINANCIAL ASSETS

(in € '000)	2009	2010
Other non-current financial assets, opening balance		
Gross amount	1 155	1 155
Accumulated impairment losses (-)	-1 106	-1 106
Decreases through sales and other movements (-)		-1 046
Accumulated impairment losses (-) decreases due to sales and other movements		1 046
Other non-current financial assets, closing balance		
Gross amount	1 155	108
Accumulated impairment losses (-)	-1 106	- 60
Other non-current financial assets	49	49

This item contains all the unconsolidated investments. It concerns unlisted financial assets of which the fair value cannot be reliably determined. The fair value is deemed to be equal to the cost adjusted for write-downs. In 2010, a number of unconsolidated investments were derecognised without any effect on the result.

18. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

(in € '000)	2009	2010
Cash guarantees	208	187
Other receivables	1 301	42
Gross carrying amount	1 509	229
Accumulated provisions for bad and doubtful debts in other receivables (-)	-1 256	- 5
Net carrying amount	252	224

In 2009 and 2010, a debt waiver was recognised on the receivable from Spector Verwaltung GmbH without any effect on the result. This recognition mainly explains the change in the other receivables and the accumulated write-downs.

Related parties

The remunerations for managers in key positions are reported on page 73.

19. DEFERRED TAX ASSETS & LIABILITIES

(in € '000)	Balance at end of previous financial year	Recognised in result	Effect of exchange rate changes	Other changes	Balance at the end of current period
Provisions	2	- 2			
Tax effect of tax losses carried forward	7 029	704	68	- 42	7 760
	7 032	702	68	- 42	7 760

In 2009, this category consisted mainly of the recoverable tax losses of Spector Photo Group NV, for which a deferred tax asset was recognised. Spector Photo Group generates taxable profits that consist of financial income as a result of loans granted to subsidiaries. The deferred tax asset for Spector Photo Group NV amounted to EUR 7,029 ('000) for the 2009 financial year. There was no change in the deferred tax asset in 2009.

This deferred tax asset was no longer retained in 2010, because the budgeted figures for Spector Photo Group for next year showed that the tax losses of Spector Photo Group could not be further reduced because the decreasing positive results were being offset by the additional deduction for tax purposes of the notional interest amounts. In the Retail Group, a deferred tax asset of EUR 527 ('000) was recognised in 2010. Deferred tax assets amounting to EUR 7,233 ('000) were also recognised for the Imaging Group in 2010. According to the tax planning, various companies in the Imaging Group will be generating profits in the near future. The taxable profits in the near future could be used to offset the unallocated taxable losses and tax assets.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unallocated taxable losses and tax assets can be utilised. The summary below shows not only deferred tax assets, but also deferred tax liabilities and the net effect.

Recognised deferred tax assets and liabilities	Assets		Liabilities		Net	
(in € '000)	2009	2010	2009	2010	2009	2010
Property, plant and equipment			582	574	- 582	- 574
Intangible assets			737	405	- 737	- 405
Provisions	2				2	
Tax effect of tax losses carried forward	7 029	7 760			7 029	7 760
Gross deferred tax assets and liabilities	7 032	7 760	1 319	979	5 712	6 781

Deferred tax assets and liabilities

For the 2009 financial year, the tax loss carry-forwards for which no deferred tax assets were recognised, amount to EUR 71,529 ('000), of which EUR 94 ('000) expire at year-end 2015, EUR 131 ('000) expire at year-end 2016, EUR 3,136 ('000) expire at year-end 2017, and EUR 166 ('000) expire at year-end 2018. The other tax loss carry-forwards have no time limit.

For the 2010 financial year, the tax loss carry-forwards for which no deferred tax assets were recognised, amount to EUR 77,681 ('000), of which EUR 53 ('000) expire at year-end 2014, EUR 172 ('000) expire at year-end 2015, EUR 179 ('000) expire at year-end 2016, and EUR 166 ('000) expire at year-end 2017, and EUR 1,074 ('000) expire at year-end 2018. The other tax loss carry-forwards have no time limit. For these losses, no deferred tax assets were recognised because it is improbable that there will be sufficient taxable profit available to be able to realise the tax benefits.

20. ASSETS HELD FOR SALE

Discontinued operations

IMAGING

Litto-Color N.V.

Litto-Color NV was set into liquidation on 6 November 2006. With effect from the 2006 financial year, the assets and liabilities of this company were classified as 'available-for-sale assets and liabilities'. Litto-Color NV, in liquidation, mainly operated in the wholesale photofinishing market.

The result and cash flow of the Imaging Group

(in € '000)	2009	2010
Cash flow from operating activities	- 124	- 12

RETAIL

Föfoto Kft

The Hungarian Föfoto Kft suffered severely from the very disappointing performance of the Hungarian economy, which meant the strenuous efforts and heavy investments of recent years were nullified. This led to the Board of Directors feeling obliged to take the difficult decision to offer the chain for sale. As a result of this, with effect from the 2008 financial year, the assets and liabilities of this company were classified as 'available-for-sale assets and liabilities'. Föfoto Kft operates in the retailing of consumer electronics and related products. On 4 June 2009, this wholly-owned subsidiary was divested via an MBO (Management Buy-Out).

The result and cash flow of the Retail Group.

(in € '000)	2009
Post-tax profit/loss (-) of discontinued operations	-1 062
Revenue from ordinary activities	3 565
Other income from ordinary activities	119
Expenses from ordinary activities	-3 834
Financial result	- 912
Interest expense	- 79
Pre-tax profit/loss (-) from discontinued operations	-1 062
Cash flow from operating activities	- 166
Cash flow from investing activities	2 255
Cash flow from financing activities	-2 223

The loss of minus EUR 1,062 ('000) in 2009 comprises, on the one hand, a non-cash loss of EUR 757 ('000) resulting from the currency translation differences item that was transferred on realisation to the statement of comprehensive income from the currency translation differences in the equity, and on the other, of EUR 305 ('000) for costs related to completing this transaction.

Assets held for sale and directly associated liabilities

The assets held for sale and directly associated liabilities concern the discontinued operations of Litto-Color NV, in liquidation, from the Imaging Group.

Imaging Group

(in € '000)	2009	2010
Assets		
Trade and other receivables	41	8
Cash and cash equivalents	640	628
Assets held for sale	681	636
Liabilities		
Provisions	35	21
Employee benefit liabilities	663	633
Liabilities directly linked to liabilities held for sale	698	653

Litto-Color NV, in liquidation, operating in the wholesale photo-finishing market, was set into liquidation on 6 November 2006, and was classified in the assets held for sale and the liabilities directly linked to them.

