SPECTOR PHOTO GROUP

Annual report 2009

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This annual report is presented in one of our products:
the "Create photo book with personalized 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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KEY FIGURES Audited and consolidated figures prepared in accordance with IFRS (in € '000)

INCOME STATEMENT

	2008	2009
Revenue	266 159	243 978
REBITDA	16 284	8 842
Profit/loss (-) from operating activities, before non-recurring items (REBIT)	5 758	620
Non-recurring items from operating activities	- 786	
Profit/loss (-) from operating activities (EBIT)	4 972	620
EBITDA	15 583	8 842
Financial result	- 7 582	- 4 293
Income tax expense (-)/income	- 908	946
Profit/loss (-) from continuing activities	- 3 518	- 2 726
Profit/loss (-) from continuing activities, corrected for non-cash items	9 505	3 362
Profit/loss (-) from discontinued operations	- 4 229	- 1 062
Profit/loss (-) for the period	- 7 748	- 3 788
Attributable to the group	- 7 748	- 3 788

STATEMENT OF FINANCIAL POSITION

	2008	2009
Statement of financial position total	136 505	121 541
Net financial debt	36 150	28 028
Total equity	30 559	29 097
Solvency ratio	22.4%	23.9%
Gearing ratio	118.3%	96.3%
Current ratio	115.6%	88.0%

SEGMENT INFORMATION

	2008	2009
Revenue		
Retail	190 414	169 922
Imaging	76 512	74 821
Corporate	762	777
Intersegment	- 1 530	- 1 542
Spector Photo Group	266 159	243 978
Discontinued activities	24 470	3 565
Intersegment	- 76	
Total	290 553	247 542
Profit/loss (-) from operating activities, before non-recurring items (REBIT)		
Retail	7 632	3 127
Imaging	- 1 342	- 1 976
Corporate	- 532	- 530
REBITDA		
Retail	10 479	5 282
Imaging	6 329	4 089
Corporate	- 524	- 529
Profit/loss (-) from operating activities (EBIT)		
Retail	7 632	3 127
Imaging	- 2 128	- 1 976
Corporate	- 532	- 530
EBITDA		
Retail	10 479	5 282
Imaging	5 627	4 089
Corporate	- 524	- 529

SELECTED CASH FLOW DATA

	2008	2009
REBITDA	16 284	8 842
EBITDA	15 583	8 842
EBITDA as % of revenue	5.9%	3.6%
Profit/loss (-) before taxes, corrected for non-cash items	11 013	4 894
Profit/loss (-) from continuing activities, corrected for non-cash items	9 505	3 362
Profit/loss (-) from continuing activities, corrected for non-cash items as % of revenue	3.6%	1.4%
Net result of the year attributable to equity holders of the parent company, corrected for non-cash items	7 066	3 058

DEFINITIONS

Revenue = Operating income from continuing operations
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 depreciations, amortisations and provisions.
EBITDA = profit/loss (-) from operating activities corrected for depreciations, amortisations and provisions.
Profit/loss (-) before taxes, corrected for non-cash items = Profit/loss (-) before taxes corrected for depreciations, amortisations, provisions and financial non-cash elements.
Profit/loss (-) from continuing activities, corrected for non-cash items = Profit/loss (-) after taxes corrected for depreciations, amortisations, 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 depreciations, amortisations, 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/balance sheet.
Gearing ratio = Net financial debt/shareholders equity.
Current ratio = Current assets/current liabilities.

LETTER TO THE SHAREHOLDERS

Nobody will deny that 2009 was a real crisis year that resulted in a recession in Western Europe. Bad economic news depressed consumer confidence, which heavily affected retail activity and led to a 10% fall in revenues. In spite of strict cost control, the Retail Group had to cope with a lower profitability due to the drop of its revenues.

In view of the pressure on the market, the Board of Directors ordered a survey to analyse the position of our Retail Group, more specifically the price/quality relationship, the location of our shops, the customer service and the online activities. The survey showed that our retail activities score well in this area, but that a number of elements can be optimised in the product ranges. Thus it was decided to reduce the number of product categories and to offer a wider choice in the categories retained. The adjustments in the area of product ranges allowed us to reduce our inventories with a significant decrease in working capital as a result.

This decrease in working capital provided a valuable contribution towards reduction of the Group's net financial debt. At the 2009 year-end, this amounted to 28 million euros, a sensitive improvement compared to the 36 million euros at the end of 2008 and the 59 million euros at the end of 2005.

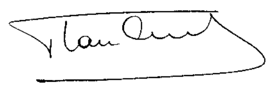
With the launch of its slogan 'the smart choice', the Retail Group is emphasising its strong characteristics and good market position.

In contrast to the Retail Group, the Imaging Group was able to maintain its level of revenue, which was certainly not a foregone conclusion in 2009. The trends of recent years remained the same: growth in digital photography, decline in analogue photography. The revenue from digital photography continued to increase, thanks to the success and the introduction of new products. Analogue photography continued to decline and now represents only 17% of the total revenues. We cannot deny that the economic market conditions have had an unfavourable impact. This did not discourage us from continuing to invest more in our internet and software applications during 2009. We will also continue investing in 2010, to enable more efficient processing of the anticipated increases in our volumes.

We are unable to provide specific revenue or profit forecasts. Our Retail operations remain heavily dependent on the economic environment. In Imaging, on the other hand, we expect revenue growth again.

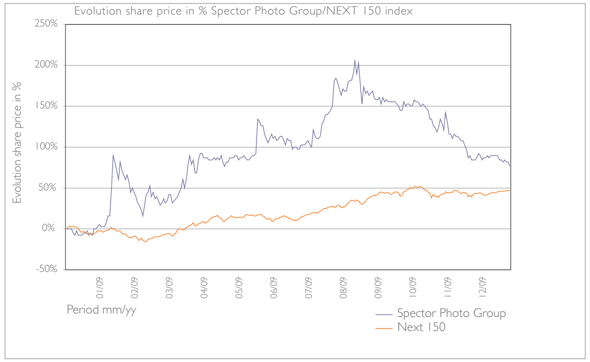
We would like to express our sincere gratitude to our employees in Belgium and abroad, our faithful shareholders, as well as our suppliers and partners, and, first and foremost, to our customers for the confidence they have shown in our Group during the difficult year 2009.

Tonny Van Doorslaer
Executive Chairman

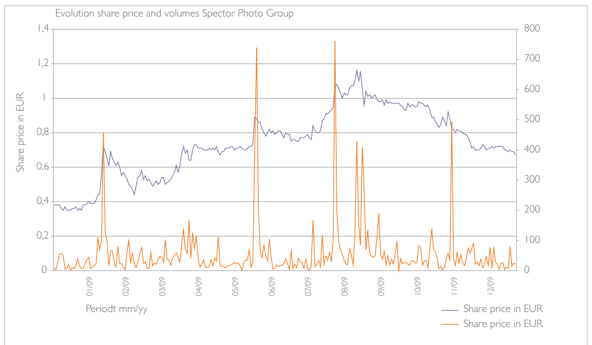


INFORMATION FOR THE SHAREHOLDERS

January-December 2009
EVOLUTION SHARE PRICE IN % SPECTOR PHOTO GROUP/NEXT 150 INDEX



January-December 2009
EVOLUTION SHARE PRICE AND VOLUMES SPECTOR PHOTO GROUP



The Spector Photo Group share is listed on Euronext Brussels.

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

RELEVANT FIGURES OF THE SHARE

	2008	2009
Closing rate as per end of December	€ 0.38	€ 0.67
Average closing rate	€ 0.90	€ 0.74
Highest closing rate	€ 1.26	€ 1.16
Highest intraday rate	€ 1.29	€ 1.24
Lowest closing rate	€ 0.35	€ 0.35
Lowest intraday rate	€ 0.32	€ 0.34
Total volume traded	€ 4 758 470	€ 14 256 875
Average daily volume	€ 18 883	€ 56 129
Total turnover	€ 4 185 923	€ 11 708 989
Estimation average daily turnover	€ 16 611	€ 46 098
Rotation*	22.52%	67.47%

** rotation calculated on the free float of shares as it appears from the latest notifications received by the company.*

FINANCIAL CALENDER

12 May 2010	before trading hours	Trading update for first quarter of 2010
12 May 2010	at 2 p.m.	Annual General Meeting of Shareholders
30 August 2010	after trading hours	Publication of the half-year results and half-yearly financial report for 2010
28 October 2010*	after trading hours	Trading update for third quarter of 2010
8 February 2011*	after trading hours	Trading update for 2010
8 March 2011*	before trading hours	Publication full year results 2010

** indicative data*

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

- Publication of trading updates and results (please see below).
- Separate "Investor Relations" section on the website www.spectorphotogroup.com.
- Free subscription for investors to receive press releases, via the same website.

KEY FIGURES PER SHARE

	2008	2009
Number of shares with dividend rights as at 1 January Acquisition of treasury shares dd. 27 March 2008	36 487 708 -1 075 275	35 412 433
Total number of shares with dividend rights as at 31 December	35 412 433	35 412 433
Weighted average number of diluted ordinary shares as at 31 December	35 668 731	35 412 433

(in €, except for the number of shares)	2008	2008	2009
Number of shares	36 619 505	36 619 505	36 619 505
Shares with dividend rights	Number	Weighted average number	Number
Weighted average number of diluted ordinary shares	35 412 433	35 668 731	35 412 433
Revenue	7.52	7.46	6.89
Profit/loss (-) from operating activities, after non-recurring items (EBIT)	0.14	0.14	0.02
REBITDA	0.46	0.46	0.25
EBITDA	0.44	0.44	0.25
Profit/loss (-) before taxes	-0.07	-0.07	-0.10
Profit/loss (-) from continuing activities	-0.10	-0.10	-0.08
Profit/loss (-) from discontinued operations	-0.12	-0.12	-0.03
Profit/loss (-) for the period (ordinary & diluted)	-0.22	-0.22	-0.11
Profit/loss (-) before taxes, corrected for non-cash items	0.31	0.31	0.14
Profit/loss (-) from continuing activities, corrected for non-cash items	0.27	0.27	0.09
Profit/loss (-) for the period attributable to equity holders of the parent company	-0.22	-0.22	-0.11
Net result of the year attributable to equity holders of the parent company, corrected for non-cash items	0.20	0.20	0.09
Share price for the period	0.38	0.38	0.67

On 27 March 2008, 1,075,275 treasury shares were acquired for an amount of EUR 1,118 ('000). As a means of partially paying the outstanding receivable, Fotoinvest CVBA, in liquidation, transferred the bundle of shares in Spector Photo Group NV to Spector Coördinatiecentrum NV. The companies Fotoinvest CVBA, in liquidation, and Partimage CVA, on the one hand, and Spector Coördinatiecentrum NV, Alexander Photo SA and Spector Photo Group NV on the other, submitted an official notification of this transfer, dated 28 March 2008, to the Belgian Banking, Finance and Insurance Commission and to Euronext Brussels. In 2009, the number of shares with dividend rights remained unchanged.

NUMBER OF SHARES

The total number of shares listed is 36 619 505. The structure of the shareholdership is included on page 107 of this document.

FINANCIAL SERVICES

The financial service relating to the shares is provided by Fortis Bank and KBC Bank in Belgium, free of charge for the shareholders. If the company should change its policy concerning this matter, it will be published in the Belgian financial press.

DEMATERIALISATION OF SECURITIES

Persuant to the Belgian Law of 14 December 2005 governing the abolition of bearer securities and the resulting mandatory dematerialisation of bearer securities with effect from 1 January 2008, Spector Photo Group is calling on the services of Euroclear Belgium NV.

Euroclear Belgium NV is the Belgian Central Depository that offers all kinds of services to financial intermediaries and issuers of securities, including custody of securities, dematerialisation services, processing of stock exchange transactions, etc.

The Articles of Association of Spector Photo Group NV in compliance with the amended legislation concerning the abolition of bearer securities and dematerialisation of securities, were amended on 6 November 2007, published in the Appendices to the Belgian Bulletin of Acts and Decrees of 21 November 2007.

SPECTOR PHOTO GROUP PROFILE

Spector Photo Group is a diversified photo and multimedia group operating in 14 countries. It consists of two separate groups, the Retail Group, on the one hand, and the Imaging Group on the other, which mainly supply services and products to consumers. The Retail Group focuses on consumer electronics and on multimedia products on some local markets. It presents itself more as a retailer providing service than as a price-cutter. Today, the new digital photoproducts dominate at the Imaging Group, but the individual photo prints remain very important, and this is on a European scale.
They each develop a separate strategy and use the most suitable distribution channels for this. The customer is always most important in this context.

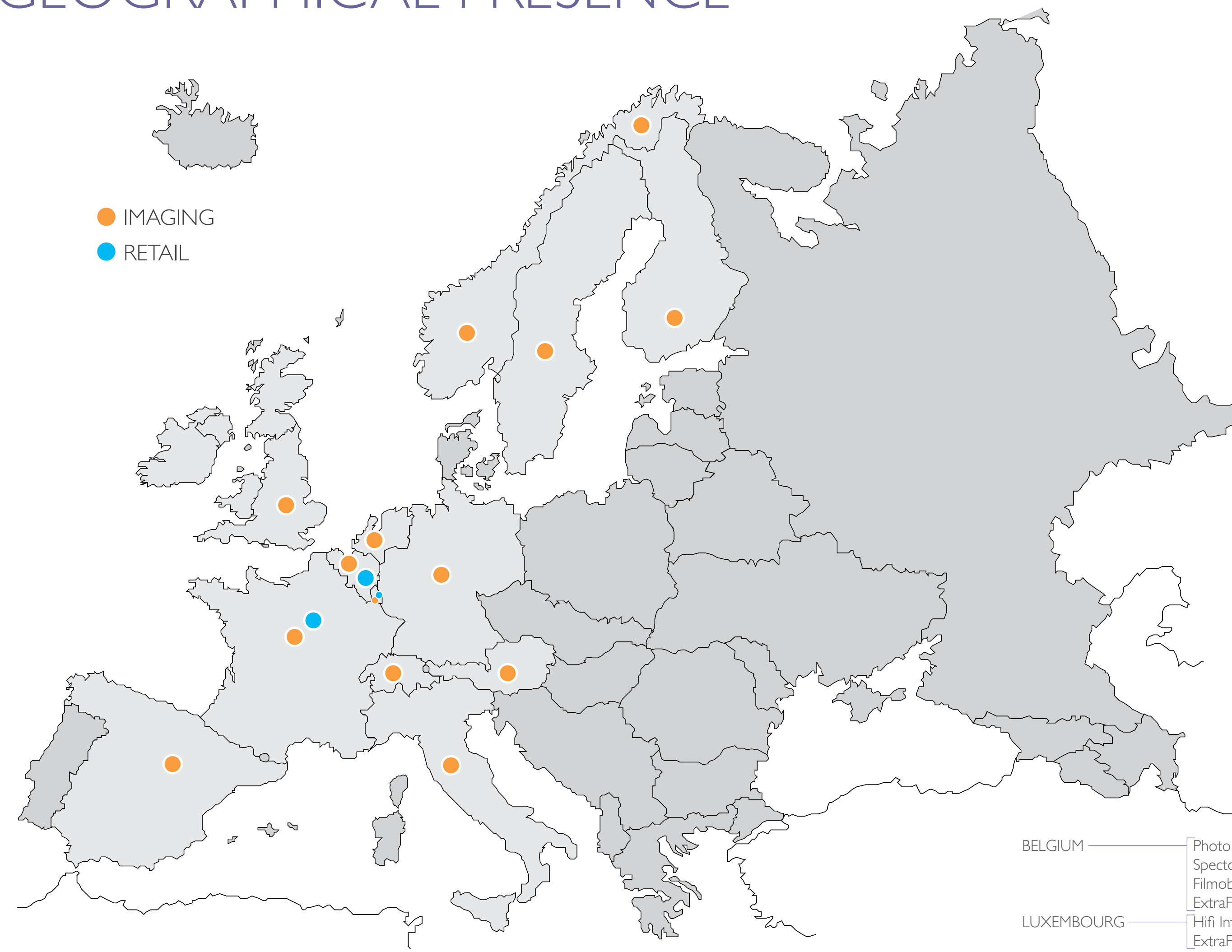
THE MISSION

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. In this perspective, the company promotes itself as a solutions provider.
Spector Photo Group follows the strategy to preserve its two core activities within the group, and develop each of them according to separate strategies.

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 ExtraFilm (joint venture between DBM Color and ExtraFilm from Sweden).
1988: Acquisition of Tecnocrome (photofinishing organisation in Belgium).
1990: ExtraFilm (Sweden) joined the Group + French ExtraFilm joint venture became a full subsidiary.
1991: The Group acquired a majority interest in Prominvest, a holding company listed on the Brussels stock exchange. Via a reverse takeover, the Group became part of Prominvest, which meant the Group indirectly obtained a stock-exchange listing.
1993: Change of the Group's name to Spector Photo Group, and merger by absorption of Prominvest by Spector Photo Group.
1994: Acquisition of photofinishing labs in France.
1995: Expansion into Austria and acquisition of a majority interest in ExtraFilm Switzerland.
1996: Agreement with the Swiss Interdiscount holding company providing access to Hungarian and German markets; ensures 100% control of ExtraFilm Switzerland; also meant the acquisition of Photo Hall in Belgium; and was followed by the takeover of the French mail order company Maxicolor.
1997: Maxicolor expands activities into Belgium and the Netherlands.
1998: Listing of Photo Hall, followed by takeover of Hifi International in Luxembourg.
1999: Purchase of a participation 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 centralisation of ExtraFilm France in Belgium. The marketing of ExtraFilm France remains established in France (Paris).
Photo Hall celebrated its 75th birthday.
Breakthrough for digital photography.
2009: Sale of the Hungarian Föfoto via an MBO.
Photo Hall launches its slogan 'The Smart Choice'.

GEOGRAPHICAL PRESENCE



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

RETAIL GROUP

INTRODUCTION

The Retail Group of Spector Photo Group operates under the name Photo Hall and specialises in selling consumer electronics. It contains the chains of Photo Hall in Belgium and Hifi International in Luxembourg. During the course of 2009, the Föfoto chain, operating under the Photo Hall name in Hungary, was sold via an MBO.

INTERNATIONAL MARKET ENVIRONMENT

The consumer electronics market had a weak 2009. GfK, the research bureau, calculated that global sales fell by 2% in 2009 to USD 681 billion. Four product segments succeeded in achieving growth, which were LCD TVs, portable computers, HD DVD players (Blu Ray) and smart phones. In 2008, on the other hand, there were 10 product segments that supported the market.

To explain the decrease, apart from economic conditions, GfK highlighted the end of a cycle of innovation that had produced numerous new products, e.g. navigation devices, -15% in 2009 versus 2008, and digital cameras, -11%.

BELGIAN MARKET ENVIRONMENT

On the basis of the GfK TEMAX reports, GfK noted an 11% fall in sales of consumer electronics in Belgium in 2009, including a decrease of 6.6% in photography. Both IT, with +2.1%, and telecommunications with +0.9%, noted slight increases.

Price deflation is one of the main reasons for the decline in **consumer electronics.** LCD and plasma TVs, for example, experienced price decreases of 20% to 30%. This did not prevent wide screen TVs remaining the most important product in consumer electronics with 62% of the sales. The market penetration of wide screen TVs was estimated at 69% at the end of 2009, compared to 50% at the end of 2008.

The **photography market** saw a decline in sales of 6.6% in 2009. The number of compact cameras fell by 5%. There was still a strong demand for models with high resolutions. Single Lens Reflex cameras experienced growth in numbers of 8% in 2009. There was however a decrease in value by 1%. The introduction of lower-priced models, around 8% cheaper, aimed to have consumers switch from compact to Single Lens Reflex cameras.

The sales in **IT products** closed 2009 with sales growth of 2.1%, a positive figure thanks to strong performance of +12.5% in the fourth quarter. Portable computers are the driving forces behind this growth and already represent 50% of the IT sales.

Telecommunications products recorded 0.9% sales growth in 2009, with the good fourth quarter of +3% ensuring stable performance for the year. This stable performance, however, does hide contrasting developments: on the one hand, the sales decreased for ordinary mobile phones, more than 10%, and DECT telephones and fax machines, on the other, the sales of advanced mobile phones showed a remarkable increase of 66%. During the 2009 fourth quarter alone, sales in numbers increased by 120%, which increased the market share of this type of equipment to more than 30%, compared to 20% at the end of 2008.

EVOLUTION OF NUMBER OF RETAIL GROUP SHOPS

At the end of 2009, Photo Hall Belgium had a total of 90 shops (+3), Hifi International in Luxembourg had 16 shops (unchanged), while the group still has one shop in France. Photo Hall Belgium (www.photohall.be) and Hifi International (www.hifi.lu) also each have an e-commerce sales outlet. During the whole of 2009, 5 new shops were opened in Belgium, located in Mariakerke, Chapelle, Jemeppe-sur-Sambre, Liege at the Mediacité shopping centre, and in Schilde. The shops in Sint-Niklaas and Brussels (Munt) were closed. The shop in Oudergem changed from a franchise to own management.

Around 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 area of the Luxembourg Hifi International shops amounts to 300 to 350 square metres. An exception to this is the shop in Bertrange, which has a surface of 2,800 square metres.

PHOTO HALL: 'THE SMART CHOICE'

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

- **pleasant shops of comfortable size and sales staff who are always at the customer's service.** The shops are well fit for customers and ideally situated all over Belgium. Thus, with background music and in friendly and warm surroundings, customers can allow specialised sales staff to guide them. The sales assistants are always happy to provide the best possible advice to customers and act as an intermediary to resolve their problems. In two words: NO STRESS!
- a **careful selection of the best and newest products that the market has to offer,** at unbeatable prices. Photo Hall wants to make its customers lives easier by offering them clear and strong choices that best meet their expectations. Gone is the indecisiveness when faced with a wall of shelves full of products!
- the **price guarantee.** If, in spite of Photo Hall's price monitoring, the customer has bought an article that is seen at a cheaper price elsewhere, Photo Hall commits itself to pay back the difference.

In addition to 'The smart choice', Photo Hall endeavours to guarantee good after-sales service for its customers. Photo Hall always wants its customers to be 100% satisfied with their new purchases. Therefore, Photo Hall undertakes to assists customers personally, even after the purchase, with advice and action or in the event of problems.

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


N95 8GB
Menu
Contacts
Messaging
Maps
Music
Gallery
Video Center
Search
Web
Discover N-...
Tools
Applications
Download!
Options
Exit
NOKIA


PHOTO HALL .be
Profiteer nu
van gratis levering op
PHOTO HALL .be
15


Nikon
Nikon
AF-S DX


SAMSUNG
12:22
Eco walk
You saved 9.7 trees
Total 2014 trees
History
Walk

THE RETAIL GROUP ON INTERNET

It is impossible nowadays to operate in the current market environment without internet, and Photo Hall (www.photohall.be) and Hifi International (www.hifi.lu) also make use of this important medium. On the one hand this media is **providing information**, on the other, it pursues **sales operations.**

The increasing complexity and technical developments make it more and more difficult for consumers to find their way through the extensive maze of product offerings. To assist their customers to choose, the websites of Photo Hall and Hifi International make expanded and technical information available about their products. Under the 'smart choosing' heading, customers find tips to assist them. The information is grouped into the themes of cameras, GPS, GSM, IT, MP3 players, TV, video cameras, and Windows 7.

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

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

- protection of the customer's privacy;
- handling of complaints by the Surveillance Committee;
- remote sales;
- communicating with consumers.

RETAIL GROUP'S SALES PER PRODUCT GROUP

2009 was a difficult year in several respects. On the one hand, there was the macroeconomic environment that depressed consumer confidence and consumer spending, on the other, price deflation. The combination of these two factors resulted in the fact no single product group, in Belgium was able to record a sales increase in 2009. The only exceptions to this were found in Luxembourg. The sales of photo prints increased slightly; sales of white goods, large and small household appliances experienced remarkable growth. White goods were only introduced in Hifi International's range three years ago, and already represented 7.3% of the total sales in 2009.

Within the specific product groups, however, we do observe sub-groups that noted higher sales: reflex cameras in Belgium and Luxembourg, GSM mobile phones in Belgium and Luxembourg, and home cinema systems in Luxembourg.

We have summarised a number of examples of price deflation in the table below:

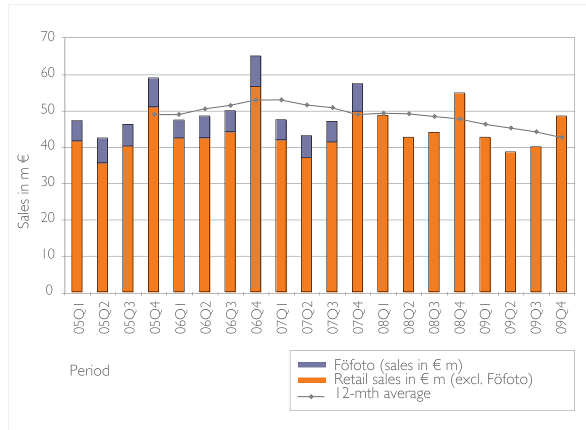
Price falls in Belgium	
Notebooks	-10%
GPS devices	-21%
LCD TVs	-15%
Price falls in Luxembourg	
Home Cinema	-14%
Digital cameras	-5%
GSMs	-6%

KEY FIGURES RETAIL GROUP

(in € millions)	**2008**	**2009**	**Δ in %**
Revenues	190.41	169.92	-10.8%
EBIT	7.63	3.13	-59.0%
EBITDA	10.48	5.28	-49.6%

LONG-TERM DEVELOPMENT

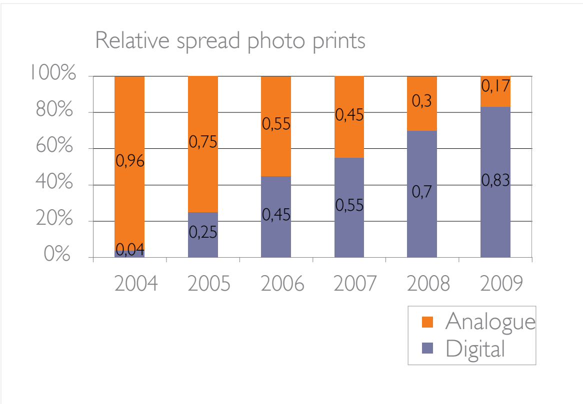
This chart shows the development of quarterly sales since 2005. During the period from 2005 to the end of 2007, sales grew gradually. In 2008, a fall in sales was observed, due to on the one hand the deconsolidation of the Hungarian Föfoto, on the other, due to the less favourable economic environment in Belgium and the closing of two shops in France. In 2009, the retail operations in Belgium and Luxembourg had to cope with the full impact of the economic crisis.



IMAGING GROUP

TRANSITION FROM ANALOGUE TO DIGITAL

The transition from analogue to digital photography has entered its final phase. Digital photography now comprises more than 80% of the total photo finishing market after the decrease of analogue photography by almost 50% in 2009.



Source: Spector Photo Group

The rapid breakthrough and great success of digital photography did not come by chance. After all, digital photography has considerable advantages that have swiftly won over consumers:

- digital cameras are usually smaller than traditional analogue cameras;
- digital cameras can provide information in photos, e.g. time, date, etc.;
- digital pictures can be stored and copied;
- digital photography allows you to experiment without loss of time or the development cost for less successful photos;
- digital photos can be processed using software to create certain effects;
- digital photos can be printed at home;
- the LCD screens of the digital cameras allow photos to be immediately viewed and deleted;
- many digital cameras have an Audio-Visual port that allows the photos to be viewed via a TV;
- you can choose which photos to print and which not;
- using digital photos, you can make your own creations on a variety of surfaces, such as porcelain, textile, etc.

Analogue photography will always continue to exist, e.g. in some professional environments. Consumers, on the other hand, are consistently choosing digital photography. On top of this, taking photos has become so easy that everyone can simply take a camera along with them and make a photo.

The penetration level of digital cameras in families in Western Europe amounts to 65%, a figure that can still increase slightly in the future, as witnessed in the penetration level of 75% in the US. It will surprise nobody that PCs and laptops are the favourite storage media for digital photos, with nonetheless a growing importance of external storage media such as external hard disks, CDs, memory cards, as well as online storage capacity offered by numerous websites.

Digital cameras in families		Photo storage		Use of photos	
VS	75%	PC/laptop	75%	View photos themselves or with family	100%
Japan	67%	External hard disc	46%	Printing photos	70%
Western Europe	65%	CD	26%	Sending via e-mail	74%
Eastern Europe	31%	Online	19%	Use for online auctions	45%
		Memory cards	17%	Upload for forums and communi-ties	34%
				Creating photo books	31%

Source: Photo Imaging News, GfK

The market for digital photography has undergone very fast development, not least due to the increasing online possibilities. On the one hand, telecom operators offer their customers more volume and higher speed without volume restrictions, on the other, consumers are inundated with new devices and new applications. The iPhone and iPod touch, for example, can use more than 150,000 applications, of which 3,060 are photo applications. Some mobile phones have cameras of 8 to 10 Megapixels, with LED flash, and some even have HD video. Cameras with internet connections are also being marketed. The integration of photo, video and mobile internet is gradually becoming a fact and creates a broad range of new commercial opportunities.

