SPECTOR PHOTO GROUP

2011 Annual report

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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 send upon request.

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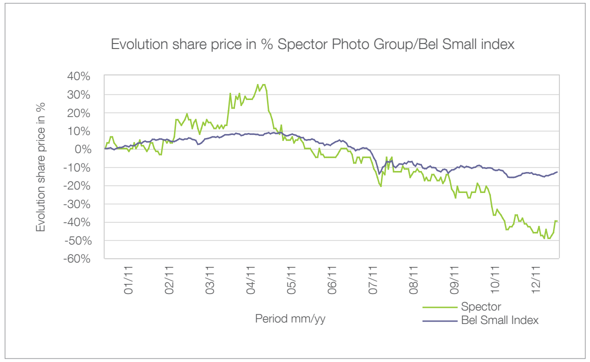
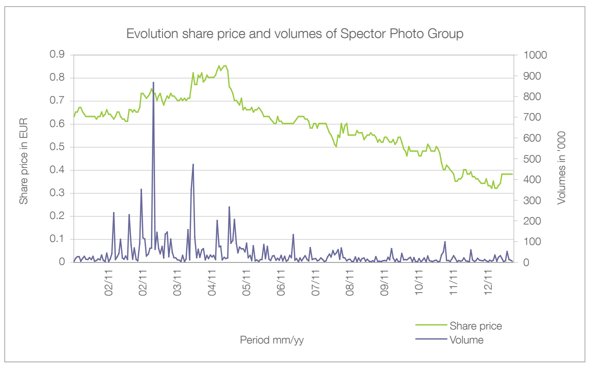


January to December 2011
EVOLUTION SHARE PRICE AND VOLUMES
SPECTOR PHOTO GROUP



KEY DATA OF THE SHARE

	2010	2011
Closing price on 31 December	EUR 0.63	EUR 0.38
Average closing price	EUR 0.70	EUR 0.59
Highest closing price	EUR 0.88	EUR 0.82
Highest intraday price	EUR 0.90	EUR 0.86
Lowest closing price	EUR 0.62	EUR 0.32
Lowest intraday price	EUR 0.58	EUR 0.30
Total traded volume in shares	5,725,155	9,033,607
Average traded day volume in shares	22,553	36,134
Total turnover in EUR	€ 4,112,385	€ 6,108,969
Estimated average daily turnover	€ 16,190	€ 24,435
Rotation*	25.28%	39.89%

* Rotation calculated on the total number of freely tradable shares based on the recent notifications

DIARY FOR THE SHAREHOLDERS

9 May 2012	before market opens	Publication of trading update of first quarter 2012
9 May 2012	two o'clock in the afternoon	Annual General meeting of Shareholders
30 August 2012*	after market closes	Publication half-year's results and 2012 half-year's financial report
25 October 2012*	after market closes	Publication of trading update of third quarter 2012
7 March 2013*	before market opens	Publication 2012 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 registration for investors to receive press releases via the website identified above.

The Spector share is currently covered by Guy Sips, Senior Equity Analyst, KBC Securities.

The Spector Photo Group share is listed on Euronext Brussels.

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

LETTER FROM THE CHAIRMAN

The economic recovery that started in the second half of 2009 was short-lived. A new banking crisis, doubts about the survival of the Euro, economising and higher taxes to cover budget deficits led to an economic downturn. This decline started in the first quarter of 2011 and continued throughout the rest of the year, which was not without consequences for some of our activities in consumer electronics.

The Retail Group got a hard time. Besides consumer reluctance, price deflation and a lack of innovative products are still playing a negative role for the revenue development in this division. To mitigate the consequences of these difficult market conditions, in Photo Hall Belgium we took several measures, such as management changes, the closure of a number of shops, as well as adjustments in the product range. Hifi International was able to maintain its position in the Luxembourg market despite a more competitive market environment.

For the Imaging Group, 2011 was marked by the change of name to smartphoto™. This initiative is the fourth and final phase in the process of change that started in 2005 by the transition from analogue to digital photography. 2010 was marked by a strengthening of the production and processing process, the third phase. This enabled us to deal with the expected future increase in profitability and put us in a position to offer our customers the best product at the best price. The development of the Imaging Group's profitability in 2011 illustrates that we are on the right track and that we took the right decisions in 2010.

A very special word of gratitude goes to our employees and their constant efforts to innovate in this challenging environment. We also thank our customers, our suppliers and our shareholders for their trust.

Tonny Van Doorslaer
Executive Chairman

2011 CONSOLIDATED KEY FIGURES

INCOME STATEMENT FOR THE PERIOD (IN € '000)

	2010	2011
Revenue	223 347	197 405
Profit/loss (-) from operating activities, before non-recurring items (REBIT)	- 3 438	- 2 407
Non-cash items from operating activities, before non-recurring items	13 464	5 249
REBITDA	10 027	2 841
Non-recurring items from operating activities	- 1 501	- 1 732
Profit/loss (-) from operating activities (EBIT)	- 4 938	- 4 140
Non-recurring non-cash items from operating activities	1 017	1 446
EBITDA	9 542	2 554
Financial result	- 3 448	187
Income tax expense (-)/income	761	1 080
Profit/loss (-) from continuing activities	- 7 625	- 2 873
Non-cash items from continuing activities	13 513	5 747
Profit/loss (-) from continuing activities, corrected for non-cash items	5 888	2 874
Profit/loss (-) for the period	- 7 625	- 2 873
Attributable to the group	- 7 625	- 2 873

FINANCIAL POSITION FOR THE PERIOD (IN € '000)

	2010	2011
Total assets	114 802	95 608
Gross financial debt	46 141	42 372
Net financial debt	29 557	32 134
Total equity	22 671	24 864
Solvency ratio	19.7%	26.0%
Gearing ratio	130.4%	129.2%
Current ratio	110.8%	76.4%

SEGMENT INFORMATION REPORTABLE SEGMENTS (IN € '000)

(in € '000)	2010	2011
Revenue		
Retail	161 321	141 327
Imaging	62 679	56 677
Intersegment	- 653	- 600
Total revenue reportable segments	223 347	197 405
Profit/loss (-) from operating activities, before non-recurring items (REBIT)	- 3 172	- 2 108
Retail	3 248	- 3 240
Imaging	- 6 421	1 132
REBITDA	10 391	3 134
Retail	5 034	- 947
Imaging	5 357	4 081
Profit/loss (-) from operating activities (EBIT)	- 4 324	- 3 910
Retail	3 152	- 5 042
Imaging	- 7 477	1 132
EBITDA	9 907	2 847
Retail	4 984	- 1 234
Imaging	4 923	4 081

CASH FLOW DETAILS (IN € '000)

(in € '000)	2010	2011
REBITDA	10 027	2 841
EBITDA	9 542	2 554
EBITDA as % of revenue	4.3%	1.3%
Profit/loss (-) before taxes, corrected for non-cash items	6 521	2 943
Profit/loss (-) from continuing activities, corrected for non-cash items	5 888	2 874
Profit/loss (-) from continuing activities, corrected for non-cash items as % of revenue	2.6%	1.5%
Net result of the year attributable to equity holders of the parent company, corrected for non-cash items	5 888	2 874

DEFINITIONS

REBIT = Profit/loss (-) from operating activities before non-recurring items.

EBIT = Profit/loss (-) from operating activities.

REBITDA = Profit/loss (-) from operating activities before non-recurring items corrected for depreciation, amortisation and provisions.

EBITDA = Profit/loss (-) from operating activities corrected for depreciation, amortisation and provisions.

Profit/loss (-) before taxes, corrected for non-cash items = Profit/loss (-) before taxes corrected for depreciation, amortisation, provisions and financial non-cash elements.

Profit/loss (-) from continuing activities, corrected for non-cash items = Profit/loss (-) after taxes corrected for depreciation, amortisation, provisions, financial non-cash elements and deferred taxes.

Net result of the year attributable to equity holders of the parent company, corrected for non-cash items = Net result corrected for depreciation, amortisation, provisions, financial non cash elements, deferred taxes and non cash elements from discontinued activities.

Net Financial debt = Financial obligations less cash, cash equivalents and other non-current financial assets.

Solvency ratio = Shareholders equity/total Statement of financial position

Gearing ratio = Net financial debt/shareholders equity.

Current ratio = Current assets/current liabilities.

KEY FIGURES PER SHARE

(in €, except for the number of shares)	2010	2011
Number of shares	36 619 505	36 619 505
Shares with dividend rights	35 412 433	35 412 433
Revenue	6.31	5.57
Profit/loss (-) from operating activities, after non-recurring items (EBIT)	- 0.14	- 0.12
REBITDA	0.28	0.08
EBITDA	0.27	0.07
Profit/loss (-) before taxes (EBT)	- 0.24	- 0.11
Profit/loss (-) from continuing operations	- 0.22	- 0.08
Profit/loss (-) from discontinued operations	0.00	0.00
Profit/loss (-) for the period	- 0.22	- 0.08
Profit/loss (-) before taxes, corrected for non-cash items	0.18	0.08
Profit/loss (-) from continuing activities, corrected for non-cash items	0.17	0.08
Profit/loss (-) for the period attributable to equity holders of the parent company	- 0.22	- 0.08
Net result of the year attributable to equity holders of the parent company, corrected for non-cash items	0.17	0.08
Share price for the period	0.63	0.38

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 94 of this document.

FINANCIAL SERVICES

The financial servicing of the shares is carried out in Belgium by BNP Paribas Fortis Bank and KBC Bank, free of charge for the shareholders. In the event that the Company were to change its policy concerning this matter, it will announce 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 securities with effect from 1 January 2008, Spector Photo Group calls on 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.

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

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 multimedia products on several local markets. It presents itself more as a retailer providing service than as a price-cutter. Today, the new digital photo products dominate at the Imaging Group, but the individual photo prints remain very important, and this is at a European level.

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

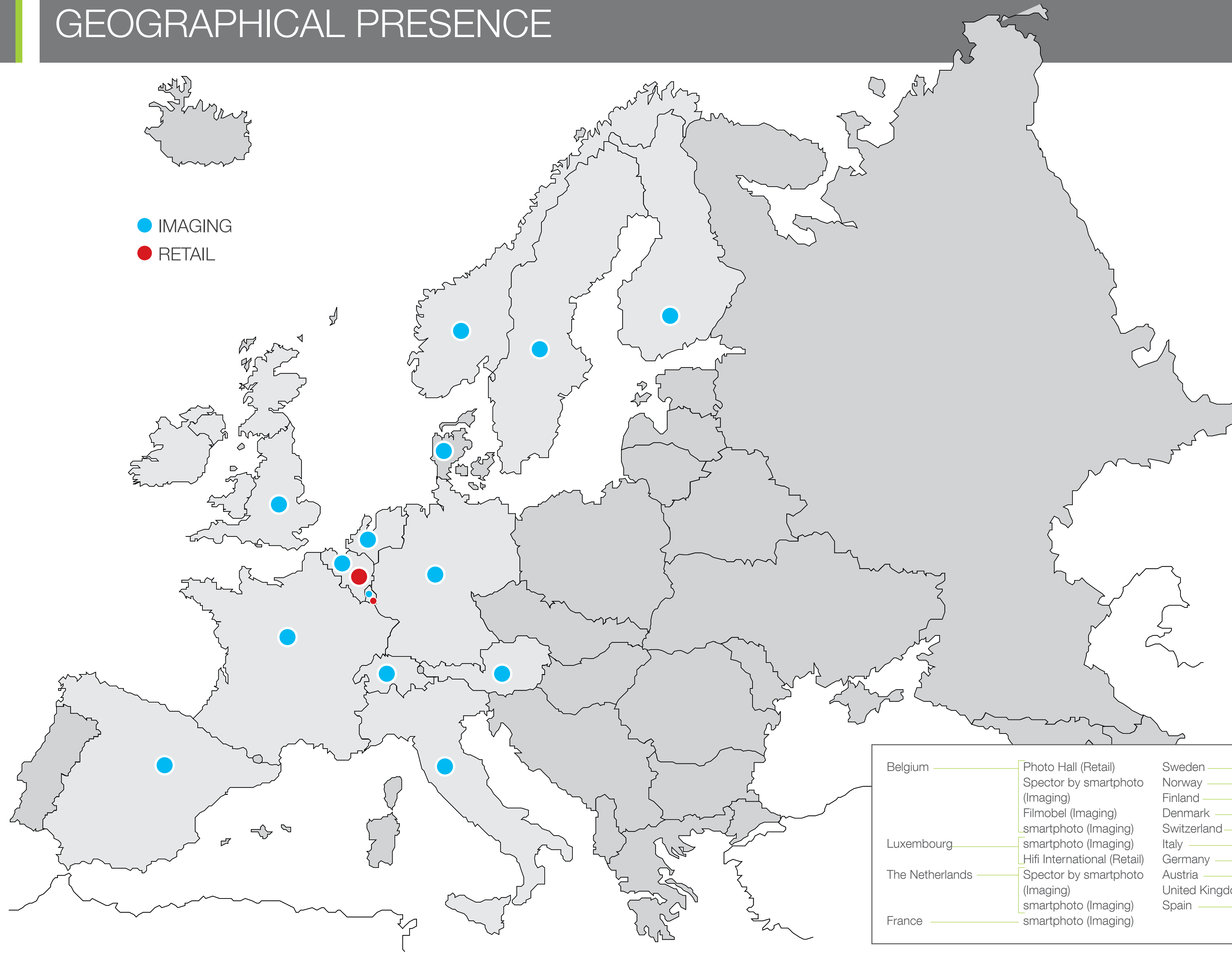
The mission of Spector Photo Group consists of providing consumers with the opportunities to enjoy their audiovisual experiences to the maximum. Spector Photo Group offers consumers the opportunity to record emotional moments in order to relive and cherish them again later, and thus create added value 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 of Extra Film, a joint venture between DBM-Color and Extra Film from Sweden.
1988: Acquisition of Tecnocrome, a photofinishing organisation in Belgium.
1990: Extra Film (Sweden) joined the Group, and the French Extra Film joint venture became a wholly owned 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 gave access to the Hungarian and German markets, and ensured 100% control of Extra Film Switzerland; also the acquisition of Photo Hall (Belgium) and followed by the acquisition of the French Maxicolor mail-order company.
1997: Maxicolor expands activities into Belgium and the Netherlands.
1998: Listing of Photo Hall, followed by acquisition 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 remodel 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 integration of Extra Film (France) SA production activities in Belgium.
Photo Hall celebrated its 75th birthday.
2009: Sale of the Hungarian Föfoto via an MBO.
2010: Closing of the lab in Tanumshede, Sweden – Centralisation and automation of the production operations in Wetteren, Belgium.
2011: ExtraFilm™ and Spector™ become smartphoto™.

PHOTO HALL HIFI International smartphoto

GEOGRAPHICAL PRESENCE



Belgium	Photo Hall (Retail) Spector by smartphoto (Imaging) Filmobel (Imaging) smartphoto (Imaging)
Luxembourg	smartphoto (Imaging) Hifi International (Retail)
The Netherlands	Spector by smartphoto (Imaging) smartphoto (Imaging)
France	smartphoto (Imaging)

Sweden	smartphoto (Imaging)
Norway	smartphoto (Imaging)
Finland	smartphoto (Imaging)
Denmark	smartphoto (Imaging)
Switzerland	smartphoto (Imaging)
Italy	smartphoto (Imaging)
Germany	smartphoto (Imaging)
Austria	smartphoto (Imaging)
United Kingdom	smartphoto (Imaging)
Spain	smartphoto (Imaging)

RETAIL GROUP

INTRODUCTION

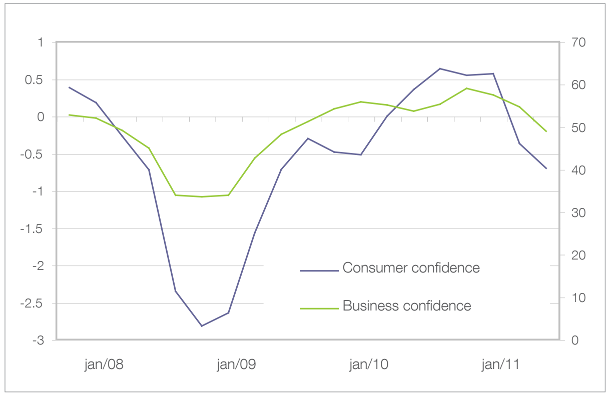
The Retail Group operates under the name Photo Hall group and specialises in selling consumer electronics. It contains the chains of Photo Hall in Belgium and Hifi International in Luxembourg. At the end of 2011, Photo Hall Belgium operated 85 shops (-6), Hifi International in Luxembourg had 17 shops (unchanged).
Photo Hall Belgium (www.photohall.be) and Hifi International (www.hifi.lu) also each have an e-commerce website.
Over the entire 2011 year in Belgium, one new shop was opened in Jette and seven (7) unprofitable shops were closed. Around roughly a third of the Photo Hall shops are in town centres, and shops in shopping centres also account for a third. Shops on main approach roads represent the remaining third. The latter have an average area of 300 square metres, while the other shops have an average of some 200 square metres.
The average surface of the Luxembourg Hifi International shops amounts to 300 to 350 square metres. An exception is the shop in Bertrange, which has a surface of 2,800 square metres.

GENERAL ECONOMIC CONDITIONS

The European economy relatively quickly left the deep financial and economic crisis of 2008 behind. All sorts of support measures to stimulate economic growth, e.g., scrap premiums for old, polluting cars, employment measures, e.g., technical unemployment, liquidity injections from central banks, nationalisation of or support for commercial banks were able to bring some relief. Unfortunately, Europe was unable to enjoy this recovery for long. All the measures identified above led to a sharp increase in government debts and budget deficits, which led to the Euro crisis.

The only way to deal with these large budget deficits and/or high government debt is by means of austerity measures. However, these measures very quickly affected consumer confidence, consumer spending, and business confidence, and in combination with less government investment, resulted in a significant slowdown in economic growth in the Eurozone.
This low consumer confidence is reflected in a gradual decline in retail sales since the second quarter of 2011.

Development of consumers' and business confidence in the Eurozone



Source: OESO (economic outlook European countries November 2011)

MARKET TRENDS IN 2011

The decline in consumer confidence in 2011 had a strong negative effect on sales of technical durable goods throughout the year. The product segment that was heaviest hit by this situation was consumer electronics. This segment includes goods with a high average value, such as television sets, and suffered relatively heavier from the economic crisis than other segments. The market saturation of television sets and the commercial failure of 3D TV also had a negative impact.

Sales of photo cameras (-7%) also suffered a significant decrease. The demand was not the problem, supply was. It suffered significantly from the earthquake and the nuclear disaster in Japan in March 2011. The various innovations that were launched in this segment will only have an effect in 2012.

Large household appliances represent 16.4% of sales in technical durable goods; these sales figures showed a slight decline in 2011. Traditionally, this segment holds up well because of the replacement rate; the strongly adverse economic conditions, especially in Southern Europe, nevertheless led to a decline. The sales of small household appliances, on the other hand, stabilised in comparison to 2010.

Information Technology, the most important product segment, realised the best performance of the various segments. Higher prices for some products combined with innovations, the strong demand for tablets, and the demand for accessories for these resulted in higher sales figures in 2011.

That the sale of telecom products is driven by sales of smartphones will not surprise anyone. Thanks to falling prices, more people can more easily afford such devices.

Office equipment, which includes printers, saw lower sales throughout Europe, except for Belgium. Price deflation was an important explanation for the decline in Europe.

(sales in billion euros)	2011	Δ 10/11	% total
Consumer electronics	42.32	-13.0%	22.1%
Photo	8.56	-7.0%	4.5%
Major domestic appliances	31.41	-1.6%	16.4%
Small domestic appliances	15.06	-0.1%	7.9%
Information technology	57.09	4.6%	29.8%
Telecom	20.63	1.2%	10.8%
Office equipment & consumables	16.47	-5.7%	8.6%

Source: GfK Retail and Technology

SEGMENT TRENDS IN THE RETAIL GROUP

The sales trends in the various segments at Photo Hall in Belgium and Hifi International in the Grand Duchy of Luxembourg are highly convergent. Both groups performed very strongly in the area of sales of **telecom products**, and significantly better than the market average. Sales of **consumer electronics**, on the other hand, were disappointing and declined in line with the market. In IT, Photo Hall and Hifi International were unable to benefit properly from the favourable market trends and sales stabilised.
Sales of **photographic equipment** fell because of the reasons identified above. This fall was slightly greater than the market at Photo Hall; the good positioning of Photo Hall in this segment was therefore disadvantageous in 2011.
The sale of **major and small domestic appliances**, in 2011, only present at Hifi International in Luxembourg, saw a positive development, thus better than the European market average. Unfortunately, Photo Hall was not offering these types of products in Belgium in 2011; however, they are being introduced in some shops in 2012.

Success of tablets

The market for electronic products is driven by the introduction of innovations. Wide-screen TV sets, navigation systems, digital cameras, portable computers, smartphones, are just a few examples of new products that were swiftly snapped up by consumers and now have a high penetration level. One of the newest products that demand a prominent position in the living room is the tablet. Central is the iPad from Apple. With its groundbreaking operating system, its innovative software, its endless applications (or apps) and its attractive design, Apple has put a new kind of device on the market that competitors are forced to follow globally, and which has also obstructed the path of the netbook (see below). In the 2011 calendar year alone, more than 40 million iPads were sold over the counter worldwide. The tablet clearly has a bright future and, according to market analysis, will achieve some 60% of the number of PCs sold. Tablets that use Android as their operating system will also see strong growth, but it is anticipated that Apple will still account for almost 50% of the tablet market in 2015, compared to 75% in 2011.

A more detailed analysis shows that sales of desktops has had very limited growth, notebooks or portable computers still have double-digit growth; however, the netbook does seem to be the victim of the success of the tablet.

3D TVs make way for the connected TV

Television sets represent on average 30% to 35% of the sales revenue in consumer electronics. Technological developments and revolutions are therefore extremely important in this segment. This enabled the sector in the 2005 to 2008 period to benefit significantly from the rush to wide-screen TV sets, whether or not they had high-definition quality.

The sector therefore watched the launch of the 3D television in 2010 with great anticipation. However, after a promising start in 2011, sales were soon disappointing, and it became clear that 3D in the living room would not have the same success as in the cinema. Indeed, consumers did not seem willing to pay a higher price for the 3D television, as well as having to buy the special 3D spectacles. On the supply side, there also seems to be little incentive to produce much 3D content, also because of the costs involved.

The connected TV or internet TV on the other hand is doing well. Consumers can feel very comfortable with the numerous new functions and gadgets. This (free) internet television offers consumers an unparalleled viewing experience. It will no longer depend on digital television providers and eliminates the need to purchase or rent expensive decoders or set-top boxes. Belgacom and Telenet Digital TV must eventually make space for Samsung TV, Sony Internet TV, Google TV, or Apple TV. This is an initial battle; a second conflict will arise between traditional TV channels and multimedia companies.

All of this means that no groundbreaking innovations in consumer electronics can be expected in the next few years, which will have an effect on how the Retail Group should structure itself.

For the time being, it is significant that Photo Hall in Belgium has also started offering small household appliances (small white goods) in some shops, and will continue expanding this to more shops.

At Photo Hall, we are also well aware that we need a flexible structure for the future, which will result in more flexibility and a lower breakeven point for the Group, on which we are also working.

Likewise, the development of e-commerce, in which Belgium lags somewhat behind, compared to our neighbouring countries, there is an opportunity for growth. We see that Belgian consumers are increasingly finding their way to the web for their purchases, including consumer electronics. It is up to us to respond to this, and to use our network of shops and our strong service as strengths.

Finally, we know that our customers are certainly convinced of our strengths by how our shop teams know how to welcome them, guide and inform them about the many possibilities of the products. By taking away the stress of choosing for our customers, we want to make everything as easy as possible for them.

Photo Hall, choosing is easy.

IMAGING BECOMES SMARTPHOTO

The brand name for our internet activities is of major importance, must be able to emerge as a trusted brand, radiate dynamism, say what we stand for and, if possible, back this up with a street presence.

Moreover, Imaging wants to orient its products increasingly towards a wider audience, including via retailers. The transition from analogue to digital photography made it clear that the brand name ExtraFilm™ should eventually be replaced. ‘Film’ makes too much reference to the classic roll of film and in no way encompasses the Group's new activities.

Spector™ also no longer sufficed as a brand name: although associated with quality, Spector™ remains linked to the more traditional prints.

smartphoto

This new brand name has become smartphoto™, both for our direct relationship with consumers and retailers through which we offer our products (by smartphoto™).

This is also the link to a broader street presence.

With smartphoto™, we are the new leading brand for personalised photoproducts in Europe.
In addition, the new brand name smartphoto™ allows us as a company to continue building on our expertise and customer friendliness, and our customer-oriented service, to achieve higher levels for them.

4 smartadvantages

The four 'smart' advantages for our direct customers are good examples of this.

smartwarranty

Photo books are produced from the cover to the last page in our own lab made under the supervision of motivated production workers. They handle each book as if it were their own photo book. The quality team rechecks a maximum number of photo books before the books are dispatched.