21. INVENTORIES

(in € '000)	2009	2010
Trade goods	29 451	33 481
Raw materials and consumables	633	1 239
Work in progress		14
Total gross carrying amount	30 085	34 734
Depreciation and other write-downs (-)	-1 368	-1 289
Net carrying amount	28 717	33 445

The change in the 'Inventories' heading between 2009 and 2010 is mainly attributable to the Retail Group. The inventories item increased by EUR 4,728 ('000), a reflection of the less-than-expected retail sales at the end of the financial year. In the 2010 financial year, a reversal of impairment amounting to EUR 79 ('000) was recognised, compared to EUR 148 ('000) in the 2009 financial year. These reversals are accounted for in the income statement.

22. TRADE AND OTHER RECEIVABLES (CURRENT)

(in € '000)	2009	2010
Trade receivables, gross	17 864	17 602
Other receivables, gross	714	577
Accruals and deferrals	469	463
Gross carrying amount	19 046	18 642
Accumulated write-downs on bad and doubtful trade receivables (-)	-2 754	-2 173
Accumulated write-downs on bad and doubtful other receivables (-)	- 163	- 201
Net carrying amount	16 129	16 267

The current portion of the trade and other receivables between 2009 and 2010 remained stable on group level. The increase at the Retail Group was compensated by the decrease at the Imaging Group.

Of the accumulated write-downs on bad and doubtful trade receivables, EUR 306 ('000) was taken to the income statement in 2009. In 2010, minus EUR 108 ('000) was recognised in the income statement.

Of the accumulated write-downs on bad and doubtful other receivables, minus EUR 30 ('000) was recognised as recurring financial expenses in the income statement for 2009. There were no recurring financial expenses recognised in bad and doubtful other receivables in the 2010 financial year.

The net other receivables, after deduction of accumulated write-downs, and including accrued and deferred accounts, are composed as follows:

(in € '000)	2009		2010	
Retail Group	260	25.5%	226	27.0%
Imaging Group	602	59.0%	424	50.5%
Other	158	15.5%	189	22.5%
Total	**1 019**	**100%**	**839**	**100%**

The net other receivables for the 2009 financial year contain the following items:
EUR 409 ('000) receivable related to VAT,
EUR 469 ('000) of deferred charges and accrued income, and EUR 141 ('000) of other receivables.

The net other receivables for the 2010 financial year contain the following items:
EUR 185 ('000) receivable related to VAT,
EUR 463 ('000) of deferred charges and accrued income, and EUR 191 ('000) of other receivables.

23. CASH AND CASH EQUIVALENTS

(in € '000)	2009	2010
Short term bank deposits	3 094	8 189
Other cash and cash equivalents	15 345	8 391
	18 439	16 580

See also the cash flow statement on page 54 of this annual report.

24. CURRENT INCOME TAX ASSETS

This heading mainly concerns income tax assets in certain consolidated entities related to pending tax assessment objections, and should be considered jointly with the current income tax liabilities, under the heading 'Equity and Liabilities'. The decrease in the income tax assets in 2009 was mainly the result of a favourable ruling for a number of Belgian companies in a dispute with the tax authorities. The payments were made by the financial administration in January and March 2009. The increase in the income tax assets in 2010 is attributable to the Retail Group.

25. TOTAL EQUITY

See also page 53, statement of changes in equity.

The total number of shares amounts to 36,619,505, of which 1,207,072 are treasury shares. There were 22,993 treasury shares purchased during the course of 2004, and 27,773 during the course of 2003, at a price equal to or below the exercise price of the share options; see page 86 of this document. In 2008, 1,075,275 of the company's treasury shares were acquired. Of the total of 1,207,072 shares, 77,271 are held by Spector Photo Group NV, 54,526 by the subsidiary Alexander Photo SA, and 1,075,275 by the subsidiary Spector Coördinatiecentrum NV. In accordance with IFRS, these treasury shares are measured at cost at their initial recognition in the IFRS statement of financial position on 1 January 2004 for 131,797 shares, and for 1,075,275 shares at cost with the transfer on 27 March 2008. This amount has been deducted from the equity.

Calculaltion of the earnings per share (2009)

1. Number of shares

1.1. Weighted average number of shares	35 412 433
1.2. Adjustments to calculate the diluted weighted average number of shares: Issue on 16 December 2005 of 600 000 warrants that each gives right to one new share of the company to be created when exercised.	600 000

2. Net profit

	Net profit (from continuing operations)	Net profit (from discontinuing operations)	Net profit (total)	Total comprehensive income for the period
2.1. Profit/loss (-) attributable to equity holders of the parent (in thousands of euros)	- 2 726	- 1 062	- 3 788	- 1 461
2.3. Profit/loss (-) available to ordinary shareholders (per share, amount in euros)	- 0.0770	- 0.0300	- 0.1070	- 0.0413

Only shares with dividend rights are taken into account for the calculation of the earnings per share.

Calculaltion of the earnings per share (2010)

1. Number of shares

1.1. Weighted average number of shares	35 412 433
1.2. Adjustments to calculate the diluted weighted average number of shares: Issue on 16 December 2005 of 600 000 warrants that each gives right to one new share of the company to be created when exercised.	600 000

2. Net profit

	Net profit (from continuing operations)	Net profit (from discontinuing operations)	Net profit (total)	Total comprehensive income for the period
2.1. Profit/loss (-) attributable to equity holders of the parent (in thousands of euros)	99		99	1 378
2.3. Profit/loss (-) available to ordinary shareholders (per share, amount in euros)	0.0028	0.0000	0.0028	0.0389

Only shares with dividend rights are taken into account for the calculation of the earnings per share.

26. NON-CURRENT AND CURRENT INTEREST-BEARING FINANCIAL OBLIGATIONS

The interest-bearing liabilities amounted to EUR 46,470 ('000) at year-end 2009, compared to EUR 46 141 ('000) at year-end 2010. The majority of the borrowings are subject to a variable interest-rate expense of EURIBOR + X%. The NIB Capital Bank NV participation certificates bear a fixed interest expense. See 'Subsequent events' on page 27.

As at 31 December 2009, 98.59 % of the total borrowings were in EUR, and 1.41 % in SEK. On the 2010 balance sheet date, all outstanding borrowings were in EUR.

The breakdown between non-current and current borrowings are shown in the table on page 85 and onwards.

As at year-end 2009, the interest expense for the non-current borrowings in EUR amounted to between EURIBOR +0.25% and EURIBOR +4%, and in SEK between 1.95% and 2.5%. At year-end 2010, the interest expenses for the non-current loans in EUR were between EURIBOR +0.25% and EURIBOR +4%. The interest expenses in SEK amounted to between 1.95% and 2.5%.