More advanced devices and more sophisticated applications are unquestionably leading to more photos, but these photos do not always find their way to commercial printing applications, such as prints, photo books or photo gifts. A large proportion of the digital photos therefore remain 'sleeping', unused on the hard disks of the computers or in the cameras. It is therefore up to the industry to offer applications to the highly demanding consumers to inject new life into these 'sleeping' photos. By providing products with a higher added value, the industry is gradually succeeding in this. This requires an ongoing development of the software, sufficient direct marketing knowledge, good value for money, regular promotions, the development of new products and a properly performing logistics system. These are only a few of the parameters that help to determine the success of the new digital environment in the photography sector.

Another important observation is that the fall in the number of analogue prints is not compensated by the increase in the number of digital prints. There are however not less pictures taken, but they are being used differently. Very popular is the use of photos and sharing them with other users, via social network sites, such as Facebook or Netlog, or just sending them via e-mail (see table).

SALES OF CAMERAS AND DERIVATIVES

GfK research shows that sales of cameras decreased by 6.4% in value to 9 billion euros in Western Europe. Consumer demand for digital cameras nevertheless continued to increase in 2009, although not to the same extent as in 2008. It was primarily digital single lens reflex cameras (DSLR) that were very popular with consumers and this was under the motto `more, faster, better and cheaper'. The sale of compact digital cameras, in contrast, decreased significantly; however, in this segment too there was a trend to more money for more features, such as 12-Megapixel cameras. There is also a trend in the market for DSLR cameras towards cameras with more possibilities. In Japan, for example, one in two of the DSLR cameras sold can record moving pictures.

This trend towards more possibilities and more accessories will continue and also become stronger. At the 2009 Imaging Summit, which took place in Germany in November 2009, the publisher of the American Photo Imaging News stressed the strong growth of the photo market. The number of photos taken with digital cameras will increase by 20% per annum, while photos taken with mobile phones using built-in cameras, on the other hand, will double each year. He paid special attention to the new digital products, such as photo books and photo gifts. For example, he expects that the number of photo books will increase from 1 million in 2003, to 129 million in 2012. He also foresees a very strong increase in the field of the personalised photo gifts, supported by the introduction of new technologies, such as double-sided printing. According to him, these photo gifts will amount to 5.6 billion dollars in 2012, compared to only 238 million dollars in 2003.

The success of photo books coincides to a great extent with the development of the quality of them, a development that coincided with the introduction of the use of photographic paper and of digital printing machines. The quality is of such a nature that these applications have found their way into industrial and commercial applications, activities that are a supplement to traditional photography activities.

The decreasing importance of individual prints, quality and price considerations also ensure that the number of photos printed at home decreased in Western Europe. A GfK analysis shows that the market for home prints in Western Europe reached a peak of 3.9 billion prints in 2006, but since then has gradually fallen to 2.45 billion prints in 2009.

STRUCTURE OF THE IMAGING GROUP

The Imaging Group's activities consist of two parts, which are Mail order and services for the independent photo specialists.

Mail order, operating under the ExtraFilm brand name:

- ExtraFilm focuses directly on private customers via the various national websites;
- They provide an extensive range of services in photography, ranging from analogue and digital photo prints to the various digital photoproducts. These products are delivered to the customers' homes by post.
- ExtraFilm has its head office in Wetteren, Belgium, where the central services, marketing, product development, software, administration, etc., are located;
- ExtraFilm operates in 14 countries via four regional offices: Nordics (Sweden), Central Europe (Switzerland), Southern Europe (France) and Benelux (Belgium). Production takes place in Wetteren, Belgium, and in Sweden.
- Mail order represents around 50% of the Imaging Group's revenues, and mainly consists of the group's digital activities that are experiencing the strongest growth.

Services for photo specialists: the Group serves the independent photo specialists in Belgium and the Netherlands via two channels:

- Spector: under the Spector™ brand name, Imaging provides extensive services in photography, ranging from analogue and digital photo prints to the various digital photoproducts that can be ordered and/or delivered via the independent photo specialist.
- Filmobel: wholesaling of hardware that is delivered directly to the independent photo specialists. This activity has grown strongly in recent years.


février 2010
lundi 1
mardi 2
mercredi 3
jeudi 4
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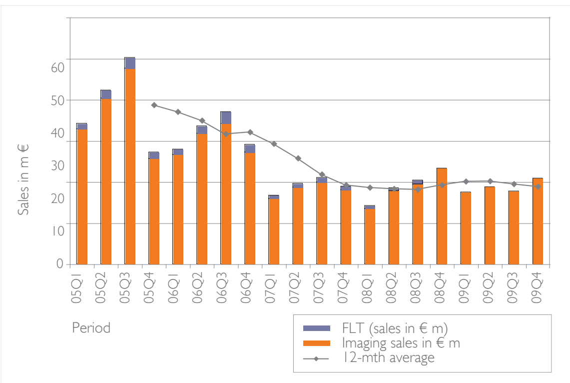
KEY FIGURES IMAGING GROUP

(in € millions)	2008	2009	Δ in %
Revenues	76.51	74.82	2.2%
REBIT	-1.34	-1.77	n.r.
REBITDA	6.33	4.09	35.4%
EBIT	-2.13	-1.77	n.r.
EBITDA	5.63	4.09	-27.3%

LONG-TERM DEVELOPMENT

This chart shows the development of quarterly sales since 2005. During the period from 2005 to the end of 2007, sales decreased due to the downturn of the volumes in analogue photography. In 2006 and 2007, the structure was gradually adapted to provide better responses to the challenges and opportunities of digital photography. This led to a recovery of sales in 2008 and 2009.

To facilitate the comparison throughout the years, the sales of the Italian FLT, no longer fully consolidated since the fourth quarter of 2008, are shown separately.



THE NEW PHOTOPRODUCTS

Since the introduction of the digital photo print some years ago, this activity has undergone an extraordinary development. Whereas in the past the holiday periods, or rather the periods after the holidays, especially the summer holidays, led to very busy photo finishing activity, the business has now spread itself better across the whole year. The busiest period has now become the year-end, and this has everything to do with the success of new products, such as greetings cards, photo calendars, photo books, and other `photo gifts'.

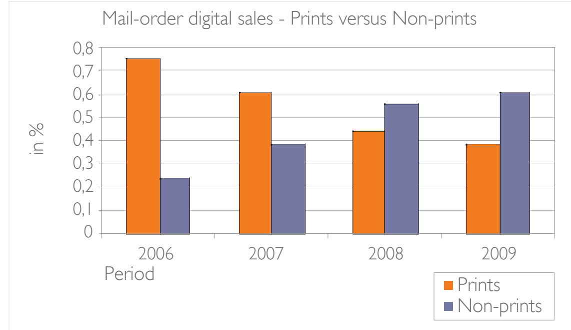
In fact, the sector is developing according to a business model that must be able to generate sales during the entire year. ExtraFilm offers its customers product ranges that have been built around `occasions', moments at which giving one or more new photoproducts can take place. These occasions are:

- sacraments or spring festivals;
- births;
- kids (birthday parties);
- marriages;
- holidays;
- parties;
- pets.

Under the 'something for everyone' motto, ExtraFilm also offers premium products, exclusive gifts and products that express more added value, and '3' creations', products that can be swiftly created online.

Via the 'new products' page, ExtraFilm customers gain immediate access to the newest products and designs.

Of course, customers do not have to wait until an 'occasion' presents itself. They can make their own selection from the various product groups in all shapes and colours. Photo books, up to now the most important new digital photoproduct, are available in 7 different formats, from pocket sizes, 13.7 x 17.5 cm, to impressive photo books for the salon table, 30.5 x 42.5 cm. The product group with the most options is undoubtedly that of the attractive presents, or photo gifts. Almost 20 attractive products are available, such as T-shirts, towels, mouse mats, glasses, aprons, puzzles, sunshades, etc.



BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Retail:
Fall in revenue by 10.8% led to an EBITDA decline of 49.6%
- The negative economic climate weighed heavily on consumer spending;
- Strong focus on cost control and reduction of working capital.

Imaging:
- Stable revenue on an annual basis with another increase in digital revenues, despite the crisis;
- Less satisfactory performance in the second half-year plus higher costs led to a fall in the EBITDA by 27.3% to EUR 4.09 million.

Group:
At group level, the net financial debt dropped another EUR 8.12 million to EUR 28.03 million.

CONSOLIDATED RESULTS FOR THE 2009 FINANCIAL YEAR

RECURRING RESULTS FROM OPERATING ACTIVITIES

Spector Photo Group realised revenues of EUR 243.98 million (-8.3%) with EBIT of EUR 0.62 million (-87.5%) in the 2009 financial year, compared to EUR 266.16 and EUR 4.97 million respectively in 2008.

The following aspects were typical for the results of the past financial year:

In Retail:
- a decline in revenues to EUR 169.92 million (-10.8%)
- an EBIT drop to EUR 3.13 million (-59%)
- a fall in the EBITDA to EUR 5.28 million (-49.6%)

The poor economic situation and low consumer confidence had unfavourable effects on the results in 2009. In Belgium, the revenue fell by 9.4%, while Hifi International in Luxembourg had to cope with an 11.8% revenue drop.

In Imaging, the revenues decreased slightly by 2.2% to EUR 74.82 million. If the deconsolidation of the Italian FLT, which was fully consolidated in the first three quarters of 2008 and has since then been recognised as a financial asset, and exchange rate differences, particularly for the Swedish krona, had not been taken into account, the annual turnover would have shown an increase of 1.8%. The EBIT slightly improved from minus EUR 2.13 million to minus EUR 1.98 million, the EBITDA witnessed a 27.3% drop to EUR 4.09 million.

FINANCIAL RESULT

The financial result before non-recurring items for the 2009 financial year improved from minus EUR 5.18 million in 2008 to minus EUR 4.29 million in 2009. The improvement by EUR 0.89 million is mainly the result of lower financial interest expenses. The unfavourable exchange rate differences increased slightly.

TAXES

Spector Photo Group realised a positive tax result of EUR 0.95 million in 2009, compared to minus EUR 0.91 million in 2008.

The current taxes amount to minus EUR 1.57 million, of which minus EUR 0.97 million are taxes on the result of the financial year, and minus EUR 0.59 million relates to previous periods. The deferred taxes amounted to a credit of EUR 2.51 million, of which EUR 1.06 million was a result of offsetting tax losses with profits from previous years (carry-back), related to Extrafilm France, plus releases of deferred taxes amounting to EUR 1.45 million.

DISCONTINUED OPERATIONS

The discontinued operations as at the 2009 year-end included the Retail Group's Hungarian Föfoto, which was sold on 4 June 2009 by means of an MBO (Management Buy-Out). The loss of EUR 1.06 million comprises, on the one hand, a non-cash loss of EUR 0.76 million resulting from the currency translation differences that were transferred from the currency translation differences item in the shareholders' equity to the realised statement of comprehensive income, and on the other hand, of EUR 0.30 million costs related to the completion of this transaction.

RESULT FOR THE FINANCIAL YEAR

Compared to a loss of EUR 7.75 million incurred in 2008, the loss for the 2009 financial year amounts to EUR 3.79 million. The improvement in the result by a rounded € 4 million compared to the 2008 financial year can be simply explained as follows:
- Operating profit: decreased by EUR 4.35 million.
- Financial result: improvement of EUR 3.29 million.
- Taxes: improvement of EUR 1.86 million.
- Discontinued operations: improvement of EUR 3.17 million.

INVESTMENTS

The investments in 2009 amounted to EUR 8.38 million, of which EUR 6.12 million was in property, plant and equipment, and EUR 2.26 million in intangible assets. The investments of EUR 3.98 million for the Retail Group mainly concern the purchase of the central building of Hifi International in Bettembourg, Luxembourg, for EUR 3 million, and the equipping and furnishing of the shops, costing EUR 0.85 million.

The Imaging Group invested mainly in machines and the development of designs for photo books and photo gifts, costing EUR 2.17 million. The investments as a result of the optimising of the data centre amounted to EUR 0.51 million. The acquisition of external customer relationships costed EUR 1.52 million.

DIVIDEND

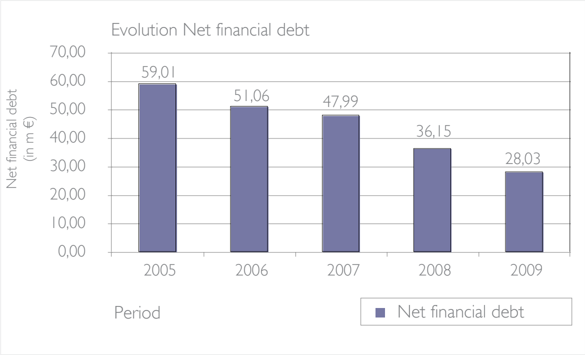
The Board of Directors will recommend the General Meeting of Shareholders not to pay a dividend for the 2009 financial year.

STATEMENT OF THE FINANCIAL POSITION

The balance sheet total decreased from EUR 136.51 million at year-end 2008 to EUR 121.54 million. The most important items are the following:

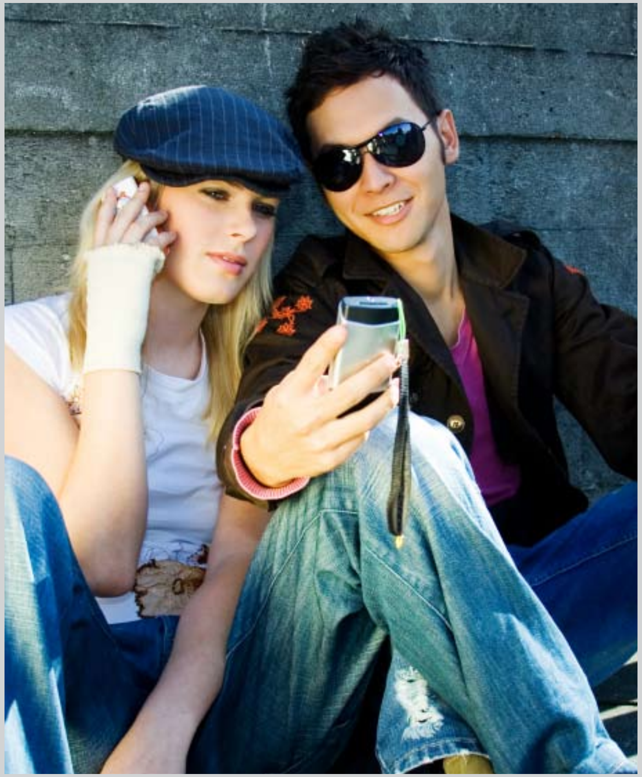
- The net financial debt decreased by EUR 8.12 million to EUR 28.03 million at the 2009 year-end from EUR 36.15 million at the end of 2008. This continues the remarkable debt reduction from recent years:

(in €'000)	2005	2006	2007	2008	2009
Net financial debt	59 006	51 064	47 990	36 150	28 028



Without the purchase of the central building in Luxembourg, the net financial debt would have fallen to EUR 25 million.

- The long-term debt of Photo Hall Multimedia to the bank consortium needs to be renegotiated as at 2010 year-end. IFRS requires that this item must be recognised under the current liabilities.
- The equity decreased from EUR 30.56 million at year-end 2008 to EUR 29.10 million at year-end 2009, due on the one hand to the net loss of EUR 3.79 million and, on the other hand, to a positive effect on the currency translation reserves of EUR 2.33 million.
- The net carrying amount for the external customer relationships amounted to EUR 8.8 million, of which EUR 7.2 million was for externally-acquired customer relationships and EUR 1.6 million for directly attributable costs.
- The inventories, trade and other receivables items fell sensitively by minus EUR 11.9 million. This mainly reflects the efforts of the Retail Group to optimise the working capital.
- The assets held for sale fell from EUR 6.7 million to EUR 0.7 million as a result of the sale of the Hungarian holding during the second quarter of 2009.



CURRENT SITUATION OF EACH DIVISION

RETAIL GROUP – PHOTO HALL

The retail operations in the Photo Hall Group realised revenues amounting to EUR 169.92 million in 2009, a fall of 10.8% in comparison with EUR 190.41 million in 2008. The fourth quarter experienced a similar development with an 11.5% drop in revenue. Consumer spending clearly continues to be unfavourably affected by the weak economic conditions.

Photo Hall in Belgium and Hifi International in Luxembourg saw a fall in the number of their sales transactions by a little more than 4%, with price deflation responsible for the remainder of the drop in revenue. Market saturation and a lack of innovative products were the underlying reasons for this.

In the product lines, mobile telephony and reflex cameras were the only lines that showed increases in revenues, in both Belgium and Luxembourg. In Luxemburg, Hifi International achieved an important double-figure increase in revenue with its recently-introduced range of household equipment.

The top three in the product ranges of Photo Hall consists of IT, telecom and televisions. At Hifi International, these are IT, televisions and cameras.

The number of shops in Luxembourg remained unchanged at 16, with a net increase of 3 shops in Belgium. The group retains its single shop in France.

Number of points of sale	2008	2009
Belgium		
own shops	82	86
e-commerce	1	1
under franchising	5	4
Luxembourg		
own shops	16	16
e-commerce	1	1
France		
own shops	1	1
Subtotal		
own shops	99	103
e-commerce	2	2
under franchising	5	4
Total number of points of sale	106	109

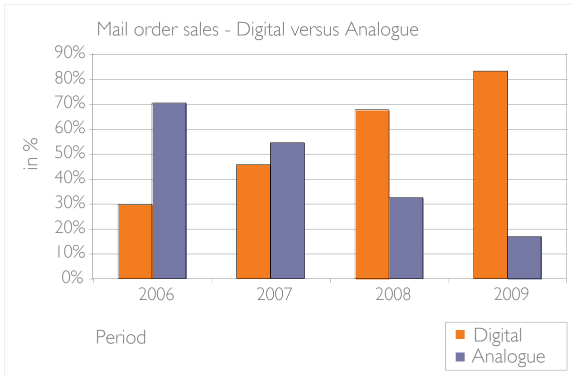
In 2009, a retail marketeer reviewed the market positioning of Photo Hall Belgium. The conclusion was that Photo Hall Belgium is correctly positioned and that its strengths must be given more emphasis. The launch of the slogan 'the smart choice' should contribute to this. The strengths are:

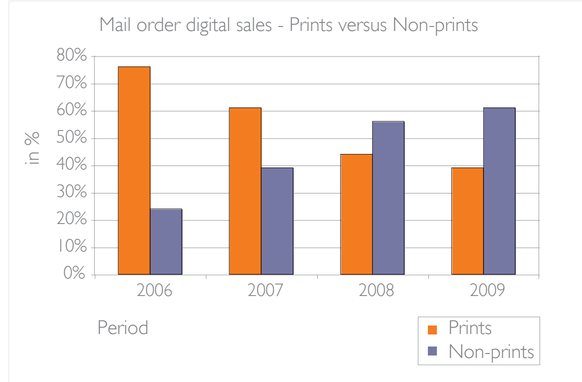
- pleasant shops and sales staff who are always at the customer's service. The shops are ideally located all over Belgium and are well fitted for the customers.
- a careful selection of the best and newest products that the market has to offer, at unbeatable prices. Photo Hall wants to make its customers' lives easier by offering them clear and strong choices that best meet their expectations.
- the price guarantee. If the customer has bought an article from Photo Hall that is offered cheaper elsewhere, Photo Hall will pay back the difference.

IMAGING GROUP - PHOTOMEDIA

The revenues from the Imaging Group amounted to EUR 74.82 million in 2009, a decrease of 2.2% in comparison with 2008. With a comparable scope, without FLT in 2008, and not taking exchange rate fluctuations into account, the year's revenues would have risen by 1.8%.

The revenues from the mail order activities of ExtraFilm increased over the entire year by 4.5% compared to 2008. Digital produced 83% of the revenue, with 17% still analogue. In 2009, the growth of digital photography was thus able to compensate for the almost 50% fall in analogue photography. Just like in 2008, the growth of the pure digital photo prints was limited to less than 5%, whereas the new digital products experienced strong growth. New photoproducts, such as photo books, photo calendars, photo gifts and photos on canvas continued to increase their relative importance. Photo gifts experienced the largest increase in the extended range of digital products in 2009, with growth of almost 150%. The numbers of photo books and photo calendars sold increased by 34%.





The group has successfully adjusted itself to the new market conditions resulting from the transition from analogue to digital photography. This involves not only the offering of new products at competitive prices, but also the investments in internet and software. Numerous years of experience in direct marketing in mail order is the final factor that has assisted and supported this transition.
The increasing importance of online marketing is leading to more targeted promotional campaigns, replacing traditional marketing expenditure via the media and in the form of targeted advertising. This enables marketing efforts to be translated into price reductions.

To process the larger quantities of new products, the group is investing in people and machines. The higher costs incurred for this cannot be fully recovered from the current revenue growth, but will pay off in the future.

Filmobel, the hardware wholesaler focussing on the professional photographer, again realised an increase in its turnover in 2009.

The Spector™ brand, which is used exclusively for supplying specialised photographic businesses, saw its turnover decrease in 2009. The new photo products are breaking through more slowly in specialised photographic businesses; in addition to this, as far as sales of consumer electronics is concerned, these specialised businesses also faced the difficult economic conditions.

PROSPECTS FOR 2010

The low consumer confidence and the limited prospects of improvement will continue to put pressure on the Retail Group's operations.

The Imaging Group anticipates growth in revenue for 2010: the effect of the decline in analogue photography will be more limited than in previous years; the growth of the new photo-products will continue in 2010.

RISK MANAGEMENT

The management of risks forms an integral part of the way in which the group is managed. The group has taken measures with a view to controlling these risks as effectively as possible, and will continue to do so, including the measure to constitute provisions.

However, no assurance can be given that these measures will be fully effective in all possible circumstances and therefore it is impossible to rule out that some of these risks could arise and could have an impact on the company. Other risks currently unknown to the Company, or which are not considered material at present, could prove detrimental to the Company or to the value of its shares.

FINANCIAL RISKS

The most important financial risks to which the Group is exposed are related to the Groups financial liabilities, the outstanding trade receivables and transactions in currencies other than the euro.

- In accordance with the realignment of the financial liabilities that was agreed with the bank consortium in December 2005, the remainder of the unredeemed loans and advances becomes due and payable at the end of 2010, and the loans may have to be renegotiated or refinanced. 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 in 2010. The group manages this risk by continuing to develop a transparent and constructive relationship with the bank consortium.

- 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 hand, by conducting proper credit management.

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

There was no significant risk concentration as at 31 December 2009 and 2008. No write-downs are recognised for the overdue receivables, because their collectability is considered as probable.

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

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 correspond to technological developments and their impact on consumer behaviour, the development of consumer prices, the competitive position and the dependence on a limited number of major customers of the Imaging Group.

- The strategy of the Imaging Group is based to a great extent 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 adjust 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 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, on the one hand, reducing its fixed overhead costs and, on the other hand, by continuously developing new products that are less susceptible to the general price pressure.
- The future market share and business figures of the Group – both in the Retail Group and in the Imaging Group – can be affected by campaigns of existing competitors or the entry of new competitors. By permanently monitoring its competitive position, the Group takes this factor into account in the further development of its plans and its operations. The current economic crisis means we are now experiencing some pressure on the revenues within the Retail Group. Consumers are more careful about purchasing more expensive consumer goods.

RISK RELATED TO DISPUTES

The Company and some of its subsidiaries are involved in tax disputes that are pending in the tax courts, and provisions have been formed for these. For certain tax disputes, however, the Company's opinion is that no provisions need to be formed. On the one hand, this concerns the tax deductibility of insurance premiums which the Company and some of its subsidiaries have paid to an insurance company that itself reinsured with a reinsurance company that is controlled by the Company. On the other hand, it chiefly concerns discussions around the tax deductibility of payments in the context of transactions with Group companies. A ruling in favour of the Group was delivered at the end of 2007. This ruling had a positive impact on the tax expenses for the 2007 financial year. The tax administration's refunds of the disputed taxes and interest amounts for postponement of payment were received in January and March 2009 respectively.

The tax dispute concerning Hifi International involves issues including (i) the tax deductibility of the loss that arose with the merger of Hifi International with Hifi Video and Hifi Connection in 2001, (ii) the recognition of the taxes under the alternative taxable basis; and (iii) an abnormal benefit that a subsidiary is alleged to have received as a result of a subsidiary's liquidation. During the 2009 financial year, an unfavourable ruling was delivered against the group. Since the payment to the tax administration had already taken place in 2008, this ruling only had an effect on the result of EUR 786 ('000) in 2009.

A dispute with a supplier has also been settled, and the recognised provision of EUR 280 ('000) was sufficient to be used for this.

After the settlement of the disputes mentioned above, there is a tax dispute that has been made pending by the tax courts and for which a provision of EUR 810 ('000)has been formed.

RISK MANAGEMENT

The Group has started a structured analysis of the risks concerning the planning, the organisation, the management and the controll of its operations. This **Enterprise Risk Management (ERM)** project includes 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 will systematically assess the ERM system that will be implemented on the basis of this.

THE POSSIBLE CHANGES OR INTERPRETATION UNDER IAS/IFRS OF THE RULES ON THE RECOGNITION OF INTANGIBLE ASSETS; MORE SPECIFICALLY, EXTERNALLY-ACQUIRED CUSTOMER RELATIONSHIPS OF THE IMAGING GROUP

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

Note: A more detailed explanation of the risks can be found in the prospectus that was published for the capital increase of December 2005. This document can be downloaded from and consulted on the corporate website www.spectorphotogroup.com.

SIGNIFICANT ASSUMPTIONS CONCERNING THE FUTURE

The assumptions concerning the future of the intangible assets other than goodwill and trading securities, mainly the externally-acquired customer relationships, are closely connected to the strategy of the Imaging Group concerning the transition from analogue to digital photography – as described in the market risks – and the translation of this strategy in the business plan that is the basis of the impairment tests referred to under note 13 of the annual report.

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

As a result of the combination, on the one hand, of the amortisation on the intangible assets and, on the other hand, limiting the capital expenditure by means of the Lifetime Value concept, the group believes that risks related to this asset are limited.

The Board of Directors agrees with the Audit Committee's opinion that the changed market in which the group is currently operating does not provide a reason for a permanent write-down of the intangible asset.

CONFLICT OF INTERESTS

Directors' conflict of interests of a financial nature in areas of application of Section 523 of the Belgian Company Code.

In 2009, the Board of Directors followed the procedure prescribed by Section 523 of the Belgian Company Code in the Board meetings of 30 June 2009 and 26 August 2009. The relevant parts of the minutes of these Board Meetings are shown below:

For the **Board Meeting on 30 June 2009:**
'Directors' declarations

Mr. Tonny Van Doorslaer declared that he had a financial interest related to agenda item 6 that conflicted with a decision under the Board of Director's powers within the meaning of Section 523 of the Belgian Company Code. The Board of Directors must specifically decide about the extension of the exercise period for warrants, of which Mr. Tonny Van Doorslaer is the beneficiary of a total of 400,000 warrants. Consequently, the procedure provided in Section 523 of the Belgian Company Code must be complied with. He would leave the meeting after the resolution of agenda item 5, and rejoin it after agenda item 6 had been resolved.

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

Deliberations
In introduction, the chairman explained that the Economic Recovery Act of 27 March 2009 (Belgian Official Gazette of 7 April 2009) provides that the exercise period of options or warrants, agreed between 1 January 2003 and 31 August 2008, can be extended by a maximum of five (5) years without any additional tax burden. The extension must take place with the agreement of the beneficiaries before 30 June 2009. The agreement must be notified to the tax administration before 31 July 2009. If the values for tax purposes of the options or warrants granted to any person amount to more than EUR 100,000, the possibility of extension for this person is limited to the options or warrants with a value for tax purposes of EUR 100,000.

Spector Photo Group wished to make use of the opportunity provided by this Recovery Act for the warrants that were granted on 28 November 2005 to the beneficiaries Messrs. Tonny Van Doorslaer, Stef De corte and Christophe Levie.

The granting of warrants to the gentlemen identified above at that time fell within the view that the Company must be able to provide sufficient incentives to its top management and/or executive directors to compensate them for the required responsibilities and services provided. The extension of the warrants falls within this same point of view and requires no expenditure on the Company's behalf of available resources, cash, nor will this extension have any effect on the Company's results. In other words, there are no negative financial consequences for the Company. The extension of the exercise period is a pure continuation of the remuneration policy adopted, in which use is made of a tax-neutral measure granted by the legislator. The extension had even been presented to and approved by the Appointments and Remuneration Committee on 29 June 2009.

In view of the above, the Board of Directors considered the extension of the warrants granted to Mr. Tonny Van Doorslaer, Mr. Stef De corte and Mr. Christophe Levie, to be in the interests of the Company.

Regarding the length of the extension, the majority of the directors considered a period of four (4) years to be reasonable.
The warrants' beneficiaries had informed the Board of Directors of their agreement to the extension of the exercise period.

