SPECTOR PHOTO GROUP

2012 Annual report

This annual report is offered to you in one of our products:
the “Photo book Large portrait with personalised cover”.

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

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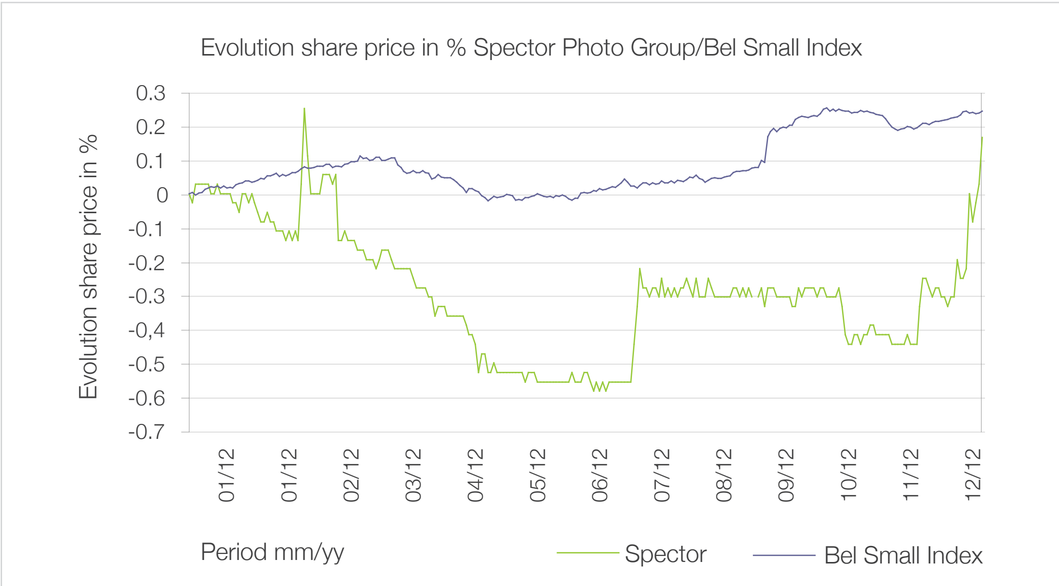
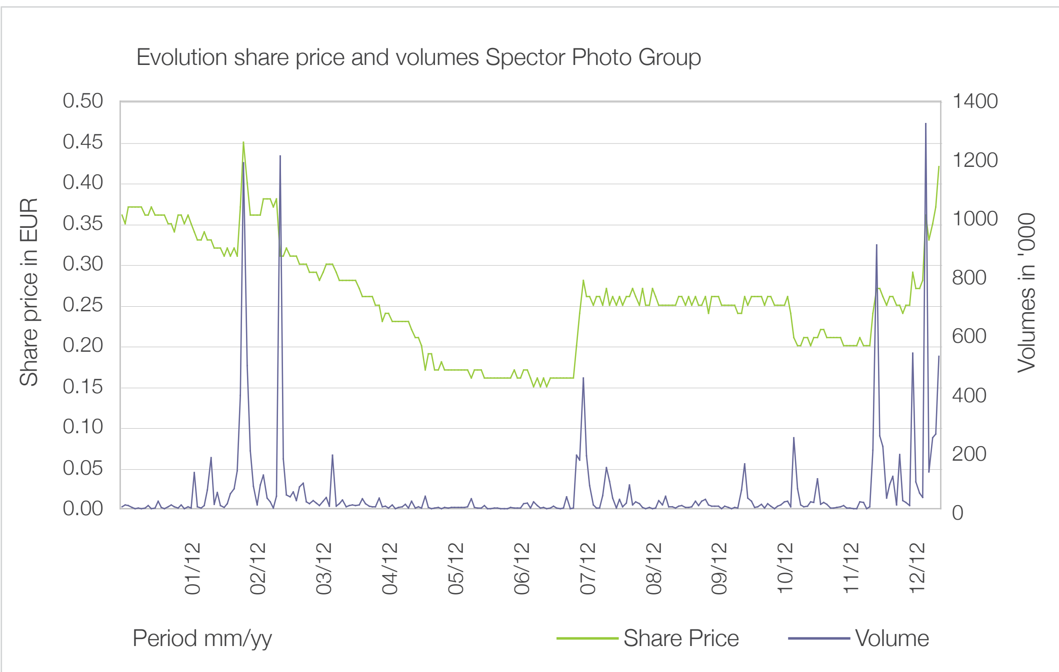