For 2009, the interest rates for the current borrowings in EUR varied between EURIBOR +1% and EURIBOR +3%, and in SEK between 1.95% and 2.5%. As at year-end 2010, the interest expense for the current borrowings with a variable interest rate in EUR amounted to between EURIBOR +1% and EURIBOR +3%, and in SEK between 1.95% and 3.5%. The long-term debt of Photo Hall Multimedia to the bank consortium was renegotiated and extended at the end of 2010. The new credit terms are in line with the previous terms. An important part, EUR 13,138 ('000) of the current financial debt was thus transferred to non-current financial debt. The borrowings in SEK were fully repaid in 2010.

The secured borrowings are guaranteed for EUR 15,132 ('000) by mortgages on land and buildings, for EUR 23,051 ('000) by pledges on business assets of specific companies, and for EUR 4,483 ('000) by powers of attorney on pledged business assets of specific companies. Furthermore, shares of specific companies included in the consolidation have been given as collateral.

Disclosures concerning the liabilities and payables:

(in € '000)	2009						
	Up to 1 year	2011	2012	2013	2014	More than 5 years	Total
Interest-bearing borrowings credit institutions							
Secured bank loans	19 985	580	206	136	139	2 486	23 533
Unsecured bank loans						12 500	12 500
Finance leases							
Secured lease liabilities	148	157	132				437
Bank overdrafts							
Secured bank overdrafts	10 000						10 000
Total interest-bearing borrowings according to their maturity	30 133	737	338	136	139	14 986	46 470

(in € '000)	2010						
	Up to 1 year	2012	2013	2014	2015	More than 5 years	Total
Interest-bearing borrowings credit institutions							
Secured bank loans	3 277	3 123	3 126	3 130	4 271	2 375	19 302
Unsecured bank loans						12 500	12 500
Finance leases							
Secured lease liabilities	167	143	11	12	6		339
Bank overdrafts							
Secured bank overdrafts	14 000						14 000
Total interest-bearing borrowings according to their maturity	17 444	3 266	3 138	3 142	4 277	14 875	46 141

Disclosures relating to the lease commitments:

(in € '000)			2009			
Payments 2009	Interest	Capital	Outstanding current payable	Outstanding non-current payable	Outstanding current interest	Outstanding non-current interest
Finance lease liabilities						
171	33	139	148	290	23	18

(in € '000)			2010			
Payments 2010	Interest	Capital	Outstanding current payable	Outstanding non-current payable	Outstanding current interest	Outstanding non-current interest
Finance lease liabilities						
180	26	154	167	172	17	9

Operating lease commitments

Leasing as lessee

Non-cancellable operating lease contracts are payable as follows :

(in € '000)	2009	2010
Rentals during the financial year	8 975	9 006
Less than one year	8 712	8 703
Between one and five years	24 511	24 287
More than five years	10 086	10 896

The most important commitments for the Retail Group concern the retail premises over a period of nine years, with an option to renew the leases after the expiry date. The rent is increased annually to reflect market rental rates. Furthermore, the group rents a number of business offices and other operating facilities with contracts that run for several years.

Leasing as lessor

The Group leases out minilabs under operating leases.

(in € '000)	2009	2010
Rentals during the financial year	22	34
Less than one year	11	15

27. NON-CURRENT AND CURRENT EMPLOYEE BENEFIT LIABILITIES

'Non-current employee benefit liabilities' concern the pension commitments of the consolidated companies. There has been no change between 2009 and 2010 for these companies.

Current employee benefit liabilities are liabilities concerning remuneration and social security charges. These mainly comprise the payable wages and salaries, as well as the corresponding social security contributions, payroll withholding tax and provisions for holiday pay. In 2010, they amounted to EUR 4,320 ('000) compared to EUR 4,452 ('000) in 2009.

Share option plans

The Board of Directors decided unanimously at its meeting on 26 November 1999 to introduce share option plans for the benefit of employees and consultants of Spector Photo Group NV and associated companies, in the sense of Article 11 of the Belgian Company Code. The free offer of the options to the employees was considered as a benefit in kind that is taxable as remuneration. In view of the fixed measurement of this benefit, as provided for in the Law of 26 March 1999, concerning the Belgian Action Plan for Employment and including various provisions, this constitutes a form of remuneration that is beneficial for tax purposes. The share options from 2002, which expired at year-end 2010, have lost their value.

Warrant plan

The Extraordinary General Meeting of Shareholders of Spector Photo Group NV on 28 November 2005 decided to issue 600,000 warrants in the sense of Article 42 of the Law of 26 March 1999 concerning the Belgian 1998 Action Plan for Employment and containing various provisions (the "Share Options Act"). Each warrant gives the right to subscribe for a single share. This warrant plan is designed to create a long-term incentive for the beneficiaries who, as directors or consultants, can make a significant contribution to the success and the growth of the company. In addition, this warrant plan aims to create a common interest among the beneficiaries and the shareholders that aims an increase in the Company's share price.

In accordance with the Economic Recovery Act of 27 March 2009, the Board of Directors resolved to extend the exercise period of the warrants granted on 28 November 2005 for which the initial exercise period expires on 30 September 2010, by an additional exercise period of four (4) years until 30 September 2014.

Year of offer	2005	
Exercise price	€ 3.36	
Number of warrants offered	600 000	
Number of outstanding/accepted warrants	600 000	
Initial exercise periods	03/2006	09/2006
	03/2007	09/2007
	03/2008	09/2008
	03/2009	09/2009
	03/2010	09/2010
Additional exercise periods in accordance with the Economic Recovery Act of 27 March 2009	03/2011	09/2011
	03/2012	09/2012
	03/2013	09/2013
	03/2014	09/2014

Granting and exercising the warrants will have an effect on the employee expenses and thus on the results of the company due to the application of IFRS 2 'Share-based Payment'. The 'theoretical value' of the warrants, calculated according to a conventional valuation method (Black & Scholes), amounts to EUR 0.22366 per warrant or a total of EUR 134,198, and is recognised as an employee expense for the 2005 financial year in which they were issued. For this theoretical measurement of the value, the last closing price of the share before the offer of these warrants, which was EUR 1.48, and the exercise price of the warrants amounting to EUR 3.36, were taken into account.

The expected volatility was based on the average volatility over a period of one year.

No effects of any expected premature exercising were included, as this was not considered relevant.