Resolution
The Board of Directors decided to extend the exercise period of the warrants granted on 28 November 2005 without a warrant price, with an exercise price of EUR 3.36, for which the initial exercise period expires on 30 September 2010, for an additional period of four (4) years until 30 September 2014. The Board of Directors takes this decision in order to: (i) extend the incentive in the long term for the Beneficiaries (as defined in the Warrant plan), who are closely involved with the Company because of their role as director or consultant of the Company and who provide an important contribution for the success and the growth of the Company, and (ii) maintain a common interest between the Beneficiaries, on the one hand, and the shareholders of the Company, on the other, which is aimed at an increase in value of the Company's shares.

This common interest between the beneficiaries of the warrants and the shareholders should have a favourable effect on the value of the share.

The exercise period of the warrants granted on 28 November 2005 to the Beneficiaries identified below without a warrant price, with an exercise price of EUR 3.36, for which the initial exercise period expires on 30 September 2010, is therefore extended for an additional period of four (4) years until 30 September 2014. The Beneficiaries are Mr. Tonny Van Doorslaer, 400,000 warrants with a value for tax purposes of EUR 44,400, Mr. Stef De corte, 150,000 warrants with a value for tax purposes of EUR 16,650, and Mr. Christophe Levie, 50,000 warrants with a value for tax purposes of EUR 5,550. The total value for tax purposes for each of the beneficiaries amounts to less than the maximum amount of EUR 100,000. During the extended period, the beneficiaries will be entitled to existing shares and not to new shares.

After this resolution, Mr. Tonny Van Doorslaer rejoined the meeting.

For the **Board Meeting on 26 August 2009:**

'Directors' declarations
Before the start of the deliberations concerning the agenda item 'Approving Tonny Van Doorslaer's contract adjustments', Mr. Tonny Van Doorslaer declared that he had a financial interest that conflicted with a decision under the Board of Director's powers within the meaning of Section 523 of the Belgian Company Code. The Board of Directors must specifically decide about the adjustments of the contract between Spector Photo Group and TCL NV, permanently represented by Mr. Tonny Van Doorslaer and thus the beneficiary of the agreement. Consequently, the procedure provided in Section 523 of the Belgian Company Code must be complied with. He will leave the meeting before the resolution of this agenda item and rejoin it after this agenda item has been resolved.

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

Deliberation
As a result of the change in position of Mr. Tonny Van Doorslaer reported above, the Board of Directors deliberated the adjustments concerning the contract with TCL NV proposed by the Appointments and Remuneration Committee.

In view of the simplification of the Company's structure and the autonomous operation of the underlying divisions, the Retail Group and the Imaging Group, the Appointments and Remuneration Committee considers a reduction in the remuneration package to be a logical consequence. The Nomination and Remuneration Committee proposed a gradual adjustment in which the fixed remuneration would be reduced by EUR 50,000 a year during the coming three years, and the variable remuneration would be withdrawn, and this would be effective from 1 July 2009.

Taking account of the positive financial consequences for the Company, the Board of Directors considered the proposed adjustments to be in the best interests of the Company.

Resolution
The Board of Directors approved the proposed adjustments concerning the contract between Spector Photo Group NV and TCL NV, permanently represented by Mr. Tonny Van Doorslaer.

After this resolution, Mr. Tonny Van Doorslaer rejoined the meeting.

During 2009, there were no situations as referred to in Section 524 of the Belgian Company Code.

EVENTS AFTER BALANCE SHEET DATE

Since the closing of the 2009 financial year, 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 2009.

FEES FOR THE COMMITTEE OF STATUTORY AUDITORS

The Committee of Statutory Auditors receive an annual fee of EUR 37 ('000), in accordance with the resolution of the Ordinary General Meeting of Shareholders of 14 May 2008 and indexed according to the general consumer price index.

In addition, local auditors were granted total reimbursements of EUR 179 ('000) for work concerning the audits in the dependent enterprises with which Spector Photo Group forms a group.

During the 2009 financial year, the Committee of Statutory Auditors and the local auditors received an additional fee totalling EUR 32 ('000) for work outside the scope of their engagement. This mainly concerned work in the area of simplification of the group structure, tax-related services and specific IFRS audits.
Apart from these, no remunerations or benefits in kind were granted, neither by Spector Photo Group NV, nor by any other of its dependent enterprises. There were also no payments made to persons with whom the statutory auditors have concluded joint ventures, with the exception of the companies that conducted the local audits in the foreign branches of the Group.

APPLICATION OF THE ACT OF 17 DECEMBER 2008 ON SETTING UP AN AUDIT COMMITTEE FOR LISTED COMPANIES AND FINANCIAL ENTERPRISES

The composition of the Audit Committee satisfies the requirements stipulated in the Act. 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.

RESPONSIBILITIES CONCERNING PROVISION OF INFORMATION TO THE PUBLIC IN ACCORDANCE WITH THE BELGIAN ROYAL DECREE OF 14 NOVEMBER 2007

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

- the audited financial statements, which have been prepared in accordance with the applicable standards for financial statements, present a true and fair view of the assets, of the financial position and of the results of Spector Photo Group NV and the enterprises incorporated in the consolidation;

- the annual report presents a true and fair summary of the development, of the results, and of the position of Spector Photo Group and the enterprises incorporated in the consolidation.

A description of the most significant risks and uncertainties can be found on pages 24, 25 and 96 till 100.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Charter
Internal measures to promote good Corporate Governance practices
Board of Directors
Audit Committee
Nomination and Remuneration Committee
Day-to-day management
Remuneration Report
Shareholders

CORPORATE GOVERNANCE CHARTER

Spector Photo Group NV commits itself to comply with all the relevant statutory provisions concerning Corporate Governance and adheres to all principles from the Belgian Corporate Governance Code of 2009 that apply to the financial years starting on or after 1 January 2009.
The Corporate Governance practices of Spector Photo Group NV are presented in the Corporate Governance Charter that can be consulted on the website www.spectorphotogroup.com. The Board of Directors approved the current version of the Charter unanimously on 4 March 2010. Where there are deviations from the Code due to the company's specific nature, these deviations are explained in accordance with the "comply or explain" principle.

INTERNAL MEASURES TO PROMOTE GOOD CORPORATE GOVERNANCE PRACTICES

On the basis of the provisional timetable of publications for 2010, the Board of Directors has set the following 'closed periods' for itself:

- from 12 April 2010 to 14 May 2010 inclusive
- from 30 July 2010 to 31 August 2010 inclusive
- from 28 September 2010 to 29 October 2010 inclusive
- from 8 February 2011 to 9 March 2011 inclusive

BOARD OF DIRECTORS

The Board of Directors consists currently of 8 members, 7 of which are non-executive members. The roles and responsibilities of the members of the Board of Directors, the composition, structure and organisation are described in the Corporate Governance Charter of Spector Photo Group NV.

The composition of the Board of Directors has changed during 2009 as follows:

Spector Photo Group NV has two operating divisions, Retail en Imaging, structured in two separate legal entities, specifically Photo Hall Multimedia NV (Retail) with Mr. Christophe Levie as CEO, and Photomedia NV (Imaging) with Mr. Stef De corte as CEO. These divisions operate very autonomously, each having its own strategy, its own management and financial structure. To simplify and better adapt the group structure to this reality, Mr. Luc Vansteenkiste decided to make the position of Chairman of the Board of Directors available. The Board of Directors appointed Mr. Tonny Van Doorslaer as Executive Chairman (chairman and Managing Director) on 26 August 2009. Mr. Tonny Van Doorslaer accepted his appointment to this position, which means that his position has changed from Group CEO to Group Executive Chairman.

Mr. Vansteenkiste, permanent representative of VEAN NV, remains a director of Spector Photo Group NV.

Within this framework, the Board of Directors also decided to propose that Mr. Christophe Levie, managing director of Photo Hall Multimedia NV, and Mr. Stef De corte, permanent representative of Acortis BVBA, managing director of Photomedia NV, be appointed as directors of Spector Photo Group NV at the General Meeting of 12 May 2010.

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, Photohall Multimedia and Photomedia, operate independently, 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.

COMPOSITION OF THE BOARD OF DIRECTORS

Name	Function
Mr. Tonny Van Doorslaer	Executive Chairman
Mr. Philippe Vlerick	Deputy Chairman (non-executive director) (B)
Vean NV, represented by its permanent representative Mr. Luc Vansteenkiste	Director (non-executive director) (B)
Exceca Allocation AB, represented by its permanent representative Mr. Jonas Sjögren	Director (non-executive director) (B)
Patrick De Greve BVBA, represented by its permanent representative Mr. Patrick De Greve	Director (non-executive director) (A)
MCM BVBA, represented by its permanent representative Mr. Geert Vanderstappen	Director (non-executive director) (A)
Mr. Christian Dumolin	Director (non-executive director)
Norbert Verkimpe BVBA, represented by its permanent representative Mr. Norbert Verkimpe	Director (non-executive director) (A)

A Member of the Audit Committee
B Member of the Nomination and Remuneration Committee

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

BOARD OF DIRECTOR'S REPORT ON ACTIVITIES IN 2009

In 2009, 7 meetings were held, of which 5 meetings were under the chairmanship of VEAN NV, permanently represented by Mr. Luc Vansteenkiste, and 2 meetings under the chairmanship of Mr. Tonny Van Doorslaer.

One meeting dealt mainly with the budget for 2009, two meetings dealt mainly with the adoption of the financial statements as at 31 December 2008 and the half-yearly accounts as at 30 June 2009.

At the other meetings, the Board of Directors mainly discussed the regular reporting on the Group's results, the Company's financial position, the investment strategy, and the changes in the area of management. The Board of Directors deliberated on matters including the strategy and progress of each division, the management structure, and proposals for acquisitions or divestments.

CONFLICT OF INTERESTS

Directors' conflict of interests of a financial nature in areas of application of Section 523 of the Belgian Company Code.

In 2009, the Board of Directors followed the procedure prescribed by Section 523 of the Belgian Company Code in the Board meetings of 30 June 2009 and 26 August 2009. The relevant parts of the minutes of these Board Meetings are shown below:

For the **Board Meeting on 30 June 2009:**

'Directors' declarations
Mr. Tonny Van Doorslaer declared that he had a financial interest related to agenda item 6 that conflicted with a decision under the Board of Director's powers within the meaning of Section 523 of the Belgian Company Code. The Board of Directors must specifically decide about the extension of the exercise period for warrants, of which Mr. Tonny Van Doorslaer is the beneficiary of a total of 400,000 warrants. Consequently, the procedure provided in Section 523 of the Belgian Company Code must be complied with. He would leave the meeting after the resolution of agenda item 5, and rejoin it after agenda item 6 had been resolved.

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

Deliberations
As an introduction, the chairman explained that the Economic Recovery Act of 27 March 2009 (Belgian Official Gazette of 7 April 2009) provides that the exercise period of options or warrants, agreed between 1 January 2003 and 31 August 2008, can be extended by a maximum of five (5) years without any additional tax burden. The extension must take place with the agreement of the beneficiaries before 30 June 2009. The agree-

ment must be notified to the tax administration before 31 July 2009. If the values for tax purposes of the options or warrants granted to any person amount to more than EUR 100,000, the possibility of extension for this person is limited to the options or warrants with a value for tax purposes of EUR 100,000.

Spector Photo Group wished to make use of the opportunity provided by this Recovery Act for the warrants that were granted on 28 November 2005 to the beneficiaries Messrs. Tonny Van Doorslaer, Stef De corte and Christophe Levie.

The granting of warrants to the gentlemen identified above at that time fell within the view that the Company must be able to provide sufficient incentives to its top management and/or executive directors to compensate them for the required responsibilities and services provided. The extension of the warrants falls within this same point of view and requires no expenditure on the Company's behalf of available resources, cash, nor will this extension have any effect on the Company's results. In other words, there are no negative financial consequences for the Company. The extension of the exercise period is a pure continuation of the remuneration policy adopted, in which use is made of a tax-neutral measure granted by the legislator. The extension had even been presented to and approved Nomination and Remuneration Committee on 29 June 2009.

In view of the above, the Board of Directors considered the extension of the warrants granted to Mr. Tonny Van Doorslaer, Mr. Stef De corte and Mr. Christophe Levie, to be in the interest of the Company.

Regarding the length of the extension, the majority of the directors considered a period of four (4) years to be reasonable.
The warrants' beneficiaries had informed the Board of Directors of their agreement to the extension of the exercise period.

Resolution
The Board of Directors decided extend the exercise period of the warrants granted on 28 November 2005 without a warrant price, with an exercise price of EUR 3.36, for which the initial exercise period expires on 30 September 2010, for an additional period of four (4) years until 30 September 2014. The Board of Directors takes this decision in order to: (i) extend the incentive in the long term for the Beneficiaries (as defined in the Warrant plan), who are closely involved with the Company because of their role as director or consultant of the Company and who provide an important contribution for the success and the growth of the Company, and (ii) maintain a common interest between the Beneficiaries, on the one hand, and the shareholders of the Company, on the other, which is aimed at an increase in value of the Company's shares. This common interest between the Beneficiaries of the warrants and the shareholders should have a favourable effect on the value of the share.

The exercise period of the warrants granted on 28 November 2005 to the Beneficiaries identified below without a warrant price, with an exercise price of EUR 3.36, for which the initial exercise period expires on 30 September 2010, is therefore extended for an additional period of four (4) years until 30 September 2014. The Beneficiaries are Mr. Tonny Van Doorslaer, 400,000 warrants with a value for tax purposes of EUR 44,400, Mr. Stef De corte, 150,000 warrants with a value for tax purposes of EUR 16,650, and Mr. Christophe Levie, 50,000 warrants with a value for tax purposes of EUR 5,550. The total value for tax purposes for each of the beneficiaries amounts to less than the maximum amount of EUR 100,000. During the extended period, the beneficiaries will be entitled to existing shares and not to new shares.

After this resolution, Mr. Tonny Van Doorslaer rejoined the meeting.'

For the **Board Meeting on 26 August 2009:**

'Directors' declarations
Before the start of the deliberations concerning the agenda item 'Approving Tonny Van Doorslaer's contract adjustments', Mr. Tonny Van Doorslaer declared that he had a financial interest that conflicted with a decision under the Board of Director's powers within the meaning of Section 523 of the Belgian Company Code. The Board of Directors must specifically decide about the adjustments of the contract between Spector Photo Group and TCL NV, permanently represented by Mr. Tonny Van Doorslaer and thus the beneficiary of the agreement. Consequently, the procedure provided in Section 523 of the Belgian Company Code must be complied with. He will leave the meeting before the resolution of this agenda item and rejoin it after this agenda item has been resolved.

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

Deliberation
As a result of the change in position of Mr. Tonny Van Doorslaer reported above, the Board of Directors deliberated the adjustments concerning the contract with TCL NV proposed by the Appointments and Remuneration Committee.

In view of the simplification of the Company's structure and the autonomous operation of the underlying divisions, the Retail Group and the Imaging Group, the Nomination and Remuneration Committee considers a reduction in the remuneration package to be a logical Nomination and Remuneration Committee a gradual adjustment in which the fixed remuneration would be reduced by EUR 50,000 a year during the coming three years, and the variable remuneration would be withdrawn, and this would be effective from 1 July 2009.

Taking account of the positive financial consequences for the Company, the Board of Directors considered the proposed adjustments to be in the best interest of the Company.

Resolution
The Board of Directors approved the proposed adjustments concerning the contract between Spector Photo Group NV and TCL NV, permanently represented by Mr. Tonny Van Doorslaer.

After this resolution, Mr. Tonny Van Doorslaer rejoined the meeting.'

During 2009, there were no situations as referred to in Section 524 of the Belgian Company Code.

Of 56 possible attendees, 7 meetings x 8 directors, there were 4 apologies for absence. Mr. Christian Dumolin apologised for absence once, and Mr. Jonas Sjögren apologised for absence three times. Although the articles of association state that the decisions can be made by a majority of votes, all decisions made by the Board of Directors in 2009 were unanimous.

DIRECTORSHIPS AT OTHER COMPANIES

The brief biographies of the Board members each contain their main directorships at other companies; please see pages 37 to 40 of this document.

TERM OF THE CURRENT NOMINATIONS

At the General Meeting of 14 May 2008, the directors identified above were appointed for a period of three (3) years, until after the Annual General Meeting of Shareholders of 2011, which will be held on 11 May 2011.

The Board of Directors proposes that the General Meeting of Shareholders on 12 May 2010 appoints as directors:

- Mr. Stef De corte, executive director;
- Mr. Christophe Levie, executive director,

  and this for a period of one (1) year, commencing from 12 May 2010, and ending after the General Meeting of Shareholders in 2011.

ONE EXECUTIVE AND SEVEN NON-EXECUTIVE DIRECTORS

With the exception of Mr Van Doorslaer, Executive Chairman, the other Board members fulfilled no executive duties within the Company during 2009.

To the extent that the General Meeting of 12 May 2010 accepts the appointment of Messrs. Christophe Levie and Stef De corte as Board members, there will be three executive directors that are members of the Board of Directors commencing from that date.

FOUR INDEPENDENT DIRECTORS

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

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

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

VEAN NV, permanently represented by Mr. Vansteenkiste, also meets all the independence criteria of the Belgian Corporate Governance Code, with one exception: he is the managing director of Recticel NV, where Mr. Van Doorslaer is a non-executive director. The Board of Directors believes, however, that this does not compromise the independent decision-making of Mr. Vansteenkiste as a director of the Company, which has been effectively demonstrated by experience over recent years.

COMMITTEES OF THE BOARD OF DIRECTORS AND THEIR COMPOSITION

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

AUDIT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

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

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

The composition of the Audit Committee meets all the requirements stipulated in the Belgian Corporate Governance Code, and in Section 526 of the Belgian Company Code as amended by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises.

In accordance with Section 526 of the Belgian Company Code, 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.

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.

AUDIT COMMITTEE'S REPORT ON ACTIVITIES IN 2009

The Audit Committee met four (4) times in 2009. Two meetings were mainly devoted to the revision of the consolidated financial statements as at 31 December 2008 and the half-yearly consolidated figures as at 30 June 2009. One meeting was devoted to the annual impairment tests concerning the identified cash-generating entities, to examine whether an impairment loss should be recognised. One meeting was mainly devoted to the internal control and risk management systems. Other important agenda items for the committee were: compliance with the code of conduct; the programme for the internal audit; and questions concerning reporting according to IFRS.

All members attended the meetings, with the exception of Mr. Norbert Verkimpe who sent apologies for absence for the meeting of 24 August 2009.

NOMINATION AND REMUNERATION COMMITTEE:

COMPOSITION OF THE NOMINATION AND REMUNERATION COMMITTEE

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

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

This composition of the Nomination and Remuneration Committee deviates from the recommendations on this matter, as stipulated in Appendices D and E to the Belgian Corporate Governance Code of 2009. According to these recommendations, at least a majority of the Nomination and Remuneration Committee members should be independent. The Nomination and Remuneration Committee currently has a balanced division of tasks. In accordance with the recommendations of the Belgian Corporate Governance Code of 2009, the Nomination and Remuneration Committee will propose to the first Board meeting following the General Meeting of 12 May 2010 that Exceca Allocation AB, permanently represented by Mr. Jonas Sjögren be replaced as member of the committee by an independent director.

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

NOMINATION AND REMUNERATION COMMITTEE'S REPORT ON ACTIVITIES IN 2009

The Nomination and Remuneration Committee met twice in 2009, and handled matters including the changes in the area of management, the general remuneration policy, and the individual remunerations for members of the Executive Committee. All members attended the meetings.

THE RELATIONSHIP OF THE BOARD OF DIRECTORS WITH THE ASSOCIATED COMPANIES

Spector Photo Group NV holds – directly and/or indirectly – at least 95% of the shares in all its associated subsidiaries, and 49% in FLT (Fotolabore Tagliabue) SpA.
See also: pages 66 and 67 for a full summary showing the precise holdings.

DAY-TO-DAY MANAGEMENT

MANAGING DIRECTOR

In accordance with article 19 of the Articles of Association, the responsibility 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. 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 Managing Director has selected an Executive Committee for the day-to-day management of the company, which consists of:

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

Spector Photo Group does not have a management committee in the sense of the Act of 2 August 2002 concerning Corporate Governance.

REMUNERATIONS REPORT

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

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

NON-EXECUTIVE DIRECTORS

The non-executive directors, Mr. Philippe Vlerick, Exceca Allocation AB, Mr. Christian Dumolin, Patrick De Greve BVBA, MCM BVBA, and Norbert Verkimpe BVBA, each receive remuneration of EUR 12,500 per annum. Vean NV, non-executive chairman, until the Board meeting of 26 August 2009, was entitled to a total annual remuneration of EUR 25,000 and in 2009 received a proportional remuneration of EUR 18,750.

Mr. Tonny Van Doorslaer, appointed as Executive Chairman by the Board meeting of 26 August 2009, receives no remuneration in his capacity as Chairman of the Board of Directors.
The remuneration in the capacity of Managing Director – also Chief Executive Officer – is reported on page 36 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 an annual remuneration of EUR 2,500 for this. In addition to the remuneration identified above, Mr. Philippe Vlerick indirectly receives an annual remuneration of EUR 20,000 from his appointment as a non-executive director and Chairman of the Board of Directors of a subsidiary. Total directors' reimbursements of EUR 121,000 were paid out during the 2009 financial year and EUR 115,000 for the 2008 financial year.

There is no contract between the company or its associated companies and the members of the Board of Directors that provides for any payment on their retirement as director. Such a scheme does exist, however, for Mr Tonny Van Doorslaer, but exclusively in his capacity as Managing Director; please see brief biographies on pages 37 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 47 and 48.
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 page 107 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 MEMBERS OF THE EXECUTIVE COMMITTEE (IN EUR '000)

Members of the Executive Committee who are members of the Board of Directors receive no remuneration for their membership of the Board of Directors.
The remuneration of the Executive Committee members is determined by the Board of Directors at the recommendation of the Nomination and Remuneration Committee. For the managing directors of the Retail Group or the Imaging Group, a part of their remuneration is performance-related as an encouragement to support the Group's short-term and long-term performance. The variable remuneration is directly linked to the realisation of their divisional and their individual targets.
The Nomination and Remuneration Committee determines the variable remuneration on the basis of the financial performance and the success of the strategic initiatives of the Retail division or the Imaging division respectively.

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

The total remuneration for the 2009 financial year amounted to EUR 930,000. The remuneration components for the Executive Committee members are shown below.
No guarantees or loans have been granted to the members of the Executive Committee by Spector Photo Group NV or associated companies.

Separately from their remuneration, Messrs Van Doorslaer and De corte also held Spector Photo Group shares as at 31 December 2009. Details can be found in the brief biographies elsewhere in this document.

Executive Committee member	Fixed remuneration component (1)	Variable remuneration component (1) (2)	Other remuneration components (3)	Number of share options (date of option plan, exercise price) (4)	Number of warrants (exercise price per warrant) (4)
1.Tonny Van Doorslaer	291	36	7	7 500 (2002 – EUR 10.65)	400 000 (EUR 3.36)
2. Stef De corte				5 500 (2002 – EUR 10.65)	150 000 (EUR 3.36)
3. Christophe Levie					50 000 (EUR 3.36)
Total 1, 2 en 3	806	111	13		600 000 (EUR 3.36)

(1) Cost to the company, i.e. gross amount including social security contributions (employee and employer).
(2) The variable component is provided in the form of a bonus plan that is determined each year by the Nomination and Remuneration Committee. This bonus plan includes financial targets.
(3) The other components refer to the costs for pensions, insurance policies, and the cash value of the other benefits in kind (expense allowances, company car, etc.).
(4) For the exercise periods, please see pages 47 and 48 of this document.

BRIEF BIOGRAPHY OF THE MEMBERS OF THE BOARD OF DIRECTORS

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

Master in Law. After a ten-year career in the financial world with Kredietbank, Mr. Van Doorslaer has fulfilled various management functions within the Group, in both the financial and general management areas.
Managing director at the company since 1987. Executive Chairman as of August 2009.
His current appointment as director runs until the Annual General Meeting of Shareholders of 2011.

Current appointments with other disassociated companies include:

- Recticel NV (director and member of the Audit Committee)
- Lessius NV (chairman);
- Transposia NV (director);
- Guberna (member of the Board of Trustees).

Mr. Van Doorslaer has no family connections with other members of the executive, management or supervisory bodies of the company.
Mr. Van Doorslaer is holder of 221,449 registered shares, 400,000 warrants and 7,500 share options 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
Deputy chairman of the Board of Directors
Office address: Vlerick Group,
Doorniksewijk 49,
8500 Kortrijk, Belgium.

Holder of several degrees from Belgian and foreign universities in philosophy, law, management, and business administration. Extensive experience as 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, Voka, etc.).
Non-executive director at the company since 1995. Deputy chairman since 28 November 2005. Member of the Nomination and Remuneration Committee. His current appointment as director with the company runs until the Annual General Meeting of Shareholders of 2011.

Current appointments with other companies include:

- BIC Carpets NV (chairman);
- UCO NV (chairman, managing director);
- Exmar NV (director);
- KBC Group (deputy chairman);
- Besix NV (director);
- BMT NV (director);
- ETEX (director);
- Alcopa NV (director);
- Kredietbank Luxemburg (deputy chairman);
- Vlerick Leuven Gent Management School (partner-director);
- Photo Hall Multimedia NV (chairman);
- Corelio NV (director);
- LVD Company NV (director)
- Pentahold NV (chairman);
- IVC NV (director).

Moreover, Mr. Vlerick is director of several family companies.
Mr. Vlerick has no family connections with other members of the executive, management or supervisory bodies of the company.
Mr. Vlerick holds no share options of Spector Photo Group NV.
He holds no registered shares of the company, but 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 in a private capacity.
There is no contract between the company or its associated companies and Mr. Vlerick, which provides any benefit on resignation or retirement.

LUC VANSTEENKISTE
Permanent representative of VEAN NV, director
Office address: Recticel NV,
Olympiadenlaan 2,
1140 Brussels, Belgium.

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

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

Current appointments with other companies:
- Sioen Industries NV (chairman);
- Ter Beke Vleeswaren NV (director);
- Compagnie Mobilière & Foncière du Bois Sauvage (director);
- Delhaize Group NV (director);
- Recticel NV (director);
- BNP Paribas Fortis – Fortis Bank NV (director);
- Guberna VZW (director).

Mr. Vansteenkiste has no family connections with other members of the executive, management or supervisory bodies of the company.
Mr. Vansteenkiste holds no registered shares and no share options of Spector Photo Group NV and also has no other commercial link with the Group.
There is no contract between the company or its associated companies and Mr. Vansteenkiste, which provides any benefit on resignation or retirement.

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

Mr. Sjögren has an MBA from Insead and a 'Master degree in science and electrical engineering ' from the Chalmers University of Technology. Before starting his own company, Mr. Sjögren fulfilled several management positions at companies in the Ericsson group – mainly in the field of product management. From 1996 onwards, he was involved with several projects in the field of IP network solutions and mobile internet (3G) – areas that are highly relevant to Spector Photo Group the more the media convergence increases.

Non-executive director at the company since 1995. Member of the Nomination and Remuneration Committee. Until 14 May 2008, Mr. Sjögren was also a member of the Audit Committee. His current appointment as director with the company runs until the Annual General Meeting of Shareholders of 2011.

Current appointments with other companies include:
- Exceca AB, Sweden (managing director);
- Storytel AB, Sweden (director).

Apart from an appointment as director in Fotoinvest CVBA now liquidated, until 16 June 2006, and Lennart NV, also liquidated, Mr Sjögren fulfilled no directorships at any companies not stated above during the last five (5) years.
Mr. Sjögren has no family connections with other members of the executive, management or supervisory bodies of the company.

Mr. Sjögren holds no share options of Spector Photo Group NV. He holds no registered shares of the company, but represents Audhumla SA that holds 1,514,304 shares (4.1%) of Spector Photo Group.

There is no contract between the company or its associated companies and Mr. Sjögren, which provides any benefit on resignation or retirement.

PATRICK DE GREVE
Permanent representative of Patrick De Greve BVBA, director
Office address: Vlerick Leuven Gent Management School,
Reep 1, 9000 Gent, 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 at the company since 2004, and member of the Audit Committee since 2005.
Mr. De Greve meets the independence criteria stipulated in Article 526 of the Belgian Company Code, as provided for by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises. His current appointment as director with the company runs until the Annual General Meeting of Shareholders of 2011.
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 executive, management or supervisory bodies of the company.

Mr. De Greve holds no registered shares or share options of Spector Photo Group NV and also has no other commercial link with the Group, which enables him to act as an independent director.
There is no contract between the company or its associated companies and Mr. De Greve, which provides any benefit on resignation or retirement.

GEERT VANDERSTAPPEN
Permanent representative of MCM BVBA, director
Office address: Pentahold NV,
Belgicastraat 11,
1930 Zaventem, Belgium.

Qualified Engineer. Acted as the financial director with the company between 1993 and 1999 – thus more than five years ago. As partner at Pentahold NV and Buy-Out Fund CVA, Mr. Vanderstappen possesses sound financial expertise.
Non-executive, independent director since 28 November 2005. Director and chairman of the Audit Committee. Mr. Vanderstappen meets the independence criteria stipulated in Article 526 of the Belgian Company Code, and also possess the necessary expertise in the field of accounting and audit in the sense of Article 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.
His current appointment as director with the company runs until the Annual General Meeting of Shareholders of 2011.