A smartphoto™ photo book is therefore the highest quality photo book on the market.

Although the chance is extremely small that the customer does not receive a perfect photo book, smartphoto™ offers the smart warranty on photo books. This guarantee on photo books offers customers the opportunity to have free reprints if they are not 100% satisfied. We will soon be extending this guarantee to our other products as well, such as canvas and cards.

smartbonus

Loyal customers are rewarded by smartphoto™.
All purchases are charged immediately by smartphoto™, and depending on the total purchase price over the past quarter, the customer is entitled to an attractive 'smart' bonus. For example, a customer who has placed several orders during the first quarter of the year with smart photo for a total of EUR 70, including VAT and shipping costs, receives an email at the beginning of April containing a discount voucher for EUR 12.50 that can be freely spent by using a unique promotion code, a handy bonus!

smartdialog

smartphoto™ invites its customers to follow the Group via Facebook in order to build up a dialogue and exchange experiences in this way. Be sure to take a look at our Facebook page!

smartservice

Customer service has always been one of our greatest strengths in this highly competitive market. Whether you just want more information, or have a question regarding your order, feel free to contact our well-trained customer service department via email, letter, or by telephone. We always look for a solution for you.


DESK CALENDAR


PHOTO MEMO BOX


STICKERS

A SOCIETY ON THE MOVE

The new developments, trends, and technological developments continue to follow quickly one another and also manifest themselves in the photography world, and this in addition to the difficult economic conditions. The changes follow each other so rapidly that even established names get into trouble. These conditions require each company to have a high adaptability capacity to enable long-term survival.

Fortunately, at smartphoto™, we are used to this and we can rely on our competent and passionate employees. Change is in our DNA.

These new developments are of all types, not only technological, for example, 'touch' as a new interface, but also in consumer behaviour, and are often summarised as So-Lo-Mo: social - local - mobile.

- Social: the advent of social media that enable people to remain connected always and everywhere to people, events and activities around the whole world;
- Local: the increasing capacity of companies and other organisations to respond to the exact location where a person is and the activities being performed by this person there at that time, e.g., location based services etc.;
- Mobile: mobile technology that enables people to be accessible and available always and anywhere.

These trends have a fundamental effect on how we, as a company, come in contact with our customers, and how we can attract and retain customers.

A simple example: where we until recently stored our photos on our hard disk, Facebook is now the most widely used platform for uploading and sharing pictures. Thus, we must not develop a service for sharing photos, but rather develop an easy way to make a photo product, to use your own photos from Facebook. Therefore, this is what we have done at smartphoto™, and besides Facebook, also Flickr and Google Picasa.

FROM TRADITIONAL PRINTS TO PRODUCTS WITH ADDED VALUE

Photos are emotions. However, you can now not only make photos anywhere, using your smartphone or digital camera, you can also easily share them and enjoy looking at them.

This means that the market for individual photo prints has come under pressure, because consumers no longer find any added value in it. We always have our photos with us, on tablet, or smartphone, and can show them to everyone without any difficulty. Why would we then need to print them again?

This finding required the industry to adjust its business model and increase the efforts to develop products with higher added value for the customer. In principle, this concerns the same photos, which are used in a totally different context.

We had already started implementing this change since 2007 at smartphoto™, even before this trend was apparent in our volumes of traditional prints.

FROM PHOTOS TO PHOTO BOOKS

Since the first steps of photography, people have made photo albums by manually sticking photos, and therefore the photo book is a logical product to digitalise.
A number of practical problems arise in this context, which are initially due to the complexity of preparing a photo book


HARLEY-DAVIDSON
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and, importantly, the time required to produce this book. All the software developed for photo books must, therefore, also be aimed at simplifying the creative process, especially since the major user of photo books is the traditional 'mother'. The industry has come a significant way in this area during recent years, by moving from offline to online development of photo books, providing an infinite number of designs and the development of photo books in all possible sizes.

Nevertheless, we must strive for even simpler ways to create photo books, only then this will become a mass market.

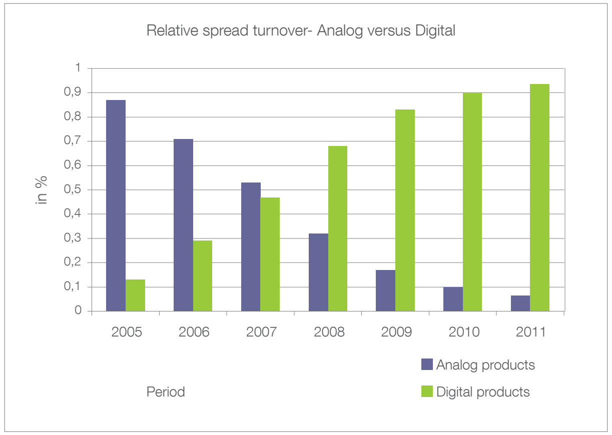
The trend towards So-Lo-Mo and the social networks are an opportunity for this rather than a threat, and smartphoto™ has already started several tracks that will respond to this.

FROM PHOTO BOOKS TO PHOTO-RELATED PRODUCTS

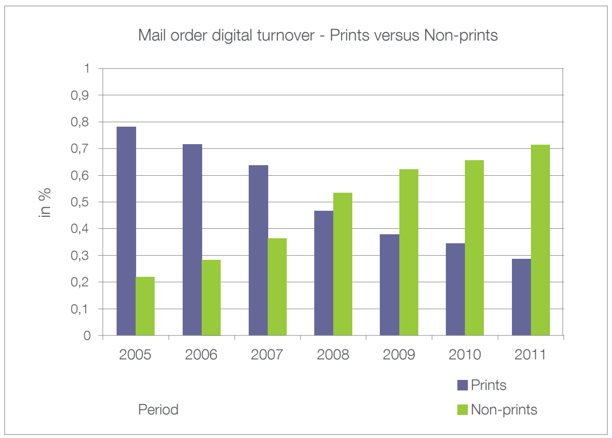
The market is not limited to photo books. For example, smartphoto™ has developed a very wide range of photo-related products, i.e. products that make use of photos, such as greeting cards, calendars, clothing and accessories, note-books, coffee mugs, and even jewellery boxes.

The increasing success of these photo-related products is not limited to a derivative of a traditional photo market, but allows the connection with a completely different market, specifically that for stationery and cards. In the US, for example, the size of the market for photo-related products is estimated at USD 2 billion, whereas the market for stationery and cards is 20 times the size at USD 40 billion. Greeting cards, invitations, paper products for consumers and businesses, gifts, yearbooks, notebooks, calendars, etc, are all products that smartphoto™ now offers.

smartphoto™ brought cards onto the market in mid-2009 and now already represent more than 20% of our sales. They really have developed very rapidly indeed.



Source: Spector Photo Group



Source: Spector Photo Group

INCREASING POSSIBILITIES FOR MOBILE CONSUMERS

Connectivity has become more important, and highly demanding consumers are very much into taking photos with their smartphones. The picture quality is increasingly improving, telecom networks are becoming increasingly faster (4G), and the devices are so powerful that photo applications run perfectly on them.

Applications such as Path and Instagram take great advantage of all these elements: being mobile and nevertheless in touch with your friends via images.

Consumers with an iPhone can see the pictures just taken appear on their computer via iCloud, or they can have them shown on a TV. The possibilities are endless. Anyone who has seen the new iPhoto app for iOS knows what this can do.

Happily, studies show that despite this virtual world, consumers still find strong added value in real products: tangible, reassuring, ...

This is where we, as smartphoto™, contribute our added value, but the challenge is to be in the right place with the proper product and service. This is our real marketing challenge for the future.

Developments in the photo world follow each other so rapidly, but as a Group we are well positioned to make the most of the many opportunities, and we will remain flexible enough to be able to respond to the, beyond doubt, many changes still to come.

COASTERS

PHOTO CANVAS

BOARD OF DIRECTORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

In the context of a recent opinion of the EECS (European Enforcers' Coordination Sessions) and the FSMA on the interpretation of IAS 38.88 on externally acquired customer relationships, in particular the definite or indefinite useful life thereof, the Board of Directors publishes amended consolidated financial statements for the 2010 and 2011 financial years.

The initial consolidated financial statements for the year 2010 were published on April 27, 2011 and filed with the National Bank of Belgium on 30 May 2011.
The initial consolidated financial statements for the year 2011 were published on 6 April 2012.

NOTES RELATING TO THE CHANGED CONSOLIDATED FIGURES 2010 AND 2011

At the date of transition to IFRS, the externally acquired customer relationships, included in intangible assets, were measured at cost (IAS 38.74). The net book value in the opening balance at 1 January 2004 amounted to EUR 22,504 ('000). These assets were amortised using the straight line method, pro rata on a monthly basis, over a period of 7 years with a residual value equal to zero.

As already explained in previous press releases, the externally acquired customer relationships were recognized as intangible assets with indefinite useful lives with effect from 1 July 2010. Changes in market conditions due to technological developments such as internet, including a change in approach to customers, a change in the acquisition channels followed by a changed customers' pattern of behavior – were reflected in the history of the customer relationships that Spector Photo Group has built up. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which it is expected that these assets will generate a net cash inflow (IAS 38.88). A limited useful life with a linear amortisation rhythm therefore no longer corresponded to the real situation. In compliance with IAS 38.107 and IAS 38.108, the externally acquired customer relationships were not amortised but they were subject to annual impairment testing in accordance to IAS 36 to determine whether these assets had suffered impairment.

The impairment tests of 2010 and of 2011 have shown that no impairment should be recorded. The change in the assessment of the useful life from 'finite' to 'indefinite' was accounted for in the 2010 consolidated figures as an estimation change in accordance with IAS 8.

A recent opinion of the EECS, as shown by a letter of the FSMA dated 3 May 2012, states that according to IAS 38.88 an intangible asset may have an indefinite useful life only if there is no expected or foreseeable limitation in the period of the useful life. Since it is inherent to the externally acquired customer relationships that there is only a temporary flow of income generated, according to this interpretation, the useful life corresponds to this limited period.

Based on this recent opinion, the Board of Directors of Spector Photo Group, defined an adjusted amortisation method and useful life, defining the amortisation period between minimum 1 year to 20 years.

As was already determined in 2010, is a straight-line method over a period of 7 years is not an adequate representation of the reality. Due to technological developments such as internet and the resulting change in the acquisition channels and consumers patterns of behavior, it is impossible, according to the Board of Directors, to determine the 'best estimate'. The Board of Directors therefore considered an amortisation period of one year as the most transparent assessment.
This change in amortisation method and useful life was applied resulting in an additional amortisation expense of EUR 8,072 ('000) to the consolidated figures for 2010 and EUR 729 (000) to the consolidated figures of 2011. This change has been retroactively adjusted in accordance with IAS 8.41.

The present Annual Report 2011 includes the aforementioned changes. Also, in Appendix 1 to this report, the reconciliation of the consolidated figures for the year 2010 as filed with the NBB and the changed consolidated figures for 2010 is included.

CURRENT SITUATION OF EACH DIVISION

Retail Group – Photo Hall
The retail activities within the Photo Hall Group realised revenue of EUR 141,327 ('000) in 2011, down 12.4% compared to 2010. The disappointing economic growth and the problems in the Eurozone led to strong pressure on consumer confidence and significantly affected retail sales. The Retail Group's decrease in revenues is in line with the market trends as published by GfK.

These difficult market conditions prompted the management to review the shop portfolio. This resulted in the closure of seven unprofitable shops in Belgium during 2011. Another six shops will be closed in Belgium during 2012. One shop closure is planned for 2012 in Luxembourg, where the reduction in trading activity also had a significantly negative effect on the revenues of Hifi International. The low trading margins limited the impact on the profitability.

The Retail Group's REBITDA decreased from plus EUR 5,034 ('000) to minus EUR 947 ('000). The REBIT was negative, amounting to minus EUR 3,240 ('000), whereas this was a positive EUR 3,248 ('000) in 2010. The decline in profitability of the Retail Group is largely attributable to Photo Hall in Belgium. After all, the lower revenue could not immediately be offset by lower costs. Hifi International in Luxembourg, on the other hand, offered good resistance, thanks to its leading market position and its extensive range of white goods (household appliances).

In terms of product lines, consumer electronics suffered most from the crisis. The weak sales of television sets are a significant part of this. Market saturation with widescreen sets, price deflation, and the disappointing success of 3D television are some of the causes. The sales of computer products declined slightly in both countries. Products linked to connectivity, such as routers and switches, as well as portable computers and tablets are providing a positive note in this segment. Telecom did very well, thanks to the success of the smartphone. Sales of photo cameras could not repeat their good performance of 2010.

In view of the financial position of this company and the loss-making nature of its activities, there are indications of an impairment loss on the investment. Various measures have already been taken during 2011. Thus, seven shops were closed in 2011 and another six shops will be closed in 2012, some management changes were implemented, the workforce was reduced in both the shops and supporting services, inventories were significantly reduced, and Spector Photo Group NV increased the equity of Photo Hall Multimedia NV by the contribution in capital of both the non-current and current borrowings. Furthermore, the range of products has been reviewed and actions have been taken to encourage internet sales.

The different measures led to non-recurring costs of EUR 1,732 ('000), of which EUR 286 ('000) were cash expenses and EUR 1,446 ('000) non-cash expenses, and relate to redundancy payments, costs related to the shop closures, and legal and other fees resulting from the various interventions.
Agreements were made between the bank consortium and Photo Hall Multimedia concerning the continuing financial support.

The Board of Directors of Spector Photo Group therefore considers that the inclusion in the consolidation of Photo Hall Multimedia in the assumption of continuity is justified.

During the course of 2011, one new shop was opened in Belgium, more specifically in Jette. Seven shops were closed in Bruges, Liège, Ostend, Charleroi, Merksem, Mariakerke, and Lommel. The number of shops in the Grand Duchy of Luxembourg remained unchanged. At the end of 2011, Photo Hall Belgium had 85 shops, and Hifi International had 17 shops. Photo Hall Belgium and Hifi International each also have an e-commerce point of sales.

Number of points of sale	2010	2011
Belgium		
own shops	88	82
e-commerce	1	1
under franchising	3	3
Luxembourg		
own shops	17	17
e-commerce	1	1
Subtotal		
own shops	105	99
e-commerce	2	2
under franchising	3	3
Total number of points of sale	110	104

Imaging Group - Photomedia

During the course of 2011, the smartphotoTM brand name was introduced to support all the Group's photo activities, both directly and through the dealers. Under this new brand, the company wants to build upon its know-how and customer-friendliness to elevate its services to a higher level. The four 'smart' advantages - smart warranty, smart bonus, smart dialog, and smart service - are good examples of this.

The revenues from the Imaging Group amounted to EUR 56,677 ('000) in 2011, a decrease of 9.6% in comparison with 2010. The EBIT rose from minus EUR 7,477 ('000) in 2010 to EUR 1,132 ('000) in 2011. The EBITDA decreased by 17.1% and amounted to EUR 4,081 ('000).

The decrease in EBITDA by minus EUR 842 ('000) consists on the one hand of minus EUR 3,181 ('000), including the result of the decline in revenue from Filmobel, the continued decline of analogue photography, and higher marketing expenses that include the switch to the new smartphoto™ brand. On the other hand, there was a positive effect of EUR 2,339 ('000) due to the increased production efficiency and the absence of non-recurring cash expenses, principally those from the closure of the production lab in Sweden in 2010.

The lower depreciation/amortisation and elimination of non-recurring non-cash expenses in 2011 resulted in an increase in EBIT from minus EUR 7,477 ('000) to EUR 1,132 ('000).

The decrease in revenues is largely the result of the decline in hardware sales at Filmobel, which lost some key customers with limited profitability. The ending of the trade in photo paper in 2010 also had some negative effect.

The revenues from digital mail-order activities increased over the entire year by a limited 2% compared to 2010, the growth undoubtedly slowed down due to the economic crisis. On an annual basis, the number of photo prints continued to decrease, photo books and photo cards increased in volume by more than 20%, the same as in the first half-year. The analogue activities continue their decline by another minus 42%. This means that digital photography now represents 94% of the mail-order revenues (90% in 2010, 81% in 2009, 70% in 2008), with analogue now only responsible for 6%.

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 for a permanent write-down on the intangible asset or the deferred tax assets.

KEY ELEMENTS OF THE STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

RECURRING RESULTS FROM OPERATING ACTIVITIES

Spector Photo Group realised revenues of EUR 197,405 ('000) (-11.6%) with a REBIT of minus EUR 2,407 ('000) in the 2011 financial year, compared to EUR 223,347 ('000) and minus EUR 3,438 ('000) respectively in 2010. The Group's REBITDA decreased from EUR 10,027 ('000) to EUR 2,841 ('000).

NON-RECURRING ITEMS FROM OPERATING ACTIVITIES

In 2011, the non-recurring items amounted to EUR 1,732 ('000), which almost entirely referred to the Retail Group and include mainly redundancy payments for EUR 666 ('000), costs related to shop closings for EUR 837 ('000) and legal and other related fees for EUR 216 ('000).

PROFIT/ LOSS (-) FROM OPERATING ACTIVITIES

Taking these non-recurring items into account, EBIT at group level decreased from minus EUR 4,938 ('000) to minus EUR 4,140 ('000), and the EBITDA amounted to EUR 2,554 ('000) compared to EUR 9,542 ('000) in 2010.

FINANCIAL RESULT

The financial result for the 2011 financial year considerably improved and amounted to EUR 187 ('000), compared to minus EUR 3,448 ('000) in 2010. The improvement of EUR 3,635 ('000) is mainly due to lower financial expenses of EUR 470 ('000), positive foreign exchange differences of EUR 1,112 ('000), and the non-recurring income of EUR 2,011 ('000) resulting from the loan and facility agreement that was concluded with NIBC Bank in April 2011.

TAXES

Spector Photo Group realised a positive tax result of EUR 1,080 ('000) in 2011, compared to EUR 761 ('000) in 2010. The current taxes amount to minus EUR 69 ('000). The deferred taxes amount to EUR 1,149 ('000) positive.

RESULT FOR THE FINANCIAL YEAR

A loss of EUR 2,873 ('000) was realised in the 2011 financial year, compared to a loss of EUR 7,625 ('000) in the 2010 financial year. The mutation in the result by EUR 4,752 ('000) compared to the 2010 financial year can be explained as follows:

- Non-cash expenses: decrease with EUR 8,215 ('000), mainly due to the retroactive application of the amortisation method and useful life as mentioned above.
- EBITDA: decrease by EUR 6,988 ('000).
- Financial result: improvement of EUR 3,635 ('000).
- Taxes: improvement of EUR 319 ('000).

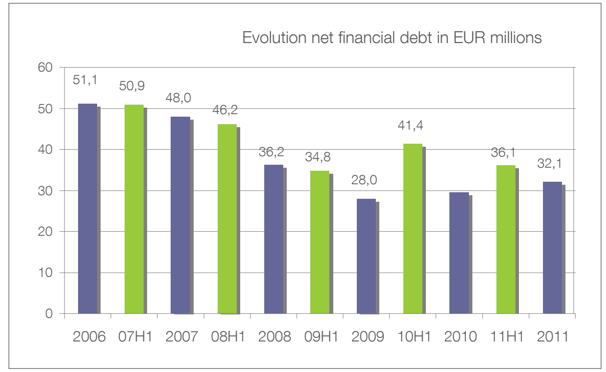
DIVIDEND

The Board of Directors has recommended to the General Meeting of Shareholders of May 9, 2012 not to pay a dividend for the 2011 financial year.

STATEMENT OF FINANCIAL POSITION

The total of the Statement of the financial position decreased from EUR 114,802 ('000) at year-end 2010 to EUR 95,608 ('000). The most important items are the following:

- The net financial debt as at year-end 2011 amounted to EUR 32,134 ('000), compared to EUR 29,557 ('000) at year-end 2010. The sharp fall in inventories of the Retail Group was accompanied by an even greater reduction in the supplier's credit to obtain most benefit from discounts, and is therefore the main reason for this increase.



- Equity rose from EUR 22,671 ('000) at year-end 2010 to EUR 24,864 ('000) at the end of 2011, representing EUR 0.68 per share. Besides the effect of the net loss amounting to minus EUR 2,873 ('000), the group benefited from a positive property revaluation for a value of EUR 5,514 ('000). This concerns the buildings in Vorst (Photo Hall) and in Wetteren (Imaging). Negative translation differences and deferred taxes are responsible for the remaining difference of minus EUR 448 ('000).
- The net carrying amount for the external customer relationships amounted to EUR 727 ('000) as per 31 December 2010 and was further amortised in 2011.

- The non-current assets increased by EUR 2,921 ('000). This increase is mainly composed of the revaluation of the buildings in Vorst and Wetteren by plus EUR 5,514 ('000), the annual depreciation on property, plant, and equipment of minus EUR 3,239 ('000), the amortisations of the externally acquired customer relationships of minus EUR 729 ('000) and a net increase in deferred tax assets by plus EUR 1,121 ('000).
- The investments in 2011 amounted to EUR 1,186 ('000), compared to EUR 4,075 ('000) in 2010. Retail Group's investments in property, plant and equipment amounted to EUR 482 ('000) and mainly related to the opening of the new shop in Jette, renovations in Luxembourg, and hardware for the shops and the supporting services. The, investments in property, plant and equipment for the Imaging Group amounted to EUR 268 ('000) and primarily relate to hardware, other IT-related investments, and production equipment.
  Investments in intangible assets of EUR 423 ('000) mainly concern software to support the IT platform for the Imaging Group amounting to EUR 398 ('000).

PROSPECTS FOR 2012

In 2012, the Retail Group should benefit from the restructuring measures that were taken in 2011, but the outlook remains uncertain due to the economic situation.

The Imaging Group hopes 2012 will bring stable revenues, while maintaining the profitability.

This forward-looking information is based on the current internal estimates and expectations. The forward-looking statements contain inherent risks and only apply at the date on which they are communicated. It cannot be excluded that the actual results differ considerably from the forward-looking expectations that are included here.

DESCRIPTION OF THE MOST SIGNIFICANT RISKS AND UNCERTAINTIES

The most significant risks and uncertainties are described in the 'Corporate governance statement' under the heading 'Risk management and internal control' on page 36.

SUBSEQUENT EVENTS

Since the closing of the 2011 financial year, except for the change of the amortisation method and useful life of the externally acquired customer relationships, as explained above, no events have occurred that could have a significant effect on the results of the Company.

RESEARCH AND DEVELOPMENT

In view of the Company's nature and operations, there were no activities related to research and development in 2011.

USE OF FINANCIAL INSTRUMENTS

In 2011, no use was made of derivative financial instruments.
More clarification concerning the Company's exposure to price risk, credit risk, liquidity risk, and cash flow risk is presented under the 'Corporate governance statement' under the heading 'Risk management and internal control' on page 36 and further in the notes to the consolidated financial statements on page 85 of this annual report.

FEES RELATING THE COMMITTEE OF STATUTORY AUDITORS

The Committee of Statutory Auditors receives an annual fee of EUR 43 ('000), in accordance with the resolution of the Ordinary General Meeting of Shareholders of 11 May 2011 and indexed according to the general consumer price index. In addition, local auditors were granted total reimbursements of EUR 146 ('000) for services concerning the audits in the subsidiaries of Spector Photo Group.

During the 2011 financial year, the Committee of Statutory Auditors and the local auditors received an additional fee totalling EUR 57 ('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, audits of business processes, 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 subsidiaries.
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 Group's foreign branches.

APPLICATION OF SECTION 526 OF THE BELGIAN COMPANIES CODE

The composition of the Audit Committee fulfils the requirements stipulated in the Belgian Companies Code. In accordance with Section 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
Deviations from the Code
Composition 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
Remuneration report
Risk management and internal control
Information pursuant to Section 14:4 of the Act of
2 May 2007
Information pursuant to Section 34 of the Belgian Royal
Decree of 14 November 2007

CORPORATE GOVERNANCE CODE

Spector Photo Group NV undertakes 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 Corporate Governance Code, 'the Code', applies to reporting years starting on 1 January 2009 or later, as the only code within the meaning of Section 96:2 of the Belgian Companies 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.

DEVIATIONS FROM THE CODE

In accordance with the 'comply or explain'-principle, the statements below explain the deviations from the Code due to the Company's specific structure and the nature of its activities:

The position of Executive Chairman is a **deviation from principle 1.5 of the Belgian Corporate Governance Code**, which stipulates that the same person should not perform the positions of Chairman of the Board and that of Chief Executive Officer (CEO). 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.