Share price at allotment	€ 1.48
Exercise price	€ 3.36
Duration	5 jaar
Expected volatility	40%
Dividend yield	0%
Risk-free interest rate	3.10%

Post-employment benefits

Defined contribution pension plans

With defined contribution plans, contributions are paid to insurance institutions. After payment of these contributions, the Group's companies have no further obligations. The contributions are recognised as an expense in the income statement for the year to which they are related. For 2009, the costs of the Group's defined contribution plans amounted to EUR 231 ('000), recognised under the 'Employee benefit liabilities' item. These costs amounted to EUR 302 ('000) for 2010.

Defined benefit pension plans

The group had defined benefit pension plans in France in 2009 and 2010. The applicable pension plans are drawn up in accordance with statutory provisions and local customs. The pension plans are related to salary and seniority. No plan assets are held for the defined benefit plans in France.

The reversal concerning the Group's pensions related to defined benefit plans amounted to EUR 51 ('000) for 2009. There has been no effect on the result in the 2010 financial year related to the defined benefit plans.

These pension funds do not contain any shares issued by the Group or any of the Group companies' property.

Amounts recognised in the income statement under the 'Employee expenses' item.

(in € '000)	2009	2010
Costs attributed to the financial year		
Gain (-)/loss from curtailment of or discontinuing a plan	-51	
	-51	

The amount recognised in the statement of financial position is composed as follows:

(in € '000)	2009	2010
Present value of defined benefit plan obligations for which no investments are held	6	6
	6	6

Changes in the receivable (-) or liability recognised in the statement of financial position:

(in € '000)	2009	2010
Balance at end of previous financial year	57	6
Gains recognised in the income statement	-51	
As at the financial year-end	6	6

The main actuarial assumptions as at reporting date are:

	2009	2010
Discount rate used	4%	4%
Percentage pay rise	2%	2%
Percentage increase in benefits	2.5%	2.5%

Other non-current employee benefits

The other non-current employee benefits mainly concern pre-pension provisions in the various underlying entities.

Changes in the receivable (-) or liability recognised in the statement of financial position:

(in € '000)	2009	2010
Balance at end of previous financial year	134	142
Increase/decrease (-) of liability recognised in the income statement	8	386
As at the financial year-end	142	529

On the basis of the actuarial calculation and a thorough risk analysis, it was decided in 2010 to recognise a provision of EUR 348 ('000) for pension commitments concerning Spector Verwaltung GmbH, the German company that operated in the wholesale photofinishing business until 2001. This mainly clarifies the increase in these liabilities on the statement of financial position.

28. NON-CURRENT PROVISIONS

2009				
(in € '000)	Provisions for taxation	Provisions for restructuring	Other provisions	Total
Balance at end of previous year	776	163	913	1 852
Additional provisions	34		67	101
Amounts of provisions used (-)		- 43	- 402	- 445
Unused amounts of provisions reversed (-)			- 105	- 105
Balance at end of current period	810	120	473	1 403

The provision for taxes concerns the subsidiary Vivian Photo Products NV. The disputed tax amounts to EUR 479 ('000), increased by interest amounts to EUR 810 ('000). In 2009, an additional provision for interest amounts of EUR 34 ('000) was recognised and recorded as tax claims. EUR 43 ('000) was also utilised from the provision recorded in 2007 for restructuring already completed. The 'Provisions for restructuring' relates to the Imaging Group. An additional provision of EUR 67 ('000) was recognised under the 'Other provisions'. EUR 402 ('000) was used for the settlement of claims for damages, and a reversal of EUR 105 ('000) was recognised for unused provisions. The 'Other provisions' are mainly related to claims for damages from owners of shops in the Retail Group. The settlement date for these claims is unknown.

2010				
(in € '000)	Provisions for taxation	Provisions for restructuring	Other provisions	Total
Balance at end of previous year	810	120	473	1 403
Additional provisions			86	86
Amounts of provisions used (-)		- 5	- 66	- 71
Unused amounts of provisions reversed (-)			- 349	- 349
Balance at end of current period	810	115	145	1 069

In 2010, relating the tax claim concerning Extra Film A/S (Norway) – in which the company would be subject to an exit tax, whereas the company has never ceased to exist - an appeal has been lodged against the assessment issued. In accordance with IAS 37 paragraph 14, no provision needs to be recognised. An additional provision of EUR 86 ('000) was recognised under the 'Other provisions'. A reversal of EUR 349 ('000) was recognised for unused provisions. As in 2009, the 'Other provisions' are mainly related to claims for damages from owners of shops in the Retail Group. The settlement date for these claims is unknown.

29. CURRENT PORTION OF PROVISONS

2009			
(in € '000)	Provisions for restructuring	Other provisions	Total
Balance at end of previous year	144	50	194
Amounts of provisions used (-)		- 50	- 50
Unused amounts of provisions reversed (-)	- 144		- 144
Balance at end of current period			

In 2009, a reversal of EUR 144 ('000) was recognised for unused 'Provisions for restructuring'. The other provisions amount of EUR 50 ('000) were used.

2010		
(in € '000)	Provisions for restructuring	Total
Balance at end of previous year		
Additional provisions	618	618
Foreign currency exchange increase/decrease (-)	19	19
Balance at end of current period	637	637

In 2010, a provision amounting to EUR 618 ('000) was recognised. The provision was mainly set up for the settlement of the costs of closing the production lab in Sweden, in the Imaging Group.

30. DEFERRED TAX LIABILITIES

2009					
(in € '000)	Balance at end of previous financial year	Recognised in result	Effect of exchange rate changes	Other changes	Balance at the end of current period
Property, plant and equipment	1 465	- 882			582
Intangible assets	1 320	-1 647	4	1 060	737
	2 785	-2 529	4	1 060	1 319

The decrease in 2009 on property, plant and equipment mainly relates to the Retail Group, due to the setting off of tax losses incurred in 2009 against the already existing deferred taxes. The evolution in intangible assets in 2009 concerns, on the one hand, the decrease of the intangible assets attributable to the evolution concerning externally-acquired customer relationships, which led to a reduction in the deferred taxes, and, on the other, off-setting of tax losses against profits from previous years of EUR 1,060 ('000), carry-back, related to Extra Film SA in France.

2010					
(in € '000)	Balance at end of previous financial year	Recognised in result	Effect of exchange rate changes	Other changes	Balance at the end of current period
Property, plant and equipment	582	- 8			574
Intangible assets	737	- 336	45	- 42	405
	1 319	- 344	45	- 42	979

The evolution in intangible assets in 2010 mainly relates to the change in intangible assets attributable to the evolution concerning externally-acquired customer relationships, which led to a reduction in the deferred taxes.