January to December 2012

Evolution share price and volumes Spector Photo Group



Key data of the share

	2011	2012
Closing price as per end of December	€ 0.38	€ 0.42
Average closing price	€ 0.59	€ 0.26
Highest closing price	€ 0.82	€ 0.45
Highest intraday price	€ 0.86	€ 48.00
Lowest closing price	€ 0.32	€ 0.15
Lowest intraday price	€ 0.30	€ 0.15
Total traded volume in shares	9 033 607	15 618 524
Average traded day volume in shares	36 134	62 725
Total turnover in EUR	€ 6 108 969	€ 4 621 320
Estimated average daily turnover	€ 24 435	€ 18 560
Rotation*	39.89%	75.47%

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

Agenda for the shareholder

8 May 2013	before market opens	Publication of the trading update of the first quarter 2013
8 May 2013	two o'clock in the afternoon	Annual General meeting of Shareholders
8 May 2013	three o'clock in the afternoon	Extraordinary General meeting of Shareholders
29 August 2013*	after market opens	Publication of the 2013 half-year results and the 2013 half-yearly financial report
24 October 2013*	after market opens	Publication of the trading update of the third quarter 2013
6 March 2014*	before market opens	Publication 2013 annual results

** indicative dates*

Communication with shareholders and investors

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

- Publication of trading updates and results (see agenda for the shareholder).
- A separate “Investor Relations” section on the corporate website www.spectorphotogroup.com.
- Free registration for investors to receive press releases via the website identified above.

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

Stock exchange listing

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

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

Foreword

The crisis was still very perceptible in 2012, with austerity measures and higher taxes to cover budget deficits causing a continued economic downturn. This was not without consequences for our operations in consumer electronics.

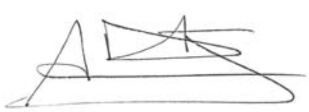
In 2012 we said farewell to the Retail Group.
The many measures that the new management had taken, such as the closure of a number of shops and adjustments to the range of products, were unable to turn the tide. In July it was decided to sell the operations of the Retail Group by means of the Continuity of Companies Act (WCO), which led to the sale of the Luxembourg subsidiary Hifi International in October. The sale of a portion of the Belgian operations followed in December. After the sale of all the inventories, there was finally no operation remaining and the bankruptcy was declared on 7 December 2012.

The result of these decisions is that the Group now only includes Imaging and therefore it was decided to change the name to smartphoto Group, a sign that a page has been turned.
The smartphoto Group now has a strong financial position, is almost debt free and will focus in the future on achieving the necessary revenue growth.

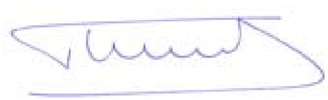
The strong fourth quarter indicates that this is possible, even though we are well aware that the extreme seasonal curve must be toned down.
To this end, initiatives have already been taken, such as the launch of smartphoto.biz and smartphotoXL.
There has also been working hard on expanding the product range and the organisation will continue to be streamlined in order to also enable more geographic growth.

Our sincere thanks to all our employees, who we have been able to rely on more than ever to innovate and to improve with passion and enthusiasm in this world that is changing increasingly faster.
We would also like to express a word of thanks to our customers, our suppliers and our shareholders, for their continued confidence.

Stef De corte
CEO



Tonny Van Doorslaer
Chairman of the Board of Directors



2012 Consolidated key figures

Income statement for the period (in € '000)

	2011	2011 revised*	2012	Δ in %
Revenue	197 405	56 170	55 005	-2.1%
Profit/loss (-) from operating activities, before non-recurring items (REBIT)	- 2 407	832	1 659	99.3%
Non-cash items from operating activities, before non-recurring items	5 249	2 956	2 499	-15.5%
REBITDA	2 841	3 789	4 157	9.7%
Non-recurring items from operating activities	- 1 732	70		-
Profit/loss (-) from operating activities (EBIT)	- 4 140	902	1 659	83.8%
Non-recurring non-cash items from operating activities	1 446	- 70		-
EBITDA	2 554	3 789	4 157	9.7%
Financial result	187	1 768	- 377	-
Income tax expense (-)/income	1 080	1 671	- 2 532	-
Profit/loss (-) from continuing activities	- 2 873	4 341	- 1 250	-
Non-cash items from continuing activities	5 747	1 421	4 229	197.5%
Profit/loss (-) from continuing activities, corrected for non-cash items	2 874	5 763	2 979	-48.3%
Profit/loss (-) from discontinued operations		- 7 214	- 2 599	64.0%
Profit/loss (-) for the period	- 2 873	- 2 873	- 3 849	-
Attributable to the equity holders of the parent company	- 2 873	- 2 873	- 3 849	-