The composition of the Nomination Committee is a **deviation from principle 5.3 of the Belgian Corporate Governance Code**, which stipulates that the Nomination Committee should be composed of a majority of independent non-executive directors. The Board of Directors believes, however, that this does not compromise the independent decision-making of either Mr. Philippe Vlerick or Mr. Luc Vansteenkiste, as experience over recent years has actually shown.
In view of the changes in management structure for the Retail Group, the composition of the Executive Committee Is being reconsidered, as is the related remunerations policy. For this reason, **the information on the remunerations policy for the next two financial years is not included here**. In the review of the composition and the applicable remunerations policy, account will be taken of the Belgian Act of 6 April 2010, which contains provisions that if the bonuses awarded amount to more than 25% of the total remuneration, half of the bonuses must be paid as spread instalments and subject to long-term objectives or criteria.

COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS

The Board of Directors consists of 8 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.

Term of the current appointments

At the General Meeting of Shareholders of 11 May 2011, the directors identified above were appointed for a period of three (3) years, until after the Annual General Meeting of Shareholders of 2014, which will be held on 14 May 2014.

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

Two executive and six non-executive directors of which three are independent directors

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

- 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 11 May 2011 ratified the independence of MCM BVBA, Patrick De Greve BVBA, and Norbert Verkimpe BVBA, as well as their permanent representatives, in accordance with Section 524:4 of the Belgian Companies Code.

With the appointment of V.I.T. NV, represented by Mrs. 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 27 to 31 of this document.

Internal measures to promote good Corporate Governance practices

Based on the provisional timetable of publications for 2012, the Board of Directors has set the following 'closed periods' for itself:

- from 9 April 2012 to 10 May 2012 inclusive,
- from 30 July 2012 to 31 August 2012 inclusive,
- from 25 September 2012 to 26 October 2012 inclusive,
- from 7 February 2013 to 8 March 2013 inclusive.

Composition of the Board of Directors as at 31 December 2011:

Name		Non-executive director	Independent director	Audit Committee	Nomination Committee	Remuneration Committee	Term of the current appointment
Mr. Tonny Van Doorslaer	◊				x		Until 14 May 2014
Mr. Philippe Vlerick	x	x			x	◊	Until 14 May 2014
Vean NV, permanently represented by Mr. Luc Vansteenkiste	x	x			◊		Until 14 May 2014
Patrick De Greve BVBA, permanently represented by Mr. Patrick De Greve	x	x	x	x		x	Until 14 May 2014
MCM BVBA, permanently represented by Mr. Geert Vanderstappen	x	x	x	◊		x	Until 14 May 2014
Norbert Verkimpe BVBA, permanently represented by Mr. Norbert Verkimpe	x	x	x	x			Until 14 May 2014
V.I.T. NV, permanently represented by Mrs. Katrien Mattelaer	x	x					Until 14 May 2014
Mr. Stef De corte	x						Until 14 May 2014

◊ Chairman *x Member*

Insiders are informed of the closed periods and the related statutory and administrative obligations associated with the abuse or unauthorised disclosure of confidential information.

The persons with managerial responsibilities and persons closely associated with them are informed of the requirement to inform the supervisory body, the FSMA, of personal transactions in financial instruments of the Company outside the closed periods.

Board of Directors' report on activities in 2011
In 2011, 8 meetings took place under the chairmanship of Mr. Tonny Van Doorslaer.

One meeting dealt mainly with the budget for 2011, two meetings dealt mainly with the approval of the financial statements as at 31 December 2010 and the half-yearly financial statements as at 30 June 2011. The meeting at the end of March 2011 had a specific agenda item that was the approval of the new loan and facilities agreement between Photomedia NV and NIBC Bank that was concluded in April 2011. 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 85 possible attendances, 5 meetings x 8 directors plus 5 meetings x 9 directors, there were 4 apologies for absence. Mr. Luc Vansteenkiste and Mr. Philippe Vlerick each apologised for their absence once, and Mr. Patrick De Greve apologised twice. 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 2011 were unanimous.

Conflict of interests
Directors' conflict of interests of a proprietary nature in areas of application of Section 523 of the Belgian Companies Code.

In 2011, the Board of Directors followed the procedure prescribed by Section 523 of the Belgian Companies Code in the Board meeting of 11 May 2011. The relevant parts of the minutes of these Board Meetings are shown below.

For the Board Meeting of 11 May 2011:

'Directors declarations
Messrs. Norbert Verkimpe (as permanent representative and controlling shareholder of Norbert Verkimpe BVBA), Geert Vanderstappen (as permanent representative and controlling shareholder of MCM BVBA), and Patrick De Greve (as permanent representative and controlling shareholder of BVBA Patrick De Greve) declared that they have a conflict of interests concerning agenda point 6, since this is the resolution of their appointments and associated remuneration as members of the Audit Committee. Consequently, there must be compliance with the procedure provided in Section 523 of the Belgian Companies Code. The directors concerned will therefore leave the meeting after the resolution of agenda points 1 to 5.

The statutory auditors will be informed of the conflict of interests.

Deliberations and Decision
6. Reappointment and remuneration of Audit Committee members
Messrs. Norbert Verkimpe, Geert Vanderstappen, and Patrick De Greve left the meeting.

After deliberation, the Board of Directors appointed the following members of the Audit Committee, for a term of three (3) years:

- MCM BVBA, represented by Mr. Geert Vanderstappen (chairman)
- Patrick De Greve BVBA, permanently represented by Mr. Patrick De Greve
- Norbert Verkimpe BVBA, represented by Mr. Norbert Verkimpe

The appointment as member of the Audit Committee is remunerated in accordance with the resolution of the Remuneration Committee (EUR 2,500). This remuneration is justifiable commercially and in line with the market. There are no negative financial consequences for the company since this a continuation of the remuneration policy used to date. Moreover, the Remuneration Committee itself proposed the remuneration.

Messrs. Norbert Verkimpe, Geert Vanderstappen, and Patrick De Greve rejoined the meeting.'

During the 2011 financial year, there were no situations as referred to in Section 524 of the Belgian Companies Code.

TONNY VAN DOORSLAER

PHILIPPE VLERICK

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 KBC Bank, 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. Member of the Nomination Committee.
His current appointment runs until the Annual General Meeting of Shareholders of 2014.

Current appointments with other disassociated companies include:

- Recticel NV (director and member of the Audit Committee);
- Guberna (Belgian Corporate Governance Institute - 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 (non-executive director)
Office address:
Doorniksewijk 49, 8500 Kortrijk, Belgium.

Holder of several degrees from Belgian and foreign universities in philosophy, law, management, and business administration. Extensive experience as 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 entrepreneurial world (VBO-FEB, Voka, etc.).
Non-executive director at the company since 1995. Vice Chairman since 28 November 2005. Member of the Nomination Committee and chairman of the Remuneration Committee.

His current appointment as director with the Company runs until the Annual General Meeting of Shareholders of 2014.

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 Luxembourg (deputy chairman);
- Vlerick Leuven Ghent Management School (partner-director);
- Photo Hall Multimedia NV (chairman);
- HIFI International SA (chairman);
- Corelio NV (director);
- LVD Company NV (director);
- Pentahold NV (chairman);
- VC 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

PATRICK DE GREVE

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

Civil Engineer Chemical. 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 with the Company since 1995, and Chairman of the Board of Directors from 2001 until August 2009. Chairman of the Nomination Committee.

The appointment of VEAN NV, permanently represented by Mr. Luc Vansteenkiste, as a director with the Company runs until the Annual General Meeting of Shareholders of 2014.

Current directorships with other companies:

- Sioen Industries 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 nor does he have any other commercial links 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 also brings with him the necessary expertise in connection with change processes in organisations and companies.

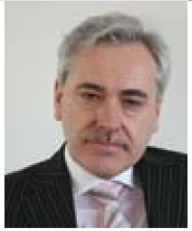
Non-executive, independent director with the Company since 2004, and member of the Audit Committee since 2005. Mr. De Greve meets the independence criteria stipulated in Section 526c of the Belgian Companies Code, as provided for by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises. Member of the Remuneration Committee.

The current appointment of Patrick De Greve BVBA, permanently represented by Mr. Patrick De Greve, as a director with the Company runs until the Annual General Meeting of Shareholders of 2014.
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 he 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

NORBERT VERKIMPE

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

Civil 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 Section 526c of the Belgian Companies Code, and also possesses the necessary expertise in the field of accounting and audit in the sense of Section 526b: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. Member of the Remuneration Committee.

The current appointment of MCM BVBA, permanently represented by Mr. Geert Vanderstappen, as a director with the Company runs until the Annual General Meeting of Shareholders of 2014.

Current directorships with other companies, such as:
- 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 he 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 and manager 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 Section 526c of the Belgian Companies Code, as provided for by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises.

The current appointment of Norbert Verkimpe BVBA, permanently represented by Mr. Norbert Verkimpe, as a director with the Company runs until the Annual General Meeting of Shareholders of 2014.

Current directorships with other companies, such as:
- 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 associated companies and Mr. Verkimpe, which provides benefits on resignation or retirement.

STEF DE CORTE

KATRIEN MATTELAER

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

Civil 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 positions 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 2014. Since September 2011, Mr. Stef De corte has also been director of Photo Hall Multimedia NV.

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 registered shares of the Company in a private capacity. Acortis BVBA, permanent 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.

KATRIEN MATTELAER
Permanent representative of V.I.T. N.V.,
Office address:
Doorniksewijk 49, 8500 Kortrijk, Belgium.

Master in Applied Economic Sciences (UFSIA)`and Master in Business Administration (KUL & JGSM Cornell University). Since 2004, independent consultant in the areas of financial advice, supervision of acquisitions and valuation of businesses. Previously worked as Director, CFO at Trustcapital Partners NV, as investment manager at Koceram NV, and as a senior consultant with TCM Europe - Groupe Depuydt.

Non-executive director with the Company since 2011.

The appointment of V.I.T. NV, permanently represented by Mrs. Katrien Mattelaer, as a director with the Company runs until the Annual General Meeting of Shareholders of 2014.
Mrs. Mattelaer has no family connections with other members of the Company's executive, supervisory or regulatory bodies.

Mrs. Mattelaer possesses no share options of Spector Photo Group NV and holds no registered shares of the Company personally, but PANA BVBA, permanently represented by Mrs. Mattelaer, does hold 28,750 shares of Spector Photo Group NV.

There is no contract between the company or its associates and Mrs. Mattelaer, which provides any benefit on resignation or retirement.

CHRISTOPHE LEVIE
Office address:
Hifi International S.A.,
Route de Luxembourg BP 1,
3201 Bettembourg, Luxembourg

The Board of Directors meeting of 28 November 2011 took note of the resignation request from Mr. Christophe Levie as director of Spector Photo Group NV, with effect from 25 November 2011.

The Board decided unanimously to accept this request.
The resignation of Mr. Christophe Levie as director of Spector Photo Group NV was published in the Belgian Official Gazette of 2 February 2012.

COMPOSITION AND OPERATION OF THE COMMITEES

The Board of Directors has three committees: an Audit Committee, a Nomination Committee, and a Remuneration Committee.

Pursuant to the provisions of Section 526d, on the first subsequent Board of Directors meeting following the Annual General Meeting of 11 May 2011, it was resolved to split the Nomination and Remuneration Committee into a 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 Section 526d:2 of the Belgian Companies Code and the principles of the 2009 Belgian Corporate Governance Code.

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 Annual General Meeting of Shareholders of 2014, which will take place on 14 May 2014:

- 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 Corporate Governance Code, and in Section 526b of the Belgian Companies Code.

Also in accordance with Section 526b of the Belgian Companies 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.

Audit Committee's Report on its activities in 2011

The Audit Committee met four (4) times in 2011. Two meetings were mainly devoted to reviewing the consolidated financial statements as at 31 December 2010 and the half-yearly consolidated figures as at 30 June 2011.

One meeting was devoted to the annual impairment tests concerning the identified cash-generating entities, in accordance with IAS 36, to examine whether an impairment loss needed to 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 programme, activities and evaluation of the task description of the internal audit, and questions concerning financial reporting according to IFRS.

Of 12 possible attendances, 4 meetings x 3 directors, there was 1 apology for absence. Mr. Patrick De Greve, permanent representative of Patrick De Greve BVBA, apologised for absence once.

Nomination Committee

Pursuant to the provisions of Section 526d, on the first subsequent Board of Directors meeting following the Annual General Meeting of 11 May 2011, it was resolved to split the Nomination and Remuneration Committee into a 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 Section 526d:2 of the Belgian Companies Code and the principles of the 2009 Belgian Corporate Governance Code.

Composition of the Nomination Committee

The following members of the Nomination Committee have been appointed until after the Annual General Meeting of Shareholders of 2014, which will take place on 14 May 2014:

- VEAN NV, represented by Mr. Luc Vansteenkiste, chairman of the committee; non-executive director;
- Mr. Philippe Vlerick, non-executive director;
- Mr. Tonny Van Doorslaer, Executive Chairman,

The composition of the Nomination Committee is a deviation from principle 5.3 of the Belgian Corporate Governance Code, which stipulates that the Nomination Committee should be composed of a majority of independent non-executive directors. The Board of Directors believes, however, that this does not compromise the independent decision-making of either Mr. Philippe Vlerick or Mr. Luc Vansteenkiste, which has been effectively demonstrated by experience over recent years.

Nomination Committee's Report on its activities in 2011

The Nomination Committee makes proposals concerning the evaluation and reappointment of directors as well as the nomination and introduction of new directors.

The Nomination Committee met twice in 2011, and particularly discussed the changes at management level, more specifically the proposal to nominate V.I.T. NV, permanently represented by Ms. Katrien Mattelaer, which meant that efforts were already provided to obtain gender diversity within the Board of Directors. The resignation of Mr. Christophe Levie as director of the Company was also discussed in the Nomination Committee prior to being accepted by the Board of Directors.

All members attended the meetings.

Remuneration Committee

As already reported above, the Nomination and Remuneration Committee was divided into a 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 Section 526d:2 of the Belgian Companies Code and the principles of the 2009 Belgian Corporate Governance Code.

Composition of the Remuneration Committee

The following members of the Remuneration Committee have been appointed until after the Annual General Meeting of Shareholders of 2014, which will take place on 14 May 2014:

- Mr. Philippe Vlerick, chairman of the committee, non-executive director;
- MCM BVBA, permanently represented by Mr. Geert Vanderstappen, independent non-executive director;
- Patrick De Greve BVBA, permanently represented by Mr. Patrick De Greve, independent non-executive director.

Remuneration Committee's Report on its activities in 2011

The Remuneration Committee met twice in 2011, and handled matters including the general remuneration policy, and the individual remuneration for members of the executive management. This included taking into account the Act of 6 April 2010 for reinforcing corporate governance at listed companies, such as the provisions concerning remuneration reporting and the new criteria for the granting of remuneration to the executive management and the obligation to spread the variable remuneration over time.

Of 6 possible attendances, 2 meetings x 3 members, there was one apology for absence. Mr. Philippe Vlerick apologised for absence once.

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

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 enterprise 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.

Executive Committee

The Executive Committee was composed of Mr. Tonny Van Doorslaer, Executive Chairman, Mr. Stef De corte, Managing Director of the Imaging Group, and Mr. Christophe Levie, Managing Director of the Retail Group.

Following the resignation of Mr. Christophe Levie as director of Photo Hall Multimedia NV and Spector Photo Group NV, the Board of Directors confirmed that Mr. Christophe Levie was no longer part of the Executive Committee with effect from 25 November 2011.

Mr. Christophe Levie remains managing director of Hifi International.

The Executive Committee is currently composed of Mr. Tonny Van Doorslaer, Executive Chairman and Mr. Stef De corte, Managing Director of the Imaging Group and also director of Photo Hall Multimedia NV since 22 September 2011.
Spector Photo Group does not have an Executive Committee in the sense of Section 524b of the Belgian Companies Code. The Extraordinary General Meeting of Shareholders on 11 May 2011, resolved that the Company's Articles of Association be amended by inserting a new Article that empowers the Board of Directors, if it deems this necessary, to set up an Executive Committee according to Section 524b of the Belgian Companies Code.

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

The Board of Directors evaluates its own size, composition and performance, as well as that of the committees and individual directors. In this evaluation, the Board of Directors assesses how the Board of Directors or the Committees operate, whether the important issues are thoroughly prepared and discussed, evaluates the performance of each director and, if necessary, harmonises the current composition of the Board of Directors or the Committees with the required composition of the Board of Directors or of the Committees.

The next Nomination Committee meeting will discuss the composition of the Executive Committee. Depending on the proposals of the Nomination Committee and the subsequent decisions of the Board of Directors, the Remuneration Committee will consult and make its recommendations on the remuneration policy to the Board of Directors.

REMUNERATION REPORT

Remuneration policy

The 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.

Remuneration of non-executive directors
Non-executive directors each receive a fee of EUR 12,500 per annum.

Mr. Tonny Van Doorslaer, appointed as Executive Chairman by the Board meeting of 11 May 2011, 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 35 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.
Directors' reimbursements totalling EUR 98 ('000) were paid out for the 2011 financial year, and EUR 106 ('000) for the 2010 financial year.

There is no contract between the Company or its subsidiaries and the members of the Board of Directors that provides for any payment on their retirement or resignation 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 28 to 31 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 41 and 42. The directors directly hold a total of 257,521 shares of the Company. Certain directors represent another main shareholder, and are indirect shareholders. A breakdown of these indirect interests can be found on pages 38 and 94 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 associated 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 Board of Directors using the recommendation of the Remuneration Committee determines the remuneration of the Executive Committee members.

In determining the remunerations of the Executive Committee members, the remuneration of managers in Belgian multinationals and medium to large companies is taken into account, together with internal factors.
The basic salary of the members of the executive management is intended as remuneration for their job responsibilities, for specific competencies, and their experience in their position. This basic salary is compared to payment in comparable positions and is evaluated each year.

For the managers 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 linked directly to the achievement of their divisional goals and their individual targets.

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

The variable remuneration includes a cash bonus that depends on the actual performance of the Company or the relevant division against the predetermined goals.

The goals are divided into two categories: the financial goals, including the EBITDA for the division for which the individual member is responsible, and the non-financial goals. The combination of these goals ensures a balanced package that creates value for the shareholders, based on cash flow and growth. The balance between the financial goals and the non-financial goals can differ for each individual member and is determined by the Board of Directors.

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

The total remuneration for the Executive Committee for the 2011 financial year amounts to EUR 687 ('000).

The remuneration components for the Executive Committee members are shown below. The individual details for all the remuneration components are shown for the Executive Chairman. For the other members, the details concerning the fixed remuneration, the variable remuneration and other benefits are presented in the totals, whereas the details concerning the share-based incentives (shares and option plans) are shown individually.

No guarantees or loans have been granted to the members of the Executive Committee by Spector Photo Group NV or associated companies.

Separately from their remuneration, Messrs Van Doorslaer and De corte also held Spector Photo Group NV shares as at 31 December 2011. Details can be found in the brief biographies of the members of the Board of Directors.

Following the resignation of Mr. Christophe Levie as director of Photo Hall Multimedia NV and Spector Photo Group NV, the Board of Directors confirmed that Mr. Christophe Levie was no longer part of the Executive Committee with effect from 25 November 2011. Mr. Christophe Levie remains managing director of Hifi International. For the year reported, the total annual remuneration is included.

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

Executive Committee member	Fixed remuneration component (1)	Variable remuneration component (1) (2)	Pension contributions (3)	Other remuneration components (4)	Number of warrants (exercise price per warrant) (5)
1. Tonny Van Doorslaer	163		5	3	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	622	50	9	6	600 000 (EUR 3.36)

(1) Cost to the enterprise, 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 Remuneration Committee. This bonus plan includes financial and non-financial targets.
(3) Pension contributions for defined contribution plans, with fixed contributions to insurance companies.
(4) The other components refer to the costs for insurance policies, and the cash value of the other benefits in kind (expense allowances, company car, etc.).
(5) For the exercise periods: please see page 42 of this document.

Information on remuneration policy for the coming two financial years

In view of the changes in management structure for the Retail Group, the composition of the Executive Committee is being re-examined, as is the related remunerations policy. For this reason, the information on the remunerations policy for the next two financial years is not included here. In the review of the composition and the applicable remunerations policy, account will be taken of the Belgian Act of 6 April 2010, which contains provisions that if the bonuses awarded amount to more than 25% of the total remuneration, half of the bonuses must be paid as spread instalments and subject to long-term objectives or criteria.

Severance fees for the management

An agreement exists between Mr. Tonny Van Doorslaer and the Company 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.

An agreement exists between Mr. Stef De corte and the Company 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.

An agreement exists between Mr. Christophe Levie and the Company that - 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors relies on the Audit Committee for the supervision of the proper operation of the risk management and internal control systems.

The internal control and risk management systems provide reasonable assurance regarding the achievement of the goals, the reliability of the financial reporting, and compliance with the 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 risks as effectively as possible. However, no assurance can be given that the measures taken 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 effect 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.

The external audit also assesses the internal control contained In the business processes and reports regularly to the Audit Committee.

Description of the risks and uncertainties

Strategic risks

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 the competitive position.

For the Retail Group, the market-related risks are related to price deflation, consumer behaviour, and competitive position. 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 susceptible to the general price pressure. The range of photo-related products continues to be expanded with products that are less subject to price pressure than the individual photo print, such as photo books, greetings cards, photo calendars, clothes and accessories, etc.

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, especially in the Retail Group. Consumers are more careful about purchasing more expensive consumer goods.

Operational risks

Inventory risks

Inventory risks can arise from technical developments or obsolescence, from theft, or from price and currency fluctuations. These risks mainly concern the Retail Group. The risks from technological change and the price risks are limited by optimising the inventory. A lot of attention was paid to reducing the inventory during 2011. Furthermore, the inventory stock is constantly evaluated and, if necessary, sufficient write-downs are recognised to hedge the risks. Risks of loss of inventory by theft are covered by inventory insurance policies.

Both the Retail Group and the Imaging Group only depend on strategic suppliers to a limited extent. For the various product groups of the Retail Group, there are always several suppliers. The Imaging Group can also call on several suppliers.

IT risks

The Imaging Group depends significantly on the in-house developed IT systems in particular, and access to the internet in general.

The online ordering software is maintained by a team of specialists and is ever increasingly being optimised to improve the functionality for the customer. To reduce the risk of failure of the systems to the minimum and guarantee continuity of operations, continuity programmes are developed that implement various backup systems, and fallback scenarios are elaborated.

Financial risks

Financial reporting

The quality of the reported financial figures are assured by the proper monitoring of the accounting closing processes and related internal controls.
The accounts are closed each month for the management reporting. The financial figures are consolidated according to a formal consolidation process on a quarterly basis. The annual and half-yearly financial figures are also subject to an audit by the external auditor.

The financial figures are published on pre-announced dates by means of financial press releases for communicating and informing as transparently as possible.

Furthermore, the key financial risks to which the Group is exposed are related to the Group's financial liabilities, the outstanding trade receivables, and transactions in currencies other than the Euro.

Liquidity risk

At the end of 2010, the long-term debt of Photo Hall Multimedia to the bank consortium was renegotiated 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 debt position. The Group manages this risk by continuing to develop a transparent and constructive relationship with the bank consortium. Because of the financial position and the loss-making nature of the activities of Photo Hall Belgium, the bank consortium will be notified at shorter intervals of time and agreements made concerning the continued financial support.

Credit risk

A significant proportion of the Imaging Group's activities are conducted by means of 'remote sales' to the final 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.

No write-downs are recognised for the overdue receivables, because their collectability is considered as probable.

Exchange rate risk

The Company publishes its consolidated financial statements in euros. As the Company operates mainly in a euro environment, the exchange rate risk is extremely limited.

In the notes to the consolidated financial statements, the credit risks, the interest rate risks, and the liquidity risks are described in more detail. Please see page 85 of this annual report.

Legal risks

Risks relating to the compliance with laws and regulations
The Company is subject to the prevailing laws and regulations of each country in which it operates, as well as European legislation and regulations. Due to the listing of Spector Photo Group on Euronext Brussels, the Group is also subject to Belgian and European legislation in connection with obligations regarding disclosure and insider trading. Spector Photo Group strives to respect the legal obligations thus imposed on it.

Risk related to tax 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 recorded if required. With respect to the subsidiary Vivian Photo Products NV, there is still a tax dispute, dating from the 1991 financial year, which is pending at the Court of Appeals. The disputed tax amounts to EUR 479 ('000), increased by interest amounting to EUR 810 ('000), for which a provision has been recorded.

In the case of 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 37.14, no provision should be recognised because the Board of Directors believes that there are no cash outflows to be expected. Changes in tax legislation can have both positive and negative effects on the Group's result.

Risk related to disputes
Risks related to other disputes are covered by recognising the necessary current or non-current provisions.

Force majeure risks

Risks concerning health, safety, and environment
Safety measures and prevention measures are used to try to prevent these risks as much as possible. Furthermore, these risks are hedged by means of insurance policies with external insurers.

Risks resulting from fire and violence
These risks are also prevented as much as possible by measures of fire safety and prevention, and hedged by means of insurance policies with external insurers.

Risks resulting from power failures
As reported under the IT risks, these risks are taken care of by continuity programmes with which various backup systems are implemented and fallback scenarios are elaborated. The adverse effects are also covered by insurance policies.