31. LIABILITIES HELD FOR SALE

Because a number of assets are held for sale, the directly associated liabilities from the respective categories are recognised under this separate heading 'liabilities held for sale'; see also page 81.

32. CURRENT TRADE AND OTHER PAYABLES

(in € '000)	2009	2010
Trade payables: suppliers	27 752	30 486
Prepayments received on contracts in progress	543	350
Dividends payable	131	130
Other amounts payable	571	524
Other taxes and VAT payable	4 990	4 578
Accrual and deferrals	1 927	1 904
Net carrying amount	35 914	37 971

The current trade and other payables in the Imaging Group fell by 17.97% in 2009. The current trade and other payables in the Retail Group increased slightly. In 2010, the current trade and other payables decreased further in the Imaging Group. The Retail Group saw an increase of +12.24%.

33. CURRENT INCOME TAX LIABILITIES

The current income tax liabilities fell by minus EUR 1,426 ('000) in 2009, mainly due to the negative results in the Retail Group. Current income tax liabilities for the current or prior periods, for which objections have been submitted, are recognised as payables. In the 2010 financial year, the current income tax liabilities decreased to EUR 194 (000), mainly attributable to the Retail Group.

34. REMUNERATION FOR THE COMMITTEE OF STATUTORY AUDITORS AND THE MEMBERS OF THEIR NETWORK FOR THE GROUP

Committee of Statutory Auditors : Auditors' fee EUR 38 ('000).

Audit fee for the Committee of Statutory Auditors and their network concerning subsidiaries : EUR 100 ('000).

Fees for exceptional services or special assignments performed by the Committee of Statutory Auditors and their network : EUR 13,368 categorised as follows :

Performed by	Committee of Statutory Auditors	The network linked to the Committee of Statutory Auditors
Other audit assignments	2 578	
Tax consultancy	5 500	800
Other assignments external to the audit	1 215	3 275
Total	9 293	4 075

35. RISK FACTORS

The general risk factors are extensively described in the 'Corporate Governance Statement' on page 33 and onwards.
As a result of the application of IFRS 7, further disclosures are made below concerning the financial assets and liabilities, which provide information for readers of the financial statements.

Credit risk

The following table shows a summary of the due dates from the trade and other receivables:

(in € '000)	2009		Of which not impaired as at the reporting date and overdue					
	Net carrying amount	Of which neither impaired nor overdue on the reporting date	Overdue - less than 30 days	Overdue - between 30 and 59 days	Overdue - between 60 and 89 days	Overdue - between 90 and 179 days	Overdue - between 180 and 359 days	Overdue - more than 359 days
Other receivables (non-current)	252	250						2
Trade receivables (current)	15 110	11 192	1 917	1 371	183	90	104	252
Other receivables (current)	434	105	22	237	3	1		66
Total	15 796	11 547	1 940	1 609	186	91	104	320
(in € '000)	2010		Of which not impaired as at the reporting date and overdue					
	Net carrying amount	Of which neither impaired nor overdue on the reporting date	Overdue - less than 30 days	Overdue - between 30 and 59 days	Overdue - between 60 and 89 days	Overdue - between 90 and 179 days	Overdue - between 180 and 359 days	Overdue - more than 359 days
Other receivables (non-current)	224	224						
Trade receivables (current)	15 428	8 741	5 325	677	100	227	274	85
Other receivables (current)	376	317						58
Total	16 028	9 283	5 325	677	100	227	274	144

A significant proportion of the Imaging Group's activities are conducted by means of 'remote sales' to end-consumers. This involves exposure to non-collectability of many, relatively small, trade receivables. The Group manages this risk by encouraging online payment for its e-commerce activities on the one hand and, on the other, conducting proper credit management.

In cases of non-payment on the due dates, additional costs are charged depending on the overdue periods. In due course, the collection of the receivables is handed over to debt-collection agencies. For other trade receivables, credit limits and payment terms are set for each customer. Dunning procedures are started when these terms are exceeded.

Deliveries are blocked to customers who have exceeded their credit limits or payment terms. There was no significant risk concentration as at 31 December 2009 or 2010. No write-downs have been recognised for the overdue receivables, because their collectability is considered as probable.

The following table shows a summary of the accumulated write-downs on the financial assets:

(in € '000)	2009						
	Available for sale investment	Other financial assets (non-current)	Other receivables (non-current)	Trade receivables	Other receivables (current)	Other financial assets (current)	Assets held for sale
Balance at end of previous year	-1 714	-1 106	-1 875	-2 836	- 587	- 163	- 370
Accumulated impairment additions (-), reversals			- 11	- 306	30		
Utilisation			629	392	393		74
Translation differences				- 4			
Other changes							272
Balance at end of current period	-1 714	-1 106	-1 256	-2 754	- 164	- 163	- 24

The other changes in the 'Assets held for sale' in 2009 are attributable to the Hungarian Föfoto, which was sold in the second quarter of 2009 by means of an MBO (Management Buy-out).

(in € '000)	2010						
	Available for sale investment	Other financial assets (non-current)	Other receivables (non-current)	Trade receivables	Other receivables (current)	Other financial assets (current)	Assets held for sale
Balance at end of previous year	-1 714	-1 106	-1 256	-2 754	- 163	- 163	- 24
Accumulated impairment additions (-), reversals				109	- 38		
Utilisation	25	1 046	1 252	393			24
Translation differences				- 35			
Other changes				114			
Balance at end of current period	-1 689	- 59	- 4	-2 174	- 201	- 163	0

In 2010, the expenses for the 'Other financial assets' were recognised by Spector Photo Group NV. These concern dissolutions and liquidations of unconsolidated participating interests. The expenses in the 'Other receivables' mainly concern a remission of the receivable from Spector Verwaltung GmbH by the Imaging Group.

Liquidity risk

The following table shows a summary of the Group's financial liabilities, including payable interest charges, based on their contractual due date:

(in € '000)	2009							
	Carrying amount	Contractual cash flows	Up to 1 year	2011	2012	2013	2014	More than 5 years
Interest-bearing borrowings credit institutions								
Secured bank loans	23 533	25 292	21 060	652	270	196	196	2 918
Unsecured bank loans	12 500	5 543	924	924	924	924	924	924
Finance leases								
Secured lease liabilities	437	479	171	171	136			
Bank overdrafts								
Secured bank overdrafts	10 000	10 028	10 028					
Trade & other payables	28 996	28 996	28 996					
Total	75 467	70 337	61 179	1 747	1 329	1 120	1 120	3 842

(in € '000)	2010							
	Carrying amount	Contractual cash flows	Up to 1 year	2012	2013	2014	2015	More than 5 years
Interest-bearing borrowings credit institutions								
Secured bank loans	19 302	22 546	4 170	3 847	3 679	3 511	4 481	2 858
Unsecured bank loans	12 500	5 543	924	924	924	924	924	924
Finance leases								
Secured lease liabilities	339	365	184	149	13	13	6	
Bank overdrafts								
Secured bank overdrafts	14 000	14 046	14 046					
Trade and other payables	31 490	31 490	31 490					
Total	77 630	73 989	50 813	4 919	4 615	4 448	5 411	3 782

Non-current payables are measured at amortised cost that approximates to the fair value. The fair value of current payables is comparable with the carrying amount. There are currently no problems expected with the liquidity situation for the 2011 financial year. The Retail Group's non-current payable to the bank consortium amounting to EUR 13,138 ('000) was renegotiated as at the end of 2010.