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

He has no family connections with other members of the executive, management or supervisory bodies of the company.
Mr. Vanderstappen holds no registered shares of Spector Photo Group NV and also has not subscribed to any share options.
There is no contract between the company or its associated companies and Mr. Vanderstappen, which provides any benefit on resignation or retirement.

CHRISTIAN DUMOLIN
Director
Office address: Koramic Investment Group NV,
Kapel ter Bede 84,
8500 Kortrijk, Belgium.

Chairman and CEO of Koramic Investment Group (and subsidiaries). 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, Vlajo - Flemish youth enterprises, the Belgian Corporate Governance Institute). Non-executive director at the company since 2006. His current appointment as director with the company runs until the Annual General Meeting of Shareholders of 2011.

Current appointments with other companies include:
- Vitalo Industries (chairman);
- Wienerberger (Austria) (deputy chairman of Board of Directors (Aufsichtsrat) and member of Strategic Committee);
- Nationale Bank van België (honorary governor of the Belgian central bank);
- USG People (Netherlands) (supervisory director and chairman of Audit Committee);
- Director in various Belgian and foreign companies, including:
- TrustCapital (Belgium);
- Auguria Residential Real Estate Fund (Belgium);
- Brinvest (Belgium);
- E & L Real Estates (Poland);
- EKY (Turkey);
- Mercapital Sociedad de Capital Inversion (Netherlands);
- Belgian Banking, Finance and Insurance Commission (Commissie voor het Bank-, Financie- en Assurantiewezen (CBFA) - Supervisory Board member);
- Vlerick Leuven Gent Management School (partner-director);
- Federation of Belgian Enterprises (VBO-FEB - Executive Committee member);
- Vlaamse Jonge Ondernemingen (VLAJO – Flemish youth enterprises - member of Board of Directors);
- Guberna (Belgian Corporate Governance Institute - member of the Board of Trustees);
- CVC Capital Partners Benelux (member of the Advisory board Belgium).

Mr. Dumolin has no family connections with other members of the executive, management or supervisory bodies of the company.
Mr. Dumolin holds no share options of Spector Photo Group NV. He holds no registered shares of the company, but is the main shareholder of Koramic Finance Company NV, which holds 3,933,775 shares (10.74%) of Spector Photo Group NV.
There is no contract between the company or its associated companies and Mr. Dumolin, which provides any benefit on resignation or retirement.

NORBERT VERKIMPE
Permanent representative of Norbert Verkimpe BVBA, director
Office address:
Norbert Verkimpe BVBA,
Bommelsrede 29,
9070 Destelbergen, Belgium.

Regional Director and Competence Centre Director of Bisnode AB (Sweden), CEO of WDM International BV, chairman of WDM Belgium, WDM Belgium Holding and Spectron Business Solutions. Extensive experience as director in numerous companies.
Active in special interest groups of the entrepreneurial world (Guberna, Flemish Management Association, Belgian Direct Marketing Association).
Non-executive, independent director and member of the Audit Committee since 14 May 2008. Mr. Verkimpe meets the inde-

pendence criteria stipulated in Article 526 ter of the Belgian Company Code, as provided for by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises. His current appointment as director with the company runs until the Annual General Meeting of Shareholders of 2011.

Current appointments with other companies include:
- WDM International BV (CEO);
- WDM Belgium (chairman);
- WDM Belgium Holding (CEO & chairman);
- Spectron Business Solutions (chairman);
- Vadis Consulting (director);
- Synkronis (CEO & chairman);
- D-Trix (CEO & chairman);
- Kemapro BV (director);
- Time4Society VZW (director).

Mr. Verkimpe has no family connections with other members of the executive, management or supervisory bodies of the company.
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.

BRIEF BIOGRAPHY OF THE MEMBERS OF THE EXECUTIVE COMMITTEE

TONNY VAN DOORSLAER
See the brief biography of the members of the Board of Directors on page 37 of the annual report.

CHRISTOPHE LEVIE
Managing Director Retail Group
Office address: Photo Hall Multimedia NV, Lusambostraat 36, 1190 Brussels, Belgium.

Mr. Levie is a Master in Law, and has been active since 1986 in several management functions within Photo Hall Multimedia NV, which merged into the group in 1996.
Since 1998, Christophe Levie has been managing director of Photo hall – with activities in Belgium, Luxembourg and France.

Member of the executive committee of Spector Photo Group since 2005. At the General Meeting of Shareholders on 12 May 2010 Mr. Christophe Levie will be proposed to be appointed as director of Spector Photo Group. His mandate as director of the company will run till after the General Meeting of Shareholders in 2011.

Mr. Levie 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 executive, management or supervisory bodies of the company.
Mr. Levie holds no shares of Spector Photo Group NV and also did not subscribe to any share options. Mr. Levie holds 50,000 warrants.

He has a contract, dated August 24, 2004, 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.

STEF DE CORTE
Managing Director Imaging Group
Office address: Photomedia NV, Kwatrechtsteenweg 160, 9230 Wetteren, Belgium

Qualified 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 Shareholders on 12 May 2010 Mr. Stef De corte will be proposed to be appointed as director of Spector Photo Group. His mandate as director of the company will run till after the General Meeting of Shareholders in 2011.

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 executive, management or supervisory bodies of the company.
Mr. De corte holds no shares in Spector Photo Group NV, but Acortis BVBA holds 52,500 shares. Mr. De corte has subscribed to 5,500 share options and 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.

SHAREHOLDERS

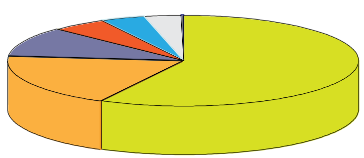
STRUCTURE OF THE SHAREHOLDERSHIP

There are no major changes in the shareholders' structure to be reported for 2009.
The Belgian Company Law and the articles of association oblige each shareholder whose voting rights linked to the securities with voting rights exceeds the thresholds 3%, 5% or some multiple of 5%, to notify the company and the CBFA.

The company did not receive any such notifications during the course of 2009.

Spector Photo Group and its subsidiaries possess 1 207 072 or 3.3% treasury shares. The number of treasury shares remained unchanged in 2009.

Structure of the shareholdership (pre-warrants) as it appears from the notifications received	
Free float	57.70%
Consortium VIT	18.88%
Koramic Finance Company	10.74%
Groes Gerard	5.01%
Audhumla	4.14%
Treasury shares	3.30%
Partimage	0.23%
Total	100.00%



More detailed information relating the structure of the shareholdership of the company, as at the year-end, can be found on page 107 of this document.

REFERENCE SHAREHOLDERSHIP

The former reference shareholder Fotoinvest CVBA was put into liquidation on 20 December 2007. Its holding in Spector Photo Group NV was sold to Spector Coördinatiecentrum NV on 27 March 2008. The liquidation of Fotoinvest CVBA was finally closed and the company definitively ceased to exist as at 20 June 2008. As a result of this, the dissolution will be commenced of the Stichting Administratiekantoor Consortium Ex-IPG.

GENERAL MEETING OF SHAREHOLDERS

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

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, interim 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.

COMMITTEE OF STATUTORY AUDITORS

- PKF bedrijfsrevisoren CVBA, represented by Mr. Danny De Jonge, Statutory Auditor (present appointment runs to the Ordinary General Meeting of Shareholders of 2011).
- Grant Thornton, Lippens & Rabaey BVCV, represented by J. Lippens, Statutory Auditor (present appointment runs to the Ordinary General Meeting of Shareholders of 2011).

GENERAL INFORMATION CONCERNING SPECTOR PHOTO GROUP

1. GENERAL INFORMATION CONCERNING THE COMPANY

1.1. Identity

The company's name is 'Spector Photo Group NV', 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 NV' by deed passed in the presence of Civil-law notary Luc Verstraeten at Assenede, published in the Supplements to the Belgian Official Gazette of 15 January 1965. The Articles of Association were last modified by deed passed in the presence of Civil-law notary Tom De Sagher on 6 November 2007, published in the Supplements to the Belgian Official Gazette of 21 November 2007, as a result of the Act of 14 December 2005 governing the abolition of bearer securities.

1.3. Legal form

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

1.4. Company objective

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

a) the production, import, purchase, sale, supply, renting out, leasing and storage of all products, materials and equipment for recoding and reproduction of pictures, signals and sound, and in the field electronic equipment, information technology, multimedia, sound and picture media, telecommunications, office equipment, photography, photoengraving, film and software, as well as their accessories and the associated services and related articles;
b) the acquisition, production, use and development of every 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 observation of the position of liquidator for the companies identified above;
f) the performance of all operations, studies and management services of administrative, technical, commercial and financial nature, chargeable to companies of which it is a shareholder or chargeable to third parties.

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

1.5. Register

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

2. GENERAL INFORMATION CONCERNING THE CAPITAL

2.1. Issued capital

The authorised and paid-up capital of Spector as at 31 December 2009 amounted to EUR 64,193,915.72, and is represented by 36,619,505 fully paid-up authorised shares without par 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

The Board of Directors is authorised for a term of five years starting from the publication of the resolution of the General Shareholders' Meeting of 28 November 2005 in the Supplements to the Belgian Official Gazette, within the statutory limitations, to increase the issued authorised share capital on one or more occasions, both by contributions in cash and by contributions in kind as well as by means of the incorporation of reserves and/or issue premiums, with or without issuing new shares, as well as by means of issuing, once or several times, bonds convertible into shares, bonds with warrants or warrants connected or not connected to another security, and all this for a maximum global amount of EUR 64,193,915.72. 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 Article 560 of the Belgian Company Code, within the framework of issuing securities within the registered capital, to modify the respective rights of the existing categories of shares or securities that do or do not represent the capital.

This authorisation is valid in so far as it is in accordance with the applicable statutory provisions. The Board of Directors will not in any case use this authorisation with the aim to, or in such a way that this would, prejudice the shareholders' rights connected to the existing shares.

The 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 in the Supplements to the Belgian Official Gazette, to use the authorisation granted by the present clause to increase the capital, in the circumstances, under the conditions and within the restrictions of Article 607 of the Belgian Company Code.

The Board of Directors determines the dates and the conditions of the capital increases that it has decided to implement pursuant to the previous paragraphs, including the possible payment of the share premiums. It determines the conditions for the issue of 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 Articles 592 and following of the Belgian Company Code, the period and other conditions for the exercising of the preferential rights by shareholders when they are vested with this right by law. The Board of Director can also, in accordance with the same Articles 592 and following, in the interest of the Company and under the conditions provided by law, restrict or exclude the pre-emptive rights of the shareholders, in favour of one or several persons selected by the Board of Directors, regardless whether these persons are staff members of the Company or of its subsidiaries.

When a share premium is paid as a consequence of the present clause, it will automatically be transferred to a non-distributable account called "share premiums" which can only be disposed of under the conditions required for the capital reduction. However, the premium can be incorporated in the registered share capital at any time, this resolution can be taken by the Board of Directors in accordance with the first paragraph."

2.3. Profit-sharing certificates

None

2.4. Conditions for changes of 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 1991 (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 July 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 ratio of one Spector share to one Prominvest share.

After this operation, Prominvest held 96% of the Spector shares.

f) 29 October 1993 (publication in Belgian Official Gazette of 23 November 1993):

Merger due to acquisition by Prominvest 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 warrant can be exercised at every moment, individually or jointly, during a period of five years counting from the date of emission, (i) with effect from the notification by the Belgian Banking, Finance and Insurance Commission (CBFA) of a public takeover bid on the shares of the company, or (ii) with effect from moment that an audit announcement is sent to the Banking and Finance Commission and/or the company receives knowledge of the purchase by one or more persons who by mutual agreement act with 20% or more of the voting-right securities of the company, or (iii) as soon as the price of the company's shares on the Brussels Stock Exchange's First Market become identifiably and substantially affected by systematic buying orders or by constant rumours concerning a take-over bid on the shares of the company, consequently, approval of capital increase provided for and as the exercise of the warrants identified above amounting to the maximum amount equal to the number of subscription rights represented by the warrants, multiplied by the fraction unit value of the share at the moment of subscription.

m) 23 June1998 (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 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 without no indication of par 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 par 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 par 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 par 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. For more information, see point 2.9. Treasury shares

2.6. Summary of transactions

year	number of shares	capital
1964	200	BEF 1.000.000
1966	400	BEF 2.000.000
1970	800	BEF 4.000.000
1976	1.124	BEF 8.000.000
1983	1.904	BEF 13.550.480
1987	500.752	BEF 50.864.428
1988	699.500	BEF 180.000.000
1989	791.402	BEF 383.000.000
1990	1.401.901	BEF 1.013.760.837
1991	1.425.510	BEF 1.016.633.457
1992	1.524.338	BEF 1.137.369.693
1993	2.781.507	BEF 963.607.561
1994	3.306.290	BEF 1.488.390.561
1996	4.796.925	BEF 2.159.176.311
1998	4.797.040	BEF 4.264.351.116
2000	4.797.852	BEF 4.265.601.596
2001	5.580.898	EUR17.729.525.41
2002	6 761 253	EUR 22.392.361.52
2005	36 619 505	EUR 64.193.915.72

On 27 March 2008, Fotoinvest CVBA, in liquidation, transferred its bundle of shares in Spector Photo Group NV to Spector Coördinatiecentrum NV. As this transaction exceeded the transparency threshold, the companies Fotoinvest CVBA, in liquidation, and Partimage CVA, on the one hand, and Spector Coördinatiecentrum NV, Alexander Photo SA and Spector Photo Group NV on the other, submitted an official notification of this, dated 28 March 2008, to the Belgian Banking,

Finance and Insurance Commission and to Euronext Brussels. The total number of treasury shares is currently 1,207,072 or 3.3 % of the total number of shares.

2.7. Joint control

Spector is not aware of any agreements between specific shareholders as a result of which a joint policy concerning Spector is conducted.

2.8. Group structure

See Annual Report page 115.

2.9. Treasury shares

See the explanatory notes to the company's financial statements.

The General Meeting of 6 November 2007 explicitly authorised the Board of Directors in accordance with the provisions of the Belgian Company Code, to acquire treasury shares or profit-sharing certificates by purchase or exchange, or dispose of them, without a prior resolution of the General Meeting being required, directly or via a person acting under their own name but on behalf of the company, or via a direct subsidiary as referred to in Article 627 of the Belgian Company Code, 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 Article 620 §1 of the Belgian Company 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 6 November 2007 also authorised the Board of Directors, in accordance with Article 620 of the Belgian Company Code, to acquire by purchase or exchange the maximum permitted number of shares at a price equal to at least eighty-five percent (85%) and no more than one hundred and fifteen percent (115%) of the most recent closing price at which these shares were listed on the Eurolist by Euronext on the day preceding the purchase or exchange. This authorisation applies for a period of 18 months from the publication of this resolution in the Supplements to the Belgian Official Gazette and, pursuant to Article 620 §1 of the Belgian Company Code, can be renewed.

2.10. 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 Article 11 of the Belgian Company Code).

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

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

The table below shows the exercise price, the number of options offered, the number of options accepted and the number still outstanding, which have been offered in the implementation of this plan.

Year of offer per portion	2002
Exercise price	€ 10,65
Number of options offered	67 500
Number of accepted options	61 250
Number of outstanding options	48 500
Initial exercise periods	04/2006 04/2007 12/2007
Additional exercise periods in accordance with the Law of 24 December 2002	04/2009 04/2010 12/2010

As a result of the law of 24 December 2002, the beneficiaries of the option plans were asked to agree to an extension of the exercise periods by three years. All the beneficiaries have now agreed to this, and the proposal is therefore approved. At the exercising of these options, the company will use treasury shares held by the company. The Corporate Governance Charter of Spector Photo Group NV includes a code of conduct concerning the purchasing and disposal of treasury shares.

2.11. Warrant plan

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

pany's share price.
In accordance with the Economic Recovery Act of 27 March 2009, The Board of Directors decided to extend the exercise period of the warrants granted on 28 November 2005 for which the initial exercise period expires on 30 September 2010, by an additional exercise period of four (4) years until 30 September 2014. During the extended period, the beneficiaries will be entitled to existing shares and not to new shares. Therefore, contrary to the Belgian Corporate Governance Code's recommendations, the extension could be approved by the Board of Directors. For the sake of good order, the extension will be presented at the General Meeting of 12 May 2010.

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

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

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%

3. OTHER INFORMATION

3.1. Composition of the Board of Directors

Please see page 31.

3.2. General Meeting and conditions of admission

Please see page 42.

CONSOLIDATED FINANCIAL STATEMENTS 2009

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INCOME STATEMENT FOR THE PERIOD (in € '000)

	Note	2008	2009
Revenue	2	266 159	243 978
Other operating income	3	7 282	5 038
Trade goods, raw materials and consumables	4	190 839	175 923
Employee expenses	5	32 095	31 728
Depreciation and amortisation expenses	6	10 642	8 941
Other operating expenses	7	34 107	31 803
Profit/loss (-) from operating activities, before non-recurring items	8	5 758	620
Non-recurring items from operating activities	9	- 786	
Profit/loss (-) from operating activities		4 972	620
Financial income	10	896	536
Financial costs	10	-6 074	-4 829
Financial cost-net, before non-recurring items		-5 177	-4 293
Non-recurring financial items	10	- 2 405	
Financial result	10	- 7 582	- 4 293
Profit/loss (-) before taxes, before non-recurring financial items		- 205	-3 673
Profit/loss (-) before taxes		-2 610	-3 673
Income tax expense (-)/ income	11	- 908	946
Profit/loss (-) from continuing activities		-3 518	-2 726
Discontinued operations			
Profit/loss (-) from discontinued operations	19	-4 229	-1 062
Profit/loss (-) for the period		-7 748	-3 788
Attributable to equity holders of the parent company		-7 748	-3 788

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

	2008	2009
Profit/loss (-) for the period	- 7 748	- 3 788
Currency translation adjustments :	- 15	2 327
Gains/losses(-) arising during the year	8	- 34
Reclassification adjustments for gains/losses (-) included in profit or loss	- 23	2 361
Revaluation surplus	- 2 139	
Gains/losses(-) arising during the year	- 2 139	
Total comprehensive income for the period attributable to equity holders of the parent company	- 9 902	- 1 461

The revaluation losses in 2008 that amounted to minus EUR 2,139 ('000) concerned assets held for sale. The profit/loss (-) of the 2008 financial year concerning the currency translation differences included minus EUR 607 ('000) for assets held for sale. The reclassification adjustments related to 2009 contain EUR 757 ('000) for assets held for sale.

KEY FIGURES PER SHARE (in €, except for the number of shares)

	2008	2008	2009
Number of shares	36 619 505	36 619 505	36 619 505
Shares with dividend rights	Number	Weighted average number	Number
	35 412 433	35 668 731	35 412 433
Income statement for the period			
Profit/loss (-) from continuing activities	-0.10	-0.10	-0.08
Profit/loss (-) from discontinued operations	-0.12	-0.12	-0.03
Profit/loss (-) for the period attributable to equity holders of the parent	-0.22	-0.22	-0.11
Comprehensive income for the period			
Total comprehensive income for the period attributable to equity holders of the parent company	-0.28	-0.28	-0.04

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

ASSETS	Note	2008	2009
Non-current assets			
Property, plant and equipment	12	18 260	20 640
Consolidation goodwill and other goodwill	13	19 517	19 164
Intangible assets other than goodwill	14	12 315	9 966
Other non-current financial assets	16	49	49
Long term receivables	17	248	252
Deferred tax assets	18	7 049	7 032
Non-current assets		57 439	57 103
Current assets			
Assets held for sale	19	6 712	681
Inventories	20	36 622	28 717
Trade and other receivables	21	20 138	16 129
Investment securities - current		3	3
Cash and cash equivalents	22	12 438	18 439
Current income tax assets	23	3 152	469
Current assets		79 066	64 438
TOTAL ASSETS		136 505	121 541

EQUITY AND LIABILITIES	Note	2008	2009
Total equity			
Capital		64 194	64 194
Reserves and retained earnings/accumulated loss (-)		- 30 115	- 33 904
Treasury shares (-)		- 2 422	- 2 422
Currency translation adjustments		- 1 098	1 229
Shareholder's equity		30 559	29 097
Total equity	24	30 559	29 097
Non-current liabilities			
Non-current interest-bearing financial obligations	25	32 730	16 337
Employee benefit liabilities	26	190	148
Non-current provisions	27	1 852	1 403
Deferred tax liabilities	18/29	2 785	1 319
Non-current liabilities		37 558	19 208
Current liabilities			
Liabilities held for sale	19/30	6 746	698
Current interest-bearing financial obligations	25	15 862	30 133
Trade and other payables	31	37 948	35 914
Employee benefit liabilities	26	4 174	4 452
Current income tax liabilities	32	3 465	2 039
Current portion of provisions	28	194	
Current liabilities		68 388	73 236
TOTAL EQUITY AND LIABILITIES		136 505	121 541

STATEMENT OF CHANGES IN EQUITY (in € '000)

	Capital	Retained earnings	Revaluation surplus	Treasury shares	Currency translation adjustments	Shareholders' equity	Total equity
Balance as at 31.12.2007	64 194	-22 367	2 139	-1 304	-1 083	41 579	41 579
Acquisitions/Sale of treasury shares				-1 118		-1 118	-1 118
Currency translation differences					- 15	- 15	- 15
Net gains/losses (-) not recognised in the income statement			-2 139			-2 139	-2 139
Net profit/loss (-) for the period		-7 748				-7 748	-7 748
Total comprehensive income		-7 748	-2 139		- 15	-9 902	-9 902
Balance as at 31.12.2008	64 194	-30 115		-2 422	-1 098	30 559	30 559
Currency translation differences					2 327	2 327	2 327
Net profit/loss (-) for the period		-3 788				-3 788	-3 788
Total comprehensive income		-3 788			2 327	-1 461	-1 461
Balance as at 31.12.2009	64 194	-33 904		-2 422	1 229	29 097	29 097

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

For the year ended on 31 December	2008	2009
Operating activities		
Net result	- 7 748	- 3 788
Depreciation, write-offs, impairment of property, plant and equipment	5 190	3 764
Depreciation, write-offs, impairment of intangible assets	6 564	5 018
Write-offs, impairment on current and non-current assets	2 724	128
Provisions	- 116	- 719
Unrealised foreign exchange losses/gains (-)	- 10	1 170
Net interest income (-)/expense	4 166	3 041
Loss/gain (-) on sale of property, plant and equipment	- 44	- 44
Income tax expenses	- 599	- 2 478
Other non-cash costs		2 362
Profit from operations before changes in working capial and provisions	10 128	8 454
Decrease/increase (-) in trade and other receivables	7 516	3 250
Decrease/increase (-) in inventories	3 153	8 420
Increase/decrease (-) in trade and other payables	87	- 1 651
Increase/decrease (-) in provisions for employees		- 12
Cash generated from operations	20 885	18 460
Interest paid (-)/received	- 4 874	- 2 998
Income tax paid (-)/received	- 1 153	602
Cash flow from operating activities	14 858	16 064

	2008	2009
Investing activities		
Proceeds from sale of property, plant and equipment	1 862	134
Proceeds from sale of subsidiaries	- 5	- 42
Acquisition of property, plant and equipment	- 2 815	- 6 121
Acquisition of intangible assets	- 2 439	- 2 262
Cash flow from investing activities	- 3 397	- 8 291
Financing activities		
Acquisition of treasury shares	- 1 118	
Proceeds from borrowings	1 017	3 719
Repayment of borrowings	- 11 939	- 5 870
Cash flow from financing actvities	- 12 040	- 2 151
Net increase/decrease (-) in cash and cash equivalents	- 579	5 623
Cash and cash equivalents at the beginning of the year	13 526	12 438
Cash and cash equivalents at the beginning of the year discontinued operations	629	898
Effect of exchange rate fluctuations	- 240	121
Cash and cash equivalents at the end of the period	12 438	18 439
Cash and cash equivalents at the end of the period in assets held for sale	898	640
Total cash and cash equivalents	13 336	19 079

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

Cash flow from operating activities

The cash flow from operating activities is mainly affected by the net result and the non-cash items.

Details about depreciation, amortisation and impairments can be found in the notes to the consolidated statement of financial position on pages 75 to 79 of this document. The non-cash flows mainly concern write-downs on investments in plant and equipment, and on intangible assets.

In the 2008 financial year, EUR 2,724 ('000) was recognised for provisions and write-downs on non-current and current assets, of which EUR 1,714 ('000) concerned financial assets, EUR 247 ('000) on other receivables, and EUR 557 ('000) on inventories of the discontinued operations.

In the 2009 financial year, the write-downs on non-current and current assets amounted to EUR 128 ('000), of which minus EUR 148 ('000) on inventories, EUR 306 ('000) on trade receivables, and minus EUR 30 ('000) on other receivables. The other non-cash costs consist, on the one hand, of a non-cash cost resulting from the realised currency translation differences on the sale of the Hungarian Föfoto of EUR 758 ('000) and the liquidation of Sacap Hong Kong of EUR 117 ('000), and on the other, from currency translation differences related to long-term intercompany loans of EUR 1,487 ('000), which were previously recognised directly in a separate item of the equity and taken to the statement of comprehensive income on realisation.

The interest expenses decreased to EUR 3,041 ('000) in 2009, compared to EUR 4,166 ('000) in 2008. The cash outflow amounted to minus EUR 2,998 ('000), compared to minus EUR 4, 874 ('000) in 2008.

In 2009, the net cash and cash equivalents increased positively due to the taxes amounting to EUR 602 ('000).

Furthermore, the cash flow was positively influenced by changes in the working capital.

At group level, the trade receivables, other receivables and the inventories decreased further. In the Retail Group, the inventories and the trade receivables decreased considerably, while trade payables remained stable. In the Imaging Group, there was a decrease in the trade receivables and trade payables. In 2009, the other tax assets decreased by EUR 2,683 ('000) and the other tax liabilities decreased by EUR 1,426 ('000). Following tax disputes, the Group received a favourable verdict at the end of 2007. The tax administration did the reimbursements in January and March 2009, which mainly explains the decrease in the other tax assets and tax liabilities.

Cash flow from investing activities

In the Retail Group, the investments in 2008 mainly concerned the opening of new shops and the refurbishment of existing shops. The investments in 2009 mainly relate to the purchase of Hifi International's central building in Bettembourg, Luxembourg, and the equipping and furnishing of the shops.

In 2008, the Imaging Group invested in new machines for printing photo books and photo calendars. In addition, there were investments in the continued expansion of the data centres for the website and storage of digital pictures. In 2009, the main investments were in machines and the development of designs for photo books and photo gifts

The cash inflow amounted to EUR 1,862 ('000) in 2008. This mainly concerned the sale of the building of Litto-Color NV in Ostend.

The 'Receipts from the sale of subsidiaries' item in 2008 related to the sale of Spector Fotohandel GmbH amounting to minus EUR 5 ('000). In 2009, the amount of minus EUR 42 ('000) relates to the sale of the Hungarian Föfoto.

(in € '000)	**2008**	**2009**
Property, plant and equipment	3 000	2 197
Intangible assets		58
Inventories		1 642
Trade and other receivables	17	429
Cash and cash equivalents	5	42
Non-current provisions		-10
Non-current interest-bearing financial obligations	-2 634	-2 223
Current trade and other payables	- 388	-2 135
Total sale price	0	0
Less cash and cash equivalents of subsidiaries	- 5	- 42
Proceeds from the sale of subsidiaries	- 5	- 42

Cash flow from financing activities

In 2009, there was a reduction of debt by EUR 2,151 ('000) compared to EUR 10,922 ('000) in 2008. This reduction in debt related to both the Retail Group and the Imaging Group. In 2008, the holding of Fotoinvest, in liquidation, in Spector Photo Group NV was sold to the Imaging Group for an amount of EUR 1,118 ('000).

The cash and cash equivalents decreased by EUR 579 ('000) for the 2008 financial year to EUR 13, 336 ('000) as at the 2008 financial year-end. In 2009, the cash and cash equivalents increased by EUR 5,743 ('000) to EUR 19,079 ('000) as at the financial year-end.

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPLIANCE

Spector Photo Group is a company domiciled in Belgium. The statement of financial position and the statement of comprehensive income of Spector Photo Group includes 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 Board of Directors issued the statement of financial position and the statement of comprehensive income for publication on 15 April 2010.