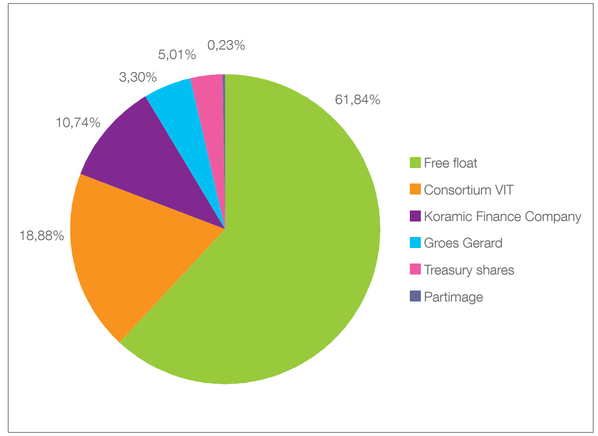
INFORMATION PURSUANT TO SECTION 14:4 OF THE ACT OF 2 MAY 2007

Structure of the shareholdership

The law and the Articles of Association require each shareholder whose voting rights attached to voting securities exceed or fall below the thresholds of 3%, 5% or any multiple of 5%, to notify this fact to the Company and the FSMA (Belgium's Financial Services and Markets Authority).

In 2011, the Company received no notifications.

Spector Photo Group and its subsidiaries possess 1,207,072 or 3.30% treasury shares. The number of treasury shares remained unchanged in 2011.



More detailed information on the shareholdership of the Company, as at the year-end closing date, can be found on page 94 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 participate in the General Meeting will only be granted if the shareholder has complied with the statutory requirements governing companies whose shares are admitted to trading on a market as referred to in Section 4 of the Belgian Companies Code. In any case, shareholders must notify the Company of their intention to participate in the General Meeting no later than six days before the General Meeting.

Conditions for participation

The right to participate at the General Meeting is granted on the basis of the accounting records of the registered shares of the shareholder on the registration date at midnight, either
(i) by registration in the Company's share register, in case of registered shares, or
(ii) by registration on the accounts of an authorised account holder or of a settlement institution, in case of dematerialised securities, or by
(iii) presenting the shares to a financial intermediary (bearer shares). The authorised account holder, or the settlement institution, or the financial intermediary will provide the shareholder an attestation or certificate that shows the number of shares with which the shareholder wishes to participate at the General Meeting. Only the shareholders who are shareholders on the reported registration date and who can demonstrate this by means of the said attestation, or certificate, or registration in the Company's share register, are permitted to participate at the General Meeting. The intention to participate at the General Meeting must be notified to the Company no later than six days before the General Meeting, by handing over this certificate or attestation to the Board of Directors. The registered shareholders and the warrant holders should also advise their intention to attend the General Meeting in writing to the Board of Directors, no later than six days before the General Meeting. The warrant holders are advised that they may attend the General Meeting, but only in an advisory capacity.

Use of proxies

Each shareholder may, by means of a document bearing his or her signature, including the digital signature as referred to in Section 1322:2 of the Belgian Civil Code, with which notification is provided by letter, fax, or email, or any other means specified in Section 2281 of the Belgian Civil Code, that proxy is provided for him or her to be represented at the General Meeting. The authorised representative must not be a shareholder. Except as stipulated in Section 547b of the Belgian Companies Code, only one proxy holder can be appointed. The proxy holder must vote according to the instructions of the shareholder. Each proxy holder should maintain a special register for this purpose.

In the event of a potential conflict of interests between the shareholder and the proxy holder appointed, the proxy holder must disclose the precise facts that are important for the shareholder to assess whether there is a threat that the proxy holder might pursue any interest other than the interests of the shareholder. Where applicable, the proxy holder may only vote on behalf of the shareholder provided the proxy holder has specific voting instructions available for each item on the agenda. There is a conflict of interests especially when the proxy holder is:
1° the company itself or an entity controlled by it, or a shareholder that the company controls, or another entity that is controlled by such a shareholder;
2° a member of the Board of Directors or of the managing bodies of the company, of a shareholder that the company controls, or an entity controlled as referred to in 1;
3° an employee or a auditor of the company, of the shareholder who controls the company, or an entity controlled as referred to in 1;
4° or has a parental relationship with a natural person as referred to in 1 to 3 above, or is the spouse or legal cohabiting partner of such a person or of a relative of such a person.
A standard proxy that takes into account the rules identified above is available on the Company's website as specified below.
The proxies must be deposited at the Company's registered office no later than six days before the General Meeting.

Shareholders' rights

For a comprehensive and detailed description of the specific conditions and details of the rights of shareholders described below, please refer to the information made available on the Company's website as specified below.

- Extending the agenda

One or more shareholders who together hold at least 3% of the authorised share capital of the company, can have additional items placed on the agenda of the General Meeting and submit proposals for resolutions concerning subjects included on the agenda or on it to be discussed. The Company must receive these requests no later than the 22nd day before the General Meeting. They can be sent to the Company electronically. The Company acknowledges the receipt of the requests within a period of 48 hours calculated from the time of their receipt. No later than 15 days before the General Meeting, an agenda will be announced that is supplemented with the additional subjects to be discussed and the corresponding proposed resolutions that would be included in it, and/or purely with the proposed resolutions that would be formulated.

- Right to question
The shareholders have the right to ask the directors and auditors questions during the General Meeting or submit (written) questions in advance concerning their report or the agenda items. These questions may be sent electronically to the Company no later than six days before the General Meeting.

Participation and voting remotely by letter or by electronic means
Voting by letter or by electronic means is not possible. Participation in the General Meeting remotely or remote voting is not allowed.

Information available for inspection and to be obtained
The convocation, the annual financial report (in accordance with Section 12 of the Belgian Royal Decree of 14 November 2007), the proxy forms, further information on the rights of shareholders and the other statutorily provided information, will be made available 30 days before the General Meeting on the Company's website: www.spectorphotogroup.com. These documents can also be obtained commencing from the same date at the Company's registered office, upon presentation of the securities.

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 35 of this document.

Joint control
Spector Photo Group is not aware of any agreements between specific shareholders as a result of which a common policy concerning Spector Photo Group is pursued.

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

1° Capital structure

Issued capital
The authorised share capital amounts to EUR 64,193,915.72. This is represented by 36,619,505 shares without face value, numbered from 1 to 36,619,505, each share representing 1/36,619,505th of the authorised share capital.

Changing the issued share capital
The General Meeting, deliberating under the conditions required for the amendment of the Articles of Association, can increase or reduce the issued share capital.

The shares that are subscribed to in cash, must first be offered to the shareholders, in proportion to the part of the capital represented by their shares during a period of at least 15 days calculated from the first day of the subscription period. When a share has been split into bare ownership and usufruct, the pre-emptive rights can be exercised solely by the bare owner. The General Meeting determines the subscription price at which, and the period during which, the pre-emptive rights may be exercised.

The General Meeting that has to decide on the capital increase can, taking into consideration the statutory provisions and in the interests of the company, limit or cancel the pre-emptive rights, or deviate from the minimum period of 15 days for exercising the pre-emptive rights.

In the event of a reduction of the issued share capital, the shareholders that are in an equal position must be treated in an equal manner, and the other provisions included in the Sections 612, 613 and 614 of the Belgian Companies Code must be observed.

2° Statutory or Articles of Association restrictions on transfer of securities
Not applicable

3° Holders of securities to which special controlling rights are attached
Not applicable

4° Control of any share plan for employees
Not applicable

5° Statutory or Articles of Association restrictions on the exercise of voting rights

In relation to the Company the shares are indivisible. If a share belongs to a number of different people, or if the rights connected to a share are divided among several people, the Board of Directors may suspend the exercising of the rights connected to that share until one single person is designated as being the owner of the share in relation to the company. In the event that a usufruct exists, the bare owner of the share is represented by the beneficiary of the usufruct.

6° Shareholders' agreements

Spector Photo Group has no knowledge of any existing shareholders' agreements. There are no direct or indirect connections between the Company and its key shareholders.

7° Rules for appointment and replacement of the members of the management body and for amendments to the Articles of Association of the issuers.

The statutory rules as provided in the Belgian Companies Code are applicable.

The General Meeting may at any time suspend or dismiss a director.

As long as the General Meeting for any reason whatsoever does not provide a new appointment or reappointment, directors whose terms have expired remain in office. Retiring directors are eligible for reappointment. In the event of a premature vacancy on the Board of Directors, the remaining directors have the right to temporarily fill the vacancy until the General Meeting appoints a new director. The appointment will be placed on the agenda of the next General Meeting. Any director appointed in this way completes the engagement of the director he or she replaces.

8° Powers of the management body particularly the possibility for issuing or repurchasing treasury shares

Treasury shares

The General Meeting of 14 June 2011 explicitly authorised the Board of Directors in accordance with the provisions of the Belgian Companies Code, to acquire treasury shares or profit-sharing certificates by purchase or exchange, or 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 Section 627 of the Belgian Companies Code, if 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, pursuant to Section 620:1 of the Belgian Companies Code, can be renewed.

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 Shareholders of June 2011 also authorised the Board of Directors, in accordance with Section 620 of the Belgian Companies 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 Companies Code.

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 associated companies (in the sense of Section 11 of the Belgian Companies 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 Section 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. The General Meeting of 12 May 2010 also approved this extension.

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

The effect of extending the term of the warrants was not included as it is not material.

9° Significant agreements whereby the Company is a party in case of a public takeover bid

Not applicable

10° Agreements between the Company and its directors or employees that provide a reimbursement when, as a result of a public takeover bid, the directors resign or must depart or the employees' employment will be terminated

Not applicable

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 executed before 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 Bernard Van Steenberghe, replacing his colleague Rudy Vandermander, on 14 June 2011, published in the Supplements to the Belgian Official Gazette of 8 July 2011, as a result of the Act of 20 December 2010 on the exercising of specific rights of shareholders of listed companies.

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 recording and reproduction of pictures, signals and sound, and in the field of 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 brand image, trade name and patent that may or may not be related to the activities identified above and licence provision.

c) the purchase, sale, reconstruction, letting, sub-letting, financial borrowing, leasing, concession and operating, in any form whatsoever, of all moveable and immovable property 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 observa-

tion 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 companies of which it is a shareholder or chargeable to third parties.

The company may, in Belgium and abroad, at its own expense or 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 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 2011 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 14 June 2011 in the Supplements to the Belgian Official Gazette of 8 July 2011, 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 share 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 overall amount of EUR 64,193,915.72. 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 Section 560 of the Belgian Companies 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 Section 607 of the Belgian Companies 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 issue premiums. It determines the conditions for the issue of bonds 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 Sections 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 Directors can also, in accordance with the same Sections 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 issue premium is paid as a consequence of the present clause, it will automatically be transferred to a non-distributable account called 'share issue 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.

2.3. Profit sharing certificates
None

2.4. Conditions concerning changes in the capital
Statutory conditions

2.5. Transactions
a) 08 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) 05 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. Accordingly, the capital amounted to BEF 1,133,800,000, represented by 1,494,431 shares of which 205,140 were AFV shares.
c) 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) 09 June 1993 (publication in Belgian Official Gazette of 03 July 1993): Capital increase in the context of the share option plan, by cash contribution worth BEF 1,497,581 by creation of 6,809 new shares. Accordingly, 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 ration 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 NV: 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 341,690,111 and BEF 1,406,194,933, by including the revaluation gains and share premiums 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 03 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) 04 October 1996: Bringing into line of ordinary and VVPR shares by granting of the VVPR-strip coupon sheet. As result of this there were 524,783 VVPR strips created and the capital was represented by 3,306,290 ordinary shares.
j) 05 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 3,320,948 ordinary shares, with 539,441 VVPR strips in circulation.
k) 08 November 1996 (publication in Belgian Official Gazette of 03 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 06 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 thirty days prior to the date of issue. The warrants

can be exercised at any time, individually or jointly, during a period of five years counting from the date of Issue, (i) with effect from the notification by the Authority for Financial Services and Markets 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 Authority for Financial Services and Markets and/or the company receives knowledge of the acquisition 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, consequent approval of increase In share capital contingent and to the extent of the exercising of the warrants identified above amounting to the maximum 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 651 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 Issue premium of BEF 651 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 2,016,345 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 05 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.

r) 06 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.

s) 14 June 2011 (publication in Belgian Official Gazette of 08 July 2011):

(i) Authorisation to the Board of Directors to increase the share capital within the limits of the authorised capital: (ii) Amending Article 34 of the Articles of Association concerning authorisation of increasing the share capital to the amount of the maximum authorised capital; (iii) 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 closed on 31 December 2011.

Wetteren, Belgium, 21 May 2012

On behalf of the Board of Directors
Tonny Van Doorslaer
Executive Chairman

MANAGEMENT RESPONSIBILITY STATEMENT

Mr. Tonny Van Doorslaer, Executive Chairman, and Mr. Stef De corte, managing director of the Imaging Group and co-director of the Retail Group, declare in behalf of Spector Photo Group, to the best of their knowledge, that:

– the consolidated financial statements, which have been prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, the liabilities, the financial situation and the results of Spector Photo Group NV and the consolidated companies;

– the annual report gives a true and fair view of the development and the results of Spector Photo Group and the consolidated companies, as well as a description of the principal risks and uncertainties confronting them.

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 ADJUSTED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 and replaces our report addressed to you on 30 March 2012 which was revoked on 8 May 2012.

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

We have audited the adjusted consolidated financial statements for the year ended 31 December, 2011 (including the adjusted comparative figures 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) 95.608 and a loss for the year of EUR (000) 2.873.

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 adjusted consolidated financial statements for the year ended 31 December, 2011 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 adjusted consolidated director's report dated 21 May, 2012 in which the board of directors explains the adjustment of the consolidated figures of 2010 and 2011 and motivates the valuation of the intangible assets (consolidation goodwill included), the deferred tax assets and the inclusion of Photo Hall Multimedia in the consolidation under the assumption of going concern, taken into account the changing market conditions. The motivation of the valuation of the intangible assets (consolidation goodwill included) and deferred tax assets depends on the future positive development of the markets on which the business plan is based. The inclusion of Photo Hall Multimedia in the consolidation under the assumption of going concern depends on the further financial support of its banks and on the realisation of the announced restructuring measures.

The adjustment of the consolidated figures of 2010 and 2011 concerns the depreciation method and lifetime of the external acquired customer relationships from “indefinite” to “finite” as explained in the above mentioned adjusted consolidated director’s report. As established in 2010 by the board of directors, a straight-line depreciation method over a period of 7 years was no longer an adequate representation of the reality and it was impossible to determine a “best estimate” of the lifetime. In view of the fact that a lifetime had to be determined, the board of directors is of the opinion that the most transparent estimate is an amortisation period of one year. Taking into account the foregoing we are of the opinion that there will be always an element of uncertainty while determining the lifetime (depreciation period).

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, May 23, 2012
The Committee of Statutory Auditors

PKF bedrijfsrevisoren CVBA
Represented by

Ria Verheyen
Statutory Auditor

Grant Thornton, Lippens & Rabaey
Represented by

Leen Defoer
Statutory Auditor

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2011 CONSOLIDATED FINANCIAL STATEMENTS

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INCOME STATEMENT FOR THE PERIOD (in € ‘000)

	Note	2010	2011
Revenue	2	223 347	197 405
Other operating income	3	5 459	4 142
Changes in inventory of finished goods & work in progress	4	14	- 8
Work performed by enterprise and capitalised	5	40	2
Trade goods, raw materials and consumables	6	- 159 888	- 140 285
Employee expenses	7	- 30 373	- 28 472
Depreciation and amortisation expenses	8	- 13 810	- 5 144
Other operating expenses	9	- 28 225	- 30 048
Profit/loss (-) from operating activities, before non-recurring items	10	- 3 438	- 2 407
Non-recurring items from operating activities	11	- 1 501	- 1 732
Profit/loss (-) from operating activities		-4 938	-4 140
Financial income		565	509
Financial costs		- 4 013	- 2 333
Financial cost-net, before non-recurring items		- 3 448	- 1 824
Non-recurring financial items			2 011
Financial result	12	- 3 448	187
Profit/loss (-) before taxes, before non-recurring financial items		- 8 386	- 5 964
Profit/loss (-) before taxes		- 8 386	- 3 953
Income tax expense (-)/ income	13	761	1 080
Profit/loss (-) from continuing activities		- 7 625	- 2 873
Profit/loss (-) for the period		- 7 625	- 2 873
Attributable to equity holders of the parent company		- 7 625	- 2 873

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

	2010	2011
Profit/loss (-) for the period	- 7 625	- 2 873
Currency translation adjustments :	1 199	- 269
Gains/losses (-) arising during the year	610	-269
Reclassification adjustments for gains/losses (-) included in profit or loss	589	
Revaluation surplus		5 514
Income tax relating to components of other comprehensive income		- 179
Total comprehensive income for the period attributable to equity holders of the parent company	- 6 426	2 193

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

	2010	2011
Number of shares	36 619 505	36 619 505
Shares with dividend rights	35 412 433	35 412 433
Income statement for the period		
Profit/loss (-) from continuing activities	-0.22	-0.08
Profit/loss (-) for the period attributable to equity holders of the parent company	-0.22	-0.08
Comprehensive income for the period		
Total comprehensive income for the period attributable to equity holders of the parent company	-0.18	0.06

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

ASSETS	Note	2010	2011
Non-current assets			
Property, plant and equipment	14	17 980	20 849
Consolidation goodwill and other goodwill	15	18 849	18 603
Intangible assets other than goodwill	16	2 116	1 318
Other non-current financial assets	17	49	49
Trade and other receivables	18	224	199
Deferred tax assets	19	7 760	8 881
Non-current assets		46 978	49 899
Current assets			
Assets held for sale	20	636	735
Inventories	21	33 445	20 337
Trade and other receivables	22	16 267	14 149
Investment securities - current		3	3
Cash and cash equivalents	23	16 580	10 235
Current income tax assets	24	892	250
Current assets		67 823	45 709
TOTAL ASSETS		114 802	95 608

EQUITY AND LIABILITIES	Note	2010	2011
Total equity			
Capital		64 194	64 194
Reserves and retained earnings/ accumulated loss (-)		- 41 529	- 44 402
Revaluation surplus			5 335
Treasury shares (-)		- 2 422	- 2 422
Currency translation adjustments		2 428	2 158
Shareholder's equity		22 671	24 864
Total equity	25	22 671	24 864
Non-current liabilities			
Non-current interest-bearing financial obligations	26	28 697	8 468
Employee benefit liabilities	27	535	474
Non-current provisions	28	1 069	1 236
Deferred tax liabilities	30	611	759
Non-current liabilities		30 911	10 936
Current liabilities			
Liabilities held for sale	31	653	753
Current interest-bearing financial obligations	26	17 444	33 904
Trade and other payables	32	37 971	19 837
Employee benefit liabilities	27	4 320	4 061
Current income tax liabilities	33	194	45
Current portion of provisions	29	637	1 208
Current liabilities		61 219	59 808
TOTAL EQUITY AND LIABILITIES		114 802	95 608

STATEMENT OF CHANGES IN EQUITY (in € '000)

	Capital	Retained earnings	Revaluation surplus	Treasury shares	Currency translation adjustments	Shareholders' equity	Total equity
Balance as at 31.12.2009	64 194	-33 904		-2 422	1 229	29 097	29 097
Currency translation differences					1 199	1 199	1 199
Net profit/loss (-) for the period		-7 625				-7 625	-7 625
Total comprehensive income		-7 625			1 199	-6 426	-6 426
Balance as at 31.12.2010	64 194	-41 529		-2 422	2 428	22 671	22 671
Currency translation differences					- 269	- 269	- 269
Net gains/losses (-) not recognised in the income statement			5 335			5 335	5 335
Net profit/loss (-) for the period		-2 873				-2 873	-2 873
Total comprehensive income		-2 873	5 335		- 269	2 193	2 193
Balance as at 31.12.2011	64 194	-44 402	5 335	-2 422	2 158	24 864	24 864

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

For the year ended on 31 December	2010	2011
Operating activities		
Net result	- 7 625	- 2 873
Depreciation, write-offs, impairment of property, plant and equipment	3 620	3 239
Depreciation, write-offs, impairment of intangible assets	10 377	1 468
Write-offs, impairment on current and non-current assets	- 187	674
Provisions	671	1 313
Unrealised foreign exchange losses/gains (-)	732	- 418
Net interest income (-)/expense	2 447	1 981
Loss/gain (-) on sale of property, plant and equipment	- 520	- 68
Income tax expenses	- 1 394	- 1 149
Other non-cash costs	589	
Profit from operations before changes in working capial and provisions	8 710	4 168
Decrease/increase (-) in trade and other receivables and current income tax assets	- 1 007	2 566
Decrease/increase (-) in inventories	- 4 599	12 781
Increase/decrease (-) in trade and other payables	2 973	- 17 822
Increase/decrease (-) in provisions	- 378	- 565
Increase/decrease (-) in non-current employee benefit liabilities	364	- 75
Increase/decrease (-) in working capital	*- 2 647*	*- 3 115*
Operating cash flow after changes in working capital and provisions	6 063	1 053
Interest paid (-)	- 2 485	- 1 944
Interest received	43	34
Income tax paid (-)	- 3 014	- 673
Cash flow from operating activities	607	- 1 530

	2010	2011
Investing activities		
Proceeds from sale of property, plant and equipment	1 689	238
Acquisition of property, plant and equipment	- 1 980	- 763
Acquisition of intangible assets	- 2 095	- 423
Cash flow from investing activities	- 2 386	- 948
Financing activities		
Proceeds from interest-bearing financial obligations	4 056	13 524
Repayment of interest-bearing financial obligations	- 4 438	- 15 956
Other differences		- 1 336
Cash flow from financing actvities	- 382	- 3 768
Net increase/decrease (-) in cash and cash equivalents	- 2 160	- 6 247
Cash and cash equivalents at the beginning of the year	18 439	16 580
Cash and cash equivalents at the beginning of the year discontinued operations	640	628
Effect of exchange rate fluctuations	288	9
Cash and cash equivalents at the end of the period	16 580	10 235
Cash and cash equivalents at the end of the period in assets held for sale	628	735
Total cash and cash equivalents	17 208	10 970

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, write-downs and provisions can be found in the notes to the consolidated statement of financial position on page 68 of this document. The non-cash flows mainly concern depreciation, amortisation and impairments on investments in property, plant and equipment and on intangible assets.

In the 2010 financial year, the write-downs and impairments on non-current and current assets amounted to minus EUR 187 (‘000), of which minus EUR 79 (‘000) related to inventories, and minus EUR 108 (‘000) to trade receivables.
In the 2011 financial year, the write-downs and impairments on non-current and current assets amounted to minus EUR 674 (‘000), of which minus EUR 327 (‘000) related to inventories, and minus EUR 347 (‘000) to trade receivables.

The interest expenses decreased to minus EUR 1,981 (‘000) in 2011, compared to minus EUR 2,447 (‘000) in 2010. The interest paid decreased to minus EUR 1,944 (‘000) in 2011, compared to minus EUR 2,485 (‘000) in 2010.

In the 2011 financial year, taxes of minus EUR 673 (‘000) were paid, compared to minus EUR 3,014 (‘000) in 2010.

The other non-cash costs in 2010 consisted 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 income statement on realisation.

Furthermore, the cash flow is affected as a function of the increase or decrease (-) in the working capital.

In the 2010 financial year, the trade and other receivables and current income tax assets remained stable in contrast to the trade and other 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. The changes in the trade and other receivables and current income tax assets were affected by the closing exchange rates for the foreign subsidiaries at the financial year-end (- EUR 608 (‘000)).

In 2011, the trade receivables, other receivables, current income tax assets, and inventories continued to decrease at group level. The sharp decrease in the inventories is mainly attributable to the Retail Group. The decrease in inventories of the Retail Group was accompanied by an even greater decrease in the trade and other payables. The decrease in the current income tax assets was also mainly attributable to the Retail Group. In the Imaging Group, the trade receivables, other receivables, current income tax assets, and the trade and other payables remained rather stable. The trade receivables, other receivables, and current income tax assets were affected by the closing exchange rates for the foreign subsidiaries at the financial year-end (- EUR 198 (‘000)).

Cash flow from investing activities

The Retail Group investments in 2010 mainly concerned the opening of new shops and the refurbishment of existing shops.
In 2010, the Imaging Group’s main investments were in machines and the development of designs for photo books and photo gifts.

Investments amounted to EUR 1,186 (‘000) in 2011. Retail Group’s investments in property, plant and equipment amounted to EUR 482 (‘000) and mainly related to the opening of the new shop in Jette, renovations in Luxembourg, and hardware for the shops and the supporting services. The investments in property, plant and equipment for the Imaging Group amounted to EUR 269 (‘000) and were mainly for hardware, other IT-related investments, and production machines. Investments in intangible assets of EUR 423 (‘000) mainly concerned various software to support the IT platform for the Imaging Group amounting to EUR 398 (‘000).