In 2010, 34.68% of the interest-bearing borrowings had a fixed rate of interest, compared with 36.72% in 2009. For the other borrowings, the interest rate is fixed for a period between three months and a year. This operating procedure enables Spector Photo Group NV to accept fluctuations in the financial expenses in accordance with the evolution of market rates.

On the basis of the outstanding borrowings as at 31 December 2010, a rise or fall in the market rate by 1% has a negative or positive impact respectively on the financial result of EUR 301 ('000), which was EUR 294 ('000) on the basis of the outstanding borrowings as at 31 December 2009. The cash and cash equivalents are invested risk-free.

Capital structure

The Group optimises its capital structure, the combination of liabilities and equity. The most important objective of the capital structure is to obtain the best possible shareholder value, while simultaneously retaining the requisite financial flexibility to implement strategic projects. Maintaining a fundamentally healthy financial structure is essential.

In the analysis of the capital structure, we use the IFRS classification for the distinction between equity and liabilities.

36. IMPORTANT FUTURE ASSUMPTIONS

The assumptions concerning the future of the intangible assets, other than goodwill and trading securities, which are mainly the externally-acquired customer relationships, are closely connected to the strategy of the Imaging Group concerning the transition from analogue to digital photography – as described in the market risks on page 33 of this annual report – and the translation of this strategy in the business plan that is the basis of the impairment tests on page 77 and onwards.

The evolution of the total customer portfolio and therefore also the evolution of the externally-acquired customer relationships will be the result of future efforts invested in acquiring new customers. Expenditure concerned is only incurred under the prerequisite of profitable growth, monitored by means of the 'Lifetime Value' concept. Expenditure within this concept is only allowed for acquiring customers that have a payback period of less than three years, in which the payback is calculated on the basis of the future expected cash flows.

As a result of the combination of amortisation on the intangible assets on the one hand and, on the other, the application of the 'Lifetime Value' concept, the group believes that risks related to this asset are limited. After investments and amortisation, the value of the externally-acquired customer relationships amounted to EUR 8,899 ('000). Of this, EUR 7,594 ('000) is for the externally-acquired relationships, and EUR 1,305 ('000) for the directly attributable costs.

2010 SEPARATE FINANCIAL STATEMENTS

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BALANCE SHEET after profit allocation (Belgian GAAP)

ASSETS (in €)	2009	2010
FIXED ASSETS	124 730 378.50	127 138 528.64
Intangible fixed assets		10 406.14
Financial fixed assets	124 730 378.50	127 128 122.50
Affiliated enterprises	124 696 401.40	127 094 145.40
Participating interests	89 747 532.63	89 747 532.63
Amounts receivable	34 948 868.77	37 346 612.77
Other financial assets	33 977.10	33 977.10
Shares	28 817.63	28 817.63
Amounts receivable and cash guarantees	5 159.47	5 159.47
CURRENT ASSETS	6 968 555.91	6 649 407.94
Amounts receivable within one year	6 661 298.21	6 505 408.31
Trade debtors	172 377.61	152 737.52
Other amounts receivable	6 488 920.60	6 352 670.79
Current investments	260 524.62	51 878.17
Own shares	51 771.57	48 680.73
Other investments and deposits	208 753.05	3 197.44
Cash at bank and in hand	5 294.41	56 084.88
Deferred charges and accrued income	41 438.67	36 036.58
TOTAL ASSETS	131 698 934.41	133 787 936.58

EQUITY AND LIABILITIES (in €)	2009	2010
EQUITY	129 801 769.05	131 957 823.31
Capital	64 193 915.72	64 193 915.72
Issued capital	64 193 915.72	64 193 915.72
Reserves	10 213 097.70	10 320 900.41
Legal reserve	4 408 844.78	4 516 647.49
Reserves not available	51 771.57	48 680.73
In respect of own shares held	51 771.57	48 680.73
Untaxed reserves	3 500 770.69	3 500 770.69
Available reserves	2 251 710.66	2 254 801.50
Accumulated profits (losses)	55 394 755.77	57 443 007.32
PROVISIONS AND DEFERRED TAXES	100 000.00	
Provisions for liabilities and charges	100 000.00	
Other liabilities and charges	100 000.00	
AMOUNTS PAYABLE	1 797 165.36	1 830 113.27
Amounts payable after more than one year	1 046 074.68	1 070 623.08
Financial debts	1 046 074.68	1 070 623.08
Subordinated loans	395 383.58	395 383.58
Other loans	650 691.10	675 239.50
Amounts payable within one year	677 340.67	688 428.19
Trade debts	38 966.77	20 635.52
Suppliers	38 966.77	20 635.52
Taxes, remuneration and social security	46 598.10	42 847.70
Taxes	14 448.50	8 209.08
Remuneration and social security	32 149.60	34 638.62
Other amounts payable	591 775.80	624 944.97
Accruals and deferred income	73 750.01	71 062.00
TOTAL LIABILITIES	131 698 934.41	133 787 936.58

INCOME STATEMENT (in €)	2009	2010
Operating income	919 296.36	1 083 115.66
Turnover	776 554.00	579 999.96
Other operating income	142 742.36	503 115.70
Operating charges	-1 448 164.05	-1 346 582.81
Services and other goods	1 001 550.78	801 202.26
Remuneration, social security costs and pensions	336 301.54	217 330.84
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	2 372.83	1 173.86
Amounts written off stocks, contracts in progress and trade debtors		-233 495.06
Provisions for liabilities and charges		-100 000.00
Other operating charges	107 938.90	660 370.91
Operating profit (loss)	-528 867.69	-263 467.15
Financial income	2 471 810.54	2 589 353.59
Income from current assets	2 470 954.86	2 589 353.59
Other financial income	855.68	
Financial charges	-79 489.05	-170 176.20
Debt charges	84 899.43	64 614.15
Amounts written off current assets except stocks, contracts in progress and trade debtors	-7 615.26	40 817.04
Other financial charges	2 204.88	64 745.01
Gain (loss) on ordinary activities before taxes	1 863 453.80	2 155 710.24
Extraordinary income		301 844.33
Write-back of amounts written down financial fixed assets		301 844.33