The consolidated statement of financial position and the statement of comprehensive income have been prepared in accordance with the International Financial Reporting Standards (IFRS), the standards for financial reporting and the interpretations issued by the International Accounting Standards Board (IASB), as approved by the European Union, and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

APPLICATION OF IFRS STANDARDS AND INTERPRETATIONS

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

During the current financial year, the company applied all published new and revised standards and interpretations that are relevant to its activities and which are in force for the accounting period that started on 1 January 2009, 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 and interpretations that, although they had already been issued, were not yet in force on the date of the financial statements' approval:

IAS 24 Related Party Disclosures, revised version of 2009: applicable for annual periods beginning on or after 1 January 2011

IAS 27 Consolidated and Separate Financial Statements, revised version of 2008: applicable for annual periods beginning on or after 1 July 2009

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues: applicable for annual periods beginning on or after 1 February 2010

IAS 39 Amendments in IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged items: applicable for annual periods beginning on or after 1 July 2009

IFRS 2 Amendments in IFRS 2 Share–based Payment – Group Cash-settled Share-based Payment Transactions: applicable for annual periods beginning on or after 1 January 2010

IFRS 3 Business Combinations, revised version of 2008: applicable for annual periods beginning on or after 1 July 2009

IFRS 9 Financial Instruments: applicable for annual periods beginning on or after 1 January 2013

IFRS 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: applicable for annual periods beginning on or after 1 January 2011

IFRIC 17 Distributions of Non-cash Assets to Owners: applicable for annual periods beginning on or after 1 July 2009

IFRIC 18 Transfers of Assets from Customers: applicable for annual periods beginning on or after 1 July 2009

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: applicable for annual periods beginning on or after 1 July 2010

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

With effect from 1 January 2009, the Group is presenting its operating segments in accordance with IFRS 8 Operating Segments. The reporting of segmented information previously occurred according to the business segments and according to the geographical segments in accordance with IAS 14 Segmented information. The application of IFRS 8 had no effect on the operating segments, or on the Group's realised results.

SUMMARY OF 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 method will be disclosed in the accounting policies below.

The consolidated financial statements comprise the financial statements of Spector Photo Group NV and its subsidiaries drawn up as at 31 December each year. The consolidated financial statements is presented before the profit allocation of the parent company proposed to the General Meeting of Shareholders.

Consolidation principles

Subsidiaries are those companies in which Spector Photo Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has control, directly or indirectly, over the operations.

Subsidiaries are recognised in the consolidation using the full consoli-

dation method. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained until the date that control ceases.
Joint ventures are companies over which the Group exercises joint control. The financial statements of these companies are consolidated using the proportional consolidation method.
Associates are those companies in which Spector Photo Group has, directly or indirectly, significant influence over the financial and operating policies, but which it does not control. This is presumed by ownership of between 20% and 50% of the voting rights.
Associates are recognised using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. When Spector Photo Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that Spector Photo Group has incurred obligations or made payments on behalf of 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. Fair value changes after initial recognition, with the exception of impairment losses that are recognised in the income statement, are incorporated directly in equity. On divestment, the cumulative changes previously recognised in the equity, are transferred to the income statement.

All intercompany transactions, balances, and unrealised gains and losses on transactions between group companies have been eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Spector Photo Group.

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

Revenue

Sale of goods

Revenue from the sale of goods is recognized in the income statement

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

Rendering of services

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

Interest, royalties, and dividends

Interest is recognised in accordance with the effective interest method. Royalties are recognised on an accrual basis in accordance with the terms of agreements. Dividends are recognised at the time when the shareholder's right to receive payment is established.

Revenue is measured at the fair value of the payment for the sale of goods and services, net of value-added tax, trade rebates or volume discounts, and after eliminating sales within the Group.

Costs

The financial costs comprise interests payable on borrowings. Other non-operating costs or income comprise foreign exchange losses and gains with respect to non-operating activities, and losses and gains on hedging instruments with respect to non-operating activities.

Financing costs are recognised in the period to which they relate. Interest costs of repayments on financial leases are recognised in the income statement using the effective interest method.
Operating lease payments are recognised as expenses in the income statement on a straight-line basis over the term of the lease.

Foreign currency translation

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

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

Assets and liabilities of foreign subsidiaries are translated at the rates of exchange prevailing at reporting date. Income, expenses, cash flows, and other changes 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 reporting date, are disclosed as 'Currency translation adjustments' under the 'Shareholder's equity'.

Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset, if and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. This principle applies both to initial costs incurred when the asset item is acquired or manufactured and to the costs of subsequent additions after initial capitalisation.

The cost of a property, plant and equipment asset comprises the purchase price, including import duties and non-refundable purchase taxes less any trade discounts or rebates, and any costs directly attributable to bring the asset to its operating condition and location for its intended use. Cost is discounted to present value if payment is deferred beyond normal credit terms. Subsequent expenditure is capitalised when it can be clearly demonstrated that it has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment.

Subsequent measurement

Land and buildings: revaluation model

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

Increases in carrying value above depreciated costs are taken directly to equity in the revaluation reserve via the comprehensive income. However, the increase is recognised in the income statement in so far as it reverses a decrease in revaluation reserve recognised in the income statement for the same asset. If the carrying value of an asset decreases as a result of a revaluation, the decrease is recognised in the income statement. However, the decrease is taken directly to revaluation reserve in the income statement in so far as it does not exceed the amount recognised in revaluation reserve in the income statement for the same asset.

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

- Administrative 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 depreciable amount of an asset is allocated on a systematic basis over the useful life of the asset. The depreciation is recognised in the income statement, unless it is included in the carrying amount of another asset.

The residual value of an asset is often insignificant and therefore is immaterial in the calculation of the depreciable amount. All other items of property, plant and equipment are depreciated using the straight-line method, proportionately on a monthly basis, and generally the depreciate rates 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 residual useful life of the buildings themselves, whereas improvements to leased buildings are capitalised and depreciated over the lesser of the residual term of the lease or their expected useful life.

Derecognised assets

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

Leases

Leases under which the Group substantially assumes all the risks and rewards of ownership are classified as financial leases. Property, plant and equipment acquired by way of financial 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 minimum lease payments are partially recognised as financing costs and partially as payment of the outstanding debt. The financing costs are allocated to each period during the term of the lease so that this results in a constant regular rate of interest on the remaining balance of the liability. The corresponding liabilities are classified as other non-current payables or current liabilities, depending on the period in which they are due. Lease interest is charged to the income statement as a financial cost over the duration of the lease.

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

Leases under which substantially all the risks and rewards of ownership are effectively transferred to the lessor, are classified as operating leases. 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 depreciated cost less any accumulated impairment losses. The fair value of the investment property is disclosed in the notes to the consolidated financial statements. An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on the derecognition of an investment property are calculated as the difference between the net proceeds from disposal and the carrying amount of the asset, and are recognized in the income statement in the period of derecognition.

Goodwill

Goodwill acquired in a business combination is recognised as an asset and measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities. After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses.
Goodwill resulting from acquisitions from 1 January 2004 and later is not amortised, and goodwill previously carried on the statement of financial position 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 value may be impaired. An impairment loss recognised for goodwill cannot be reversed in a subsequent period. Gains and losses on the disposal of a business combination include the carrying amount of goodwill relating to the business combination sold. Goodwill is allocated to cash-generating entities for the purpose of impairment testing.

If the acquirer's interest in the carried 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 party's identifiable assets, liabilities, and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after that reassessment is recognised immediately in the income statement.

Intangible assets

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

Research and development costs

Research costs are recognised as an expense at the time they are incurred. Expenditure on development activities, in which research findings are applied to a plan or design for the production of new or substantially improved products, is capitalised as an intangible asset if the product is technically and commercially feasible and the Group has sufficient resources to complete this development (and use or sell the asset). The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other 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, acquired by the company, are stated at cost less any accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is 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.

Depreciation

For an intangible asset with a limited useful life, the depreciable amount is allocated on a systematic basis over its estimated useful life. Intangible assets are depreciated using the straight-line method, proportionately on a monthly basis. The depreciation is recognised in the income statement, unless it is 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 presumption that the useful life of an immaterial asset does not exceed 20 years.

Derecognition or disposal

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

Externally acquired customer relationships

Capitalised customer relationships are measured at cost as at the date of transition to IFRS. Based on an analysis of all of the relevant factors, including the changing markets and the transition from analogue to digital photography, the Board has decided to amortise the value of these assets in the opening statement of financial position and the future capitalised externally acquired customer relationships using the straight-line method over a period of seven years, 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 proceeds must result from these customer relationships

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

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

(1) Purchase from companies possessing customer relations
Mail order companies within the Group regularly purchase customer relationship files from other mail order companies outside the photographic 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; as a result of this, they 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, paragraph 27.

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

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

Financing costs

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

Impairment of assets

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

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of the inventories is calculated using the weighted-average cost method. The group continually examines the inventories to identify damaged, obsolete or unmarketable stocks. Such inventories are written down to the net realisable value, provided this is less than the cost price according to the method stated above. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and any necessary selling costs. If inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the corresponding revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period that the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognized as a reduction in the amount for inventories recognised as an expense in the period in which the reversal occurs.

Trade and other receivables

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

Income taxes

Income tax on the profit or loss for the year comprises both current and deferred taxes.

Current tax for current and prior periods is, to the extent that it remains unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognized 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 (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substansively enacted in legislation at the reporting date.

Deferred income tax liabilities and assets are calculated, using the "statement of financial position liability method", for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets are recognised to the extent that is probable that future taxable profits will be available against which the unallocated taxable losses and tax assets can be utilised.
A deferred tax asset is 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 reporting date.
Current and deferred tax assets and liabilities are measured using the government's announced tax rates (and tax laws) provided that these announced rates (and laws) 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 stated at fair value. The effective part of the gains or losses from the changes in fair value of derivatives, which are specifically recognised as hedging instruments for hedging the variability of cash flows of an asset or liability recognised in the statement of financial position, an off-statement of financial position firm commitment or an expected transaction, is recognised in equity. Changes in fair value of derivatives not formally recognised as hedging instruments or not eligible for hedge accounting, are recognised in the income statement.

Cash and cash equivalents

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

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

Share capital

Repurchase of own shares

When share capital recognised under shareholders' equity is repurchased, the amount paid, including directly attributable costs, is recognised as a change in equity. Repurchased own shares are classified as treasury shares and presented as a deduction from shareholders' 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 transaction costs incurred. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised proportionately in the income statement over the period of borrowing on an effective interest rate basis.

Trade debts and other payables

Trade debts and other payables are measured at nominal value.

Employee benefits

Employee benefits are recognised as an expense when the Group utilises the economic benefit arising from services performed by an employee in exchange for employee benefits, and as a liability when an employee has provided service in exchange for employee benefits to be paid in the future.

Current employee benefits

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

Post-employment benefits

Post-employment benefits include pensions and other post-employment benefits, such as life insurance policies, and medical care benefits after leaving the company's service.

- 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.

  Any contributions already paid in advance of the reporting date, which are in excess of the payable contribution for performance, are reflected as assets under prepaid expenses and accruals. Any accrued contributions to a defined contribution plan that do not fall due within 12 months beyond the reporting date in which the employees complete the related performance, are discounted to their present value.

- Defined benefit pension plans

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

  The recognition of actuarial gains and losses is determined separately for each defined benefit plan. To the extent that the net cumulative unrecognised gain or loss exceeds 10% of the greater of the present value of the gross defined benefit commitments and the fair value of plan assets, that surplus is recognised in the income statement over the expected average remaining working lives of the employees participating in that plan.

  Past service costs are recognised as an expense allocated on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past service costs are immediately recognised as an expense.

  The present value of the gross defined benefit commitments and the related service costs are calculated by a qualified actuary using the projected unit credit method. The discount rate used is the market yield at reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Group's estimated gross commitments related to pension benefit payments. The amount recognised in the income statement consists of current service costs, interest costs, the expected return on any plan assets, and actuarial gains and losses.

Other non-current employee benefits

The net obligation for non-current employee benefits, other than pension plans, post-employment life insurance, and medical care, is the net amount of future benefits that employees have earned in return for their service in current or prior periods.

These benefits are accrued over the employees' periods of employment using the accounting methodology similar to that for defined benefit pension plans. However, actuarial gains and losses and any past service cost are immediately recognised with no bandwidth.

Termination benefits

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

Remuneration in the form of equity instruments

The share option programmes allow the Group's employees to acquire shares of Spector Photo Group NV. The option exercise price equals the average market price of the underlying shares during an agreed period before the date of the offer.

No compensation expense is recognised for the options issued before 7 November 2002 (IFRS 2 transition rules).

Share-based payments to employees and other people, who provided similar services, are measured at fair value of the equity instruments at the moment they are awarded. The fair value is measured using a Black & Scholes model. The fair value, as measured on the date of the share-based payments award, is recognised in costs that can be spread over any waiting period using the straight-line method.

Provisions

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

A provision for restructuring is recognised provided the Group has approved a detailed and formal restructuring plan, identifying at least the following: the operation or part of the business concerned, the principal locations affected, the location, function and estimated number of employees who will be compensated for terminating their services, the costs related to this, and when the plan will be implemented.

Moreover, the Group has 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 exceeds the expected economic benefits to be received from a contract. Provisions are not recognised for future operating losses.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that all associated conditions will be met and the grant will be received. Government grants should be recognised as income over the periods necessary to allocate the grant on a systematic basis to the related costs that it is intended to compensate. Where the grants relate to the purchase of an asset, the fair value is recorded as a deferred income item that is systematically and rationally released to the income statement over the expected useful life of the asset.

Segmented information

The Group's internal organisational and management structure and internal financial accounting is based on the nature of the goods or services or groups of related goods or services that the companies produce or provide. The segmentation is based on the following operating segments: 'Retail', 'Imaging' and 'Corporate'.

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

Segment assets and liabilities consist of those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets and liabilities do not include income tax items.

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

THE EXTERNALLY ACQUIRED CUSTOMER RELATIONSHIPS OF SPECTOR PHOTO GROUP UNDER IFRS

Customer relationships are classified as intangible assets by IFRS. Customer relationships have an undeniable economic value. After all, the investments in customer relations represent the future yield of the business.

The concept of 'customer relationships' is recognised by IAS, which state in IAS 38, paragraph 16:

'An entity may have a portfolio of customers or a market share and expect that, because of its efforts in building customer relationships and loyalty, the customers will continue to trade with the entity. However, in the absence of legal rights to protect, or other ways to control, the relationships with customers or the loyalty of the customers to the entity, the entity usually has insufficient control over the expected economic benefits from customer relationships and loyalty for such items (e.g. portfolio of customers, market shares, customer relationships and customer loyalty) to meet the definition of intangible assets. In the absence of legal rights to protect customer relationships, exchange transactions for the same or similar non-contractual customer relationships (other than as part of a business combination) provide evidence that the entity is nonetheless able to control the expected future economic benefits flowing from the customer relationships. Because such exchange transactions also provide evidence that the customer relationships are separable, those customer relationships meet the definition of an intangible asset.'

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

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

The customer relationships of Spector Photo Group's mail order businesses meet all these criteria:

a. Spector Photo Group's mail order companies have databases at their disposal that contain the name and address of each customer relationship, supplemented by important details of each individual customer's order and payment behaviour (such as date of last order, order frequency, ordered products, preference for certain promotions, correct payment, etc.).
   The customer relations are therefore identifiable and they are the subject of exchange, rental and sales transactions with mail order companies from other sectors. They are therefore detachable (see IAS 38, paragraph 12: an asset meets the identification criterion if it is detachable and can be sold, rented, or exchanged).

b. In compliance with all legal provisions, Spector Photo Group's mail order companies can approach these customer relationships autonomously without any obligations to any third parties. In addition, the existence of previous transactions between the company and the customer indicates a contractual tie, even if this is not formally recognised. Legally speaking, Spector possesses an exclusive property. For that matter, the company is also legally responsible for the protection of the information regarding these customer relations (the legal and judicial aspects are dealt with in several European guidelines, translated into legal provisions by each member state). Finally, the afore-mentioned exchange, rental, and sales transactions also demonstrate the existence of control. The fact that, in addition to rental and sales transactions, exchange transactions can also be concluded, demonstrates that access by third parties can be restricted.

c. The mail order companies can determine the future business volume with each customer relation on a statistical basis. These are not assessments or estimates, but mathematical calculations according to the 'Lifetime Value Model''. This model allows the calculation of the 'Net Present Value' of future economic benefits for a group of customer relationships, and takes all elements of the income statement into account. Because it has sufficient statistical data on each individual customer, Spector can apply this model to the customer relationships of its mail order organisations to a high degree of certainty and reliability. Because of the changing market in which the Group operates today, verification of these statistical models is required on an annual basis.

Recognition of intangible assets according to IFRS
IAS 38, paragraph 21 states that an intangible asset must be recognised if it will in all probability generate future economic benefits for the entity and can be reliably measured. The probability criterion is always considered to be met by separately acquired intangible assets (IAS 38, paragraph 25).

The acquisition cost of the customer relationships is substantiated by purchase invoices.

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

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

a. Purchase from companies possessing customer relationships

Mail order companies within the Group regularly purchase customer relationships files from other mail order companies outside the photographic sector. These are customer relationships of companies such as La Redoute, 3 Suisses, etc.
Additionally, an invoice is drawn up for each of these transactions.
To acquire customer relationships from another company, the mail order organisations must incur costs to prepare the asset for its intended use. For example, a specific offer must be prepared for the customer relationships of the selling company. This comprises mainly the postal charges and specially printed envelopes containing separate acquisition codes, which effectively enable customers accept the offer, after which they become acquired customer relationships of the Spector companies. Since these costs are necessary to realise the intangible asset, they are considered part of this intangible asset. Gifts and business presents, for example, are not included in this context.

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

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

b. Exchange with companies possessing customer relationships

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

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

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

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

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

Specifically, for example, these concern customer relationships from companies selling the Boîtes Roses and Boîtes Bleues (the pink and blue boxes). Such boxes contain specific offers by several companies, specifically distributed among new mothers or mothers of toddlers, who have explicitly or implicitly agreed to receive these offers.
In the internet world, this involves the acquisition of relations that have registered on a specific website, thereby explicitly consenting to a privileged relation with a view to future transactions.

In view of the privileged relation, in which the consumer grants the right for developing a future customer relationship, these relationships also effectively apply as customer relationships. These are also externally procured customer relationships, as an invoice is also drawn up for this right – in certain cases even based on a fixed amount for each effectively acquired customer relationship, or on a commission for each effective order.

This last method differs from a "normal" commission arrangement because, at the same time, the Spector companies acquire the right to approach the customer directly for the following transaction - in other words, because they have acquired control over these customer relationships.

Measurement of the customer relations

After examination of the "external acquisition" matter by the Statutory Auditors Committee, under IFRS, the decision was taken to retain the three methods mentioned above, selected from a total of eight methods. All other acquisition methods were excluded, because they do not qualify for capitalisation under IFRS.

The value at which the externally-acquired customer relationships are recognised according to the cost-price model of IAS 38, paragraph 74, are also separated for the sake of clarity into the costs of externally-acquired customer relationships and the directly attributable costs.

COMPANIES BELONGING TO THE GROUP

Subsidiaries, fully consolidated (❑)

Name, full address of registered office	V.A.T.- or national number	Share in the capital (in %)
❑ ALEXANDER PHOTO S.A. Boulevard Royal 11, 2449 Luxembourg, Luxembourg	1999 2234 620	100.00
❑ DBM COLOR N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0402.247.617	100.00
❑ EXTRA FILM AB 14 V. Götalands Län, 35 Tanum Kommun, Sweden	SE 556 069 600 601	100.00
❑ EXTRA FILM AG Hauptstrasse 70, 4132 Muttenz, Switzerland	CH 213.717	100.00
❑ EXTRA FILM A/S postboks 197, 7601 Levanger, Norway	NO 919 322 942	100.00
❑ EXTRA FILM N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0447.697.065	100.00
❑ EXTRA FILM FRANCE S.A. Rue du Faubourg de Douai 128, 59000 Lille, France	FR 48 331 704 122	100.00
❑ EXTRA FILM LOGISTICS AG Grabenstrasse 25, 6340 Baar, Switzerland	CH 562.363	100.00
❑ FILMOBEL N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0408.058.709	100.00
❑ FOTRONIC S.A. (in liquidation) Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0423.052.731	100.00
❑ FÖFOTO Kft* Fehérvári út 104, 1119 Budapest, Hungary	10655302-2-44	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 Oostende, Belgium	BE 0414.004.215	100.00
❑ ORC EUROPE S.A.R.L. Rue du Faubourg de Douai 128, 59000 Lille, France	FR 51 348 331 281	100.00
❑ PHOTO HALL FRANCE S.A.R.L. Lotissement Augny 2000, 57685 Augny, France	FR 70 391 700 440	100.00
❑ PHOTO HALL MULTIMEDIA N.V. Lusambostraat 36, 1190 Brussel, Belgium	BE 0477.890.096	100.00
❑ PHOTO HOLDINGS IRELAND Ltd. (liquidated)* 38/39, Fitzwilliam Square, Dublin 2, Ireland	659 45 42 I	100.00
❑ PHOTOMEDIA N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0439.476.019	100.00
❑ PHOTO RE Ltd. (liquidated)* 38/39, Fitzwilliam Square, Dublin 2, Ireland	659 5115 R	100.00
❑ PLASTIC UNIT PRODUCTION HOLDING S.A. (liquidated)* Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0431.368.205	100.00
❑ PROMO CONCEPT INVESTMENT B.V.B.A. Kwatrechtsteenweg 158, 9230 Wetteren, Belgium	0423.852.188	100.00
❑ SACAP Ltd. (liquidated)* Unit A, 19/F, One Capital Place - 18, Luard Road, Wanchai, Hong Kong		100.00
❑ SACAP S.A. Rue Logelbach 124, 68000 Colmar, France	FR 19 353 224 694	100.00
❑ SPECTOR COORDINATIECENTRUM N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0437.663.406	100.00
❑ SPECTOR NEDERLAND B.V. Postbus 10274, 1301 AG Almere, The Netherlands	NL 6511004B01	100.00
❑ VIVIAN FOTO AB 14 V Götalands Län, 35 Tanum Kommun, Sweden	SE 556334-8100	100.00
❑ VIVIAN PHOTO PRODUCTS N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	0428.718.323	100.00

* These companies were no longer part of the Group as at 31/12/2009

Key changes in the scope of consolidation

The key changes in the scope of consolidation between 2008 and 2009 are summarised below:

In the second quarter of 2009, more specifically on 4 June 2009, the Retail division of Spector Photo Group sold its 100% holding in the **Hungarian Föfoto Kft** via a Management Buy-Out (MBO). This sale resulted in a loss of EUR 1,062 ('000) comprising, on the one hand, a non-cash loss of EUR 757 ('000) resulting from the currency translation differences that were transferred on realisation from the currency translation differences in the equity to the statement of comprehensive income, and, on the other, of EUR 305 ('000) for costs related to completing this transaction, in the 2009 accounts of the group. This loss is recognised under the discontinued operations.

In December 2009, the central building of Hifi International was purchased. For this purpose a new company, **Hifimmo SA,** was established. This company is a wholly-owned subsidiary of Hifi International SA.

Of the companies already put into liquidation, the l**iquidation was completed** in 2009 for the following companies:
Plastic Unit Production Holding SA, previously a holding company; Photo Re Ltd, a company in Ireland previously operating as a reinsurance company; Photo Holdings Ireland Ltd, the holding company of the reinsurance company latterly identified; and Sacap Hong Kong Ltd, a company formerly operating as a procurement centre for gadgets.

Of the companies put into liquidation in previous financial years, specifically Fotronic SA, a company that formerly carried out trading in production equipment, Litto-Color NV, a company operating in the wholesale photofinishing market, and Spector Immobilien Verwaltung, a company whose most important asset - a building in Dresden - was sold in May 2008, **the liquidation has not been completed yet.**

Subsidiaries excluded from the consolidation :

Name, full address of registered office	V.A.T.- or national number	Share in the capital (in %) (1)
FLT S.p.A. (2) (as from 1 October 2008)	IT 13146200152	49.00
Galleria Passarella 1, 20122 Milaan, Italy		
SPECTOR IMMOBILIEN VERWALTUNG GmbH (in liquidation) (2)	241 116 44302	100.00
Laufamholzstrasse 171, 90482 Nurnberg, Germany		
SPECTOR VERWALTUNG GmbH (2)	214 116 20551	100.00
Laufamholzstrasse 171, 90482 Nürnberg, Germany		
VH SERVICE S.A. (2)	BE 0427.390.611	100.00
Avenue Victor Hugo 7, 1420 Braine l'Alleud, Belgium		

(1) Part of the capital of these companies that is held by companies included in the consolidation and people who act in their own name but at the cost of these companies
(2) FLT is the Italian lab, active in the photofinishing market. As of the fourth quarter of 2008 recorded as a financial asset.
Spector Immobilien Verwaltung GmbH is a subsidiary for which the object of the company is to rent or sell the remaining property of the group in Germany (the building in Dresden). The sale of the building was achieved on 28 May 2008. Subsequently, the company was put into liquidation, of wich the announcement was published on 10 November 2008.
Spector Verwaltung GmbH was till 2001 active in the market of wholesale photofinishing.
VH Service SA is a company that was active in selling equipment for medical imaging. During 2003, the goodwill and other assets of VH Service have been sold.

SEGMENTED INFORMATION - BUSINESS SEGMENTS

(in € '000)	Retail		Imaging		Corporate		Eliminations		Continuing activities		Discontinued operations Retail		Discontinued operations Imaging		Eliminations		Spector Photo Group	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Revenue																		
External revenue	190 373	169 811	75 786	74 167					266 159	243 978	24 394	3 565					290 553	247 542
Inter-segment	41	111	726	654	762	777	1 530	1 542			76				76			
Total revenue	190 414	169 922	76 512	74 821	762	777	-1 530	-1 542	266 159	243 978	24 470	3 565			- 76		290 553	247 542
External other operating income	4 439	2 898	2 779	2 106	64	33			7 282	5 038	809	119	151				8 242	5 157
Inter-segment			64	61	319	103	383	164										
Total other operating income	4 439	2 898	2 843	2 167	383	136	- 383	- 164	7 282	5 038	809	119	151				8 242	5 157
Profit/loss (-) from operating activities, before non-recurring items	7 632	3 127	- 1 342	- 1 976	- 532	- 530			5 758	620	-1 653	- 151	- 20					
Profit/loss (-) from operating activities	7 632	3 127	- 2 128	- 1 976	- 532	- 530			4 972	620	-1 653	- 151	- 20					
Financial result	- 3 901	- 2 876	- 6 055	- 3 789	2 373	2 372			- 7 582	- 4 293								
Interest revenue	166	24	408	49	2 490	2 413	-2 476	-2 431	587	55								
Interest expense	4 072	2 901	2 853	2 594	26	27	-2 476	-2 431	4 475	3 090								
Profit/loss (-) before taxes	3 731	251	- 8 183	- 5 765	1 841	1 842			-2 610	-3 673								
Income tax expense (-)/income	-1 311	-1 042	400	1 901	3	88			- 908	947								
Profit/loss (-) from continuing activities	2 420	- 792	- 7 782	- 3 864	1 844	1 929			-3 518	-2 726								
Profit/loss (-) from discontinued operations									-4 229	-1 062								
Profit/loss (-) for the period									- 7 748	-3 788								
Attributable to equity holders of the parent company									- 7 748	-3 788								

(in € '000)	Retail		Imaging		Corporate		Eliminations		Continuing activities		Discontinued operations Retail		Discontinued operations Imaging		Eliminations		Spector Photo Group	
	2008	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**
Total operating segment assets	67 704	65 903	50 875	46 332	9 128	9 756	- 8 310	- 8 724	119 397	113 267	5 946		837	681			136 505	121 541
Unallocated assets	1 127	311	1 475	573	40 040	41 314	- 32 340	- 34 604	10 302	7 594	22							
Total operating segment liabilities	27 067	27 526	15 891	13 130	901	851	- 2 310	- 399	41 550	41 108	3 826		2 810	2 653		- 1 955	105 946	92 444
Unallocated liabilities	52 053	50 572	41 078	40 689	328	351	- 38 340	- 40 974	55 118	50 638	2 643							
Total capital expenditures property, plant & equipment	797	3 940	1 753	2 181	10				2 560	6 121	255						2 815	6 121
Total capital expenditures intangible assets other than goodwill	29	38	2 407	2 224					2 436	2 262	3						2 439	2 262
Depreciations and other non-cash expenses	2 684	2 155	7 606	6 065	9	2			10 299	8 222	539		- 210				10 627	8 222
Impairment losses recognised																		
in operating result	162		150						312		1 459						1 771	
in equity											2 139						2 139	
Number of persons employed in FTEs end of the period	499	486	286	323	3	2			788	811	171						959	811

GEOGRAPHICAL INFORMATION

(in € '000)	2008	2009
Revenue Belgium	144 238	136 629
Revenue Luxembourg	56 145	53 671
Revenue all other foreign countries	65 776	53 678
Total Spector Photo Group	266 159	243 978
Non-current assets		
Belgium	32 853	32 367
All other foreign countries	17 240	17 403
Total Spector Photo Group	50 093	49 770

The reporting of Spector Photo Group covers two segments, the Retail Group and the Imaging Group, completed with the Corporate and the Discontinued operations.

- The valuation of the result of the segments does not differ from the valuation of the result of the entity. This also applies to the valuation of the assets and liabilities. The basis for reporting over transactions between reportable segments is determined 'at arm's length'.
- Relating the information of the products concerning income from sales to external customers for the entity as a whole, we refer to the segment information table.
- There is no dependence on major customers relating the different segments.

Retail segment

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

This division and its entities all operate in the same field: the retail trade in consumer electronics and related products.

The customers in this segment are also the final consumers in the countries in which this division's entities operate.