Proceeds from the sale of property, plant and equipment in 2010 amounted to EUR 1,689 (‘000), which mainly concerned the sale of the building in Tanumshede, Sweden. In the 2011 financial year, proceeds from the sale of property, plant and equipment mainly related to the sale of machines for EUR 238 (‘000).

Cash flow from financing activities

In 2011, the liabilities were reduced by EUR 2,432 (‘000), compared to EUR 382 (‘000) in 2010. In 2011, the amount of EUR 1,336 (‘000) relates to the waiver of the NIBC loan and to the facilities agreement that was concluded with NIBC Bank during the course of the year. This amount is part of the non-recurring financial income in 2011.

In 2010, the cash and cash equivalents decreased by EUR 1,871 (‘000) to EUR 17,208 (‘000) as at the financial year-end.
In 2011, the cash and cash equivalents decreased by EUR 6,238 (‘000) to EUR 10,970 (‘000) as at the financial year-end.

STATEMENT OF COMPLIANCE

Spector Photo Group NV is a company domiciled in Belgium. The statement of financial position and the statement of comprehensive income of Spector Photo Group comprises the company, its subsidiaries, the Group's proportional share in joint ventures and the Group's interest in associates, jointly referred to as 'Spector Photo Group' or the 'Group'. The consolidated financial positions and statement of comprehensive income were authorised for issue by the Board of Directors of May 25, 2012.

The consolidated financial positions and statement of comprehensive income were 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 International Financial Reporting Standards (IFRS) to the consolidated financial statements of the Spector Photo Group was performed with the preparation of the consolidated financial positions and income statement concerning 2005.

During the current financial year, the company applied all 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 2011, 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 2011:

Amendments to IAS 1 Presentation of Financial Statements - Presentation of the other elements of comprehensive income: applicable for financial years commencing on or after 1 July 2012.

Amendments to IAS 12 Income Taxes — Deferred Taxes: realisation of underlying assets: applicable for financial years commencing on or after 1 January 2013.

IAS 19 Employee Benefits – Revised version of 2011: applicable for financial years commencing on or after 1 January 2013.

Amendments to IAS 27 Separate Financial Statements: applicable for financial years commencing on or after 1 January 2013 Requirements for consolidated financial statements are now included in IFRS 10 Consolidated Financial Statements.

Amendments to IAS 28 Investments in associates and interests in joint ventures: applicable for financial years commencing on or after 1 January 2013.

Amendments to IAS 32 Offsetting financial assets and liabilities: applicable for financial years commencing on or after 1 January 2014.

Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards — Exemption for Severe Hyperinflation and Removal of Fixed Dates: applicable for financial years commencing on or after 1 July 2011.

Amendments to IFRS 7 Financial Instruments: Disclosures -disclosures concerning transferred financial assets: 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 2015.

IFRS 10 Consolidated Financial Statements: applicable for financial years commencing on or after 1 January 2013.

IFRS 11 Joint Arrangements: applicable for financial years commencing on or after 1 January 2013.

IFRS 12 Disclosure of interests in other entities: applicable for financial years commencing on or after 1 January 2013.

IFRS 13 Fair Value Measurement: applicable for financial years commencing on or after 1 January 2013.

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

KEY CHANGES IN THE SCOPE OF CONSOLIDATION

The key changes in the scope of consolidation between 2010 and 2011 are summarised below:

Merger in February 2011 between the companies Extra Film AG, the company that performs mail order activities in Switzerland under the brand name smartphoto™, and the inactive company Extra Film Logistics AG.

Merger at the end of 2011 between the companies Extra Film AB, the company that performs mail order activities in Sweden under the brand name smartphoto™, and the holding company Vivian Foto AB. A change of name was also implemented, that is smartphoto Nordic AB.

Change in legal form and name of the company Extra Film SA, the company that performs mail order activities in France under the brand name smartphoto™, to smartphoto SAS.

The following companies were put into liquidation in 2011:
Vivian Photo Products NV, a non-operational company, and Sacap France SA, company in France previously operating in wholesaling and distribution of photo materials and equipment for the photography trade.

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

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 measurement rules 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 as proposed to the General Meeting of Shareholders.

Change in accounting policies

At te date of transition to IFRS, the externally acquired customer relationships, included in intangible assets, were measured at cost (IAS 38.74). The net book value in the opening balance at 1 January 2004 amounted to EUR 22,504 ('000). These assets were amortised using the straight line method, pro rata on a monthly basis, over a period of 7 years with a residual value equal to zero.

Changes in market conditions due to technological developments such as internet, including a change in approach to customers, a change in the acquisition channels followed by a changed customers' pattern of behavior – were reflected in the history of the customer relationships that Spector Photo Group has built up. The externally acquired customer relationships were recognised as intangible assets with indefinite useful lives with effect from 1 July 2010. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which it is expected that these assets will generate a net cash inflow (IAS 38.88). A limited useful life with a linear amortisation rhythm therefore no longer corresponded to the real situation. In compliance with IAS 38.107 and IAS 38.108, the externally acquired customer relationships were not amortised but they were subject to annual impairment testing in accordance to IAS 36 to determine whether these assets had suffered impairment.

The impairment tests of 2010 and of 2011 have shown that no impairment should be recorded. The change in the assessment of the useful life from 'finite' to 'indefinite' was accounted for in the 2010 consolidated figures as an estimation change in accordance with IAS 8.

A recent opinion of the EECS (European Enforcers' Coordination Sessions), as shown by a letter of the FSMA dated 3 May 2012, states that according to IAS 38.88 an intangible asset may have an indefinite useful life only if there is no expected or foreseeable limitation in the period of the useful life. Since it is inherent to the externally acquired customer relationships that there is only a temporary flow of income generated, according to this interpretation, the useful life corresponds to this limited period.

Based on this recent opinion, the Board of Directors of Spector Photo Group, defined an adjusted amortisation method and useful life, defining the amortisation period between minimum 1 year to 20 years.

As was already determined in 2010, is a straight-line method over a period of 7 years is not an adequate representation of the reality. Due to technological developments such as internet and the resulting change in the acquisition channels and consumers patterns of behavior, it is impossible, according to the Board of Directors, to determine the 'best estimate'. The Board of Directors therefore considered an amortisation period of one year as the most transparent assessment.
This change in amortisation method and useful life was applied retroactively in accordance with IAS 8.41.

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 exercises direct or indirect control 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 commences 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 directly or indirectly exercises 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 related to this 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 statement of comprehensive income, are taken directly to the equity. On divestment, the accumulated changes previously recognised in the equity, are transferred to the statement of comprehensive income.
All intercompany transactions, balances, and unrealised gains and losses on transactions between group companies are eliminated. If a group company uses different accounting policies, adjustments are made to the individual financial statements to ensure that these are consistent with the Group's policies.
A list of the Group's key subsidiaries and associates is included in the disclosures.

Revenue

Sale of goods

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

- when the effective risks and benefits of ownership of the goods have been transferred to the buyer;
- when the entity does not retain the effective control or involvement that 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 related to the transaction will flow to the entity;
- and when costs already incurred or still to be incurred in relation to 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 according to the percentage of completion of the services rendered as at the balance sheet date.

Interest, royalties, and dividends

Interest is recognised in accordance with the effective interest rate method.

Royalties are recognised using the accrual basis of accounting in accordance with the economic reality of the agreements concerned.

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 VAT, trade rebates or volume discounts, and after eliminating intercompany sales within the Group.

Expenses

Financial expenses comprises interest 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 for non-operating activities.

Finance costs are recognised as an expense 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 on 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 closing rates of exchange on the balance sheet date. Gains and losses arising from transactions in foreign currencies and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable on the date of the transaction.

Assets and liabilities of foreign subsidiaries are translated at the rates of exchange applicable on the balance sheet 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 the balance sheet date are recognised in the Exchange rate differences reserve under Equity.

Property, plant and equipment

The cost of a property, plant, and equipment asset is capitalised 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 asset can be measured reliably. This principle applies both to initial costs incurred for the acquisition or manufacture of the property, plant and equipment asset, and to the subsequent costs after initial capitalising.

The cost of a property, plant and equipment asset is determined as the purchase price, including import duties and non-refundable taxes, less any trade discounts or rebates, and any costs directly attributable to bringing the asset to its working condition and location for its intended use.

The 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 the asset of property, plant, and equipment.

Subsequent measurement

Land and buildings: revaluation model

Subsequent to initial recognition as an asset of property, plant and equipment that is reliably measurable at fair value, land and buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses.

Increases in carrying amount of an asset because of revaluation are taken directly to equity in the revaluation reserve via the unrealised results. However, the increase is recognised in the statement of comprehensive income to the extent that it reverses a decrease in revaluation reserve that had been recognised in the statement of comprehensive income for the same asset. If the carrying amount of an asset decreases because of a revaluation, the decrease is recognised in the statement of comprehensive income. However, the decrease is taken directly to equity as revaluation reserve to the extent that the decrease does not exceed the amount recognised in the revaluation reserve 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 amount is its cost reduced by any accumulated depreciation and impairment losses.

The amount to be depreciated on 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 amount to be depreciated. All other items of property, plant, and equipment are depreciated using the straight-line method, pro rata on a monthly basis, and the general depreciation rates applied are as follows:

Plant	10% - 20%
Machines	14% - 20%
Minilabs	20%
Office equipment	14%
Company 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 shorter of the residual term of the lease or their expected useful life.

Derecognised assets

The carrying amount of a property, plant, and equipment asset is derecognised on disposal, or when no future economic benefits are expected to flow from the asset's use or its disposal. Gains and losses ensuing from derecognition of property, plant and equipment are recognised in the 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 lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

The minimal lease payments are recognised partially as finance costs and partially as repayment of the outstanding obligation. The finance costs are attributed to each period during the term of the lease such that this results in a constant regular rate of interest on the remaining balance of the obligation. The corresponding obligations are classified as non-current payables or current liabilities, depending on the period in which they become due and payable. Lease interest is charged to the income statement as a financial cost for the duration of the lease period.

The depreciation principles for leased assets to be depreciated are consistent with the depreciation policy for owned assets that are depreciated.

Leases under which substantially all the risks and rewards of ownership are effectively retained by the lessor, are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line proportional basis over the lease term.

Investment Property

Investment property is measured at cost, including all transaction costs, less accumulated depreciation and 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. Derecognition gains or losses ensuing from the withdrawal from use or disposal of an investment property are calculated as the difference between the net proceeds from disposal and the carrying amount of the asset, and recognised in the income statement in the period of withdrawal from use or disposal.

Consolidation 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 with effect 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 carrying amount of the goodwill may have been 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 units for 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 acquired 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 recognized if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably. An intangible asset is measured initially at cost.

The 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 and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources available to complete development of the asset. The expenditure capitalised includes the cost of 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. Expenditure for internally generated goodwill and brand names 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 it relates (and if this expenditure can be measured and attributed to the asset reliably). All other expenditure is considered as expenses.

Amortisation

For an intangible asset with a limited useful life, the amount to be amortised is allocated on a systematic basis over its estimated useful life. Intangible assets are amortized using the straight-line method on a proportional monthly basis. The amortisation costs 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 does not exceed 20 years.

Derecognition and disposal

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or subsequent disposal. Gains and losses on derecognition are recognised in the 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 market conditions and the transition from analogue to digital photography, the Board of Directors decided to amortise the value of these assets from 2010, and the future capitalised externally acquired customer relationships, by using the straight-line method over a period of one year with no residual value.

Subsequent expenditure

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

- Customer relationships are identifiable.
- The company has control over the customer relationships.
- Future revenues must flow from these customer relationships.

The expenditure to acquire customer relationships is recognised as a capitalised intangible asset if the acquisition takes place using the following methods:

(1) Purchase from companies possessing these customer relationships.
(2) Exchange with companies possessing these 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 these customer relationships

Mail order companies within the Group regularly purchase customer relationships data from other mail order companies outside the photographical sector. 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; because of which they also effectively become customer relationships 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 38.27.

(2) Exchange with companies possessing these customer relationships

Entirely 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 38.16.

In addition, as under (1), the directly attributable costs incurred in preparation of the intangible 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 recognised at acquisition. There is not yet an existing customer relationship, which is in fact the case in acquisition methods (1) and (2). However, there is a privileged relationship between the customers and the company, equal to a customer relationship. In these cases, the people involved have always given their explicit or implicit approval for the company to contact them, which leads to the acquisition of a customer relationship by the company.

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 intangible 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 before 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 these will result in future economic benefits to 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 a non-current asset 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 that itself cannot have cash flows directly attributed, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. If an asset's recoverable amount is less than the carrying amount, the latter is reduced to the recoverable amount. The impairment is recognised directly in the income statement. If a previously recorded impairment is no longer justified, the carrying amount is partially or totally increased to 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 or 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 their realisable value, provided this is less than the cost price according to the method stated above. 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 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 realisable value, is recognised as a reduction in the amount for inventories that was recognised as an expense in the period in which the reversal occurs.

Trade and other receivables

Trade and other receivables are measured at nominal value less impairment losses. At each reporting date, an estimate is made of the bad debts if ability to collect the receivables is dubious. Bad debts are written off during the year in which they are identified as such.

Income taxes

Income taxes on the profit or loss for the year comprises both current and deferred taxes.
Current taxes for current and prior periods are, to the extent it is still unpaid, recognised as a liability. If the amount already paid for current and prior periods exceeds the amount due for these periods, the net 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 refunding from the tax authorities, on the basis of the tax rates and tax legislation that has 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 only recognised to the extent that it is probable that future taxable profits will be available against which the unallocated tax 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 benefit 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 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 case announcements of tax rates (and tax laws) by the government have the substantive effect of actual enactment.

Derivative financial instruments

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The effective portion of the gains or losses from the changes in fair value of derivatives, which are specifically allocated 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 allocated 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 their change in value is negligible.
The cash and cash equivalents include current account overdrafts that are payable on demand at the request of the Bank.

Share capital

Purchase of treasury shares

When share capital recognised as equity is purchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in the equity item. Treasury shares are presented as a deduction from equity.

Dividends

Dividends are recognised at the moment the General meeting of Shareholders approves their payment.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at cost, taking no account of the transaction costs incurred. Subsequent to initial recognition, interest-bearing loans and borrowings are recognised 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 services provided by an employee in exchange for employee benefits, and as a liability when an employee has provided services in exchange for employee benefits to be paid in the future.

Current employee benefit liabilities

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

Post-employment benefits

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

- Defined contribution pension plans

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

  For any contributions already paid in advance of the balance sheet date, being in excess of the payable contribution for services, the surplus is recognised as an asset under prepaid expenses and accruals. If contributions to a defined contribution plan are not fully due within 12 months after the end of the period in which the employees perform the related services, they are discounted to their present value.
- Defined benefit pension 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 or losses, and less any past-service costs not yet recognised, and less the fair value of any plan assets. Where this calculation results in a net surplus, the value of the resulting recognised asset is limited to the total of any unrecognised accumulated actuarial net 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. If the net accumulated unrecognised gains or losses exceed 10% of the greater of either the present value of the gross obligation for the defined benefit plan on the balance sheet date, or the fair value of the plan assets, this excess is recognised in the income statement over the expected average remaining period of service for the employees participating in the 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 as an expense immediately.

  The present value of the gross obligations for defined benefit plans and the current service costs for the year are calculated by a qualified actuary using the projected unit credit method. The discount rate used is the market yield as at balance sheet date on highly creditworthy corporate bonds that have residual periods consistent with the estimated period of the Group's estimated gross obligations for post-employment benefit payments. The amount recognised in the income statement consists of current service costs, interest costs, the expected yield on plan assets, and actuarial gains and losses.

Other non-current employee benefits

The other non-current employee liabilities, except pension plans, life insurance policies, and medical assistance, consist of future benefits that employees have earned in return for their services 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 recognised directly and no 'corridor' is applied.

Termination benefits

Termination benefits are recognised as a liability and an expense when the Group is provably 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 of this plan, or to pay termination benefits as a result of an offer made to employees 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, in accordance with IFRS 2 transition rules.

Equity-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 equity-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 an existing 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 employment, 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 ongoing activities of the company 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 formed for future operating losses.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that all the grants' associated conditions will be met and the grants will be received. Government grants must be systematically recognised as income over the periods necessary to match these grants to the costs that they are intended to compensate.

Where the grants relate to the purchase of an asset, the fair value is recognised as a deferred income asset systematically and rationally in the income statement over the expected useful life of the relevant asset by equal annual instalments.

Segment information

The Group's internal organisational and management structure and its system of internal reporting are based on the nature of the products and services provided or groups of interrelated products and services that the businesses produce. The segmentation basis comprises the following reportable segments: 'Retail' and 'Imaging'.

A segment's results include revenue and expenses directly generated by a segment, including the relevant portion of revenue and expenses reasonably attributable to this segment.

A segment's assets and liabilities consist of the assets and liabilities that are directly attributable to the segment, including assets and liabilities that can reasonably be attributed to the segment.

A segment's assets and liabilities do not include any income tax items.

Transfer prices between reportable segments are set at an arm's length basis, comparable to transactions with third parties.

NOTES TO THE 2011 CONSOLIDATED FINANCIAL STATEMENTS - OVERVIEW

NOTES TO THE 2011 CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTABLE SEGMENTS

(in € '000)	Retail		Imaging		Continuing activities	
	2010	2011	2010	2011	2010	2011
Revenue						
External revenue	161 213	141 235	62 134	56 170	223 347	197 405
Inter-segment	108	92	545	507	653	600
Total revenue	161 321	141 327	62 679	56 677	224 000	198 004
Interest revenue	8	13	54	21	62	34
Interest expense	-2 372	-2 243	-2 649	-898	-5 021	-3 141
Profit/loss (-) before taxes	788	-7 271	-10 985	2 552	-10 196	-4 719
Total operating segment assets	69 459	47 851	35 077	36 552	104 536	84 403
Total operating segment liabilities	30 350	14 556	12 671	10 858	43 021	25 413
Total capital expenditures property, plant & equipment	1 070	482	909	268	1 980	750
Total capital expenditures intangible assets other than goodwill	110	12	1 974	398	2 084	409
Depreciations	- 1 982	- 1 933	- 12 015	- 2 767	- 13 996	- 4 700
Other non-cash	150	-1 875	-385	-183	-235	-2 058
Number of persons employed in FTEs end of the period	484	443	260	260	744	703

GEOGRAPHICAL INFORMATION

(in € '000)	2010	2011
Revenue Belgium	127 580	114 297
Revenue Luxembourg	48 410	45 708
Revenue all other foreign countries	47 357	37 400
Total Spector Photo Group	223 347	197 405
Non-current assets:		
Belgium	31 378	34 164
All other foreign countries	7 567	6 606
Total Spector Photo Group	38 945	40 770

RECONCILIATIONS

Revenue	2010	2011
Total revenue for reportable segments	224 000	198 004
Elimination of intersegment revenue	- 653	- 600
Total revenue	223 347	197 405

Profit/loss (-)	2010	2011
Total profit/loss (-) for reportable segments	-10 196	-4 719
Profit/loss not allocated to reportable segments		
Other	1 810	766
Profit/loss (-) before taxes	-8 386	-3 953

Assets	2010	2011
Total assets for reportable segments	104 536	84 403
Assets not allocated to reportable segments		
Elimination of receivables	-8 561	-4 257
Deferred tax asset	7 760	8 863
Other	10 431	5 863
Discontinued operating assets	636	735
Total assets	114 802	95 608

Liabilities	2010	2011
Total liabilities for reportable segments	43 021	25 413
Liabilities not allocated to reportable segments		
Elimination of liabilities	- 406	- 302
Financial obligations	46 141	42 372
Other	2 722	2 508
Discontinued operating liabilities	653	753
Total liabilities	92 131	70 745

Spector Photo Group's segment reporting consists of two reportable segments: the Imaging segment and the Retail segment.

- 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 set at arm's length.
- For the information on products and services concerning the revenues from sales to external customers for the entity as a whole, please refer to the consolidated financial statements concerning the current situation of each division.
- There is no dependence on key customers in the two different segments.
- The detailed figures of the former 'corporate' segment can be found under the `Reconciliations', as there are no external revenues.

Retail segment

The Retail segment consists entirely of the Retail Group operating division. This division consists of the legal entity Photo Hall Multimedia NV in Belgium and its wholly owned subsidiaries Photo Hall France SARL, Hifi International SA in Luxembourg and Hifimmo SA in Luxembourg. The Retail Group is structured centrally under Photo Hall Multimedia NV, and managed centrally at operational level by the central management of Photo Hall Multimedia NV, which reports on all of these activities directly to the Executive Chairman of Spector Photo Group NV.

The products and services of the entities in this segment are comparable in nature: 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.

The distribution channels of the entities in this segment are comparable: The entities bring their products and services to the market mainly via the channel of shops. Although all of the entities also operate websites on internet, the total revenue of internet sales is not yet significant for their total revenues. Furthermore, the entities in this segment show comparable economic characteristics. The returns from all the entities in this division are of similar size – notwithstanding any national or culturally related small differences. These entities have similar levels of investment requirements, working capital, and generate comparable gross margins and EBIT margins. For their internal controlling, they also use similar criteria, such as: revenue per salesperson, revenue per square metre of shop space, and suchlike. There is also a wholesale division in Luxembourg that operates in France, Germany and the Benelux.

The Retail segment was created by combining activities that, in accordance with paragraphs 5 to 10 of IFRS 8, have been identified and meet the criteria for combination as prescribed in IFRS 8.12.

The Retail Group has a risk profile that differs from that of the Imaging Group.

Imaging segment

The Imaging segment consists entirely of the operating division, the Imaging Group. This division contains the legal entity Photomedia NV in Belgium and its wholly or partially owned subsidiaries in Belgium and abroad. The Imaging Group is centrally organised under Photomedia NV and is 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 these activities.

The operating entities within the Imaging Group produce individual goods or a group of similar goods and/or provide individual services or a group of similar services. The nature of the products and services is therefore comparable. They are all directly concerned with photography, both analogue and digital. These are mainly products and services concerned with the production of photo prints.

The production process "photofinishing" is the heart of this segment: the processing of photographs into photo prints. This is the only core activity for the majority of the entities in the Imaging Group. Filmobel NV trades in goods that are required for this production process, specifically photofinishing services, maxilab and minilab, under the Spector by smartphoto™ brand name, as user and consumer items for photofinishing.

The photo prints are processed in the lab in Wetteren, Belgium. Central teams perform all the marketing and other back-office activities. Only one person is responsible for the general management, specifically the Chief Executive Officer of the Imaging Group.

The final customers for these activities are almost always consumers. For the majority of the Imaging Group's entities, the end-consumer is also the direct customer. The marketing concept that Filmobel NV pursues under the Spector by smartphoto™ brand name is also directed towards final consumers.

The distribution channels are aligned with the market characteristics, which are often determined nationally and culturally. The boundaries between the distribution channels in the digital market are blurring and a cross-channel concept is emerging.

For example, consumers who 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 outlet in their neighbourhood.

Furthermore, the entities in this segment show comparable economic characteristics. The returns from virtually all the entities in this division are of similar size – notwithstanding any national, culturally related or channel-specific differences. These entities have similar levels of investment requirements and working capital, and generate comparable gross margins and EBIT margins.

The Imaging segment was created by combining activities that, in accordance with paragraphs 5 to 10 of IFRS 8, have been identified and meet the criteria for combination as prescribed in IFRS 8.12.

The Imaging Group has a risk profile that is different to that of the Retail Group.

Both the Retail segment and the Imaging segment meet the quantitative thresholds as specified in IFRS 8.13, in which the reported revenues, reported profit or loss, and assets amount to more than 10% of the combined operational segments. In addition, in compliance with IFRS 8.15, the external revenues from the identified reportable segments amount to more than 75% of Spector Photo Group's total revenues, which means no additional reportable segments need to be considered.

Discontinued operations

Discontinued operations concern the Imaging Group

More information about this is included under note 20 'assets held for sale'.

2. REVENUE

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 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 Luxembourg, 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 digital mail-order activities of smartphoto™ 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 by the supplier. Filmobel, the hardware wholesaler to the professional photography trade, saw a stabilisation of its revenue in 2010.

In 2011, retail operations in the Photo Hall Group realised revenues amounting to EUR 141,327 ('000), a fall of 12.4% compared to EUR 161,321 ('000) in 2010. In Luxembourg, the reduction in the trading activity also had a significantly negative effect on the revenues of Hifi International. In terms of the product lines, consumer electronics suffered most from the crisis. The weak sales of television sets are a significant part of this. A saturated market in widescreen televisions, price deflation, and the disappointing success of 3D television are some of the causes. Sales of computer products declined slightly in both countries. Products linked to connectivity, such as routers and switches, as well as portable computers and tablets are providing a positive note in this segment. Telecom did very well, thanks to the success of the smartphone. Sales of cameras could not repeat their good performance of 2010.
The revenues from the Imaging Group amounted to EUR 56,677 ('000) in 2011, a decrease of 9.6% in comparison with 2010. The decrease in revenues is largely the result of the decline in hardware sales at Filmobel, which lost some key customers with limited profitability. Discontinuing the trade in photo paper in 2010 also had a specific negative effect. The revenues from digital mail-order activities increased over the entire year by a limited 2% compared to 2010, the growth undoubtedly slowed down due to the economic crisis. On an annual basis, the number of photo prints continued to decrease, photo books and photo cards increased in volume by more than 20%, the same as in the first half-year. The analogue activities continue their decline by another minus 42%. This means that digital photography represents 94% of the mail-order revenues, with analogue now only responsible for 6%.