Financial position for the period (in € '000)

	2011	2012	Δ in %
Total assets	95 608	39 600	-58.6%
Net financial debt	32 134	1 411	-95.6%
Total equity	24 864	20 900	-15.9%
Solvency ratio	26.0%	52.8%	102.9%
Gearing ratio	129.2%	6.8%	-94.8%
Current ratio	76.4%	105.6%	38.2%

Segment information (in € '000)

Reportable segments

	2011	2012	Δ in %
Revenue			
Total	56 170	55 000	-2.1%
E-commerce	36 545	34 843	-4.7%
Wholesale	22 844	22 919	0.3%
Intersegment	-3 219	-2 762	14.2%
REBITDA			
Total	4 081	4 367	7.0%
E-commerce	3 588	4 073	13.5%
Wholesale	494	293	-40.6%

Reconciliations

	2011	2012	Δ in %
Revenue			
Total revenue reportable segments	56 170	55 000	-2.1%
Other		5	-
Total revenue	56 170	55 005	-2.1%
REBITDA			
REBITDA Reportable segments	4 081	4 367	7.0%
REBITDA not allocated to reportable segments	- 293	- 209	28.5%
Total REBITDA	3 789	4 157	9.7%

Discontinued operations

	2011	2012	Δ in %
Revenue Photo Hall Group (Retail)	141 235	80 658	-42.9%
REBITDA Photo Hall Group (Retail)	- 947	- 186	80.4%

Definitions

REBIT = Profit/loss (-) from operating activities before non-recurring items.
EBIT = Profit/loss (-) from operating activities (Earnings Before Interest and Tax).
REBITDA = Profit/loss (-) from operating activities before non-recurring items, corrected for depreciation, amortisation, impairment, and provisions.
EBITDA = Profit/loss (-) from operating activities corrected for depreciation, amortisation, impairment and provisions (Earnings Before Interest, Tax, Depreciation and Amortisation).
Profit/loss (-) before taxes, adjusted for non-cash items = Profit/loss (-) before taxes, corrected for depreciation, amortisation, impairment, provisions, and financial non-cash items.
Profit/loss (-) for the period from continuing operations, corrected for non-cash items = Profit/loss (-) after taxes, corrected for depreciation, amortisation, impairment, provisions, financial non-cash items and deferred taxes.
Net result of the year attributable to equity holders of the parent company, corrected for non-cash items = Net profit/loss (-) corrected for depreciation, amortisation, provisions, financial non-cash items, deferred taxes and non-cash items from discontinued operations.
Net financial debt = Financial obligations less cash, cash equivalents, and other financial assets.

Key figures per share

(in €, except for the number of shares)	2011	2012	Δ in %
Number of shares	36 619 505	36 619 505	
Shares with dividend rights	35 412 433	35 412 433	
Revenue	1.59	1.55	-2.1%
Profit/loss (-) from operating activities, after non-recurring items (EBIT)	0.03	0.05	83.8%
REBITDA	0.11	0.12	9.7%
EBITDA	0.11	0.12	9.7%
Profit/loss (-) before taxes (EBT)	0.08	0.04	-52.0%
Profit/loss (-) from continuing activities	0.12	-0.04	-
Profit/loss (-) from discontinued operations	-0.20	-0.07	-
Profit/loss (-) for the period (ordinary & diluted)	-0.08	-0.11	-
Profit/loss (-) before taxes, corrected for non-cash items	0.16	0.11	-34.4%
Profit/loss (-) from continuing activities, corrected for non-cash items	0.16	0.08	-48.3%
Profit/loss (-) for the period attributable to equity holders of the parent company	-0.08	-0.11	-
Net result of the year attributable to equity holders of the parent company, corrected for non-cash items	0.08	0.05	-40.4%
Share price for the period	0.38	0.42	10.5%

Number of shares

The total number of shares amounts to 36,619,505.
The structure of the shareholdership at year-end can be found on page 112 of this document.

Financial services

The financial services relating the shares are carried out in Belgium by BNP Paribas Fortis and KBC Bank, free of charge for the shareholders. Should the Company change its policy concerning this matter, it will be announced in the Belgian financial press.

Dematerialisation of securities

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

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

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

Profile Spector Photo Group

Spector Photo Group operates in 14 European countries and focuses on both consumers and businesses.