All entities of this division primarily market their products via the channel of retail stores. Although all entities also operate websites on Internet, the Internet sales are not yet significant within the total operating income. In Luxembourg, there is also a wholesale division that operates in France, Germany and Benelux.

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

Imaging segment

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

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

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

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

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

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

Discontinued operations

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

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

2. REVENUES

In 2008, Spector Photo Group realised revenues of EUR 266,159 ('000).
In 2008, the Retail Group recorded a fall of 2.4% in its revenues, which fell by 4% in Belgium. In Luxemburg, a 2,4% revenue increase was realised, thanks to a strong first half-year. Besides the economic conditions, the decrease in the number of shops from 108 to 104 also had a negative impact on the development of the revenues. The HIFI, TV, and computer games product groups realised higher sales. Lower sales figures were recorded for telecom (GSM mobile phones), computer hardware and software, and video/DVD.
The revenues in Imaging recorded a limited sales increase of 0.4% in 2008. Since the fourth quarter, the 49% holding in the Italian lab FLT was no longer proportionally consolidated. The revenues from digital mail order activities of ExtraFilm increased over the entire year by 40% compared to 2007. Digital produced 70% of the revenues, with 30% still analogue. The new product lines, such as photo books, calendars and photos on canvas showed exponential growth.
In the 2009 financial year, the Group realised revenues of EUR 243,978 ('000).
The retail operations in the Photo Hall Group realised revenues amounting to EUR 169,922 ('000) in 2009, a fall of 10.8% in comparison with EUR 190,414 ('000) in 2008. Photo Hall in Belgium and Hifi International in Luxembourg saw a fall in the number of their sales transactions by a little more than 4%, with price deflation responsible for the remainder of the drop in revenue. In the product lines, mobile telephony and reflex cameras were the only lines that showed increases in revenue, in both Belgium and Luxembourg. In Luxemburg, Hifi International achieved an important double-figure increase in revenue with its recently introduced range of white goods. The top three in the product ranges of Photo Hall consist of IT, telecom and televisions. At Hifi International, these are IT, televisions and cameras.
The revenues from the Imaging Group amounted to EUR 74,821 ('000) in 2009, a decrease of 2.2% in comparison with 2008. The revenues from mail order activities of ExtraFilm increased over the entire year by 4.5% compared to 2008. Digital stood for 83% of the revenue, analogue represented the remaining 17%. In 2009, the growth of digital photography could therefore compensate the almost 50% fall in analogue photography. New photoproducts, such as photo books, photo calendars, photo gifts, and photos on canvas continued to increase their relative importance. Filmobel, the hardware wholesaler to the professional photographer, again realised an increase in its revenue in 2009. The Spector™ brand, which is used exclusively for supplying specialised photographic businesses, saw its revenue decrease in 2009.

3. OTHER INCOME

The marketing support from strategic suppliers to the Retail Group represented the most important share in the other income and amounted to more than 65% for 2008 and 2009. The other income for the Retail Group in both 2008 and 2009 is mainly related to rental income, charged-on costs, and income repaid by insurance for loss or damage claims.
The other income of the Imaging Group dropped with 24.19% in 2009.
The most important components for the Imaging Group are: the selling of waste materials from the laboratories to recycling companies, the recovered outstanding payments from mail order customers, unused discount vouchers, and marketing contributions from the channel of the specialised photographic businesses.

4. TRADE GOODS, RAW MATERIALS AND CONSUMABLES

The costs of trade goods, raw materials and consumables decreased with 7.8% in 2009 compared to 2008.
In the Retail Group, the cost of trade goods, raw materials and consumables decreased by -1.6% in 2008, and thus less than the decrease in revenues attributable to pressure on margins. In 2009, the total cost of trade goods, raw materials and consumables decreased by –11.1%. Due to the continued growth of the revenues from digital mail order operations and partly due to the positive impact of hardware wholesale for the professional photographer, the costs of trade goods, raw materials and consumables increased for the Imaging Group, both in 2008 by +13%, and in 2009 by +3.6%.

5. EMPLOYEE EXPENSES

(in € '000)	**2008**	**2009**
Wages and salaries	24 729	24 865
Social security contributions	6 088	5 691
Other employee expenses	1 008	984
Contribution to defined contribution plans	244	231
Increase/decrease (-) in the defined benefit obligations	- 11	- 51
Increase/decrease (-) in the other long-term employee benefit liabilities	36	8
Total	32 095	31 728

In 2008, the employee expenses decreased with 1.6%. The main contribution to this was the decrease of the Imaging Group's employee expenses with -8% as a result in the drop in the number of employees. The Retail Group saw an increase in the employee expenses with 3% as a result of the indexed pay rise for a stable staffing level.
In 2009, the employee expenses decreased with -1.1%. The employee expenses in the Retail Group remained at the same level as 2008. In the Imaging Group, the employee expenses decreased with -3.2%. This decrease is mainly attributable to the employee expenses of FLT, three-quarters of which were still proportionally consolidated in 2008. The number of employees expressed as full time equivalents (FTEs) increased as at the year-end to 811 compared to 788 as at year-end 2008. This increase is mainly attributable to the Imaging Group.

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

Member of the Executive Committee	Fixed remuneration component (1)	Variable remuneration component (1) (2)	Other remuneration components (3)	Number of share options (date of option plan, exercise price) (4)	Number of warrants (exercise price per warrant) (4)
1.Tonny Van Doorslaer	291	36	7	7 500 (2002 - EUR 10.65)	400 000 (EUR 3.36)
2. Stef De corte				5 500 (2002 - EUR 10.65)	150 000 (EUR 3.36)
3. Christophe Levie					50 000 (EUR 3.36)
Totaal 1, 2 en 3	806	111	13		600 000 (EUR 3.36)

(1) Cost to the company, i.e. gross amount including social security contributions (employee's and employer's).
(2) The variable component is provided in the form of a bonus plan that is determined each year by the Nomination and Remuneration Committee. This bonus plan includes financial targets.
(3) The other components refer to the costs for pensions, insurance policies, and the cash value of the other benefits in kind (expense allowances, company car, etc.).
(4) For the exercise periods: please see page 89-90 of this document.

6. DEPRECIATION, AMORTISATION AND WRITE-DOWNS

(in € '000)	2008	2009
Amortisation and write-downs of intangible assets, goodwill and trading securities	6 097	5 018
Depreciation and write-downs of property, plant and equipment	4 317	3 764
Write-downs on inventories	- 106	- 148
Write-downs on trade receivables	333	306
Total	10 642	8 941

In 2008, the depreciation and amortisation decreased further. The depreciation and amortisation in the Retail Group remained almost stable. The decrease of the depreciation and amortisation in the Imaging Group is mainly attributable to the amortisation on intangible assets. Most of the decrease in the depreciation on the property, plant and equipment was compensated by the increase in the write-downs on the trade receivables.

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

7. OTHER OPERATING EXPENSES

(in € '000)	2008	2009
Services & others costs	32 922	31 112
Other operating taxes	553	314
Loss on disposal of intangible assets, property, plant and equipment	32	20
Loss on disposal of trade receivables	312	264
Other operating charges	429	770
Provisions : increase/decrease (-)	- 141	- 677
Total	34 107	31 803

In 2008, the other operating expenses decreased by EUR 4,868 ('000). In the Retail Group, the other operating expenses show a rise of 5% due mainly to the increase of rental costs and the higher energy prices. In contrast, the costs in the Imaging Group decreased by 26%. This was mainly due to continued cost control of marketing and overhead costs. There has also been a significant fall in the postal costs due to the transition to digital photography and as a result of digital marketing campaigns instead of mailings and door-to-door leaflets.

The other operating expenses further decreased by -6.76% in 2009. In the Retail Group, the other operating expenses decreased by –1.95%. The decrease of the other operating expenses is mainly attributable to the Imaging Group's decrease by -10.81%. In particular, the services and the decrease in provisions contributed to this.

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

In 2008, the Group achieved a recurrent operating result of EUR 5,758 ('000) from the continuing operations. Spector Photo Group achieved a recurrent operating result of EUR 620 ('000) in 2009.

9. NON-RECURRING ITEMS FROM OPERATING ACTIVITIES

The non-recurring items for 2008, amounting to minus EUR 786 ('000) are attributable to the Imaging Group. The non-recurrent items mainly consist of the costs for closing the site at Villeneuve d'Asq due to centralisation in Belgium of the services of ExtraFilm France, the company that performs the mail order activities in France under the brand name ExtraFilm™. The marketing of ExtraFilm France remains established in France (Paris). In 2009, the non-recurring items from operating activities are zero.

10. FINANCIAL RESULT

(in € '000)	2008	2009
Interest income	587	55
Interest expense	-4 475	-3 090
Net gain/loss (-) on realisation of other receivables & non-current financial assets	2	- 10
Addition (-)/reversal of impairment on other receivables & non-current financial assets	- 99	30
Net foreign exchange gains/losses (-)	-1 182	-1 279
Other financial income/expenses (-)	- 10	1
Financial cost-net, before non-recurring items	-5 177	-4 293
Non-recurring financial items	-2 405	
Financial cost-net	-7 582	-4 293

Recurring financial items

The financial result before non-recurring items amounted to minus EUR 4,293 ('000) in 2009, compared to minus EUR 5,177 ('000) in 2008.

The improvement by EUR 884 ('000) is mainly the result of lower financial interest expenses. The unfavourable exchange rate differences increased slightly. The exchange rate differences are attributable to various transactions between Spector Photo Group NV and its subsidiaries in countries outside the Eurozone. The exchange rate differences mainly concern the translation differences for the Swiss franc and the Swedish krona.

Non-recurring financial items

The non-recurring financial items amounting to minus EUR 2,405 ('000) in 2008 are related to write-downs recognised on a number of assets. The 49% holding in FLT amounting to minus EUR 1,689 ('000) was fully written off for prudential reasons. A write-down of minus EUR 543 ('000) on the receivable from Spector Immobilien Verwaltung GmbH was recognised as a result of the sale of the company's assets; the holding in this company was also written down by minus EUR 25 ('000). In addition, following the completion of the liquidation of Fotoinvest CVBA, another write-down of minus EUR 148 ('000) had to be recognised. In 2009, the non-recurring financial items were zero.

The financial statements were prepared using the following exchange rates.

Currency exchange rates	Closing rate		Average rate	
	2008	2009	2008	2009
Swiss franc	1.4850	1.4836	1.5786	1.5076
Danish krone	7.4506	7.4418	7.4558	7.4460
Hungarian forint	266.7000	270.4200	251.0483	281.4375
Norwegian krone	9.7500	8.3000	8.2858	8.6892
Swedish krona	10.8700	10.2520	9.6833	10.5874
American dollar	1.3917	1.4406	1.4726	1.3963

11. INCOME TAX INCOME/EXPENSES (-)

Recognised in the income statement

(in € '000)	2008	2009
Current tax expenses (-)/Income		
Taxes on the result for the financial year	-1 612	- 973
Adjustments to taxes for preceding periods	105	- 558
Addition to provisions for taxes	- 34	- 34
Utilisation and write-back from provisions for taxes		
	-1 541	-1 565
Deferred taxes		
Originating and reversal of temporary differences	634	2 512
Utilisation of preceding years' losses	- 1	
	633	2 512
Income tax expenses (-)/Income recognised in the income statement	- 908	946

Reconciliation of effective income tax expenses (-)/income

(in € '000)	2008	2009
Tax calculated at the theoretical tax rate*	-3 672	-6 367
Profit/loss (-) before tax	-2 610	-3 673
Theoretical tax rate	32.05%	25.84%
Impact of tax excempt revenues	1 217	4 510
Impact of non-deductible expenses	-1 322	- 93
Tax deduction for risk capital	1 366	1 245
Impact of utilised tax losses	870	- 315
Increase in provisions concerning tax claims	- 34	- 34
Over/under (-) provided in preceding years	105	- 558
Other	- 72	46
Effective current income tax expenses (-)/income	-1 541	-1 566
Impact of deferred taxes	633	2 512
Income tax expenses (-)/income recognised in the income statement	- 908	946

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

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

In view of the overall loss situation, an effective tax rate is not applicable to the group as a whole for 2008, nor for 2009.

12. PROPERTY, PLANT AND EQUIPMENT

(in € '000)	Land & buildings	Plant,machinery & equipment	Furniture,fixtures & vehicles	Assets under construction	Total
Acquisition value					
Balance at end of previous year	20 804	35 538	21 054	4	77 399
Mutation					
Acquisitions	3 026	2 229	866		6 121
Sales & disposals (-)		- 5 493	- 389		- 5 882
Other transfers			3	- 3	
Translation differences	193	57	9		258
Balance at end of current period	24 023	32 330	21 543		77 896
Depreciation and impairment					
Balance at end of previous year	12 307	31 608	15 224		59 138
Mutation					
Depreciation	602	1 683	1 480		3 764
Sales and disposals (-)		- 5 409	- 383		- 5 792
Translation differences	124	12	9		145
Balance at end of current period	13 033	27 894	16 329		57 256
Carrying amount					
at end of previous year	8 497	3 930	5 830	4	18 260
at end of current period	10 990	4 436	5 214		20 640

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

(in € '000)	Acquisition value	Accumulated depreciation and impairment	Carrying amount
Plant, machinery & equipment	1 748	- 1 311	437
Furniture, fixtures & vehicles	51	- 25	26
Total leased assets	1 799	- 1 336	463

Recognition at fair value used as the deemed cost

In accordance with IFRS 1, it was decided to measure buildings and land at the date of transition to IFRS at fair value and to use this fair value as 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 3,084 ('000) was recognised for the land, translated at the closing rate on 31 December 2009. This additional value concerns land of the subsidiaries Photo Hall Multimedia NV, Fotronic NV, ExtraFilm (Sweden) AB, and Promo Concept Investment BVBA.

In 2007, the building of Fotronic NV in Braine-l'Alleud (Belgium) was sold. The –at the transition to IFRS - revaluation gain of this building amounted EUR 544 ('000) and is, as the building itself, no longer recorded as assets.

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

Without the selected option of recognising land and buildings at their fair value, the net carrying amount at the prior financial year-end would amount to EUR 5,987 ('000) instead of EUR 8,497 ('000). As at the end of the current period under review, this would have resulted in a net carrying amount of EUR 8,450('000) instead of EUR 10,990 ('000).

Net carrying amount

Evolution 2008

The net carrying amount of the property, plant and equipment decreased by EUR 8,754 ('000) between 2007 and 2008.

This decrease is mainly attributable to the recognition of the Hungarian entity Föfoto Kft under 'discontinued operations', with which the property, plant and equipment are recognised as 'assets held for sale' (minus EUR 2,197 ('000)). The recognised revaluation gains on the land and buildings of this entity were reversed (minus EUR 3,176 ('000)).

The change in the consolidation method for the Italian subsidiary FLT SpA, in which this entity has now been recognised as a financial asset and is no longer proportionally consolidated, reduced the net carrying amount of the property, plant and equipment by minus EUR 697 ('000).

Furthermore, the net carrying amount decreased due to an imbalance between the investment rhythm and depreciation. For the 2008 financial year, the investments amounted to EUR 2,815 ('000), whereas the depreciation amounted to minus EUR 4,924 ('000). Exchange rate changes also negatively affected the net carrying amount by minus EUR 315 ('000).

Evolution 2009

The net carrying amount of the property, plant and equipment increased by EUR 2,380 ('000) between 2008 and 2009.

For the 2009 financial year, the investments amounted to EUR 6,121 ('000), whereas the depreciation amounted to minus EUR 3,764 ('000).

Also the exchange rate fluctuations had a positive effect on the net carrying amount for EUR 113 ('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, Bettembourg – Luxembourg was purchased for EUR 3 000 ('000). Other investments in property, plant and equipment mainly concern the furnishing of new shops and the refurbishments of existing shops — mostly under the brand of Photo Hall or Hifi International. In 2008, these investments amounted to EUR 1,052 ('000); in 2008 an amount of EUR 849 ('000) was invested.

Investments in the Imaging Group

The Imaging Group invested mainly in machines for processing digital pictures to photo books and photo gifts, i.e. EUR 2,008 ('000). The investments relating the optimisation of the datacenter amount to EUR 512 ('000). Other investments in property, plant and equipment relate to a.o. minilabs and hardware.

13. CONSOLIDATION GOODWILL AND OTHER GOODWILL

(in € '000)	Consolidation goodwill	Other goodwill	Total
Gross carrying amount			
Balance at end of previous year	46 822	13 448	60 270
Sales & disposals (-)		62	62
Disposals through business divestiture (-)	- 820		- 820
Translation differences		323	323
Balance at end of current period	46 002	13 832	59 834
Amortisation and impairment			
Balance at end of previous year	29 728	11 024	40 753
Mutation			
Amortisation		353	353
Sales and disposals (-)		62	62
Disposals through business divestiture (-)	- 820		- 820
Translation differences		323	323
Balance at end of current period	28 908	11 762	40 670
Carrying amount			
at end of previous year	17 094	2 423	19 517
at end of current period	17 094	2 070	19 164

On the one hand, this item concerns the consolidation goodwill, with the main components being: EUR 6,932 ('000) for Photo Hall (Belgium and Luxembourg) and EUR 5,254 ('000) for ExtraFilm Scandinavia. Because of the sale of the Hungarian entity and the liquidation of the entities Plastic Unit production SA and Photo RE Ltd, the consolidation goodwill decreased with EUR 820 ('000) in gross carrying amount and amortisations. The net carrying amount remained unchanged. On the other, this item also contains local goodwill of EUR 1,820 ('000) for shops in the Retail Group and EUR 250 ('000) goodwill for the customer file of Positif Group, which was acquired by the Imaging Group. Neither in 2008, nor in 2009 were there any acquisitions; the net carrying amount for local goodwill continued to be amortised.

In accordance with IAS 36, the company performed impairment tests at the end of December in both 2008 and 2009 concerning the identified cash-generating units to examine whether they had suffered any impairment loss. These tests demonstrated that in each case the recoverable amount of the entities was higher than the carrying amount of the entity. Consequently, no impairment needed to be recognised for the continuing operations.

The results of the tests for the four most important cash-generating units are examined in more detail below.

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

Mail order

The net carrying amount of the consolidated goodwill that was attributed to this entity was EUR 9,550 ('000) as at 31 December 2009.

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

This calculation uses projections of the future free cash flows for the five coming financial years and adds a continuing annual growth of 2%. The projections for 2010 correspond with the budgets approved by the Board of Directors, without taking account of the cost savings that could result from the restructuring measures still to be implemented. The projections for 2011, 2012, 2013 and 2014 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 operating income 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 operating income from analogue photography, based on the developments in recent years and confirmed for coming years by several market studies.

This fall is the result of a decrease in the number of customers using analogue photography, with which the operating income for each customer remains stable. With effect from 2010, the weight of analogue will be very limited within the total operating income as a result of which this constant fall has little impact on the development of the total mail-order operations; (ii) a rise in the number of digital customers in accordance with the database model. This increase is the combination of, on the one hand, attracting new customers in pursuance of the continuing increase in the penetration rate of digital cameras and the marketing campaigns and, on the other, the dynamics in the composition of the customer base in which the proportion of new customers in relation to the total number of customers is decreasing year after year; (iii) an increase in the average operating income from each digital customer. This increase results from the increasing supply of products other than traditional photos, such as photo books, photo calendars, photo gifts and photos on canvas, with a higher price for each order. This market development from traditional photos to new products is also confirmed by various market studies.

The results of these calculations are discounted at 11.61%, for the coming five years. This discount rate reflects a market-based return on equity and loan capital, the current balance between equity and loan capital for this cash-generating unit and the estimates of additional risks and volatility for the potential developments in the market in which this entity operates.

Hifi International Luxembourg

The net carrying amount of the consolidated goodwill that was attributed to this entity was EUR 3,595 ('000) as at 31 December 2009.

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

This calculation takes the projections of the future free cash flows for the coming four financial years and adds a continuing annual growth of 2%. While the projections for 2010 correspond with the budgets approved by the Board of Directors, the projections for 2011, 2012, 2013 and 2014 are based on prudent extrapolations by the management. The continuing annual growth of 2% is justified by the permanent nature of the activities, reflecting an increase in overhead costs due to inflation. The most important assumptions are a stable free cash flow for the period 2010 to 2013, and a stable gross margin.

The results of this calculation are discounted at 9.37%. This discount rate reflects a market-based return on equity and loan capital in their current mutual balance.

Photo Hall Belgium

The net carrying amount of the consolidated goodwill that was attributed to this entity was EUR 3,337 ('000) as at 31 December 2009.

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

This calculation takes the projections of the future free cash flows for the coming four financial years and adds a continuing annual growth of 2%. The projections for 2010 correspond with the budgets approved by the Board of Directors, without taking account of the cost savings that could result from restructuring measures that could still be implemented. The projections for 2011, 2012 and 2013 are based on extrapolations by the management. The continuing annual growth of 2% is justified by the permanent nature of the activities, reflecting an increase in overhead costs due to inflation. The most important assumptions are a stable free cash flow for the period 2010 to 2013, and a stable gross margin.

This calculation also uses a discount rate of 9.37% and reflects a market-based return on equity and loan capital in their current mutual balance.

Spector Belgium and Netherlands

The net carrying amount of the consolidated goodwill that was attributed to this entity was EUR 612 ('000) as at 31 December 2009.

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

This calculation takes the projections of the future free cash flows for the five coming financial years and adds a continuing annual growth of 2%. While the projections for 2010 correspond with the budgets approved by the Board of Directors, the projections for 2011, 2012, 2013 and 2014 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 operating income that takes account of the changing market conditions.

The results of these calculations are discounted at 10.78%, for the coming five years. These discount rates reflect: a market-based return on equity and loan capital, the current balance between equity and loan capital for this cash-generating unit, and the estimates of additional risks and volatility for the potential developments in the market in which this entity operates.

14. INTANGIBLE ASSETS OTHER THAN GOODWILL

Intangible assets mainly concern the externally acquired customer relationships of the mail-order enterprises in the Imaging Group of EUR 8,828 ('000) and, to a limited extent, patents, licences and software developed in-house. Page 63 of this document provides more detailed information on the externally acquired customer relationships.

Up until 2004, there was a relative balance between the newly acquired customer relationships and the amortisation associated with them. Because of the transition from analogue to digital photography, the Imaging Group calls on other techniques and instruments to acquire new customers. These techniques qualify on fewer of the criteria for recognition as intangible assets. Compared to EUR 2,110 ('000) in acquisitions of external customer relationships, there was EUR 4,800 ('000) in amortisation of external customer relationships in 2008. In 2009, this concerned EUR 1,520 ('000) in acquisitions of external customer relationships contrasting with EUR 3,926 ('000) in amortisation.

The net carrying amount for concessions, patents and licences has increased slightly with EUR 5 ('000) compared with 2008. The investments amounted to EUR 742 ('000) for the 2009 financial year, and mainly concern investments in the context of designs for photo books and photo gifts. No software developed in-house was capitalised in 2009. Amortisation in the 2009 financial year amounted to EUR 738 ('000) for this item.

The assumptions concerning the future of the intangible assets other than goodwill and trading securities, mainly the externally-acquired customer relationships, are closely connected with the strategy of the Imaging Group concerning the transition from analogue to digital photography – as described in the market risks on page 100 of this document – and the translation of this strategy in the business plan that is the basis of the impairment tests (see pages 77 and following).

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

As a result of the combination of amortisation on intangible assets on the one hand and, on the other, limiting the capital expenditure by means of the ''Lifetime Value' concept, the risks related to these assets are limited.

(in € '000)	Concessions, patents, licenses, etc.	Development expenses capitalised	Customer relationships	Total
Acquisition Value				
Balance at end of previous year	15 361	75	69 178	84 613
Mutation				
Acquisitions	742		1 520	2 262
Sales & disposals (-)	- 496			- 496
Other transfers	5	- 5		
Translation differences	53		1 527	1 581
Balance at end of current period	15 665	70	72 224	87 959
Amortisation and impairment				
Balance at end of previous year	14 228	73	57 996	72 298
Mutation				
Amortisation	738		3 926	4 665
Sales and disposals (-)	- 496			- 496
Other transfers	3	- 3		
Translation differences	53		1 473	1 526
Balance at end of current period	14 527	70	63 396	77 992
Carrying amount				
at end of previous year	1 133	1	11 181	12 315
at end of current period	1 138		8 828	9 966

15. AVAILABLE-FOR-SALE INVESTMENTS

Promo Concept Investment (PCI) BVBA, a subsidiary, owns the shares in the German company Spector Immobilien Verwaltung GmbH, whose most important asset, a building in Dresden, was sold in May 2008. This company was put into liquidation in November 2008 and, partly due to this, the holding in this company was written down by minus EUR 25 ('000) and recognised under the non-recurring financial items.

16. OTHER NON-CURRENT FINANCIAL ASSETS

This item contains all the non-consolidated investments. This concerns unlisted financial assets of which the fair value cannot be reliably determined. The fair value is deemed to be equal to the cost adjusted for write-downs.

(in € '000)	2008	2009
Other non-current financial assets, opening balance		
Gross amount	3 024	1 155
Accumulated impairment losses (-)	-2 975	-1 106
Decreases through sales and other movements (-)	-1 869	
Effect of exchange rate changes		
Accumulated impairment losses (-) decreases due to sales and other movements	1 869	
Accumulated impairment losses (-) from effect of exchange rate changes		
Other non-current financial assets, closing balance		
Gross amount	1 155	1 155
Accumulated impairment losses (-)	-1 106	-1 106
Other non-current financial assets	49	49

17. TRADE AND OTHER RECEIVABLES – NON-CURRENT PORTION

(in € '000)	2008	2009
Cash guarantees	196	208
Other receivables	1 927	1 301
Gross carrying amount	2 122	1 509
Accumulated provisions for bad and doubtful debts in other receivables (-)	-1 875	-1 256
Net carrying amount	248	252

The change in the other receivables in 2008 mainly concerned the receivable of the Imaging Group from Spector Immobilien Verwaltung, amounting to EUR 1,213 ('000). As a result of the sale of this company's building, the receivable was partially repaid and, for the remaining balance, a write-down of minus EUR 543 ('000) was recognised in the non-recurring financial items. This company was put into liquidation in November 2008.
In 2009, a debt waiver was entered for the receivable from Spector Verwaltung GmbH without any effect on the result. This entry explains the change in the other receivables and the accumulated write-downs.

Related parties

The former majority shareholder Fotoinvest, in liquidation, was put into liquidation on 20 December 2007, and the liquidation was concluded on 20 June 2008.

The holding of Fotoinvest, in liquidation, in Spector Photo Group NV was sold to Spector Coördinatiecentrum NV. The transfer on 27 March 2008 of the 1,075,275 shares of Spector Photo Group NV was recognised at an amount of EUR 1,118 ('000) under the 'Treasury Shares' item in the equity on the consolidated statement of financial position. After settlement of the costs and proceeds with Fotoinvest, in liquidation, an additional write-down of EUR 148 ('000) was recognised under the non-recurring financial items.
The remunerations for managers in key positions are reported on page 72.

Joint ventures

The shares of FLT SpA, previously operating in the wholesale photofinishing market, were held via Photomedia, a subsidiary of Spector Photo Group NV. FLT SpA was proportionally consolidated at 49%. Since the fourth quarter of 2008, the 49% holding in the Italian lab FLT was no longer proportionally consolidated and is recognised as a financial asset.

In 2008, FLT SpA was recognised proportionally in the consolidated financial statements under the continuing operations for the following amounts:

(in € '000)	2008	2009
Operating income	2 266	-
Operating expenses	2 198	-

18. DEFFERRED TAX ASSETS

(in € '000)	Balance at end of previous financial year	Recognised in result	Balance at the end of current period
Provisions	20	- 18	2
Tax effect of tax losses carried forward	7 029		7 029
	7 049	- 18	7 032

This category consists mainly of the recoverable tax losses of Spector Photo Group NV, for which a deferred tax asset is recognised. The deferred tax asset for Spector Photo Group NV amounted to EUR 7,029 ('000) for the 2008 financial year, and did not change in the 2009 financial year. Spector Photo group NV will generate taxable profits in the future, which will mainly consist of financial income from loans granted to subsidiaries. The taxable profits in the future will be able to be set off against the tax losses. There was no change in the deferred tax asset in 2009, because the positive results were compensated by the additional tax deduction of the notional interest amounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unallocated taxable losses and tax assets can be utilised.
The summary below shows not only deferred tax assets, but also deferred tax liabilities and the net effect.

Deferred tax assets & liabilities

Recognised deferred tax assets and liabilities	Assets		Liabilities		Net	
(in € '000)	2008	2009	2008	2009	2008	2009
Property, plant and equipment			1 465	582	-1 465	- 582
Intangible assets			1 320	737	-1 320	- 737
Provisions	20	2			20	2
Tax effect of tax losses carried forward	7 029	7 029			7 029	7 029
Gross deferred tax assets and liabilities	7 049	7 032	2 785	1 319	4 264	5 712

Tax losses carried forward for which no deferred tax assets have been recognised amounted to EUR 67,796 ('000) for the 2008 financial year, of which EUR 2,174 ('000) expire at the 2014 year-end, and EUR 468 ('000) expire at the end of 2015.
For the 2009 financial year, the tax losses carried forward for which no deferred tax assets were recognised amount to EUR 71,529 ('000), of which EUR 94 ('000) expire at year-end 2015, EUR 131 ('000) expire at year-end 2016, EUR 3,136 ('000) expire at year-end 2017, and EUR 166 ('000) expire at year-end 2018. The other tax losses carried forward have no time limit. For these losses, no deferred tax assets were recognised because it is improbable that there will be sufficient taxable profit available to be able to realise the tax benefits.