3. OTHER OPERATING INCOME

The marketing support from strategic suppliers to the Retail Group represented the most important share in the other operating income and amounted to more than 60% for 2010 and 2011. The other operating income for the Retail Group in both 2010 and 2011 relates to rental income, recharged costs, and income repaid by insurance for loss or damage claims.

The other operating income of the Imaging Group increased by 6% in 2011. The most important components for the Imaging Group are: the selling of waste materials from the production laboratory 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 minus EUR 8 ('000) for the 2011 financial year, compared to EUR 14 ('000) in 2010.

5. WORK PERFORMED BY ENTERPRISE AND CAPILTALISED

This item is entirely attributable to the Imaging Group and amounts to EUR 2 ('000) for the 2011 financial year, compared to EUR 40 ('000) in 2010.

6. TRADE GOODS, RAW MATERIALS AND CONSUMABLES

The costs of trade goods, raw materials and consumables decreased globally by 12.3% in 2011 compared to 2010.
The cost of trade goods, raw materials and consumables in the Retail Group decreased by –4.7% in 2010. In 2011, the cost of trade goods, raw materials and consumables decreased by -11.9%, which is less than the decrease in revenues as a result of continued pressure on the margins.
For the Imaging Group, the costs of trade goods, raw materials, and consumables fell by 22.1% in 2010, mainly due to the ending of the trade in photo paper. In 2011, the costs of trade goods, raw materials, and consumables saw a fall of –13.6% mainly due to the decrease in hardware sales by Filmobel.

7. EMPLOYEE EXPENSES

(in € '000)	2010	2011
Wages and salaries	23 115	22 064
Social security contributions	6 010	5 279
Other employee expenses	939	868
Contribution to defined contribution plans	302	252
Increase/decrease (-) in the other long-term employee benefit liabilities	8	9
Total	30 373	28 472

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.

In 2011, the employee expenses decreased by -6.3%. The employee expenses in the Retail Group remained at the same level as 2010. The number of employees in full-time equivalents (FTEs) fell by 8.5%, mainly due to the closing of several shops during the second half-year. The costs related to redundancy payments are recognised under the non-recurrent items of the operating activities. In the Imaging Group, the employee expenses decreased by -15.6%. This decrease in the employee expenses is mainly attributable to the closing of the Swedish lab and the continued optimisation of the workforce in the Imaging Group.

The Group's total number of employees expressed as full time equivalents (FTEs) as at the 2011 year-end decreased to 705, compared to 746 as at year-end 2010.

REMUNERATIONS AND INTERESTS OF THE MEMBERS OF THE EXECUTIVE COMMITTEE (in € '000)

Executive Committee member	Fixed remuneration component (1)	Variable remuneration component (1) (2)	Pension contributions (3)	Other remuneration components (4)	Number of warrants (exercise price per warrant) (5)
1. Tonny Van Doorslaer	163		5	3	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	622	50	9	6	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 on the basis of a bonus plan that is determined each year by the Remuneration Committee. This bonus plan includes financial and non-financial targets.

(3) Pension contributions for defined contribution plans, with fixed contributions to insurance companies.

(4) The other components refer to the costs for insurance policies, and the cash value of the other benefits in kind, i.e. expense allowances, company car, etc.

(5) For the exercise periods, please see page 83 of this document.

8. DEPRECIATION, AMORTISATION AND WRITE-DOWNS

(in € '000)	2010	2011
Amortisation and write-downs of intangible assets, goodwill and trading securities	10 377	1 467
Depreciation and write-downs of property, plant and equipment	3 620	3 002
Write-downs on inventories	- 79	327
Write-downs on trade receivables	- 108	347
Total	13 810	5 144

In 2010, depreciation and amortisation of intangible assets in the Retail Group remained almost stable. The depreciation of property, plant and equipment decreased by 4,3%.

The amortisations of intangible assets within the Imaging Group amount to EUR 10,065 ('000). The change in the depreciation method and useful life has been applied retroactively in accordance with IAS 8.41, resulting in an additional amortisation expense of EUR 8,072 ('000) in 2010. This change is fully explained in the report of the Board of Directors.

In 2011, the depreciations and write-downs amount to EUR 5,144 ('000). Within the Retail Group, the amortisations on intangibles assets and the depreciations on tangible assets decreased slightly compared to 2010. The write-downs on inventories increased with EUR 307 ('000) and the write-downs on trade receivables increased with EUR 238 ('000).

Within the Imaging Group, the depreciations on tangible assets decreased with 16.5%. The amortisations of the intangible assets amount to EUR 1,196 ('000) of which EUR 729 ('000) relating to the externally acquired customer relationships. The write-downs on inventories amount to minus EUR 10 ('000) and on trade receivables to EUR 82 ('000).

9. OTHER OPERATING EXPENSES

(in € '000)	2010	2011
Services & others costs	27 612	29 110
Other operating taxes	279	283
Loss on disposal of intangible assets, property, plant and equipment	46	
Loss on disposal of trade receivables	242	264
Other operating charges	400	296
Provisions : increase/decrease (-)	- 354	95
Total	28 225	30 048

In 2010, the other operating expenses further decreased by –11.3% to EUR 28,225 ('000). In the Retail Group, the other expenses fell by –9.1%, mainly due to additional costs control of the overheads and marketing expenses. In the Imaging Group, the other 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%.
In 2011, the other operating expenses increased by 6.5%. In the Retail Group, the other expenses decrease was -1.1%. The increase of the other operating expenses is mainly attributable to the Imaging Group's increase of 16.1%. The marketing expenses mainly contributed to this, including the switch to the new smartphoto™ brand name.

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

Spector Photo Group achieved a recurring operating result of minus EUR 3,438 ('000) in 2010. In 2011, the recurring operating result of the group amounted minus EUR -2,407 ('000).

11. NON-RECURRING ITEMS FROM OPERATING ACTIVITIES

In 2010, the non-recurring items amounted to EUR 1,501 ('000) and mainly comprised:
(i) The costs of closing the production lab in Sweden for EUR 1,459 ('000); (ii) The gain realised of the sale of the building in Tanumshede, Sweden, for EUR 482 ('000); (iii) The provision of EUR 348 ('000) recorded for the pension obligation for Spector Verwaltung GmbH.
Based on the actuarial calculation and a thorough risk analysis, it was decided to record a provision for pension obligations for Spector Verwaltung GmbH, the German company that was an active unit in the wholesale photofinishing activities until 2001.

In 2011, the non-recurring items amounted to EUR 1,732 ('000), and related almost entirely to the Retail Group, and mainly comprised: (i) redundancy payments of EUR 666 ('000); (ii) costs related to the shop closures of EUR 837 ('000) and (iii) legal and other fees of EUR 216 ('000).

12. FINANCIAL RESULT

(in € '000)	2010	2011
Interest income	39	35
Interest expense	-2 486	-2 016
Net gain/loss (-) on realisation of other receivables & non-current financial assets	- 88	- 52
Net foreign exchange gains/losses (-)	- 917	196
Other financial income/expenses (-)	5	13
Financial cost-net, before non-recurring items	-3 448	-1 824
Non-recurring financial items		2 011
Financial cost-net	-3 448	187

Recurring financial items
The financial result before non-recurring items amounted to minus EUR 1,824 ('000) in 2011, compared to minus EUR 3,448 ('000) in 2010.
The improvement of EUR 1,624 ('000) is mainly the result of lower financial interest expenses amounting to minus EUR 470 ('000) and positive exchange rate differences of EUR 1,112 ('000). The exchange rate differences are attributable to various transactions between Spector Photo Group NV and its subsidiaries in countries outside the Euro zone. The exchange rate differences mainly concern the translation differences for the Swiss franc and the Swedish krona.

Non-recurring financial items
The non-recurring financial revenues of EUR 2,011 ('000) are the result of the loan and credit facility agreement entered into in April 2011 with NIBC Bank. This agreement concerns a package of credit lines totalling EUR 14,800 ('000), of which EUR 6,800 ('000) are term loans, and EUR 8,000 ('000) in a roll-over credit facility. The term for the total package is five (5) years. This agreement also includes the transfer to Photomedia NV of the participation certificates in Spector Coordination Center acquired by NIBC for EUR 12,500 ('000) on 12 September 2000. This results, under IFRS rules, in the associated debt disappearing from the consolidated figures. Due to the disappearance of the interest expense associated with this and a 'haircut' of the original outstanding amounts, the agreement results in a positive effect recorded in the financial results.

The financial statements were prepared using the following exchange rates:

Currency exchange rates	Closing rate		Average rate	
	2010	2011	2010	2011
Swiss franc	1.2504	1.2156	1.3700	1.2318
Norwegian krone	7.8000	7.7540	8.0034	7.7809
Danish krone	7.4535	7.4342	7.4477	7.4496
Swedish krona	8.9655	8.9120	9.4926	9.0070

13. INCOME TAX EXPENSE (-)/INCOME

Amounts recognised in the income statement

(in € '000)	2010	2011
Current tax expenses (-)/income		
Taxes on the result for the financial year	- 717	- 90
Adjustments to taxes for preceding periods	83	21
	- 633	- 69
Deferred taxes		
Originating and reversal of temporary differences	1 394	1 149
	1 394	1 149
Income tax expenses (-)/income recognised in the income statement	761	1 080

Reconciliation of effective income tax expenses (-)/income

(in € '000)	2010	2011
Tax calculated at the theoretical tax rate*	-3 415	-2 505
Profit/loss (-) before tax	-8 386	-3 953
Theoretical tax rate	30.30%	31.56%
Impact of tax excempt revenues	1 567	2 479
Impact of non-deductible expenses	-1 051	-6 760
Tax deduction for risk capital	1 061	2 441
Impact of utilised tax losses	1 092	4 275
Over/under (-) provided in preceding years	83	21
Other	29	- 20
Effective current income tax expenses (-)/income	- 633	- 69
Impact of deferred taxes	1 394	1 149
Income tax expenses (-)/income recognised in the income statement	761	1 080

* 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 tax jurisdictions concerned.
The 'Taxes calculated at the theoretical tax rate' are calculated as the product of multiplying the profits of the legal entities that achieved a profit by the tax rate of the tax jurisdictions concerned.
The non-tax-deductible expenses consist mainly of write-downs on 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 for 2010, or for 2011.

14. PROPERTY, PLANT & EQUIPMENT

(in € '000)	Land & buildings	Plant, machinery & equipment	Furniture, fixtures & vehicles	Total
Acquisition value				
Balance at end of previous year	20 848	17 257	21 593	59 698
Mutation				
Additional from internal development	2			2
Acquisitions	123	360	278	761
Sales & disposals (-)		- 880	- 1 193	- 2 073
Revaluation increase/decrease (-)	5 514			5 514
Translation differences		1		1
Balance at end of current period	26 487	16 738	20 678	63 903
Depreciation and impairment				
Balance at end of previous year	11 152	13 637	16 928	41 718
Mutation				
Depreciation	413	1 426	1 400	3 239
Sales and disposals (-)		- 710	- 1 193	- 1 903
Translation differences		1		1
Balance at end of current period	11 565	14 354	17 135	43 054
Carrying amount				
at end of previous year	9 696	3 620	4 664	17 980
at end of current period	14 922	2 384	3 543	20 849

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
Furniture, fixtures & vehicles	107	- 65	42
	107	- 65	42

Recognition at fair value used as the deemed cost

In accordance with IFRS 1, it was decided to measure land and buildings at the date of transition to IFRS at fair value and to use this fair value as the 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 rate as at 31 December 2010. This gain concerns land of the subsidiaries Photo Hall Multimedia NV, Fotronic NV, smartphoto Nordic 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, as with the building, is no longer recognised in the assets. At the end of 2010, the building of smartphoto Nordic AB in Sweden was also sold. The gain recognised in the transition to IFRS and the carrying amount of the building are no longer recognised in the assets.
The determination of the fair value of the land and buildings identified above was performed by the accredited assessors Valorem Expertises (Belgium) and Galtier 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.
A revaluation was implemented in the 2011 financial year.
The fair value was determined by the accredited assessors Valorem Expertises in Belgium for the land and buildings located in Wetteren, and by the assessors Galtier Expertises for the land and buildings located in Brussels. The building in Luxembourg was not revalued because it has only been in our possession for less than five (5) years. The determination of the fair value at the end of 2011 took place on the same basis as with the transition to IFRS as is described above. Revaluation gains were recognised, amounting to EUR 1,020 ('000) for the land, and for the buildings amounting to EUR 4,493 ('000).
If Spector Photo Group had not opted to recognise land and buildings at their fair value, the net carrying amount at the prior financial year-end would amount to EUR 7,677 ('000) instead of EUR 9,696 ('000). As at the end of the current period under review, this would have resulted in a net carrying amount of EUR 7,390 ('000) instead of EUR 14,922 ('000). The revaluation reserve, after the effect of the deferred taxes, amounted to EUR 5,335 ('000) and is not distributed to the shareholders.

Net carrying amount
2010 evolution
The net carrying amount of the property, plant and equipment decreased by EUR 2,660 ('000) between 2010 and 2009. 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, machines, and equipment were also sold and decommissioned.

2011 evolution
The net carrying amount of the property, plant and equipment increased by EUR 2,868 ('000) between 2011 and 2010. For the 2011 financial year, the investments amounted to EUR 763 ('000), and the depreciation amounted to minus EUR 3,239 ('000). The revaluation gain amounted to EUR 5,514 ('000) and, on the one hand, is attributed to the land for an amount of EUR 1,020 ('000) and, on the other, to the buildings for an amount of EUR 4,494 ('000).

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). In 2010, an amount of EUR 1,070 ('000) was invested. The other investments in property, plant, and equipment mainly concern to the interior decoration of new shops and the refurbishments of existing shops — mostly under the brand of Photo Hall or Hifi International. Retail Group's investments in property, plant and equipment in 2011 amounted to EUR 482 ('000) and mainly related to the interior decoration of the new shop in Jette, renovations in Luxembourg, and hardware for the shops and the supporting services.

Investments in the Imaging Group
In 2010, 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) was for the assets manufactured by the entity itself. The 2011 investments in property, plant and equipment for the Imaging Group amounted to EUR 269 (000) and primarily related to hardware, other IT-related investments, and production machines. Of the total investments, EUR 2 ('000) related to assets manufactured by the entity itself.

15. GOODWILL

(in € '000)	Consolidation goodwill	Other goodwill	Total
Gross carrying amount			
Balance at end of previous year	45 845	14 098	59 943
Sales & disposals (-)		- 8	- 8
Translation differences		23	23
Balance at end of current period	45 845	14 114	59 959
Amortisation and impairment			
Balance at end of previous year	28 751	12 344	41 095
Mutation			
Amortisation		245	245
Sales and disposals (-)		- 8	- 8
Translation differences		23	23
Balance at end of current period	28 751	12 604	41 355
Carrying amount			
at end of previous year	17 094	1 754	18 849
at end of current period	17 094	1 509	18 603

Consolidation goodwill

This item concerns the consolidation goodwill, with the main components being: EUR 6,932 ('000) for Photo Hall (Belgium and Luxembourg) and EUR 10,162 ('000) for the Imaging Group. The net carrying amount has remained unchanged.

In accordance with IAS 36, the company performed impairment tests at the end of December in both 2010 and 2011 concerning the identified cash-generating units to examine whether they had suffered any impairment loss. These tests demonstrated that the recoverable amount for the entity was higher than the carrying amount for the entity in all cases. Consequently, no impairment needed to be recognised for the continuing operations.

It was decided in 2011 to merge the cash-generating unit mail order and Spector BeNe in the cash-generating unit smartphoto. The smartphoto™ brand name was used as the strategic brand for both the mail order service, and the cooperation with the specialised photographic businesses commencing from the second half of 2011. Consumers use the same online ordering software for both distribution channels, which is implemented on a single IT platform, with the photos being processed into photo prints, photo calendars, photo diaries, photo books, photo gifts, etc. for the various countries in one central laboratory. Only one person is responsible for the general management. The assets of the cash-generating unit Spector BeNe can no longer be considered separately, but, together with the assets of the mail order activities, forms the smallest identifiable group of assets that generates cash inflows, which is largely independent of the cash inflows from other assets or groups of assets.

The results of the tests for the three key cash-generating units are discussed in more detail below.

These three entities combined represent the total net carrying amount of the consolidation goodwill. This concerns the cash-generating units: smartphoto – operating in photofinishing via mail order and professional photography trade,

Hifi International - operating in the retail consumer electronics market in Luxembourg and France, and

Photo Hall Belgium - operating in the retail consumer electronics market in Belgium.

smartphoto

The recoverable amount of the cash-generating unit smartphoto is higher than the net carrying amount of all the operating assets and liabilities of this cash-generating unit, plus its consolidation goodwill. The net carrying amount of the consolidation goodwill that was attributed to this entity was EUR 10,162 ('000) as at 31 December 2011.

The recoverable amount is calculated based on the value in use, being the sum of the discounted free cash flows.

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 2012 correspond with the budgets approved by the Board of Directors, without taking account of the cost savings that could result from the restructuring measures that might still be implemented but have not yet been approved by the Board of Directors. The projections for 2013, 2014, 2015 and 2016 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 development in revenues that takes account of the changing market conditions.

The growth rates in the projections are results of the individual developments for each product group: (i) a fall in the revenues from analogue photography, based on the developments 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 revenues for each customer remains stable. With effect from 2010, the weight

of analogue will be very limited within the total revenues as a result of which this constant fall has little impact on the development of the total smartphoto 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 database 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 offering 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 development from traditional photos to new products is also confirmed by various market studies.
The results of these calculations are discounted at 10.48% before taxes for the coming five years. In 2010, this discount rate before tax amounted to 12 %. The decrease in the discount rate arises from the debt rescheduling in 2011 and the fall in the interest rates.

This discount rate reflects: a market-level return on equity and debt, the current balance between equity and debt for this cash-generating unit, and the estimates of additional risks and volatility for the potential developments in the market in which this unit operates.

The impairment test was also subjected to a sensitivity analysis in which the annual EBIT would be 10% lower each year. This showed that the recoverable amount was still higher than the carrying amount. “For intangible assets with indefinite useful lives, other than goodwill, please refer to note 16 on the externally acquired customer relationships”.

Hifi International Luxembourg

The recoverable amount of the cash-generating unit Hifi International is higher than the net carrying amount of all the operating assets and liabilities of this cash-generating unit, plus its consolidation goodwill. The net carrying amount of the consolidation goodwill that was attributed to this entity was EUR 3,595 (‘000) as at 31 December 2011.
The recoverable amount is calculated on the basis of the value in use, which is the sum of the discounted free cash flows.

This calculation takes the projections of the future free cash flows for the five coming financial years and adds a continuing annual growth of 2%. The projections for 2012 correspond with the budgets approved by the Board of Directors, without taking account of the cost savings that could result from the restructuring measures that may still be implemented but have not yet been approved by the Board of Directors.

The projections for 2013, 2014, 2015 and 2016 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, which is our experience from the past. The key assumptions are a steady increasing free cash flow for the period from 2012 to 2016, and a stable gross margin.
The results of this calculation are discounted at 8.22% before taxes. In 2010, this discount rate before tax amounted to 8.8%. The decrease in the discount rate between 2010 and 2011 arises from the debt to equity ratio and the interest rate. This discount rate reflects a market-level return on equity and debt in their current mutual balance.
The impairment test was also subjected to a sensitivity analysis in which the annual EBIT would be 10% lower each year. This showed that the recoverable amount was still higher than the carrying amount.

Photo Hall Belgium

The recoverable amount of the cash-generating unit Photo Hall Belgium is higher than the net carrying amount of all the operating assets and liabilities of this cash-generating unit, plus its consolidation goodwill. The net carrying amount of the consolidation goodwill that was attributed to this entity was EUR 3,337 (‘000) as at 31 December 2011.
The recoverable amount is calculated on the basis of the value in use, which is the sum of the discounted free cash flows.
This calculation takes the projections of the future free cash flows for the five coming financial years and adds a continuing annual growth of 2%. The projections for 2012 correspond with the budgets approved by the Board of Directors, without taking account of the cost savings that could result from the restructuring measures that may still be implemented but have not yet been approved by the Board of Directors.
The projections for 2013, 2014, 2015 and 2016 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, which is our experience from the past. The key assumptions are a steady increasing free cash flow from 2013 onwards, and a stable gross margin. The business plan, which includes the projections for the next five years, takes into account the recovery measures that have been approved by the Board of Directors and the costs of which were already provided for as at 31 December 2011.
This calculation also uses a discount rate of 8.22% before taxes and reflects a market-level return on equity and debt in their current mutual balance. In 2010, this discount rate before tax amounted to 8.8%. The decrease in the discount rate between 2010 and 2011 arises from the debt to equity ratio and the interest rate.
The impairment test for Photo Hall Belgium was also subjected to a sensitivity analysis in which the annual EBIT would be 10% lower each year. This showed that the recoverable amount was still higher than the carrying amount.

Other goodwill

This item also contains local goodwill of EUR 1,312 (‘000) for shops in the Retail Group and EUR 197 (‘000) goodwill for the customer database of Positif Group, which was acquired by the Imaging Group. Neither in 2010, nor in 2011 were there any acquisitions; the net carrying amount for local goodwill continued to be amortised.

16. INTANGIBLE ASSETS OTHER THAN GOODWILL

The intangible assets mainly concerned the externally acquired customer relationships of the mail-order companies of the Imaging Group. Due to the change in depreciation method and useful life to straight-line method over a period of one year, the net carrying amount was fully amortised in 2010 and 2011.

The net carrying amount for concessions, patents, and licences has decreased by minus EUR 71 ('000) compared to 2010. Investments amounted to EUR 423 ('000) for the 2011 financial year, and mainly concerned investments for software to support the IT platform for the Imaging Group and the upgrade of the reporting and consolidation software for the Group. No software developed in-house was capitalised in 2011. Amortisation in the 2011 financial year amounted to EUR 494 ('000) for this item.

(in € '000)	Concessions, patents, licenses, etc.	Development expenses capitalised	Customer relationships	Total
Acquisition Value				
Balance at end of previous year	13 207	70	77 300	90 577
Mutation				
Acquisitions	423			423
Translation differences			346	346
Balance at end of current period	13 629	70	77 647	91 346
Amortisation and impairment				
Balance at end of previous year	11 817	70	76 573	88 461
Mutation				
Amortisation	494		729	1 223
Translation differences			345	345
Balance at end of current period	12 311	70	77 647	90 029
Carrying amount				
at end of previous year	1 389		727	2 116
at end of current period	1 318			1 318

17. OTHER NON-CURRENT FINANCIAL ASSETS

(in € '000)	2010	2011
Other non-current financial assets, opening balance		
Gross amount	1 155	108
Accumulated impairment losses (-)	-1 106	- 60
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	108	108
Accumulated impairment losses (-)	- 60	- 60
Other non-current financial assets	49	49

This item refers to equity interests and social rights in other companies that amount to less than 10% of the issued capital.
The fair value is deemed to be equal to the cost adjusted for write-downs. In 2010, a number of these equity interests and social rights that had already been written off were derecognised.
There were no changes in the other financial assets in the 2011 financial year.

18. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

(in € '000)	2010	2011
Cash guarantees	187	169
Other receivables	42	35
Gross carrying amount	229	204
Accumulated provisions for bad and doubtful debts in other receivables (-)	- 5	- 5
Net carrying amount	224	199

The changes in the other receivables in 2011 were mainly attributable to the cash guarantees, and there were no changes in accumulated write-downs.

19. DEFFERRED TAX ASSETS

The deferred tax asset for Spector Photo Group NV amounted to EUR 7,029 ('000) for the 2009 financial year. This deferred tax asset was no longer retained in 2010, because the budgeted figures for Spector Photo Group for the following years showed that the tax losses of Spector Photo Group could not be reduced further, because the decreasing positive results were being offset by the additional deduction for tax purposes of the notional interest amounts.
On the basis of both the budgeted figures and the resulting tax planning of the various tax jurisdictions in 2010, deferred tax assets were recognised for the Retail Group and the Imaging Group in 2010.
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 recognised for the Imaging Group. 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 tax losses and tax assets.
In 2011, the tax assets in the Retail Group amounting to EUR 527 ('000) were not used because of the evolution of the figures. In the Imaging Group, the deferrals amounting to EUR 1,355 ('000) were allocated because the tax losses were reduced in the companies involved. On the other hand, EUR 2,986 (000) in new deferred tax assets were recognised on the basis of the budgeted figures and the resulting tax planning of the relevant tax jurisdictions.
Deferred tax assets are only 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.