Spector Photo Group operates in B2C E-commerce with affordable high-quality photo products, such as photo books, photo cards, photo calendars, photo on canvas and photo gifts, and does this under the name smartphoto™.

smartphoto.biz, using the same products, focuses on businesses and organisations that want to offer personalised products to their customers. The Wholesale segment is positioning itself as a distributor of photo hardware to the independent trader who does not want to join a franchise concept, and offers 'à la carte' services in this context. 'Spector by smartphoto' supplies high-quality photo products to independent photographers. Finally, smartphotoXL positions itself as a professional provider of visual communication, presentation systems and printed textile for the business to business customer and the specialised reseller.

Milestones

1964: Foundation of DBM-Color.

1965: Start of the business activities of DBM-Color.

1976: Creation of the Spector logo.

1977: Creation of the Spector™ brand name and link with the logo.

1982: Expansion into the Netherlands.

1984: Joint venture for mail-order activities in France under the name of Extra Film, a joint venture between DBM-Color and Extra Film from Sweden.

1988: Acquisition of Tecnocrome, a photofinishing organisation in Belgium.

1990: Extra Film (Sweden) joined the Group, and the French Extra Film joint venture became a fully owned subsidiary.

1991: The Group acquired a majority interest in Prominvest, a holding company listed on the Brussels stock exchange. Via a reverse takeover, the Group became part of Prominvest, which meant the Group indirectly obtained a stock-exchange listing.

1993: Change of the Group's name to Spector Photo Group and merger by absorption of Prominvest by Spector Photo Group.

1994: Acquisition of photofinishing labs in France.

1995: Expansion into Austria and acquisition of a majority interest in Extra Film Switzerland.

1996: Agreement with the Swiss Interdiscount holding company gave access to the Hungarian and German markets, and ensured 100% control of Extra Film Switzerland; also the acquisition of Photo Hall (Belgium) and followed by the acquisition of the French Maxicolor mail order company.

1997: Maxicolor expands activities into Belgium and the Netherlands.

1998: Listing of Photo Hall, followed by the acquisition of Hifi International in Luxembourg.

1999: Holding acquired in the Italian photo lab FLT.

2001: Withdrawal from the German and Austrian markets, and streamlining of the photofinishing division to five (5) labs in Belgium, Sweden, France, Hungary, and Italy.

2002: Merger by absorption of Photo Hall by Spector Photo Group, followed by the start of a programme to remodel the Hungarian organisation to match the Belgian Photo Hall concept.

2003: Start of programme to expand ExtraFilm to become the Group's brand name for 'web-to-post' activities in Europe.

2004: Acquisition of the business 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.