19. ASSETS HELD FOR SALE

Discontinued operations

IMAGING

Spector Fotohandel GmbH

In the third quarter of 2005, the Board of Directors decided to discontinue the operations of Spector Fotohandel GmbH in Austria. The activity of Spector Fotohandel GmbH consisted of renting out commercial buildings in which the Group's former Austrian shop activities were located. Spector Fotohandel GmbH was recognised under this item because it concerns a separate geographical area, Austria. The sale of Spector Fotohandel GmbH, in which the shares were sold, was completed on 5 November 2008.

Litto-Color NV

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

RETAIL

Föfoto Kft

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

The result and cash flow from these discontinued operations can be summarised as follows:

Discontinued operations of the Imaging Group

(in € '000)	2008	2009
Post-tax profit/loss (-) of discontinued operations	- 675	
Other income from ordinary activities	151	
Expenses from ordinary activities	- 721	
Financial result	- 104	
Interest expense	- 104	
Pre-tax profit/loss (-) from discontinued activities	- 674	
Taxes	- 1	
Cash flow from operating activities	443	- 124
Cash flow from financing activities	- 308	

The discontinued operations of the Imaging Group in the 2008 financial year consisted of the entities Litto-Color NV, in liquidation, and Spector Fotohandel GmbH.

The sale of the holding in the Austrian Spector Fotohandel GmbH was realised in the fourth quarter of 2008. The result of minus EUR 676 ('000) was entirely attributable to the operating loss and the loss on the sale of this Austrian investment.

Discontinued operations of the Retail Group.

(in € '000)	2008	2009
Post-tax profit/loss (-) of discontinued operations	-3 554	-1 062
Revenue from ordinary activities	24 394	3 565
Other income from ordinary activities	809	119
Expenses from ordinary activities	-28 317	-3 834
Financial result	- 366	- 912
Interest revenue	2	
Interest expense	- 347	- 79
Pre-tax profit/loss (-) from discontinued activities	-3 480	-1 062
Taxes	- 74	
Loss recognised on the re-measurement to fair value	-1 459	
Cash flow from operating activities	-1 060	- 166
Cash flow from investing activities	- 255	2 255
Cash flow from financing activities	689	-2 223

The discontinued operations of the Retail Group comprise the Hungarian Föfoto Kft.

Föfoto Kft was recognised under 'discontinued operations' for the entire 2008 financial year. The loss of minus EUR 3,554 ('000) for the 2008 financial year was a combination of the operating, financial and tax results of minus EUR 2,095 ('000) and an impairment loss of minus EUR 1,459 ('000) for the writing down of the assets to their recoverable amounts.

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

Assets held for sale and directly associated liabilities

The assets held for sale and directly associated liabilities concern:

- the discontinued operations of Litto-Color NV, in liquidation, from the Imaging Group;
- the discontinued operations of Föfoto Kft from the Retail Group.

Imaging Group

(in € '000)	2008	2009
Assets		
Trade and other receivables	1	41
Cash and cash equivalents	764	640
Assets held for sale	765	681
Liabilities		
Provisions	47	35
Employee benefit liabilities	609	663
Trade and other payables	126	
Liabilities directly linked to liabilities held for sale	782	698

Litto-Color NV, in liquidation, operating in the wholesale photofinishing market, was put into liquidation on 6 November 2006, and was classified as assets held for sale and directly associated liabilities.

The building in Ostend of Litto-Color NV, in liquidation, was sold for an amount of EUR 1,766 ('000) in 2008.

Retail Group

(in € '000)	2008	2009
Assets		
Property, plant & equipment	2 255	
Inventories	2 650	
Trade and other receivables	909	
Cash and cash equivalents	133	
Assets held for sale	5 947	-
Liabilities		
Provisions	11	
Interest bearing liabilities	2 143	
Employee benefit liabilities	173	
Trade and other payables	3 636	
Liabilities directly linked to liabilities held for sale	5 963	-

In 2008, the Board of Directors took the difficult decision to put Föfoto Kft up for sale. As a result of this, Föfoto Kft was recognised under 'discontinued operations' for the entire year.

The property, plant and equipment held for sale in 2008 included land and buildings for an amount of EUR 934 ('000). The revaluation gain on land and buildings, which was accrued during the course of the years, was reversed down to the recoverable amount. The reversal of the revaluation gain was recognised directly in equity. The other property, plant and equipment held for sale were also recognised at their recoverable amounts. The liabilities of Föfoto Kft were recognised under the 'Current liabilities held for sale' heading. The secured borrowings have been guaranteed for EUR 4,687 ('000) by mortgages on land and buildings. On 4 June 2009, this wholly-owned subsidiary was divested via an MBO (Management Buy-Out).

20. INVENTORIES

(in € '000)	2008	2009
Goods for resale	37 650	29 451
Raw materials and consumables	502	633
Total gross carrying amount	38 152	30 085
Depreciation and other write-downs (-)	-1 530	-1 368
Net carrying amount	36 622	28 717

The change in the 'Inventories' heading between 2008 and 2009 is attributable to the Retail Group. This mainly reflects the efforts to optimise the working capital. A reversal in write-downs of EUR 105 ('000) was recognised in the 2008 financial year. A reversal in write-downs of EUR 148 ('000) was recognised in the 2009 financial year. These reversals are recognised via the income statement.

21. TRADE AND OTHER RECEIVABLES (CURRENT PORTION)

(in € '000)	2008	2009
Trade receivables, gross	21 645	17 864
Other receivables, gross	1 566	714
Accruals and deferrals	349	469
Gross carrying amount	23 560	19 046
Accumulated write-downs on bad and doubtful trade receivables (-)	-2 836	-2 754
Accumulated write-downs on bad and doubtful other receivables (-)	- 587	- 163
Net carrying amount	20 138	16 129

The current portion of the trade and other receivables continued to decrease between 2008 and 2009. This decrease is mainly progressing in parallel to the decrease of the revenues and the continuing efforts to optimise the working capital.

Of the accumulated write-downs on bad and doubtful trade receivables, EUR 333 ('000) was recognised in the income statement in 2008. In 2009, EUR 306 ('000) was recognised in the income statement.

In 2008, EUR 99 ('000) of the accumulated write-downs on bad and doubtful other receivables was recognised in the income statement as recurring financial costs, and EUR 691 ('000) as non-recurring financial items; see page 73. In 2009, minus EUR 30 ('000) was recognised as recurring financial costs in the income statement.

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

(in € '000)	2008		2009	
Retail Group	165	12.4%	260	25.5%
Imaging Group	938	70.7%	602	59.0%
Other	225	17.0%	158	15.5%
Total	**1 328**	**100%**	**1 019**	**100%**

The net other receivables for the 2008 financial year contain the following items:

EUR 874 ('000) receivable related to VAT, EUR 349 ('000) of costs to be transferred and acquired revenues, and EUR 105 ('000) of other receivables. The other receivable from Fotoinvest CVBA, in liquidation, was settled in March 2008; see page 73.

The net other receivables for the 2009 financial year contain the following items:

EUR 409 ('000) receivable related to VAT, EUR 469 ('000) of costs to be transferred and acquired revenues, and EUR 141 ('000) of other receivables.

22. CASH AND CASH EQUIVALENTS

(in € '000)	2008	2009
Short term bank deposits	6 774	3 094
Other cash and cash equivalents	5 664	15 345
	12 438	18 439

See also the statement of cash flows on page 53 of this annual report.

23. 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 fall in the income tax assets in 2009 was mainly the result of a favourable ruling for a number of Belgian companies in a dispute with the tax authorities. The payments were made by the financial administration in January and March 2009.

24. TOTAL EQUITY

See also page 52, statement of changes in equity
The total number of shares amounts to 36,619,505, of which 1,207,072 are treasury shares. 22,993 treasury shares were purchased during the course of 2004, and 27,773 during the course of 2003, at a price equal to or below the exercise price of the share options; see page 89 of this document. In 2008, 1,075,275 treasury shares were acquired; see page 81 of this document. Of the total of 1,207,072 treasury shares, 77,271 are held by Spector Photo Group NV, 54,326 by the subsidiary Alexander Photo SA, and 1,075,275 by the subsidiary Spector Coördinatiecentrum NV. In accordance with IFRS, these treasury shares are measured at cost at their initial recognition in the IFRS statement of financial position on 1 January 2004 for 131,797 shares, and for 1,075,275 shares at cost with the transfer on 27 March 2008. This amount has been deducted from the equity.

In 2008, the total amount of minus EUR 2,139 ('000) was reversed from the revaluation gains on the buildings and rental rights of buildings in Hungary, as well as the deferred taxes related to these gains.

Calculation of the earnings per share for 2008

1. Number of shares

1.1. Weighted average number of shares	36 668 731
1.2. Adjustments to calculate the diluted weighted average number of shares: Issue on 16 December 2005 of 600 000 warrants that each gives right to one new share of the company to be created when exercised.	600 000

2. Net profit

	Net profit (from continuing operations)	Net profit (from discontinuing operations)	Net profit (total)	Total comprehensive income for the period
2.1. Profit/loss (-) attributable to equity holders of the parent (in thousands of euros)	- 3 518	- 4 229	- 7 748	- 9 902
2.3. Profit/loss (-) available to ordinary shareholders (per share, amount in euros)	-0.0986	-0.1186	-0.2172	-0.2776

These amounts per share take into account the weighted average number of shares with dividend rights as at 31 December 2008.

Calculation of the earnings per share for 2009

1. Number of shares

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

2. Net profit

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

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

25. NON-CURRENT AND CURRENT INTEREST-BEARING FINANCIAL LIABILITIES

The interest-bearing liabilities amounted to EUR 48,592 ('000) at year-end 2008, compared to EUR 46,470 ('000) at year-end 2009. The majority of the borrowings are subject to a variable interest-rate expense of EURIBOR + X%. The NIB Capital Bank NV participation certificates bear a fixed interest expense.

As at 31 December 2008, 99.5% of the total borrowings were in EUR, and 0.5% in SEK. As at the 2009 reporting date, 98.59% of the total borrowings were in EUR, and 1.41% in SEK.

The breakdown between non-current and current borrowings are shown in the table on page 88 and onwards.

As at the 2008 year-end, the interest expense for non-current borrowings with variable interest rates in EUR ranged between EURIBOR +0.25% and EURIBOR +4%. The interest cost for the loans in SEK amounted to 5.45%. As at year-end 2009, this interest expense for the non-current borrowings in EUR ranged between EURIBOR + 0.25% and EURIBOR + 4%, and in SEK between 1.95% and 2.5%.

As at year-end 2008, the interest expense for the current borrowings with a variable interest rate in EUR ranged between EURIBOR + 1% and EURIBOR + 3%, and in SEK at 5.45%.

For 2009, the interest rates for the current borrowings in EUR varied between EURIBOR + 1% and EURIBOR + 3%, and in SEK between 1.95% and 2.5%.

The Retail Group's long-term debt amounting to EUR 19,138 ('000) to the bank consortium needs to be renegotiated by the 2010 year-end. This debt is recognised in current liabilities in accordance with the IAS 1 rules.

The secured borrowings have been guaranteed for EUR 16,186 ('000) by mortgages on land and buildings, for EUR 2,682 ('000) by mortgage powers of attorney on land and buildings, for EUR 23,051 ('000) by pledges on business assets of specific companies, and for EUR 4,483 ('000) by powers of attorney on pledged business assets of specific companies. Furthermore, shares of specific companies included in the consolidation have been given as collateral.

Disclosures concerning the financial obligations:

(in € '000)	2008						
	Up to 1 year	2010	2011	2012	2013	More than 5 years	Total
Interest-bearing borrowings-bank loans							
Secured bank loans	4 896	19 627	165	1			24 689
Unsecured bank loans						12 500	12 500
Finance leases							
Secured lease liabilities	139	148	157	132			576
Bank overdrafts							
Secured bank overdrafts	10 827						10 827
Total interest-bearing borrowings according to their maturity	15 862	19 775	322	133		12 500	48 592
Liabilities held for sale							
Secured bank loans	2 041	69	32				2 143

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

Disclosures relating to the leasing liabilities:

(in € '000)			2008			
Payments 2008	Interest	Capital	Outstanding current payable	Outstanding non-current payable	Outstanding current interest	Outstanding non-current interest
Finance lease liabilities						
197	43	154	139	437	33	41
Finance lease liabilities held for sale						
412	104	308				

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

Operating lease liabilities

Leasing as lessee

Non-cancellable operating lease rentals are payable as follows:

(in € '000)	2008	2009
Rentals during the financial year	8 624	8 975
Less than one year	8 267	8 712
Between one and five years	25 085	24 511
More than five years	12 801	10 086

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

Leasing as lessor

The Group leases out minilabs under operating leases.

(in € '000)	2008	2009
Rentals during the financial year	351	22
Less than one year	52	11
Between one and five years	15	-
More than five years	-	-

26. NON-CURRENT AND CURRENT EMPLOYEE BENEFIT LIABILITIES

'Non-current employee benefit liabilities' concern the pension obligations of the consolidated companies. The decrease between 2008 and 2009 is mainly related to the Imaging Group.

'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 2009, they amounted to EUR 4,452 ('000) compared to EUR 4,174 ('000) in 2008.

Share option plans

The Board of Directors decided unanimously at its meeting on 26 November 1999 to introduce share option plans for the benefit of employees and consultants of Spector Photo Group NV and associated companies (in the sense of Section 11 of the Belgian Company Code). The free offer of the options to the employees will be considered as a benefit in kind that is taxable as remuneration. In view of the fixed measurement of this benefit, as provided for in the Law of 26 March 1999, concerning the Belgian Action Plan for Employment and including various provisions, this constitutes a form of remuneration that is beneficial for tax purposes. The share options from 2001, which expired at year-end 2009, have lost all their value.

Year of offer per portion	2002
Exercise price	€ 10.65
Number of options offered	67 500
Number of accepted options	61 250
Number of outstanding options	48 500
Initial exercise periods	04/2006 04/2007 12/2007
Additional exercise periods in accordance with the Law of 24 December 2002	04/2009 04/2010 12/2010

As a result of the law of 24 December 2002, the beneficiaries of the option plans were asked to agree to an extension of the exercise periods by three years. All the beneficiaries immediately agreed to this, and the proposal was therefore approved. The table above shows the exercise price, the number of options offered, the number accepted and the number still outstanding, which have been offered in the implementation of this plan:
At the exercising of these options, the company will use its treasury shares. The Corporate Governance Charter of Spector Photo Group NV includes a code of conduct concerning the purchase and disposal of treasury shares.

Warrant plan

The Extraordinary General Meeting of Shareholders of Spector Photo Group NV on 28 November 2005 decided to issue 600,000 warrants in the sense of 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"). Each warrant gives the right to subscribe 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.

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 Law of 27 March 2009	03/2011	09/2011
	03/2012	09/2012
	03/2013	09/2013
	03/2014	09/2014

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

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

Post-employment benefits

Defined contribution pension plans

With defined contribution plans, contributions are paid to insurance institutions; after payment of these contributions, the companies of the group have no further obligations. The contributions are recognised as an expense in the income statement for the year to which they are related. For 2008, the costs of the Group's defined contribution plans amounted to EUR 244 ('000) recognised under the 'Employee expenses' heading. These costs amounted to EUR 231 ('000) for 2009.

Defined benefit pension plans

The group had defined benefit pension plans in France in 2008 and 2009. The applicable pension plans are drawn up in accordance with statutory provisions and local customs. The pension plans are related to salary and seniority. No plan assets are held for the defined benefit plans in France.
The reversal concerning the Group's pensions related to defined benefit plans amounted to EUR 11 ('000) for 2008 and EUR 51 ('000) for 2009.
These pension funds do not contain any shares issued by the Group or any of the Group companies' property.

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

(in € '000)	2008	2009
Costs attributed to the financial year		
Gain (-)/loss from curtailment of or discontinuing a plan	-11	-51
	-11	**-51**

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

(in € '000)	2008	2009
Present value of defined benefit plan obligations for which no investments are held	57	6
	57	**6**

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

(in € '000)	2008	2009
Balance at end of previous financial year	67	57
Gains recognised in the income statement	-11	-51
As at the financial year-end	57	6

The main actuarial assumptions as at reporting date are:

	2008	2009
Discount rate used	4%	4%
Percentage pay rise	2%	2%
Percentage increase in benefits	2.5%	2.5%

Other non-current employee benefits

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

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

(in € '000)	2008	2009
Balance at end of previous financial year	378	134
Increase/decrease (-) of liability recognised in the income statement	36	8
Other changes	-280	
As at the financial year-end	134	142

The 'Other changes' for an amount of minus EUR 280 ('000) concerning 2008, relates to the change in the consolidation method for FLT SpA, previously proportionally consolidated and recognised as a financial asset since the fourth quarter of 2008.

27. NON-CURRENT PROVISIONS

2008				
(in € '000)	Provisions for taxation	Provisions for restructuring	Other provisions	Total
Balance at end of previous year	742	163	869	1 775
Additional provisions	34		123	157
Amounts of provisions used (-)			- 68	- 68
Foreign currency exchange increase/decrease (-)			1	1
Other changes			- 12	- 12
Balance at end of current period	776	163	913	1 852

In 2008, an additional provision of EUR 34 ('000) was recorded for tax claims. An additional provision of EUR 123 ('000) was recorded under the 'Other Provisions'. EUR 68 ('000) was utilised for the settlement of claims for damages. Furthermore, the decrease of the other provisions by an amount of minus EUR 12 ('000) mainly relates to the transfer of Föfoto Kft to 'liabilities held for sale'. The 'other provisions' are mainly related to claims for damages from suppliers in the Imaging Group and claims for damages from owners of shops in the Retail Group. The settlement date for these claims is unknown.

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

In 2009, an additional provision of EUR 34 ('000) was recorded relating interest amounts and recognised under the tax claims. Minus EUR 43 ('000) was also utilised from the amount provided for in 2007 for restructuring already completed. The 'provisions for restructuring' relates to the Imaging Group. An additional provision of EUR 67 ('000) was recorded under the 'Other Provisions'. Minus EUR 402 ('000) was used for the settlement of claims for damages, and a reversal of minus EUR 105 ('000) was recognised for unused provisions. The 'Other Provisions' mainly relate mainly to claims for damages from owners of shops in the Retail Group. The settlement date for these claims is unknown.

28. CURRENT PORTION OF PROVISONS

2008			
(in € '000)	Provisions for restructuring	Other provisions	Total
Balance at end of previous year	340	50	390
Amounts of provisions used (-)	- 196		- 196
Balance at end of current period	144	50	194

In 2008, minus EUR 196,000 was utilised from the provisions recorded in 2007 for restructuring already completed.

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

In 2009, a reversal of minus EUR 144 ('000) was recognised for unused 'provisions for restructuring'. The other provision amounting to minus EUR 50 (000) was used.

29. DEFERRED TAX LIABILITIES

(in € '000)	Balance at end of previous financial year	Recognised in result	Effect of exchange rate changes	Other changes	Balance at the end of current period
2008					
Property, plant and equipment	2 020	- 82	- 3	- 471	1 465
Intangible assets	1 710	- 586	19	177	1 320
	3 730	- 668	16	- 294	2 785

In 2008, the other changes in property, plant and equipment mainly related to the deferred taxes of Föfoto Kft, amounting to minus EUR 266 ('000). This decrease is a combination of the derecognising of the deferred taxes related to the reversal of the revaluation gain on the buildings, and the derecognising of the deferred taxes on the other property, plant and equipment. There is also a transfer of minus EUR 178 ('000) between property, plant and equipment and intangible assets. The decrease in the intangible assets was attributable to the development concerning the externally-acquired customer relationships.

(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
2009					
Property, plant and equipment	1 465	- 882			582
Intangible assets	1 320	-1 647	4	1 060	737
	2 785	-2 529	4	1 060	1 319

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

30. LIABILITIES HELD FOR SALE

Because a number of assets are held for sale, the directly associated liabilities from the respective categories are recognised under this separate heading 'assets held for sale'; see also page 82.

31. CURRENT TRADE AND OTHER PAYABLES

(in € '000)	2008	2009
Trade payables: suppliers	28 491	27 752
Bills of exchange payable	1 857	
Prepayments received on contracts in progress	382	543
Dividends payable	132	131
Other amounts payable	471	571
Other taxes and VAT payable	4 673	4 990
Accrual and deferrals	1 942	1 927
Net carrying amount	37 948	35 914

The current trade and other payables fell by EUR 2,034 ('000).
The change in 2008 was mainly attributable to the transfer of the current trade payables of Föfoto Kft amounting to minus EUR 5,676 ('000) to 'assets held for sale', and FLT SpA, which was recognised as a financial asset of minus EUR 733 ('000). The current trade and other payables in the Imaging Group fell by 17.97% in 2009. The current trade and other payables in the Retail Group increased slightly.

32. CURRENT INCOME TAX LIABILITIES

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

33. RISKS RELATED TO DISPUTES

The Company and some of its subsidiaries are involved in tax disputes that are pending in the tax courts, and for which provisions have been formed. For certain tax disputes, however, the Company's opinion is that no provisions need to be formed. On the one hand, this concerns the tax deductibility of insurance premiums which the Company and some of its subsidiaries have paid to an insurance company that itself reinsured with a reinsurance company that is controlled by the Company. On the other hand, it mainly concerns discussions around the tax deductibility of payments in the context of transactions with Group companies. A ruling in favour of the group was delivered at the end of 2007. This ruling had a positive impact on the tax expenses for the 2007 financial year. The tax administration's refunds of the disputed taxes and postponed interest payments were received in January and March 2009 respectively.

The tax dispute concerning Hifi International involves issues including (i) the tax deductibility of the loss that arose with the merger of Hifi International with Hifi Video and Hifi Connection in 2001, (ii) the recognition of the taxes under the alternative taxable basis, and (iii) an abnormal benefit that a subsidiary is alleged to have received as a result of a subsidiary's liquidation. During the 2009 financial year, an unfavourable ruling was delivered against the group. Since the payment to the tax administration had already taken place in 2008, this ruling only had an effect of EUR 786 ('000) on the result in 2009.

A dispute with a supplier has also been settled, and the recognised provision EUR 280 ('000) was sufficient to be used for this.

After the settlement of the disputes mentioned above, there is a tax dispute that has been made pending in the tax courts and for which a provision of EUR 810 ('000) has been formed.

34. IMPORTANT FUTURE ASSUMPTIONS

The assumptions concerning the future of the intangible assets, other than goodwill and trading securities, are mainly the externally-acquired customer relationships, are closely connected to the strategy of the Imaging Group concerning the transition from analogue to digital photography – as described in the market risks on page 100 of this annual report – and the translation of this strategy in the business plan that is the basis of the impairment tests on page 77.

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

As a result of the combination of amortisation on the intangible assets on the one hand and, on the other, the application of the 'Lifetime Value' concept, the group believes that risks related to this asset are limited.

After investments and amortisation, the value of the externally-acquired customer relationships amounted to EUR 8,828 ('000). Of this, EUR 7,194 ('000) relates to the externally-acquired relationships, and EUR 1,634 ('000) to the directly attributable costs.

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

Committee of Statutory Auditors: Auditors' fee EUR 37 ('000).

Audit fee for the Committee of Statutory Auditors and their network concerning subsidiaries: EUR 135 ('000).

Fees for exceptional services or special assignments performed by the Committee of Statutory Auditors and their network: EUR 20,617, categorised as follows:

Performed by	Committee of Statutory Auditors	The network linked to the Committee of Statutory Auditors
Other audit assignments	2 578	
Tax consultancy	8 971	5 301
Other assignments external to the audit	3 648	119
Total	15 197	5 420

36. RISK FACTORS

As a result of the application of IFRS 7, further disclosures are made below concerning the financial assets and liabilities, which provide information for readers of the financial statements.

Credit risk

The aging of the trade and other receivables are:

(in € '000)			Of which not impaired as at the reporting date and overdue					
	2008 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)	248	248						
Trade receivables (current)	18 810	12 651	2 710	2 159	350	179	65	696
Other receivables (current)	980	561	72	210	1			136
Total	20 037	13 460	2 782	2 369	351	179	65	832

(in € '000)	2009 net carrying amount	Of which neither impaired nor overdue on the reporting date	Of which not impaired as at the reporting date and overdue					
			Overdue - less than 30 days	Overdue - between 30 and 59 days	Overdue - between 60 and 89 days	Overdue - between 90 and 179 days	Overdue - between 180 and 359 days	Overdue - more than 359 days
Other receivables (non-current)	252	250						2
Trade receivables (current)	15 110	11 192	1 917	1 371	183	90	104	252
Other receivables (current)	434	105	22	237	3	1		66
Total	15 796	11 547	1 940	1 609	186	91	104	320

A significant proportion of the Imaging Group's activities are conducted by means of 'remote sales' to end-consumers. This involves exposure to the risk of 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 hand, conducting proper credit management.

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

There was no significant risk concentration as at 31 December 2008 or 2009. No write-downs are recognised for the overdue receivables, because their collectability is considered as probable.

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

(in € '000)	2008						
	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		-2 975	-2 477	-3 744	-2 605	- 163	- 97
Impairment (-)	-1 714		- 543	- 333	- 247		- 194
Utilisation		1 869	1 163	1 171	2 247		
Translation differences				- 25			16
Other changes			- 18	95	18		- 95
Balance at end of current period	-1 714	-1 106	-1 875	-2 836	- 587	- 163	- 370

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

The accumulated write-downs on the 'investments and other assets held for sale' in 2008, related to the investment in the Italian FLT SpA that was fully written off for an amount of minus EUR 1,689 ('000), and to the investment in the German entity Spector Immobilien Verwaltung GmbH for an amount of minus EUR 25 ('000). The other changes in the 'assets held for sale' in 2009 are attributable to the Hungarian Föfoto, which was sold in the second quarter of 2009 by means of an MBO (Management Buy-out).

Liquidity risk

The following table shows a summary of the financial liabilities, including payable interest charges:

(in € '000)	2008							
	Carrying amount	Contractual cash flows	Up to 1 year	2010	2011	2012	2013	More than 5 years
Interest-bearing borrowings credit institutions								
Secured bank loans	24 689	28 466	6 969	21 326	170	1		
Unsecured bank loans	12 500	5 543	924	924	924	924	924	924
Finance leases								
Secured lease liabilities	576	650	171	171	171	136		
Bank overdrafts								
Secured bank overdrafts	10 827	10 887	10 887					
Trade & other payables	31 333	31 333	31 333					
Liabilities held for sale								
Secured interest-bearing borrowings	2 143	2 395	2 285	77	33			
Trade & other payables	3 762	3 762	3 762					
Total	85 830	83 036	56 331	22 498	1 299	1 061	924	924

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

Non-current payables are measured at amortised cost, approximating the fair value. The fair value of current payables is comparable with the carrying amount. There are currently no problems expected with the liquidity situation for the 2010 financial year. The Retail Group's non-current payable to the bank consortium amounting to EUR 19,138 ('000) needs to be renegotiated by the 2010 year-end. These obligations are recognised as current liabilities in accordance with the IAS 1 rules.

Currency risk

In both 2008 and 2009, Spector Photo Group NV realised more than 90% of its revenues in euros. The continuing activities in a currency other than the euro are mainly located in Sweden, Norway, Switzerland and the UK. The nature of the operations means that the great majority of expenditure in non-euro entities is in the same currency as the revenues. Expenditure in the euro-entities is virtually all paid in euros.

Because of this, the remaining cash flows in currencies other than the euro are limited, and Spector Photo Group NV opts not to hedge foreign currency transactions or cash flows.

The subsidiaries' borrowings from credit institutions are held in the currency of the subsidiary. Borrowings in a currency other than the euro amount to less than 1.5% of the total outstanding borrowings by continuing activities.

Short-term loans between the subsidiaries in foreign currencies are converted at the closing exchange rate. These unrealised gains and losses are recognised in the statement of comprehensive income/ income statement.

Long-term loans between the subsidiaries in foreign currencies are converted at the closing exchange rate. These exchange-rate differences are recognised in a separate item of the equity under the heading of currency translation differences, in accordance with IAS 21:32.

No hedging instruments were in use as at 31 December 2008 or 2009.

Interest rate risk

In 2009, 36.72% of the interest-bearing borrowings had a fixed rate of interest, compared with 27.90% in 2008. For the other borrowings, the interest rate is fixed for a period between three months and a year. This operating procedure enables Spector Photo Group NV to accept fluctuations in the financial expenses in accordance with the development of market rates.

On the basis of the outstanding borrowings as at 31 December 2009, a rise or fall in the market rate by 1% has a negative or positive effect respectively on the financial result of EUR 294 ('000), and which amounted to EUR 350 ('000) on the basis of the outstanding borrowings as at 31 December 2008.