(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				18	18
Tax effect of tax losses carried forward	7 760	1 100	4		8 863
	7 760	1 100	4	18	8 881

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)	2010	2011	2010	2011	2010	2011
Property, plant and equipment		18	574	762	- 574	- 744
Intangible assets			36	- 3	- 36	3
Tax effect of tax losses carried forward	7 760	8 863			7 760	8 863
Gross deferred tax assets and liabilities	7 760	8 881	611	759	7 149	8 122

Deferred tax assets and liabilities
For the 2010 financial year, the tax loss carry-forwards for which no deferred tax assets were recognised amounted 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, 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 was improbable that there would be sufficient taxable profit available to be able to realise the tax benefits.
The tax losses carry-forwards for the 2011 financial year for which no deferred tax asset had been recognised amounted to EUR 78,743 (000), of which EUR 2,221 (000) expire at year-end 2019. The other tax losses have no time limitation. 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.

The shares of the companies Litto-Color BV and Litto-Color SARL were sold at the end of 2006. Litto-Color NV was put into liquidation on 6 November 2006. Litto-Color, previously operating in the wholesale photofinishing market, was a separate significant operation within the meaning of IFRS 5.32, with its own lab in Ostend and its own portfolio of customers. With effect from the 2006 financial year, the assets and liabilities of this company have been classified as 'assets and liabilities held for sale'.

The result and cash flow of the Imaging Group

(in € '000)	2010	2011
Cash flow from operating activities	- 12	108

In 2011, the cash and cash equivalents at the financial year-end for assets held for sale increased by EUR 107 ('000). This related to further settlements of the balance sheet items by the liquidator.

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

(in € '000)	2010	2011
Assets		
Trade and other receivables	8	
Cash and cash equivalents	628	735
Assets held for sale	636	735
Liabilities		
Provisions	21	16
Employee benefit liabilities	633	594
Trade and other payables		143
Liabilities directly linked to liabilities held for sale	653	753

21. INVENTORIES

(in € '000)	2010	2011
Trade goods	33 481	20 901
Raw materials and consumables	1 239	1 046
Work in progress	14	6
Total gross carrying amount	34 734	21 953
Depreciation and other write-downs (-)	-1 289	-1 616
Net carrying amount	33 445	20 337

The change in the 'Inventories' between 2010 and 2011 is mainly attributable to the Retail Group. The inventories item fell by EUR 13,108 ('000). In the 2011 financial year, a write-down of EUR 327 ('000) was recognised in contrast to a reversal of write-downs amounting to EUR 79 ('000) recognised in the 2010 financial year. These increase and reversal are accounted for in the income statement.

22. TRADE AND OTHER RECEIVABLES (CURRENT)

(in € '000)	2010	2011
Trade receivables, gross	17 602	15 463
Other receivables, gross	577	616
Accruals and deferrals	463	400
Gross carrying amount	18 642	16 480
Accumulated write-downs on bad and doubtful trade receivables (-)	-2 173	-2 130
Accumulated write-downs on bad and doubtful other receivables (-)	- 201	- 201
Net carrying amount	16 267	14 149

The current portion of the trade and other receivables decreased substantially between 2010 and 2011 at Group level. This decrease is mainly attributable to the Retail Group.
Of the accumulated write-downs on bad and doubtful trade receivables, minus EUR 108 ('000) was taken to the income statement in 2010. In 2011, EUR 347 ('000) was recognised in the income statement.
There were no recurring financial expenses recognised in bad and doubtful other receivables in the 2010 and 2011 financial years.

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

(in € '000)	2010		2011	
Retail Group	226	27.0%	183	22.5%
Imaging Group	424	50.5%	588	72.1%
Other	189	22.5%	44	5.4%
Total	839	100%	816	100%

The net other receivables of EUR 839 ('000) for the 2010 financial year contains the following items:
(i) EUR 185 ('000) receivable related to VAT; (ii) EUR 463 ('000) of costs to be transferred and acquired revenues, and (iii) EUR 191 ('000) of other receivables.

The net other receivables of EUR 816 ('000) for the 2011 financial year contains the following items:
(i) EUR 379 ('000) receivable related to VAT; (ii) EUR 401 ('000) of costs to be transferred and acquired revenues, and (iii) EUR 36 ('000) of other receivables.

23. CASH AND CASH EQUIVALENTS

(in € '000)	2010	2011
Short term bank deposits	8 189	5 269
Other cash and cash equivalents	8 391	4 966
	16 580	10 235

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 heading 'Equity and Liabilities'. The increase in the current income tax assets in 2010 is attributable to the Retail Group. The majority of these assets were received in 2011.

25. TOTAL EQUITY

See also the statement of changes in equity on page 53.
The total number of shares amounts to 36,619,505, of which 1,207,072 are treasury shares. No treasury shares were purchased in the 2010 or 2011 financial years. 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 Coordination Center. In accordance with IFRS, these treasury shares are measured at cost at their initial recognition in the IFRS balance sheet 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.

Calculation of the earnings per share for 2010

1. Number of shares

1.1. Total number of shares	36 619 505
1.2. Weighted average number of shares with dividend rights	35 412 433

2. Net profit

	Net profit (from continuing 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)	- 7 625	- 7 625	- 6 426
2.3. Profit/loss (-) available to ordinary shareholders (per share, amount in euros)	-0.2153	-0.2153	-0.1815

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

Calculaltion of the earnings per share for 2011

1. Number of shares

1.1. Total number of shares	36 619 505
1.2. Weighted average number of shares with dividend rights	35 412 433

2. Net profit

	Net profit (from continuing 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)	- 2 873	- 2 873	2 193
2.3. Profit/loss (-) available to ordinary shareholders (per share, amount in euros)	-0.0811	-0.0811	0.0619

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 46,141 (‘000) at year-end 2010, compared to EUR 42,372 (‘000) at year-end 2011. The majority of the loans bear a variable interest expense at Euribor +X%. The NIBC Bank NV participation certificates bore a fixed interest expense for the 2010 financial year. A loan and facility agreement was concluded with NIBC Bank in April 2011 and the participation certificates were no longer recognised in the consolidated figures as a result of their transfer to Photomedia NV.
The breakdown between non-current and current borrowings is shown in the table on page 81 and onwards.
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 EUR 13,138 (‘000) in current financial liabilities transferred to non-current interest bearing financial obligations as a result of this. The borrowings in SEK were fully repaid in 2010.

In 2010, the secured borrowings were guaranteed for an outstanding amount of EUR 33,641 (‘000) by (i) mortgages on land and buildings of EUR 15,132 (‘000); (ii) for EUR 23,051 (‘000) by pledges on business assets of specific companies; and (iii) 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 were provided as collateral.

As at 31 December 2011, all outstanding loans are in EUR. Photo Hall Multimedia’s non-current debt of EUR 10,138 (‘000) was transferred to ‘current interest-bearing financial obligations’ and corresponds to the agreements made between the bank consortium and Photo Hall Multimedia for the continuing financial support.

At year-end 2010, the interest expenses for the non-current loans in EUR varied between Euribor +0.25% and Euribor +4%. The interest expenses in SEK varied between 1.95% and 2.5%.
As at year-end 2011, the interest expenses for the non-current loans in EUR varied between Euribor +0.25% and Euribor +4%.
As at year-end 2010, the interest expense for the current borrowings at variable interest rates in EUR varied between Euribor +1% and Euribor +3%, and in SEK between 1.95% and 2.5%. For 2011, this interest expense varied between Euribor +1% and Euribor +3%.

In 2011, secured borrowings were guaranteed for an outstanding amount of EUR 40,497 ('000) by (i) mortgages on land and buildings of which the registered amount was EUR 13,112 ('000). The carrying amount of the land and building concerned was EUR 14,919 ('000); (ii) pledges on business assets amounting to EUR 23,201 ('000); and (iii) pledges on trade receivables amounting to EUR 57 ('000). Furthermore, shares of specific companies included in the consolidation have been given as collateral. The credit lines were used by means of bank guarantees amounting to EUR 789 ('000).

Disclosures concerning the interest-bearing obligations

(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

(in € '000)	2011						
	Up to 1 year	2013	2014	2015	2016	More than 5 years	Total
Interest-bearing borrowings credit institutions							
Secured bank loans	13 661	526	527	529	3 229	2 252	20 725
Unsecured bank loans	500	500	500	375			1 875
Finance leases							
Secured lease liabilities	19	11	12	6			48
Bank overdrafts							
Secured bank overdrafts	19 724						19 724
Total interest-bearing borrowings according to their maturity	33 904	1 038	1 039	910	3 229	2 252	42 372

Disclosures relating to the lease liabilities

(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

(in € '000)	2011					
Payments 2011	Interest	Capital	Outstanding current payable	Outstanding non-current payable	Outstanding current interest	Outstanding non-current interest
Finance lease liabilities						
188	21	167	19	29	3	3

Operating lease commitments

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

(in € '000)	2010	2011
Rentals during the financial year	9 006	9 408
Less than one year	8 703	8 469
Between one and five years	24 287	23 330
More than five years	10 896	10 587

The most important obligations for the Retail Group concern the retail premises over a period of nine (9) 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.

Leases as lessor

The Group leased out minilabs under operating leases.

These contracts were terminated during the course of 2011. Consequently, there is no contractual rental revenue from operating leases, neither for more than one year, nor for less than a year.

(in € '000)	2010	2011
Rentals during the financial year	34	4
Less than one year	15	

27. NON-CURRENT AND CURRENT EMPLOYEE BENEFIT LIABILITIES

'Long-term employee benefit liabilities' concern the pension obligations of the consolidated companies. There has been no change between the 2010 and 2011 financial years 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 2011, these amounted to EUR 4,061 ('000) compared to EUR 4,320 ('000) in 2010.

Share option plans

The share option plans have expired and 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 Section 42 of the Law of 26 March 1999 concerning the Belgian 1998 Action Plan for Employment and containing various provisions (the "Share Options Act"). 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 between the beneficiaries and the shareholders that is directed towards an increase in the Company's share price.

In accordance with the Belgian 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 expired on 30 September 2010, for an additional 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 has 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, 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 one year.

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

The effect of extending the term of the warrants was not included as it is not material.

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%

Post-employment benefits

Defined contribution pension plans

With defined contribution plans, contributions are paid to insurance companies. 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 2010, the costs of the Group's defined contribution plans amounted to EUR 302 ('000) recognised under the 'Employee expenses' heading. These costs amounted to EUR 252 ('000) for 2011.

Defined benefit pension plans

The group had defined benefit pension plans in France in 2010 and 2011. 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.

There has been no effect on the result in the 2010 and 2011 financial years 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.

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

(in € '000)	2010	2011
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)	2010	2011
Balance at end of previous financial year	6	6
As at the financial year-end	6	6

The main actuarial assumptions as at reporting date are:

	2010	2011
Discount rate used	4%	4%
Percentage pay rise	2%	2%
Percentage increase in benefits	2.5%	2.5%

Other non-current employee benefit liabilities

The other non-current employee benefit liabilities 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)	2010	2011
Balance at end of previous financial year	142	529
Increase/decrease (-) of liability recognised in the income statement	386	-61
As at the financial year-end	529	468

On the basis of the actuarial calculation and a thorough risk analysis, it was decided in 2010 to form 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 entry resulted from an in-depth risk analysis that showed that the risk of paying the total amount of pensions had increased significantly compared to previous years.

This mainly clarifies the increase in liabilities on the 2010 statement of financial position. In 2011, on the basis of the annual actuarial calculations, an amount of minus EUR 70 (000) was reversed from the recognised provision via the non-recurring results.

28. NON-CURRENT PROVISIONS

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

The provision for taxes concerns the subsidiary Vivian Photo Products NV.

In 2010, concerning the tax claim with regard to Extra Film A/S in 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.

Under IAS 37.14, no provision should be recognised because the Board of Directors believes there are no cash outflows to be expected.

An additional provision of EUR 86 (‘000) was recognised under the ‘Other Provisions’. There was a reversal of EUR 349 (000) recognised for unused provisions, which comprised

(i) a reversal of EUR 100 (000) following the final judgment on the claim for misuse of inside information by the FSMA, which ruled in favour of Spector Photo Group, and (ii) a reversal of EUR 249 (‘000) with respect to provisions recorded in prior years for claims relating to leases of the shops.

The remaining ‘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.

2011				
(in € '000)	Provisions for taxation	Provisions for restructuring	Other provisions	Total
Balance at end of previous year	810	115	145	1 069
Additional provisions		91	103	195
Unused amounts of provisions reversed (-)		- 5	- 3	- 8
Other changes			- 20	- 20
Balance at end of current period	810	201	225	1 236

The provision for taxes remained unchanged in 2011.

There was an additional provision of EUR 91 (000) recognised for restructuring within the Retail Group, which mainly consists of redundancy payments following the decision to close a number of shops. This obligation will be settled in the 2013 financial year. In the Imaging Group, EUR 5 (‘000) of unused provision was reversed.

An additional provision of EUR 88 (‘000) was recognised under the ‘Other Provisions’ for redundancy payments in the Imaging Group. This obligation extends over several financial years. EUR 20 (‘000) was transferred to current provisions.

For the Retail group, the ‘Other Provisions’ mainly relate to claims with owners of shops. An additional provision of EUR 11 (000) has been recognised. The settlement date for these claims is unknown.

29. CURRENT PORTION OF PROVISONS

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 recorded. This provision was mainly recorded for the settlement of the costs of closing the production lab in Sweden in the Imaging Group.

2011		
(in € '000)	Provisions for restructuring	Total
Balance at end of previous year	637	637
Additional provisions	1 187	1 187
Amounts of provisions used (-)	- 635	- 635
Foreign currency exchange increase/decrease (-)	- 2	- 2
Other changes	20	20
Balance at end of current period	1 208	1 208

In 2011, a provision amounting to EUR 1,187 (‘000) was recorded. This provision was recorded for the restructuring within the Retail Group. These obligations will be settled during the course of the 2012 financial year. EUR 635 (‘000) was used for the completion of the restructuring within the Imaging Group for an amount EUR 589 (000), and EUR 46 (‘000) for the Retail Group.

30. DEFERRED TAX LIABILITIES

Changes in temporary differences during the period

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	- 684	25	- 42	36
	1 319	- 692	25	- 42	611

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.

2011					
(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	574	- 9		196	762
Intangible assets	36	- 40	1		- 3
	611	- 49	1	196	759

The other changes of EUR 196 ('000) mainly relate to the revaluation of the land and buildings and are recognised in accordance with IAS 12.62 in the Group's unrealised results. The deferred tax assets for intangible assets recognised in the profit/ loss (-), relate to the Imaging Group.

31. LIABILITIES HELD FOR SALE

Because a number of assets are held for sale, the corresponding liabilities from the respective items are recognised under this separate heading 'liabilities held for sale'; see also page 78.

32. CURRENT TRADE AND OTHER PAYABLES

(in € '000)	2010	2011
Trade payables: suppliers	30 486	14 078
Prepayments received on contracts in progress	350	292
Dividends payable	130	128
Other amounts payable	524	387
Other taxes and VAT payable	4 578	3 836
Accrual and deferrals	1 904	1 116
Net carrying amount	37 971	19 837

In 2010, the current trade and other payables decreased further within the Imaging Group. The Retail Group saw an increase of +12.2%.
The current trade and other payables in the Imaging Group fell by 11.0% in 2011. The current trade and other payables in the Retail Group saw a decrease of 60.6%.

33. CURRENT INCOME TAX LIABILITIES

In the 2010 financial year, the current income tax liabilities decreased to EUR 194 (000), mainly attributable to the Retail Group.
The current income tax liabilities fell by minus EUR 149 ('000) in 2011, mainly due to the Imaging Group.

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

Committee of Statutory Auditors: Auditors' fee of EUR 43 ('000).
Audit fee for the Committee of Statutory Auditors and their network concerning subsidiaries: EUR 111 ('000).
Fees for exceptional activities or special assignments performed by the Committee of Statutory Auditors and their network: EUR 53,923, categorised as follows:

Performed by	Committee of Statutory Auditors	The network linked to the Committee of Statutory Auditors
Other audit assignments	33 675	
Tax consultancy	4 832	1080
Other assignments external to the audit	2 650	11 686
Total	41 157	12 766

35. RISK FACTORS

The general risk factors are extensively described in the 'Corporate governance statement' on page 36 and onwards.
As a result of the application of IFRS 7, further disclosures are made below concerning the financial assets and liabilities, which provide additional information for readers of the financial statements.

Credit risk
The following table shows a summary of the due dates for the trade and other receivables:

(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

(in € '000)	2011		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)	199	199						
Trade receivables (current)	13 333	9 171	3 807	133	27	67	82	46
Other receivables (current)	415	415						
Total	13 947	9 785	3 807	133	27	67	82	46

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.
The continued decrease in the outstanding trade receivables 'overdue – less than 30 days' is explained because mandatory online payments have been introduced in France, the Netherlands, and Spain. Customers are encouraged to pay online in other countries as well. 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 or 2011. No write-downs are recognised for the overdue receivables, if their collectability is considered as probable.

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

(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 'Other financial assets' were recognised by Spector Photo Group NV. These concern dissolutions and liquidations of non-consolidated participating interests. The expenses in the 'Other receivables' mainly concern the cancellation of a debt from Spector Verwaltung GmbH by the Imaging group.

(in € '000)	2011						
	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	-1 689	- 59	- 4	-2 174	- 201	- 163	
Accumulated impairment additions (-), reversals				- 347			
Utilisation				394			
Translation differences				- 4			
Other changes							
Balance at end of current period	-1 689	- 59	- 4	-2 130	- 201	- 163	

In 2011, EUR 265 ('000) in write-downs on trade receivables was recognised within the Retail Group, and EUR 82 ('000) was attributable to the Imaging Group. The expenditures mainly concern 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)	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

(in € '000)	2011							
	Carrying amount	Contractual cash flows	Up to 1 year	2013	2014	2015	2016	More than 5 years
Interest-bearing borrowings credit institutions								
Secured bank loans	20 725	23 223	14 686	817	796	774	3 340	2 810
Unsecured bank loans	1 875	2 075	590	563	537	385		
Finance leases								
Secured lease liabilities	48	54	22	13	13	6		
Bank overdrafts								
Secured bank overdrafts	19 724	19 798	19 798					
Trade and other payables	14 885	14 885	14 885					
Total	57 257	60 034	49 981	1 393	1 345	1 165	3 340	2 810

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. 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. There were no problems concerning the liquidity situation in 2011.

The net carrying amount of the 'Unsecured loans' in 2010 concerns participation certificates that do not mature, but which must actually be recognised as a liability in accordance with IFRS. The interest expense relating to these certificates is payable annually and was therefore included under the contractual obligations. These participation certificates in Spector Coordination Center acquired by NIBC Bank NV were transferred to Photomedia by NIBC Bank. Photo Hall Multimedia's non-current debt of EUR 10,138 ('000) was transferred to 'current interest-bearing financial obligations' as at 31 December 2011, and corresponds to the agreements made between the bank consortium and Photo Hall Multimedia for the continuing financial support.

In 2011, 6.93% of the interest-bearing borrowings had a fixed rate of interest, compared with 34.68% in 2010. For the other borrowings, the interest rate is fixed for a period between three months and a year. This procedure enables Spector Photo Group NV to accept fluctuations in the financial expenses in accordance with the evolution of market interest rates. On the basis of the outstanding borrowings as at 31 December 2011, a rise or fall in the market rate by 1% has a negative or positive effect respectively on the financial result of EUR 394 ('000), and which amounted to EUR 301 ('000) on the basis of the outstanding borrowings as at 31 December 2010. The cash and cash equivalents are invested free of risks.

On the basis of the cash flow 'liquidity forecast', the Group's subsidiaries will be able to meet their financial obligations in 2012.

Exchange rate risk

As the company operates mainly in a Euro environment, the exchange rate risk is extremely limited.

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. SIGNIFICANT FUTURE ASSUMPTIONS AND ESTIMATING UNCERTAINTIES

In the application of accounting policies and determination of the result, estimates and assumptions are used that can affect the amounts, disclosures and other information included in the financial statements. The actual results can deviate from these estimates and assumptions.
The above applies to factors including:

Useful life and residual value of assets for operating activities
The assets for operating activities are a significant part of the total assets of the Company, the costs of depreciation are a significant part of the annual operating costs. The useful lives and residual values adopted on the basis of estimates and assumptions have a significant effect on the measurement and result determination of assets for operating activities. The useful life of assets used for operating activities is partly estimated on the basis of the technical life, experiences with such assets, and the period over which economic benefits arising from use of the asset will flow to the Group. Every year-end there are checks on whether changes have occurred in estimates and assumptions that make it necessary to adjust the useful life and/or residual value.

Impairments of goodwill and other non-current assets
The carrying amounts of non-current assets are tested at least once a year against the recoverable amounts to check whether there are indications that could indicate impairment.
To enable the determination of whether an impairment is required or there is a need to reverse it, the recoverable amount is determined. This involves the use of estimates and assumptions for determining cash-generating units, the future cash flows, and the discount rate. The assessments that underlie this can differ from year to year due to economic or market conditions, changes in the business environment or in the laws and regulations, and other factors on which the company cannot exercise any control. If the forecasts for the recoverable amount need adjusting, this can lead to impairment or, except for amortisation on goodwill related to subsidiaries and joint ventures, reversals of this impairment.

Deferred tax assets
Deferred tax assets are measured if it is probable that sufficient taxable profits will be available with which losses can be offset and netting opportunities can be used. The assessment thereof uses estimates and assumptions that also affect the measurement of the receivable.

Actuarial assumptions in provisions for pension commitments
Provisions for pension commitments are determined actuarially. Assumptions regarding future trends in mortality and other basic principles are used. Changes in these estimates and assumptions can lead to gains and losses.

Receivables and obligations arising from claims and disputes
A receivable concerning a claim or dispute is taken into account if it is virtually certain that an inflow of economic benefits will occur. If such an inflow is probable, the receivable is disclosed as a contingent asset. A provision must be recognised for existing obligations to the extent it is also probable that an outflow of funds will take place to resolve the obligation and a reliable estimate can be made of the amount of the liability.
Regular assessment is carried out on all claims and disputes. The outcome of this assessment determines what provisions or receivables will be recognised for which claims and disputes.
If a provision or a receivable should be recognised, the estimation of the likelihood and magnitude of the inflow or outflow of funds resources also requires a significant degree of assessment, which is also partly based on legal advice.

37. RELATED PARTIES

Except for transactions between consolidated companies, which are eliminated through the consolidation, and the fees paid to managers with a key position, for which please refer to the remuneration report, the transactions and outstanding balances for other related parties are negligible.

COMPANIES BELONGING TO THE GROUP

Fully consolidated subsidiaries (❑)

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 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
❑ FILMOBEL N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0408.058.709	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
❑ LITTO-COLOR N.V. (in liquidation) Zandvoordestraat 530, 8400 Ostend, Belgium	BE 0414.004.215	100.00
❑ PHOTO HALL FRANCE S.A.R.L. Lotissement Augny 2000, 57685 Augny, France	FR 70 391 700 440	100.00

Name and full address	V.A.T.- or national number	Share in the capital (in %)
❑ PHOTO HALL MULTIMEDIA N.V. Lusambostraat 36, 1190 Brussels, 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. (in liquidation) Rue Logelbach 124, 68000 Colmar, France	FR 19 353 224 694	100.00
❑ SMARTPHOTO NORDIC AB Östergatan 39, 4 Van, 211 22 Malmö, Sweden	SE 556334-8100	100.00
❑ SMARTPHOTO S.A.S. Rue du Faubourg de Douai 128, 59000 Lille, France	FR 48 331 704 122	100.00
❑ SPECTOR COORDINATIECENTRUM N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0437.663.406	100.00
❑ SPECTOR NEDERLAND B.V. Weidehek 83, 4824 AT Breda, The Netherlands	NL 6511004B01	100.00
❑ VIVIAN PHOTO PRODUCTS N.V. (in liquidation) Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	0428.718.323	100.00

Subsidiaries not included in the consolidation:

Name and full address	V.A.T.- or national number	Share in the capital (in %) [1]
FLT s.r.l. [2] (from 1 October 2008)	IT 13146200152	49.00
Galleria Passarella 1, 20122 Milan, Italy		
SPECTOR VERWALTUNG GmbH [2]	214 116 20551	100.00
Laufamholzstrasse 171, 90482 Nürnberg, Germany		
VH SERVICE S.A. [2] (put into liquidation on 25 Mar. 2011)	BE 0427.390.611	100.00
Kwatrechtsteenweg 160, 9230 Wetteren, Belgium		

(1) Share of the capital of these companies held by companies included in the consolidation and by people who act in their own name but at the expense of these companies.

(2) FLT s.r.l. is the Italian lab, operating in the photofinishing-market, over which the Group has no longer joint control with effect from the fourth quarter of 2008. This participation is accounted for in accordance with IAS 33.45 as a financial asset in accordance with IAS39.
Spector Verwaltung GmbH is an inactive company that 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.