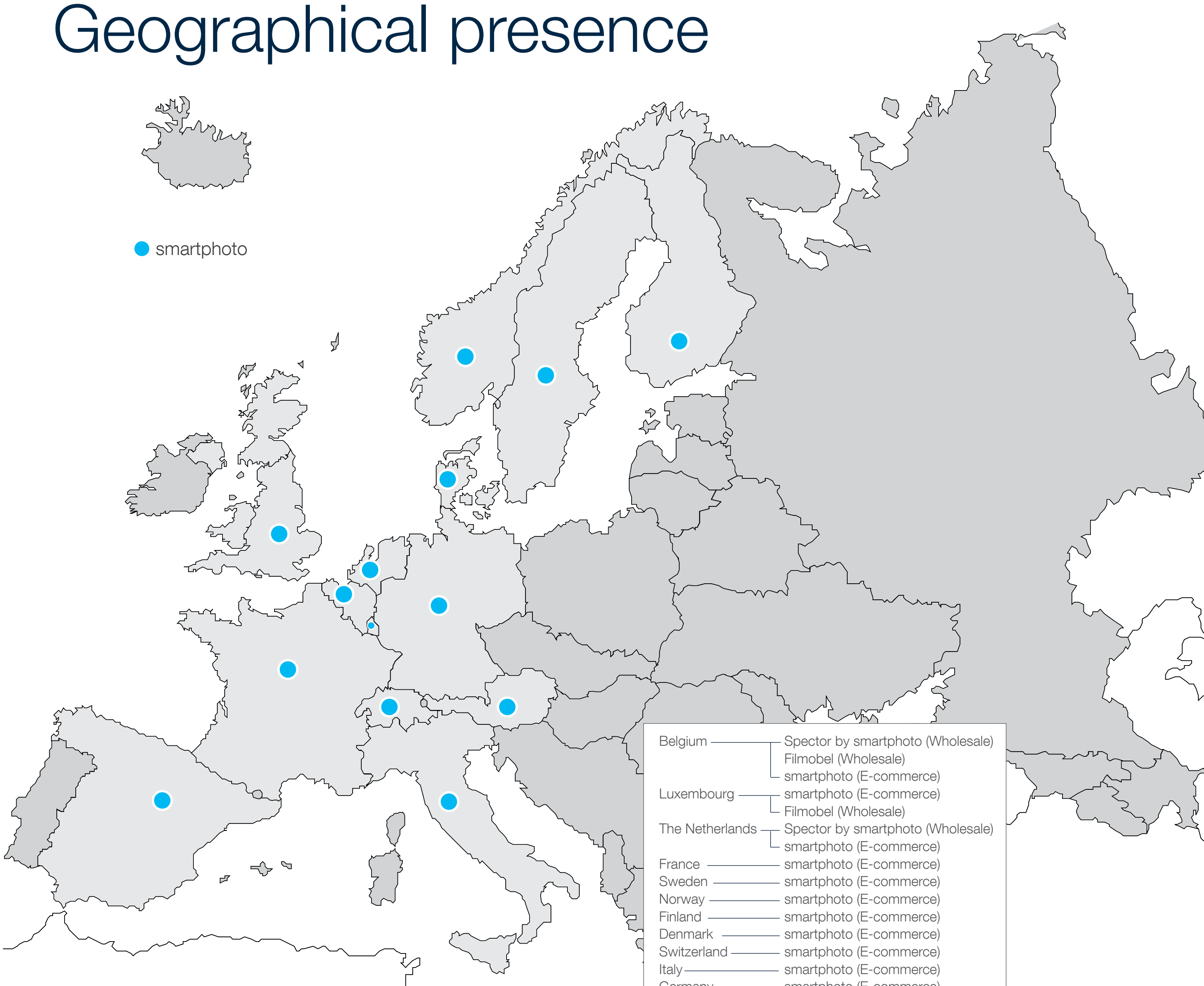
2005: ExtraFilm becomes the recommended photo print partner for Windows XP in France, Germany, Great Britain and Spain. Closing of the lab in Munster, France.
Capital increase of EUR 41.8 million.

2006: Litto-Color, the lab in Ostend, was divested.
Sacap France was closed.

2007: The brand names ExtraFilm, Maxicolor and Wistiti were combined under the ExtraFilm name.
Centralisation of the two channels for photo shops, Filmobel (hardware) and Spector (photo service), under one organisation in Wetteren, Belgium.

2008: Completion of the restructuring of the Imaging Group, with the integration of the production activities of Extra Film (France) SA in Belgium.
2009: Sale of the Hungarian Föfoto via an MBO.
2010: Closing of the lab in Tanumshede, Sweden – Centralisation and automation of the production operations in Wetteren, Belgium.
2011: ExtraFilm™ and Spector™ become smartphoto™.
2012: Transfer of Hifi International and various parts of Photo Hall Multimedia under the judicial reorganisation procedure.
Termination of the judicial reorganisation procedure, followed by the bankruptcy of Photo Hall Multimedia.

Geographical presence



Belgium	Spector by smartphoto (Wholesale)
	Filmobel (Wholesale)
	smartphoto (E-commerce)
Luxembourg	smartphoto (E-commerce)
	Filmobel (Wholesale)
The Netherlands	Spector by smartphoto (Wholesale)
	smartphoto (E-commerce)
France	smartphoto (E-commerce)
Sweden	smartphoto (E-commerce)
Norway	smartphoto (E-commerce)
Finland	smartphoto (E-commerce)
Denmark	smartphoto (E-commerce)
Switzerland	smartphoto (E-commerce)
Italy	smartphoto (E-commerce)
Germany	smartphoto (E-commerce)
Austria	smartphoto (E-commerce)
United Kingdom	smartphoto (E-commerce)
Spain	smartphoto (E-commerce)

SMARTPHOTO GROUP

E-Commerce

The switch to the smartphoto™ brand continued to be implemented in 2012.
With smartphoto™, we are the new leading brand for personalised photo products in Europe.
The new smartphoto™ brand name also allows us as a company to continue building on our know-how and customer friendliness, and bring our customer-oriented service to a higher level.

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

Photo books are produced from the cover to the last page in our own lab under the supervision of motivated production staff. They treat each book as if it was their own. The quality control team checks a maximum number of photo books before they are dispatched.