The cash and cash equivalents are invested free of 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 impact on consumer behaviour, the development of consumer prices, the competitive position, and the dependence on a limited number of major customers of the Imaging Group.

- 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 hand, by continuously developing new products that are less susceptible to the general price pressure.

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

Capital structure

The Group optimises its capital structure (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.

COMMITTEE OF STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF SPECTOR PHOTO GROUP NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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

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

We have audited the consolidated financial statements for the year ended 31 December 2009 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of EUR (000) 121.541and a loss for the year of EUR (000) 3.788.

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

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

In accordance with the above-mentioned auditing standards, we considered the group's accounting system, as well as its internal control procedures. We have obtained from management and the company's officials, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the appropriateness of the accounting policies (1) and consolidation principles, the reasonableness of the significant accounting estimates made by the company, as well as the overall presentation of the consolidated financial statements. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended 31 december 2009 give a true and fair view of the group's assets and liabilities, its financial position, the results of its operation and cash flow in accordance with International Financial Reporting Standards as adopted by the European Union

Notwithstanding our unqualified opinion, we draw the attention to the consolidated director's report in which the valuation of the intangible assets is motivated, taken into account the changing market conditions. The motivation of the valuation of the intangible assets is strongly linked to the success of the "business plan". We also draw your attention to the fact that the long term debt of Photo Hall Multimedia to the consortium of banks will need to be negociated at the end of 2010, hence these financial debts have been classified as current financial debts following the prescriptions of IAS 1.

Additional statements

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

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

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

Gent, April 16, 2010

The Committee of Statutory Auditors
PKF bedrijfsrevisoren CVBA
Represented by

D. De Jonge
Statutory Auditor

Grant Thornton, Lippens & Rabaey
Represented by

J. Lippens
Statutory Auditor

PARENT COMPANY ACCOUNTS 2009

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BALANCE SHEET after profit allocation (Belgian GAAP)

ASSETS (in €)	2008	2009
FIXED ASSETS	122 991 869.17	124 730 378.50
Intangible fixed assets	2 372.83	
Financial fixed assets	122 989 496.34	124 730 378.50
Affiliated enterprises	122 955 519.24	124 696 401.40
Participating interests	89 747 532.63	89 747 532.63
Amounts receivable	33 207 986.61	34 948 868.77
Other financial assets	33 977.10	33 977.10
Shares	28 817.63	28 817.63
Amounts receivable and cash guarantees	5 159.47	5 159.47
CURRENT ASSETS	7 283 658.58	6 968 555.91
Amounts receivable within one year	6 746 688.03	6 661 298.21
Trade debtors	113 960.19	172 377.61
Other amounts receivable	6 632 727.84	6 488 920.60
Current investments	454 415.66	260 524.62
Own shares	29 362.98	51 771.57
Other investments and deposits	425 052.68	208 753.05
Cash at bank and in hand	20 301.84	5 294.41
Deferred charges and accrued income	62 253.05	41 438.67
TOTAL ASSETS	130 275 527.75	131 698 934.41

EQUITY AND LIABILITIES (in €)	2008	2009
EQUITY	127 850 925.32	129 801 769.05
Capital	64 193 915.58	64 193 915.58
Issued capital	64 193 915.58	64 193 915.58
Reserves	10 115 555.51	10 213 097.70
Legal reserve	4 311 302.59	4 408 844.78
Reserves not available	29 362.98	51 771.57
In respect of own shares held	29 362.98	51 771.57
Untaxed reserves	3 500 770.69	3 500 770.69
Available reserves	2 274 119.25	2 251 710.66
Accumulated profits (losses)	53 541 454.23	55 394 755.77
PROVISIONS AND DEFERRED TAXES	100 000.00	100 000.00
Provisions for liabilities and charges	100 000.00	100 000.00
Other liabilities and charges	100 000.00	100 000.00
AMOUNTS PAYABLE	2 324 602.43	1 797 165.36
Amounts payable after more than one year	1 523 132.24	1 046 074.68
Financial debts	1 523 132.24	1 046 074.68
Subordinated loans	895 383.58	395 383.58
Other loans	627 748.66	650 691.10
Amounts payable within one year	707 722.52	677 340.67
Trade debts	110 251.31	38 966.77
Suppliers	110 251.31	38 966.77
Taxes, remuneration and social security	61 834.24	46 598.10
Taxes	10 836.53	14 448.50
Remuneration and social security	50 997.71	32 149.60
Other amounts payable	535 636.97	591 775.80
Deferred charges and accrued income	93 747.67	73 750.01
TOTAL LIABILITIES	130 275 527.75	131 698 934.41

INCOME STATEMENT (in €)	2008	2009
Operating income	1 151 056.39	919 296.36
Turnover	762 494.47	776 554.00
Other operating income	388 561.92	142 742.36
Operating charges	(1 689 383.63)	(1 448 164.05)
Services and other goods	1 041 086.77	1 001 550.78
Remuneration, social security costs and pensions	271 874.00	336 301.54
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	17 272.88	2 372.83
Other operating charges	359 149.98	107 938.90
Operating profit (loss)	(538 327.24)	(528 867.69)
Financial income	2 548 533.61	2 471 810.54
Income from current assets	2 548 533.61	2 470 954.86
Other financial income		855.68
Financial charges	(237 224.15)	(79 489.05)
Debt charges	84 705.36	84 899.43
Amounts written down on current assets except stocks, contracts in progress and trade debtors	33 414.78	(7 615.26)
Other financial charges	119 104.01	2 204.88
Gain (loss) on ordinary activities before taxes	1 772 982.22	1 863 453.80
Extraordinary income	2 286 636.69	
Write-back of amounts written down financial fixed assets	2 286 636.69	

INCOME STATEMENT (in €)	2008	2009
Extraordinary charges	(2 286 636.73)	
Extraordinary depreciation of and extraordinary amounts written off formation expenses, intangible and tangible fixed assets	0.04	
Amounts written down financial fixed assets	2 286 636.69	
Profit (loss) for the period before taxes	1 772 982.18	1 863 453.80
Income taxes	3 258.12	87 389.93
Income taxes	(2 609.16)	612.23
Adjustment of income taxes and write-back of tax provisions	5 867.28	88 002.16
Profit (loss) for the period	1 776 240.30	1 950 843.73
Profit (loss) for the period available for appropriation	1 776 240.30	1 950 843.73

APPROPRIATION ACCOUNT		
Profit (loss) to be appropriated	53 630 266.25	55 492 297.96
Gain (loss) to be appropriated	1 776 240.30	1 950 843.73
Profit (loss) to be carried forward	51 854 025.95	53 541 454.23
Transfer to the legal reserve	(88 812.02)	(97 542.19)
Profit (loss) to be carried forward	(53 541 454.23)	(55 394 755.77)

STATEMENT OF CAPITAL

(in €)	Amounts	Number of shares
A. SOCIAL CAPITAL		
1. Issued capital		
• At the end of the previous period	64 193 915.58	
• At the end of the period	64 193 915.58	
2. Structure of the capital		
2.1. Different categories of shares		
Ordinary shares without nominal value	64 193 915.58	36 619 505
Registered		2 134 119
Bearer		34 485 386
Dematerialisation of bearer securities according to the Law of 14 December 2005 abolishing bearer securities		
C. OWN SHARES HELD BY		
• the company itself	51 771.57	77 271
• the subsidiaries	756 966.67	1 129 801
D. COMMITMENTS TO ISSUE SHARES		
Following the exercising of CONVERSION RIGHTS :		
Number of outstanding subscription rights		600 000
Amount of capital to be subscribed	2 016 000.00	
Corresponding maximum number of shares to be issued		600 000
E. AUTHORISED CAPITAL, NOT ISSUED	64 193 915.58	

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

		Most recent notification (3)	Number of shares	% of total (1)
A.	SPECTOR COORDINATIECENTRUM N.V. (2) Kwatrechtsteenweg 160, B-9230 Wetteren	15/09/2008	1 075 275	2.94%
B.	PARTIMAGE C.V.A. (2) Kwatrechtsteenweg 160, B-9230 Wetteren	28/03/2008	84 044	0.23%
C.	ALEXANDER PHOTO S.A. (2) Boulevard Royal 11, L-2449 Luxembourg	15/09/2008	54 526	0.15%
D.	SPECTOR PHOTO GROUP N.V. (2) Kwatrechtsteenweg 160, B-9230 Wetteren	15/09/2008	77 271	0.21%
E.	CONSORTIUM VIT N.V., LUTHERICK N.V., MERCURIUS INVEST N.V., MIDELCO N.V. CECAN INVEST N.V. and ISARICK N.V. p/a Doorniksewijk 49, B-8500 Kortrijk	28/01/2009	6 914 244	18.88%
	- VIT N.V.		1 708 995	4.67%
	- LUTHERICK N.V.		2 512 566	6.86%
	- MERCURIUS INVEST N.V.		215 703	0.59%
	- CECAN INVEST N.V.		2 173 643	5.94%
	- MIDELCO N.V.		212 500	0.58%
	- ISARICK N.V.		54 765	0.15%
	- PHILIPPE VLERICK		36 072	0.10%
F.	KORAMIC FINANCE COMPANY N.V. Ter Bede Business Center, Kapel ter Bede 84, B-8500 Kortrijk	30/10/2008	3 933 775	10.74%
G.	AUDHUMLA S.A. Boulevard Royal 11, L-2449 Luxembourg	31/10/2008	1 514 304	4.14%
H.	GROES Gerard Straten 15, NL-5688 NJ Oirschot	26/10/2008	1 835 000	5.01%

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

(2) On March 27, 2008 Fotoinvest CVBA (in liquidation) transferred the shares of Spector Photo Group NV to Spector Coördinatiecentrum NV. The companies Fotoinvest CVBA (in liquidation) and Partimage CVA on the one hand and Spector Coördinatiecentrum NV, Alexander Photo SA and Spector Photo Group NV on the other, performed an official notification on March 28, 2008 towards the banking, Finance and Insurance Commission and Euronext Brussels.

(3) Referring to the renewed Transparency Regulation, each holder of securities granting voting securities, voting rights and equivalent finanical instruments, whose holding reaches or exceeds a threshold provided by law or the articles of association on 1 September 2008, had to notify both the company and the CBFA and do this no later than 31 October 2008.

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 assets

The intangible 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. Property, plant and equipment

Property, plant and equipment 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%
• machines	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 assets

Shares are entered 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. Debts
All debts are entered at nominal value. Debts in foreign currencies are converted at the official rate on the balance sheet date.

4. Provisions for risks and expenses
The Board of Directors will each year conduct a full review of the previously formed 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.

ASSETS AS AT 31 DECEMBER 2009

The non-current assets rose by EUR 1.74 million as a result of:

- the decrease of the intangible assets by EUR 0.002 million. This concerns the combination of, on the one hand, the amortisation in the financial year and, on the other, the derecognition of decommissioned and fully amortised assets;
- the increase of the non-current financial assets by EUR 1.74 million. This concerns, on the one hand, the 2009 interest charged on the loans to Photomedia NV and Photo Hall Multimedia NV and, on the other, we received a repayment of EUR 0.5 million on the loan to Spector Verwaltung GmbH. These loans are recognised under the heading of receivables from associates.

The current assets fell by EUR 0.32 million as a result of:

- the decrease by EUR 0.09 million in the receivables due within one year. This concerns the combination of, on the one hand, the payments received for our claims from the tax authorities and, on the other, the increased lending to Photomedia NV and Photo Hall Multimedia NV.
- the decrease in the cash investments heading by EUR 0.19 million, which mainly consists of a short-term deposit.
- the decrease in accruals and deferrals by EUR 0.02 million.

In accordance with Section 624 of the Belgian Company Code, it should be reported that the Company held seventy-seven thousand two hundred and seventy-one (77,271) treasury shares as at the 2009 year-end. No treasury shares were purchased during 2009.
The following subsidiaries of Spector Photo Group NV hold Spector Photo Group shares:

- Alexander Photo SA: 54,526
- Spector Coördinatiecentrum NV: 1,075,275.

These therefore jointly comprise 1,207,072 treasury shares, which represent 3.2963% of the total number of 36,619,505 existing shares.
This bundle of treasury shares will initially be applied to supply shares for the exercising of the options subscribed to in the context of the Share Option Plan for the benefit of Employees and Consultants of Spector Photo Group NV and associates.
The treasury shares are valued at the listed price of EUR 0.67 as at 31 December 2009.
The bundle of treasury shares held by Spector Photo Group NV represents a net amount of EUR 51,771.57 and is recognised under the Cash Investments heading.

LIABILITIES AS AT 31 DECEMBER 2009

The profit for the financial year provided an increase of EUR 1.95 million in equity.
Furthermore, we have a decrease of EUR 0.48 million in the amounts payable after more than one year. This relates to a repayment of EUR 0.50 million on our loan to Spector Verwaltung GmbH.
The amounts payable within one year fell by EUR 0.03 million.

INCOME STATEMENT

The operations of Spector Photo Group NV mainly consist of providing management support services to the Retail Group and the Imaging Group.
The operating income fell by EUR 0.23 million. This mainly concerns a decrease of EUR 0.25 million of the other operating income from the direct billing of expenses to the Retail Group and the Imaging Group.
The proportionate decrease in the operating charges led to an operating loss of EUR 0.53 million.

The interest income on the loans to Photomedia NV and Photo Hall Multimedia NV provided a positive financial result of EUR 2.39 million.

The result for the financial year showed a profit of EUR 1.95 million.

APPROPRIATION OF THE RESULT

The Board of Directors proposes the following appropriation of the result:

Gain to be appropriated	EUR	1,950,844
Profit carried forward previous financial year	EUR	53,541,454
Profit to be appropriated:	EUR	55,492,298
Appropriation of the profit:		
Transfer to the legal reserve	EUR	97,542
Profit to be carried forward:	EUR	55,394,756

FEES FOR THE COMMITTEE OF STATUTORY AUDITORS

During 2009, the Committee of Statutory Auditors received EUR 3,223 for work outside the scope of their engagement.

This mainly concerned recommendations and specific audits in the context of the IFRS standards.

RISK MANAGEMENT

The management of risks forms an integral part of the way in which the group is managed. The group has taken measures
with a view to controlling these risks as effectively as possible, and will continue to do so, including the measure to constitute provisions.

However, no assurance can be given that these measures will be fully effective in all possible circumstances and therefore it is impossible to rule out that some of these risks could arise and could have an impact on the company. Other risks currently unknown to the Company, or which are not considered material at present, could prove detrimental to the Company or to the value of its shares.

Financial risks

The most important financial risks to which the Group is exposed are related to the Groups financial liabilities, the outstanding trade receivables and transactions in currencies other than the euro.

- In accordance with the realignment of the financial liabilities that was agreed with the bank consortium in December 2005, the remainder of the unredeemed loans and advances becomes due and payable at the end of 2010, and the loans may have to be renegotiated or refinanced. 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 in 2010. The group manages this risk by continuing to develop a transparent and constructive relationship with the bank consortium.
- 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 hand, by conducting proper credit management.
  In cases of non-payment on the due dates, additional costs are charged depending on the overdue periods. In due course, the collection of the receivables is handed over to debt-collection agencies. For other trade receivables, credit limits and payment terms are set for each customer. Dunning procedures are started when these terms are exceeded. Deliveries are blocked to customers who have exceeded their credit limits or payment terms.
  There was no significant risk concentration as at 31 December 2009 and 2008. No write-downs are recognised for the overdue receivables, because their collectability is considered as probable.
- The Company publishes its consolidated financial statements in euros. A significant portion of its assets, liabilities, revenues and costs are expressed in currencies other than the euro, including the Swiss franc and the Swedish krona. Although exchange rate fluctuations can have an effect on the Group's results, the company judges this risk as being too small to take specific measures apart from strict management monitoring.

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 correspond to technological developments and their impact on consumer behaviour, the development of consumer prices, the competitive position and the dependence on a limited number of major customers of the Imaging Group.

• The strategy of the Imaging Group is based to a great extent 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 adjust 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 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, on the one hand, reducing its fixed overhead costs and, on the other hand, by continuously developing new products that are less susceptible to the general price pressure.
- The future market share and business figures of the Group – both in the Retail Group and in the Imaging Group – can be affected by campaigns of existing competitors or the entry of new competitors. By permanently monitoring its competitive position, the Group takes this factor into account in the further development of its plans and its operations. The current economic crisis means we are now experiencing some pressure on the revenues within the Retail Group. Consumers are more careful about purchasing more expensive consumer goods.

Risk related to disputes

The Company and some of its subsidiaries are involved in tax disputes that are pending in the tax courts, and provisions have been formed for these. For certain tax disputes, however, the Company's opinion is that no provisions need to be formed.

On the one hand, this concerns the tax deductibility of insurance premiums which the Company and some of its subsidiaries have paid to an insurance company that itself reinsured with a reinsurance company that is controlled by the Company. On the other hand, it chiefly concerns discussions around the tax deductibility of payments in the context of transactions with Group companies. A ruling in favour of the Group was delivered at the end of 2007. This ruling had a positive impact on the tax expenses for the 2007 financial year. The tax administration's refunds of the disputed taxes and interest amounts for postponement of payment were received in January and March 2009 respectively.

The tax dispute concerning Hifi International involves issues including (i) the tax deductibility of the loss that arose with the merger of Hifi International with Hifi Video and Hifi Connection in 2001, (ii) the

recognition of the taxes under the alternative taxable basis; and (iii) an abnormal benefit that a subsidiary is alleged to have received as a result of a subsidiary's liquidation. During the 2009 financial year, an unfavourable ruling was delivered against the group. Since the payment to the tax administration had already taken place in 2008, this ruling only had an effect on the result of EUR 786 ('000) in 2009.
A dispute with a supplier has also been settled, and the recognised provision of EUR 280 ('000) was sufficient to be used for this.

After the settlement of the disputes mentioned above, there is a tax dispute that has been made pending by the tax courts and for which a provision of EUR 810 ('000)has been formed.

CONFLICT OF INTERESTS

Directors' conflict of interests of a financial nature in areas of application of Section 523 of the Belgian Company Code.

In 2009, the Board of Directors followed the procedure prescribed by Section 523 of the Belgian Company Code in the Board meetings of 30 June 2009 and 26 August 2009. The relevant parts of the minutes of these Board Meetings are shown below:

For the **Board Meeting on 30 June 2009**:

'Directors' declarations

Mr. Tonny Van Doorslaer declared that he had a financial interest related to agenda item 6 that conflicted with a decision under the Board of Director's powers within the meaning of Section 523 of the Belgian Company Code. The Board of Directors must specifically decide about the extension of the exercise period for warrants, of which Mr. Tonny Van Doorslaer is the beneficiary of a total of 400,000 warrants. Consequently, the procedure provided in Section 523 of the Belgian Company Code must be complied with. He would leave the meeting after the resolution of agenda item 5, and rejoin it after agenda item 6 had been resolved.

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

Deliberations

In introduction, the chairman explained that the Economic Recovery Act of 27 March 2009 (Belgian Official Gazette of 7 April 2009) provides that the exercise period of options or warrants, agreed between 1 January 2003 and 31 August 2008, can be extended by a maximum of five (5) years without any additional tax burden. The extension must take place with the agreement of the beneficiaries before 30 June 2009. The agreement must be notified to the tax administration before 31 July 2009. If the values for tax purposes of the options or warrants granted to any person amount to more than EUR 100,000, the possibility of extension for this person is limited to the options or warrants with a value for tax purposes of EUR 100,000.

Spector Photo Group wished to make use of the opportunity provided by this Recovery Act for the warrants that were granted on 28 November 2005 to the beneficiaries Messrs. Tonny Van Doorslaer, Stef De corte and Christophe Levie.

The granting of warrants to the gentlemen identified above at that time fell within the view that the Company must be able to provide sufficient incentives to its top management and/or executive directors to compensate them for the required responsibilities and services provided. The extension of the warrants falls within this same point of view and requires no expenditure on the Company's behalf of available resources, cash, nor will this extension have any effect on the Company's results.

In other words, there are no negative financial consequences for the Company. The extension of the exercise period is a pure continuation of the remuneration policy adopted, in which use is made of a tax-neutral measure granted by the legislator.

The extension had even been presented to and approved by the Appointments and Remuneration Committee on 29 June 2009.

In view of the above, the Board of Directors considered the extension of the warrants granted to Mr. Tonny Van Doorslaer, Mr. Stef De corte and Mr. Christophe Levie, to be in the interests of the Company.

Regarding the length of the extension, the majority of the directors considered a period of four (4) years to be reasonable.

The warrants' beneficiaries had informed the Board of Directors of their agreement to the extension of the exercise period.

Resolution

The Board of Directors decided to extend the exercise period of the warrants granted on 28 November 2005 without a warrant price, with an exercise price of EUR 3.36, for which the initial exercise period expires on 30 September 2010, for an additional period of four (4) years until 30 September 2014.

The Board of Directors takes this decision in order to: (i) to extend the incentive in the long term for the Beneficiaries (as defined in the Warrant plan), who are closely involved with the Company because of their role as director or consultant of the Company and who provide an important contribution for the success and the growth of the Company, and (ii) maintain a common interest between the Beneficiaries, on the one hand, and the shareholders of the Company, on the other, which is aimed at an increase in value of the Company's shares.

This common interest between the Beneficiaries of the warrants and the shareholders should have a favourable effect on the value of the share.

The exercise period of the warrants granted on 28 November 2005 to the Beneficiaries identified below without a warrant price, with an exercise price of EUR 3.36, for which the initial exercise period expires on 30 September 2010, is therefore extended for an additional period of four (4) years until 30 September 2014. The Beneficiaries are Mr. Tonny Van Doorslaer, 400,000 warrants with a value for tax

purposes of EUR 44,400, Mr. Stef De corte, 150,000 warrants with a value for tax purposes of EUR 16,650, and Mr. Christophe Levie, 50,000 warrants with a value for tax purposes of EUR 5,550.
The total value for tax purposes for each of the Beneficiaries amounts to less than the maximum amount of EUR 100,000.
During the extended period, the beneficiaries will be entitled to existing shares and not to new shares.

After this resolution, Mr. Tonny Van Doorslaer rejoined the meeting.

For the **Board Meeting on 26 August 2009**:

'Directors' declarations
Before the start of the deliberations concerning the agenda item 'Approving Tonny Van Doorslaer's contract adjustments', Mr. Tonny Van Doorslaer declared that he had a financial interest that conflicted with a decision under the Board of Director's powers within the meaning of Section 523 of the Belgian Company Code. The Board of Directors must specifically decide about the adjustments of the contract between Spector Photo Group and TCL NV, permanently represented by Mr. Tonny Van Doorslaer and thus the beneficiary of the agreement.
Consequently, the procedure provided in Section 523 of the Belgian Company Code must be complied with. He will leave the meeting before the resolution of this agenda item and rejoin it after this agenda item has been resolved.
The statutory auditors will be informed of the conflicts of interests.

Deliberation
As a result of the change in position of Mr. Tonny Van Doorslaer reported above, the Board of Directors deliberated the adjustments concerning the contract with TCL NV proposed by the Appointments and Remuneration Committee.
In view of the simplification of the Company's structure and the autonomous operation of the underlying divisions, the Retail Group and the Imaging Group, the Appointments and Remuneration Committee considers a reduction in the remuneration package to be a logical consequence. The Nomination and Remuneration Committee proposed a gradual adjustment in which the fixed remuneration would be reduced by EUR 50,000 a year during the coming three years, and the variable remuneration would be withdrawn, and this would be effective from 1 July 2009.
Taking account of the positive financial consequences for the Company, the Board of Directors considered the proposed adjustments to be in the best interests of the Company.
Resolution
The Board of Directors approved the proposed adjustments concerning the contract between Spector Photo Group NV and TCL NV, permanently represented by Mr. Tonny Van Doorslaer.
After this resolution, Mr. Tonny Van Doorslaer rejoined the meeting.

During 2009, there were no situations as referred to in Section 524 of the Belgian Company Code.

EVENTS AFTER BALANCE SHEET DATE

Since the closing of the 2009 financial year, no events have occurred that could have a significant effect on the results of the company.

ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

Not applicable

APPLICATION OF THE ACT OF 17 DECEMBER 2008 ON SETTING UP AN AUDIT COMMITTEE FOR LISTED COMPANIES AND FINANCIAL ENTERPRISES

The composition of the audit committee satisfies the requirements stipulated in the Act. 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.

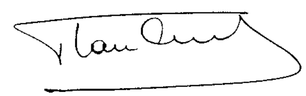
PROPOSALS TO THE GENERAL MEETING

The Board of Directors proposes the following motions for the General Meeting:

- that the financial statements as presented are approved and the directors and Joint Statutory Auditors be granted discharge for the performance of their responsibilities during the past year;
- to appoint as director:
  - Mr. Stef De corte, executive director;
  - Mr. Christophe Levie, executive director,

    and this for a period of one (1) year, commencing from 12 May 2010, and finishing after the General Meeting of Shareholders of 2011.

Wetteren, 15 April 2010.



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

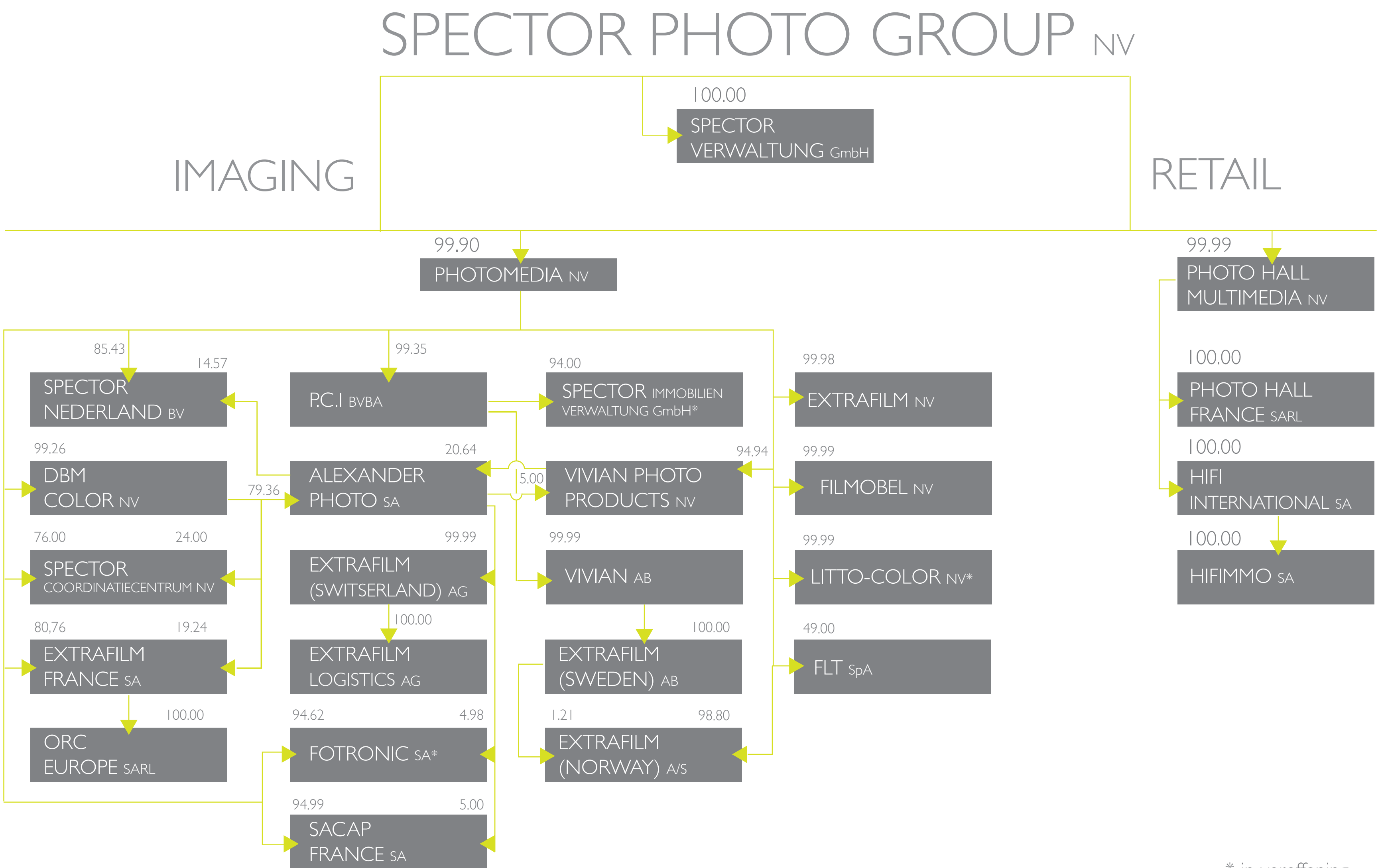
In accordance with the articles 104 and 105 of the Company Law Code of 7 May 1999, this annual report includes only an abbreviated version of the parent company accounts of Spector Photo Group NV.

The annual report, the parent company accounts of Spector Photo Group NV and the statement of the Committee of Statutory Auditors shall be filed with the National Bank of Belgium.

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

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

ORGANIGRAM



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