2011 SEPARATE FINANCIAL STATEMENTS

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BALANCE SHEET after profit allocation (Belgian GAAP)

ASSETS (in €)	2010	2011
FIXED ASSETS	127 138 529	128 034 261
Intangible fixed assets	10 406	20 155
Tangible fixed assets		9 581
Financial fixed assets	127 128 123	128 004 525
Affiliated enterprises	127 094 146	127 975 608
Participating interests	89 747 533	127 530 225
Amounts receivable	37 346 613	445 383
Other financial assets	33 977	28 917
Shares	28 818	28 818
Amounts receivable and cash guarantees	5 159	99
CURRENT ASSETS	6 649 408	2 679 863
Amounts receivable within one year	6 505 408	2 093 179
Trade debtors	152 738	92 807
Other amounts receivable	6 352 670	2 000 372
Current investments	51 878	422 560
Own shares	48 681	29 363
Other investments and deposits	3 197	393 197
Cash at bank and in hand	56 085	120 150
Deferred charges and accrued income	36 037	43 974
TOTAL ASSETS	133 787 937	130 714 124

EQUITY AND LIABILITIES (in €)	2010	2011
EQUITY	131 957 823	129 652 610
Capital	64 193 916	64 193 916
Issued capital	64 193 916	64 193 916
Reserves	10 320 900	9 436 349
Legal reserve	4 516 647	4 516 647
Reserves not available	48 681	29 363
In respect of own shares held	48 681	29 363
Untaxed reserves	3 500 770	2 616 220
Available reserves	2 254 802	2 274 119
Accumulated profits (losses)	57 443 007	56 022 345
AMOUNTS PAYABLE	1 830 114	1 061 514
Amounts payable after more than one year	1 070 623	445 384
Financial debts	1 070 623	445 384
Subordinated loans	395 384	145 384
Other loans	675 239	300 000
Amounts payable within one year	688 429	540 685
Trade debts	20 636	20 078
Suppliers	20 636	20 078
Taxes, remuneration and social security	42 848	47 668
Taxes	8 209	9 001
Remuneration and social security	34 639	38 667
Other amounts payable	624 945	472 939
Accruals and deferred income	71 062	75 445
TOTAL LIABILITIES	133 787 937	130 714 124

INCOME STATEMENT (in €)	2010	2011
Operating income	1 083 116	734 956
Turnover	580 000	587 880
Other operating income	503 116	147 076
Operating charges	-1 346 583	-1 031 117
Services and other goods	801 202	701 948
Remuneration, social security costs and pensions	217 331	231 401
Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	1 174	6 721
Amounts written off stocks, contracts in progress and trade debtors	- 233 495	
Provisions for liabilities and charges	- 100 000	
Other operating charges	660 371	91 047
Operating profit/loss (-)	- 263 467	- 296 161
Financial income	2 589 353	1 161 977
Income from current assets	2 589 353	1 161 977
Financial charges	- 170 176	- 110 350
Debt charges	64 614	35 248
Amounts written off current assets except stocks, contracts in progress and trade debtors	40 817	71 479
Other financial charges	64 745	3 623
Profit/loss (-) on ordinary activities before taxes	2 155 710	755 466
Extraordinary income	301 844	
Write-back of amounts written down financial fixed assets	301 844	

INCOME STATEMENT (in €)	2010	2011
Extraordinary charges	- 301 844	-3 060 485
Amounts written off financial fixed assets		3 060 485
Loss on disposal of fixed assets	301 844	
Profit/loss (-) for the period before taxes	2 155 710	-2 305 019
Income taxes	344	- 194
Income taxes	268	462
Adjustment of income taxes and write-back of tax provisions	612	268
Profit/loss (-) for the period	2 156 054	-2 305 213
Transfer from untaxed reserves		884 551
Profit/loss (-) for the period available for appropriation	2 156 054	-1 420 662

APPROPRIATION ACCOUNT		
Profit/loss (-) to be appropriated	57 550 810	56 022 345
Profit/loss (-) of the period available for appropriation	2 156 054	-1 420 662
Profit/loss (-) brought forward	55 394 756	57 443 007
Transfer to the legal reserve	- 107 803	
Profit/loss (-) to be carried forward	-57 443 007	-56 022 345

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.	15/09/2008	1 075 275	2.94%
	Kwatrechtsteenweg 160, B-9230 Wetteren			
B.	PARTIMAGE B.V.C.V.A.	28/03/2008	84 044	0.23%
	Grote Steenweg Zuid 39, B-9052 Zwijnaarde			
C.	ALEXANDER PHOTO S.A.	15/09/2008	54 526	0.15%
	Boulevard Royal 11, L-2449 Luxembourg			
D.	SPECTOR PHOTO GROUP N.V.	15/09/2008	77 271	0.21%
	Kwatrechtsteenweg 160, B-9230 Wetteren			
E.	CONSORTIUM VIT N.V., LUTHERICK N.V.,			
	MERCURIUS INVEST N.V., MIDELCO N.V.,			
	CECAN INVEST N.V. en ISARICK N.V.	28/01/2009	6 914 244	18.88%
	p/a Doorniksewijk 49, B-8500 Kortrijk			
	- 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.	30/10/2008	3 933 775	10.74%
	Ter Bede Business Center, Kapel ter Bede 84, B-8500 Kortrijk			
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.

STATEMENT OF CAPITAL

(in €)	Amounts	Number of shares
A. SOCIAL CAPITAL		
1. Issued capital		
• At the end of the previous period	64 193 916	
• At the end of the period	64 193 916	
2. Structure of the capital		
2.1. Different categories of shares		
Ordinary shares without nominal value	64 193 916	36 619 505
Registered shares		2 126 737
Shares to bearer and/or dematerialised		34 492 768
Dematerialisation of bearer securities according to the Law of 14 December 2005 abolishing bearer securities		
B. OWN SHARES HELD BY		
• the company itself	29 363	77 271
• the subsidiaries	429 324	1 129 801
C. AUTHORISED CAPITAL, NOT ISSUED	64 193 916	

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 and Photo Hall Multimedia 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.

APPENDIX 1: RECONCILIATION OF THE CONSOLIDATED FIGURES FOR THE YEAR 2010 AS FILED WITH THE NBB AND THE AMENDED CONSOLIDATED FIGURES

INCOME STATEMENT FOR THE PERIOD (in € '000)

	Note	2010 published	2010 change	2010 after change
Revenue	2	223 347		223 347
Other operating income	3	5 459		5 459
Changes in inventory of finished goods & work in progress	4	14		14
Work performed by enterprise and capitalised	5	40		40
Trade goods, raw materials and consumables	6	- 159 888		- 159 888
Employee expenses	7	- 30 373		- 30 373
Depreciation and amortisation expenses	8	- 5 738	*- 8 072*	- 13 810
Other operating expenses	9	- 28 225		- 28 225
Profit/loss (-) from operating activities, before non-recurring items	10	4 635	*- 8 072*	- 3 438
Non-recurring items from operating activities	11	- 1 501		- 1 501
Profit/loss (-) from operating activities		3 134	*- 8 072*	- 4 938
Financial income		565		565
Financial costs		- 4 013		- 4 013
Financial cost-net, before non-recurring items		- 3 448		- 3 448
Financial result	12	- 3 448		- 3 448
Profit/loss (-) before taxes, before non-recurring financial items		- 313	*- 8 072*	- 8 386
Profit/loss (-) before taxes		- 313	*- 8 072*	- 8 386
Income tax expense (-)/ income	13	413	*348*	761
Profit/loss (-) from continuing activities		99	*- 7 724*	- 7 625
Discontinued operations				
Profit/loss (-) from discontinued operations				
Profit/loss (-) for the period		99	*- 7 724*	- 7 625
Attributable to equity holders of the parent company		99	*- 7 724*	- 7 625

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

	2010 published	2010 change	2010 after change
Profit/loss (-) for the period	99	*- 7 724*	- 7 625
Currency translation adjustments :	1 279	*- 80*	1 199
Gains/losses(-) arising during the year	689	*- 80*	610
Reclassification adjustments for gains/losses (-) included in profit or loss	589		589
Total comprehensive income for the period attributable to equity holders of the parent company	1 378	*- 7 804*	- 6 426

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

	2010 published	2010 change	2010 after change
Number of shares	36 619 505	*36 619 505*	36 619 505
Shares with dividend rights	Number	Number	Number
	35 412 433	*35 412 433*	35 412 433
Income statement for the period			
Profit/loss (-) from continuing activities	0.00	*-0.22*	-0.22
Profit/loss (-) for the period attributable to equity holders of the parent company	0.00	*-0.22*	-0.22
Comprehensive income for the period			
Total comprehensive income for the period attributable to equity holders of the parent company	0.04	*-0.22*	-0.18

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

ASSETS	Note	2010 published	2010 change	2010 after change
Non-current assets				
Property, plant and equipment	14	17 980		17 980
Consolidation goodwill and other goodwill	15	18 849		18 849
Intangible assets other than goodwill	16	10 288	*- 8 172*	2 116
Other non-current financial assets	17	49		49
Trade and other receivables	18	224		224
Deferred tax assets	19	7 760		7 760
Non-current assets		55 151	*- 8 172*	46 979
Current assets				
Assets held for sale	20	636		636
Inventories	21	33 445		33 445
Trade and other receivables	22	16 267		16 267
Investment securities - current		3		3
Cash and cash equivalents	23	16 580		16 580
Current income tax assets	24	892		892
Current assets		67 823		67 823
TOTAL ASSETS		122 974	*- 8 172*	114 802

EQUITY AND LIABILITIES	Note	2010 published	2010 change	2010 after change
Total equity				
Capital		64 194		64 194
Reserves and retained earnings/ accumulated loss (-)		- 33 804	*- 7 725*	- 41 529
Treasury shares (-)		- 2 422		- 2 422
Currency translation adjustments		2 508	*- 80*	2 428
Shareholder's equity		30 475	*- 7 805*	22 671
Total equity	25	30 475	*- 7 805*	22 671
Non-current liabilities				
Non-current interest-bearing financial obligations	26	28 697		28 697
Employee benefit liabilities	27	535		535
Non-current provisions	28	1 069		1 069
Deferred tax liabilities	30	979	*- 368*	611
Non-current liabilities		31 279	*- 368*	30 912
Current liabilities				
Liabilities held for sale	31	653		653
Current interest-bearing financial obligations	26	17 444		17 444
Trade and other payables	32	37 971		37 971
Employee benefit liabilities	27	4 320		4 320
Current income tax liabilities	33	194		194
Current portion of provisions	29	637		637
Current liabilities		61 219		61 219
TOTAL EQUITY AND LIABILITIES		122 974	*- 8 172*	114 802

STATEMENT OF CHANGES IN EQUITY (in € '000)

	Capital	Retained earnings 2010 published	Retained earnings 2010 change	Retained earnings 2010 after change	Treasury shares	Currency translation adjustments 2010 published	Currency translation adjustments 2010 change	Currency translation adjustments 2010 after change	Shareholders' equity 2010 after change	Total equity 2010 after change
Balance as at 31.12.2009	64 194	-33 904		-33 904	-2 422	1 229		1 229	29 097	29 097
Currency translation differences						1 279	*- 80*	1 199	1 199	1 199
Net profit/loss (-) for the period		99	*-7 724*	-7 625					-7 625	-7 625
Total comprehensive income		99	*-7 724*	-7 625		1 279	*- 80*	1 199	-6 426	-6 426
Balance as at 31.12.2010	64 194	-33 804	*-7 724*	-41 529	-2 422	2 508	*- 80*	2 428	22 671	22 671

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

For the year ended on 31 December	2010 published	2010 change	2010 after change
Operating activities			
Net result	99	*- 7 724*	- 7 625
Depreciation, write-offs, impairment of property, plant and equipment	3 620		3 620
Depreciation, write-offs, impairment of intangible assets	2 305	*8 073*	10 377
Write-offs, impairment on current and non-current assets	- 187		- 187
Provisions	671		671
Unrealised foreign exchange losses/gains (-)	732		732
Net interest income (-)/expense	2 447		2 447
Loss/gain (-) on sale of property, plant and equipment	- 520		- 520
Income tax expenses	- 1 046	*- 348*	- 1 394
Other non-cash costs	589		589
Profit from operations before changes in working capial and provisions	8 710		8 710
Decrease/increase (-) in trade and other receivables and current income tax assets	- 1 007		- 1 007
Decrease/increase (-) in inventories	- 4 599		- 4 599
Increase/decrease (-) in trade and other payables	2 973		2 973
Increase/decrease (-) in provisions	- 378		- 378
Increase/decrease (-) in non-current employee benefit liabilities	364		364
Increase/decrease (-) in working capital	*- 2 647*		*- 2 647*
Operating cash flow after changes in working capital and provisions	6 063		6 063
Interest paid (-)	- 2 485		- 2 485
Interest received	43		43
Income tax paid (-)	- 3 014		- 3 014
Cash flow from operating activities	607		607

	2010 published	2010 change	2010 after change
Investing activities			
Proceeds from sale of property, plant and equipment	1 689		1 689
Proceeds from sale of subsidiaries			
Acquisition of property, plant and equipment	- 1 980		- 1 980
Acquisition of intangible assets	- 2 095		- 2 095
Cash flow from investing activities	- 2 386		- 2 386
Financing activities			
Proceeds from interest-bearing financial obligations	4 056		4 056
Repayment of interest-bearing financial obligations	- 4 438		- 4 438
Cash flow from financing actvities	- 382		- 382
Net increase/decrease (-) in cash and cash equivalents	- 2 160		- 2 160
Cash and cash equivalents at the beginning of the year	18 439		18 439
Cash and cash equivalents at the beginning of the year discontinued operations	640		640
Effect of exchange rate fluctuations	288		288
Cash and cash equivalents at the end of the period	16 580		16 580
Cash and cash equivalents at the end of the period in assets held for sale	628		628
Total cash and cash equivalents	17 208		17 208

NOTES TO THE 2010 CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTABLE SEGMENTS

	Retail	Imaging			Total reportable segments
(in € '000)	2010	2010 published	2010 change	2010 after change	2010 after change
Revenue					
External revenue	161 213	62 134		62 134	223 347
Inter-segment	108	545		545	653
Total revenue	161 321	62 679		62 679	224 000
Interest revenue	8	54		54	62
Interest expense	-2 372	-2 649		-2 649	-5 021
Profit/loss (-) before taxes	788	-2 912	*-8 073*	-10 985	-10 196
Total operating segment assets	69 459	43 249	*- 8 172*	35 077	104 536
Total operating segment liabilities	30 350	12 671		12 671	43 021
Total capital expenditures property, plant & equipment	1 070	909		909	1 980
Total capital expenditures intangible assets other than goodwill	110	1 974		1 974	2 084
Depreciations and amortisations	- 1 982	- 3 942	*- 8 073*	- 12 015	- 13 996
Other non cash	150	- 385		- 385	- 235
Number of persons employed in FTEs end of the period	484	260		260	744

GEOGRAPHICAL INFORMATION

	2010 published	2010 change	2010 after change
Revenue Belgium	127 580	*0*	127 580
Revenue Luxembourg	48 410	*0*	48 410
Revenue all other foreign countries	47 357	*0*	47 357
Total Spector Photo Group	223 347	*0*	223 347
Non-current assets:			
Belgium	32 133	*- 755*	31 378
All other foreign countries	14 984	*- 7 417*	7 567
Total Spector Photo Group	47 118	*- 8 172*	38 945

RECONCILIATIONS

Revenue	2010 published	2010 change	2010 after change
Total revenue for reportable segments	224 000		224 000
Elimination of intersegment revenue	- 653		- 653
Total revenue	223 347		223 347

Profit/loss (-)	2010 published	2010 change	2010 after change
Total profit/loss (-) for reportable segments	-2 124	*-8 073*	-10 196
Profit/loss (-) not allocated to reportable segments			
Other	1 810		1 810
Profit/loss (-) before taxes	- 313	*-8 073*	-8 386

Assets	2010 published	2010 change	2010 after change
Total assets for reportable segments	112 708	*-8 172*	104 536
Assets not allocated to reportable segments			
Elimination of receivables	-8 561		-8 561
Deferred tax asset	7 760		7 760
Other	10 431		10 431
Discontinued operating assets	636		636
Total assets	122 974	*-8 172*	114 802

Liabilities	2010 published	2010 change	2010 after change
Total liabilities for reportable segments	43 021		43 021
Liabilities not allocated to reportable segments			
Elimination of liabilities	- 406		- 406
Financial obligations	46 141		46 141
Other	3 090	*- 368*	2 722
Discontinued operating liabilities	653		653
Total liabilities	92 499	*- 368*	92 131

8. DEPRECIATIONS AND AMORTISATIONS

(in € '000)	2010 published	2010 change	2010 after change
Amortisation and write-downs of intangible assets, goodwill and trading securities	2 305	*8 073*	10 377
Depreciation and write-downs of property, plant and equipment	3 620		3 620
Write-downs on inventories	- 79		- 79
Write-downs on trade receivables	- 108		- 108
Total	5 738	*8 073*	13 810

13. INCOME TAX EXPENSES (-)/INCOME

Recognised in the income statement

(in € '000)	2010 published	2010 change	2010 after change
Current tax expenses (-)/income			
Taxes on the result for the financial year	- 717		- 717
Adjustments to taxes for preceding periods	83		83
	- 633		- 633
Deferred taxes			
Originating and reversal of temporary differences	1 046	*348*	1 394
	1 046	*348*	1 394
Income tax expenses (-)/income recognised in the income statement	413	*348*	761

Reconciliation of effective income tax expenses (-)/income

(in € '000)	2010 published	2010 change	2010 after change
Tax calculated at the theoretical tax rate*	-3 415		-3 415
Profit/loss (-) before tax	- 313	*-8 073*	-8 386
Theoretical tax rate	30.30%		30.30%
Impact of tax excempt revenues	1 567		1 567
Impact of non-deductible expenses	-1 051		-1 051
Tax deduction for risk capital	1 061		1 061
Impact of utilised tax losses	1 092		1 092
Over/under (-) provided in preceding years	83		83
Other	29		29
Effective current income tax expenses (-)/income	- 633		- 633
Impact of deferred taxes	1 046	*348*	1 394
Income tax expenses (-)/income recognised in the income statement	413	*348*	761

16. INTANGIBLE ASSETS OTHER THAN GOODWILL

(in € '000)	Concessions, patents, licenses, etc.	Development expenses capitalised	Customer relationships 2010 published	Customer relationships 2010 change	Customer relationships 2010 after change	Total 2010 after change
Acquisition Value						
Balance at end of previous year	15 665	70	72 224		72 224	87 959
Mutation						
Acquisitions	721		1 375		1 375	2 095
Sales & disposals (-)	- 3 254					- 3 254
Translation differences	75		3 701		3 701	3 777
Balance at end of current period	13 207	70	77 300		77 300	90 577
Balance at end of previous year	14 527	70	63 396		63 396	77 992
Mutation						
Amortisation	469		1 520	*8 072*	9 592	10 062
Sales & disposals (-)	- 3 254					- 3 254
Translation differences	75		3 485	*100*	3 585	3 660
Balance at end of current period	11 817	70	68 401	*8 172*	76 573	88 461
Carrying amount						
at end of previous year	1 138		8 828		8 828	9 966
at end of current period	1 389		8 899	*- 8 172*	727	2 116

19. DEFFERRED TAX ASSETS

Recognised deferred tax assets and liabilities	Assets	Liabilities			Net
(in € '000)	2010	2010 published	2010 change	2010 after change	2010 after change
Property, plant and equipment		574		574	- 574
Intangible assets		405	*- 369*	36	- 36
Tax effect of tax losses carried forward	7 760				7 760
Gross deferred tax assets and liabilities	7 760	979	*- 369*	611	7 149

25. TOTAL EQUITY

Calculaltion of the earnings per share 2010

1. Number of shares

1.1. Total number of shares	36 619 505
1.2. Weighted average number of shares with dividend rights	35 412 433

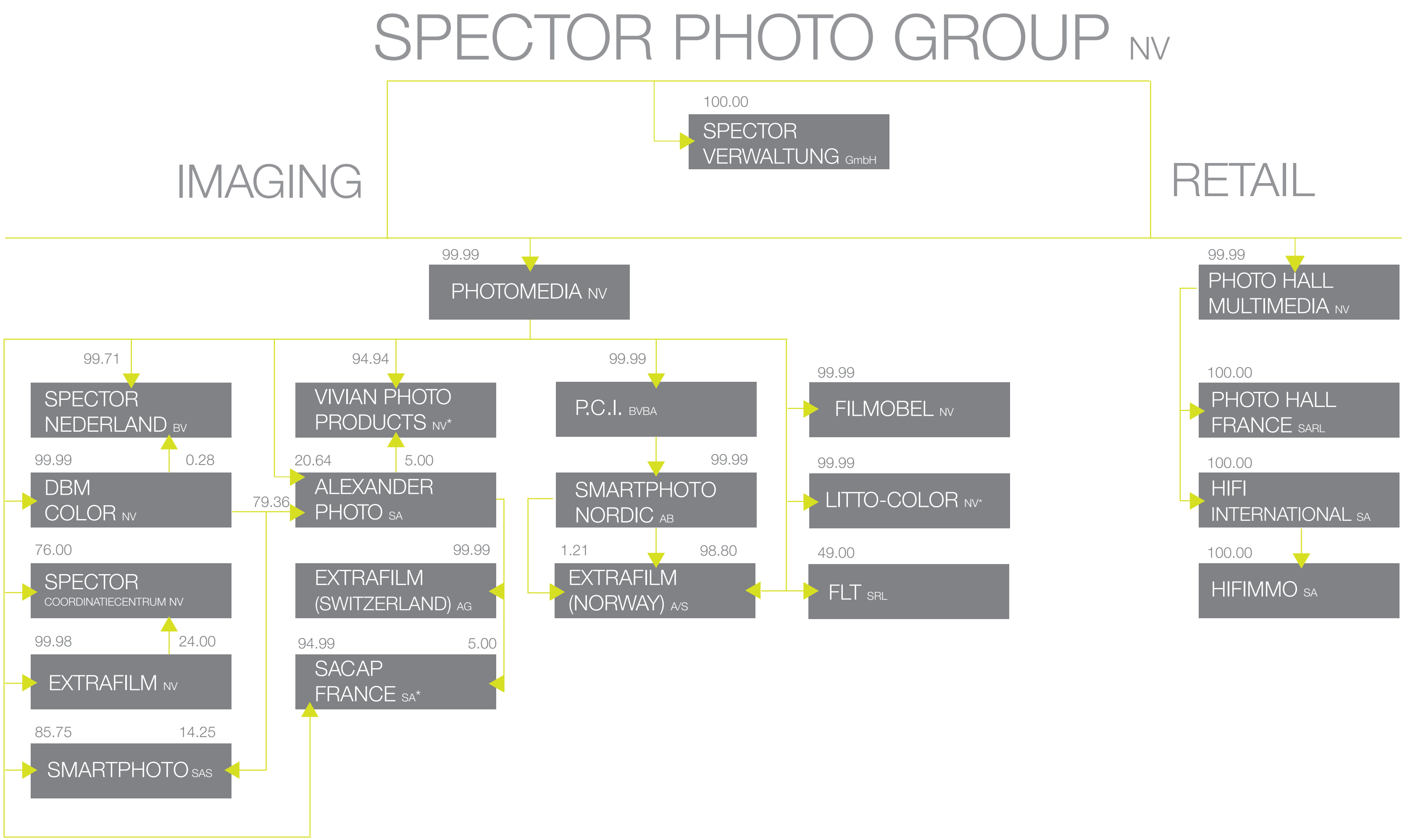
2. Net profit

	Net profit from continuing operations 2010 published	Net profit from continuing operations 2010 change	Net profit from continuing operations 2010 after change	Net profit total 2010 after change	Total comprehensive income for the period 2010 published	Total comprehensive income for the period 2010 change	Total comprehensive income for the period 2010 after change
2.1. Profit/loss (-) attributable to equity holders of the parent (in thousands of euros)	99	*- 7 724*	- 7 625	- 7 625	1 378	*- 7 804*	- 6 426
2.2. Profit/loss (-) available to ordinary shareholders (per share, amount in euros)	0,0028	*-0,2181*	-0,2153	-0,2153	0,0389	*-0,2204*	-0,1815

30. DEFERRED TAX LIABILITIES

Movement in temporary differences during the year

2010									
(in € '000)	Balance at end of previous financial year	Recognised in result 2010 published	Recognised in result 2010 change	Recognised in result 2010 after change	Effect of exchange rate changes 2010 published	Effect of exchange rate changes 2010 change	Effect of exchange rate changes 2010 after change	Other changes	Balance at the end of 2010 after change
Property, plant and equipment	582	- 8		-8					574
Intangible assets	737	- 336	*- 348*	- 684	45	*- 20*	25	- 42	36
	1 319	- 344	*- 348*	- 692	45	*- 20*	25	- 42	611



* In liquidation