INCOME STATEMENT (in €)	2009	2010
Extraordinary charges		-301 844.33
Amounts written off financial fixed assets		301 844.33
Gain (loss) for the period before taxes	1 863 453.80	2 155 710.24
Income taxes	87 389.93	344.02
Income taxes	612.23	268.21
Adjustment of income taxes and write-back of tax provisions	88 002.16	612.23
Gain (loss) for the period	1 950 843.73	2 156 054.26
Gain (loss) for the period available for appropriation	1 950 843.73	2 156 054.26

APPROPRIATION ACCOUNT		
Profit (loss) to be appropriated	55 492 297.96	57 550 810.03
Gain (loss) of the period available for appropriation	1 950 843.73	2 156 054.26
Profit (loss) brought forward	53 541 454.23	55 394 755.77
Transfer to the legal reserve	-97 542.19	-107 802.71
Profit (loss) to be carried forward	-55 394 755.77	-57 443 007.32

STATEMENT OF CAPITAL

(in €)	Amounts	Number of shares
A. SOCIAL CAPITAL		
1. Issued capital		
• At the end of the previous period	64 193 915.72	
• At the end of the period	64 193 915.72	
2. Structure of the capital		
2.1. Different categories of shares		
Ordinary shares without nominal value	64 193 915.72	36 619 505
Registered shares		2 127 012
Shares to bearer and/or dematerialised		34 492 493
Dematerialisation of bearer securities according to the Law of 14 December 2005 abolishing bearer securities		
C. OWN SHARES HELD BY		
• the company itself	48 680.73	77 271
• the subsidiaries	711 774.63	1 129 801
D. COMMITMENTS TO ISSUE SHARES		
Following the exercising of CONVERSION RIGHTS :		
Number of outstanding subscription rights		600 000
Amount of capital to be subscribed	2 016 000.00	
Corresponding maximum number of shares to be issued		600 000
E. AUTHORISED CAPITAL, NOT ISSUED	64 193 915.72	

STRUCTURE OF THE SHAREHOLDERSHIP OF THE COMPANY AS AT YEAR-END, AS IT APPEARS FROM THE NOTIFICATIONS RECEIVED BY THE COMPANY

		Most recent notification	Number of shares	% of total (1)
A.	SPECTOR COORDINATIECENTRUM N.V. Kwatrechtsteenweg 160, B-9230 Wetteren	15/09/2008	1 075 275	2.94%
B.	PARTIMAGE C.V.A. Kwatrechtsteenweg 160, B-9230 Wetteren	28/03/2008	84 044	0.23%
C.	ALEXANDER PHOTO S.A. Boulevard Royal 11, L-2449 Luxembourg	15/09/2008	54 526	0.15%
D.	SPECTOR PHOTO GROUP N.V. Kwatrechtsteenweg 160, B-9230 Wetteren	15/09/2008	77 271	0.21%
E.	CONSORTIUM VIT N.V., LUTHERICK N.V., MERCURIUS INVEST N.V., MIDELCO N.V., CECAN INVEST N.V. and ISARICK N.V. p/a Doorniksewijk 49, B-8500 Kortrijk	28/01/2009	6 914 244	18.88%
	- VIT N.V.		1 708 995	4.67%
	- LUTHERICK N.V.		2 512 566	6.86%
	- MERCURIUS INVEST N.V.		215 703	0.59%
	- CECAN INVEST N.V.		2 173 643	5.94%
	- MIDELCO N.V.		212 500	0.58%
	- ISARICK N.V.		54 765	0.15%
	- PHILIPPE VLERICK		36 072	0.10%
F.	KORAMIC FINANCE COMPANY N.V. Ter Bede Business Center, Kapel ter Bede 84, B-8500 Kortrijk	30/10/2008	3 933 775	10.74%
G.	GROES Gerard Straten 15, NL-5688 NJ Oirschot	26/10/2008	1 835 000	5.01%

(1) Calculating with the denominator of 36,619,505 shares - which is the total number of issued shares, excluding the warrants.

SUMMARY OF THE ACCOUNTING RULES

BASIC PRINCIPLE

The accounting rules are determined in accordance with the provisions of chapter II of part II of the Belgian Royal Decree of 30 January 2001 on the implementation of the Belgian Company Code.

No deviations from the accounting rules mentioned above are necessary for the true and fair view.
The accounting rules are unchanged in relation to last year.
The income statement is not materially affected by revenues and expenses that must be attributed to any other financial year.

SPECIAL RULES

I. ASSETS

1. Formation expenses

The capitalisation of the formation expenses and costs of initial establishment takes place within the legal limits and to the extent that the cost-effectiveness is positively estimated for the future. In principle, these expenses are written down over 5 years using the straight-line method.
The costs of issuing the bond loan are written down at 20%.

2. Intangible fixed assets

The intangible fixed assets are measured valued at their acquisition costs. They are amortised according to the straight-line method using the following rates: 20% to 33.33%.

3. Tangible fixed assets

Tangible fixed assts are measured at their actual cost; this is the purchase price (including additional expenses), their cost price or their contribution value.

For the depreciation calculations, the following rates are applied:

• plant, equipment and furniture	25%
• vehicles	20%
• machinery	25%
• IT equipment	25%

Depreciation takes place using the straight-line method and/or the degressive method. The first financial year in which the assets are obtained, they are depreciated in proportion to the time they have been held.

4. Financial fixed assets

Shares are recorded at their purchase price, excluding the additional expenses that are charged to the income statement. They are measured separately each year. This measurement occurs on the basis of the net asset value of the shares in accounting terms, or the probable contractual value at disposal, or according to the criteria applicable at the purchase of the shares when the participating interest was obtained at a price that deviates from its carrying value.

Write-downs are applied if the estimated value, calculated as explained above, is less than the carrying value and if, in the opinion of the Board of Directors, the write-down is of a permanent nature, which is justified by the position, the cost-effectiveness, the probable recoverable value and the prospects of the participating interest.
The write-downs are reversed when the estimated value is higher than the carrying value that took account of the write-downs, and in so far as this difference is of a permanent nature in the opinion of the Board of Directors.

5. Amounts receivable within one year

These receivables are measured at the nominal value.
Receivables in foreign currencies are converted according to the daily rates.
The results of the conversion can be found in the financial statements under the ‘Other financial expenses and other financial income’ item.
The Board of Directors will make a decision concerning the possible necessary write-downs.
The VAT involved is retained in the assets and only taken to the result if recoverability would appear impossible.
A write-down is always entered separately for each receivable, which also applies to a possible reversal of the write-down.

6. Cash and cash equivalents

These generally follow the same rules as those defined for the ‘Financial assets’ category. Nevertheless, the Board of Directors will enter every write-down, regardless of whether it is permanent or not.

7. Accruals and deferrals

These concern the proportional expenses incurred during the financial year, but which are charged to the next financial year, and the income earned, i.e. the proportional income that will be only collected during the course of the next financial year, but which are related to the financial year under review.

II. LIABILITIES

1. Capital
The balance shows the actually contributed capital and is measured at nominal value.

2. Investment grants
Investment grants received are written down gradually with the same rhythm as the depreciation or amortisation on the assets for which those subsidies grants were granted, taking into account the tax impact.

3. Amounts payable
All amounts payable are entered at nominal value. Debts in foreign currencies are converted at the official rate on the balance sheet date.

4. Provisions for liabilities and charges
The Board of Directors will each year conduct a full review of the previously recognised provisions to cover the risks and expenses to which the enterprise has been exposed.
The Board of Directors will consider the necessity of forming or releasing provisions, by analysing each line item of the accounts and reviewing all information that can exclude unhedged risks, such as disputes, etc.

It will specify the appropriate valuation methods for the main risks. The provisions for risks and costs are formed or released systematically, and the formation or releasing of them cannot be made dependent on the profit or loss for the financial year.

5. Accruals and deferrals
These concern proportional expenses that will only be paid in a later financial year, but which are related to the financial year under review. These expenses are measured at nominal value. They also concern the income to be carried forward, i.e. proportional income that has been collected during the course of the financial year or the previous financial year, but which relates to a subsequent financial year.

Statement concerning the consolidated financial statements:
Consolidated financial statements and a consolidated annual report are compiled with application of the Belgian Royal Decree of 30 January 2001.

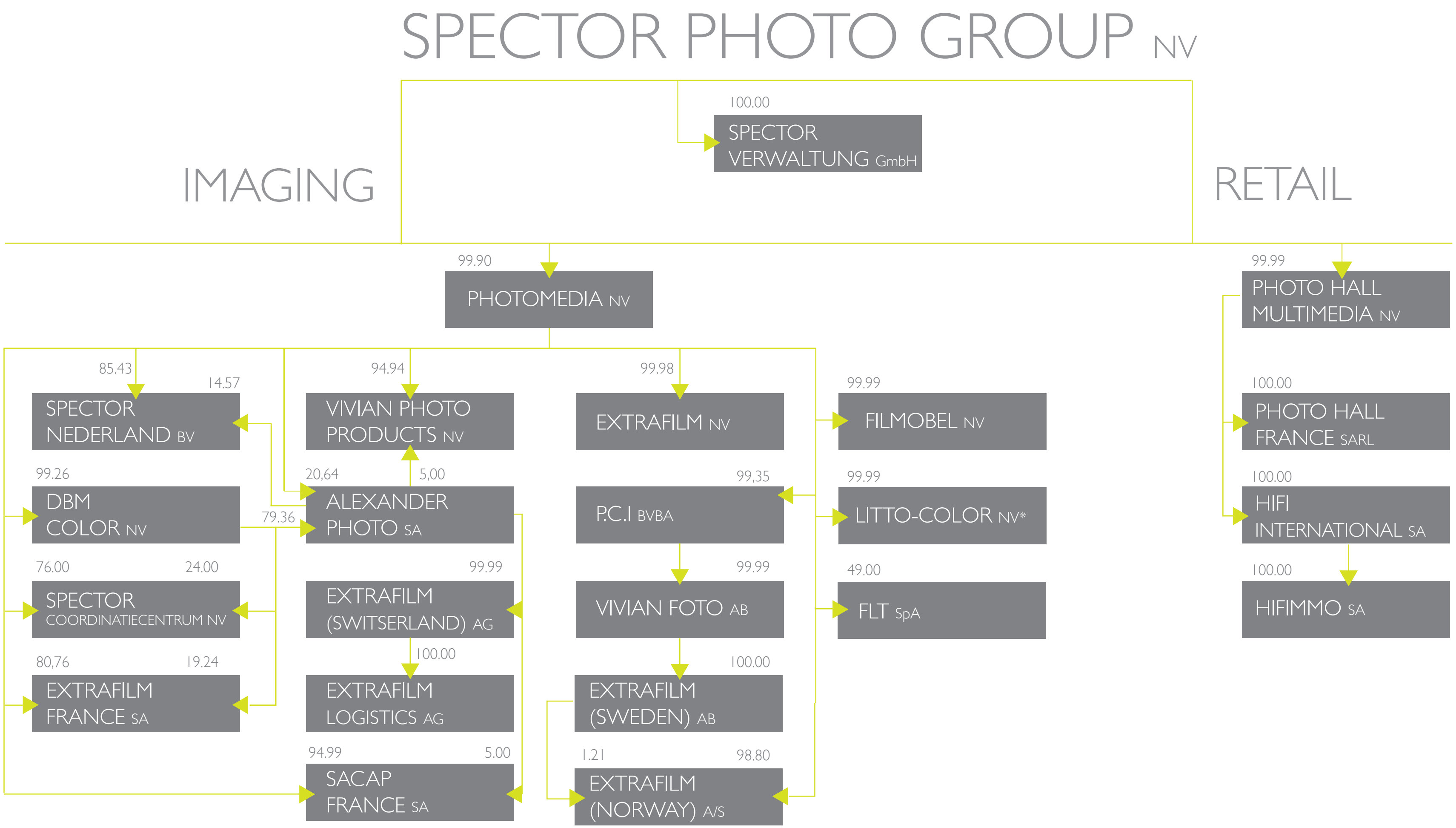
In accordance with the articles 104 and 105 of the Company Law Code of 7 May 1999, this annual report includes only an abbreviated version of the separate financial statements of Spector Photo Group NV.

The annual report, the separate financial statements of Spector Photo Group NV and the statement of the Committee of Statutory Auditors shall be filed with the National Bank of Belgium.

The report of the Committee of Statutory Auditors contains the opinion on the true and fair view of the financial statements and states an unqualified audit opinion with explanatory paragraph relating the valuation of the participation in Photomedia NV.

The complete version of the parent company accounts, including the related reports, are available on the website www.spectorphotogroup.com and can be requested free of charge.

ORGANISATION CHART



* in liquidation