A smartphoto photo book is therefore one of the highest quality photo books on the market.

smartwarranty

Although the risk is extremely small that the customer does not receive a perfect photo book, smartphoto offers the smart warranty for photo books. This guarantee on photo books provides customers with the opportunity to receive a free reprint if they are not 100% satisfied. This guarantee has currently been extended to our other products, such as photos on canvas and photo cards.

smartbonus

Loyal customers are rewarded by smartphoto. All purchases are charged directly by smartphoto and, depending on the total purchase amount from the past quarter, the customer is entitled to an attractive smart bonus. For example, a customer who places various orders with smartphoto for a total of EUR 70 (including VAT and shipping) during the first quarter of the year will receive an e-mail at the beginning of April containing a discount voucher for EUR 12.50 that can be freely spent by means of a unique action code, a handy bonus!

smartdialog

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

smartservice

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

A company on the move

The new developments, trends, and technological developments continue to follow quickly one another and also manifest themselves in the world of photography, and this is in addition to the difficult economic environment. The changes follow each other so rapidly that even well-established names encounter problems. These circumstances demand each company to have considerable adaptability to survive in the long term.
At smartphoto we are fortunately now used to this, and we can count on our skilled and passionate staff. Change is in our DNA.

These new developments are of all types, not only technological (for example ‘touch’ as a new interface) but also relating to consumer behaviour, which are often summarised as So-Lo-Mo: social-local-mobile.

- Social: the emergence of social media enabling people to be connected always and anywhere to people, events, and activities all around the world;
- Local: the increasing capacity of companies and other organisations to respond to the precise spot where a person is located and the activities that this person is currently performing; for example, location-based services, and suchlike;
- Mobile: the mobile technology that enables people to be accessible and available always and anywhere.

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

One simple example: whereas until recently we kept our photos on our hard disks, Facebook is now the most widely used platform for uploading and sharing pictures. Therefore we should not be developing a service for sharing photos, but rather an easy way of using your own photos from Facebook to create a photo product. This is exactly what we have done at smartphoto, and besides Facebook, also Flickr and Google Picasa.

Another example: tablets are ever-increasingly replacing the traditional PC. Our websites have meanwhile been adapted to easily create and order products also via your tablet. Soon you can also expect an innovative mobile app from smartphoto.

WINE BOX

MAGNETS

SHOULDER BAG

PHOTO BOOKS

PHOTO CANVAS

PHOTO CALENDARS

iPAD CASE

SERVING TRAY

GREETING CARDS

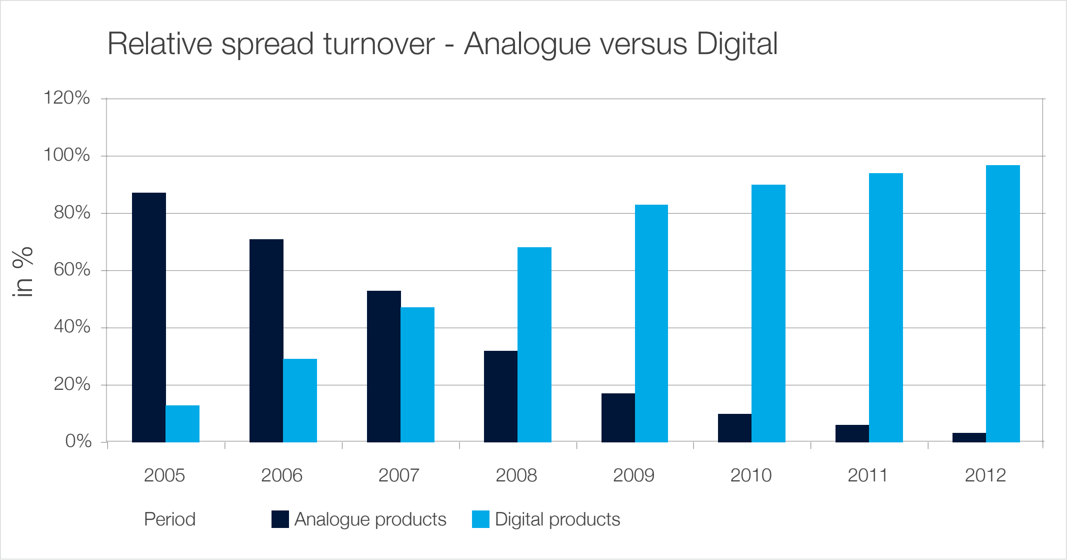
From traditional prints to products with added value

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

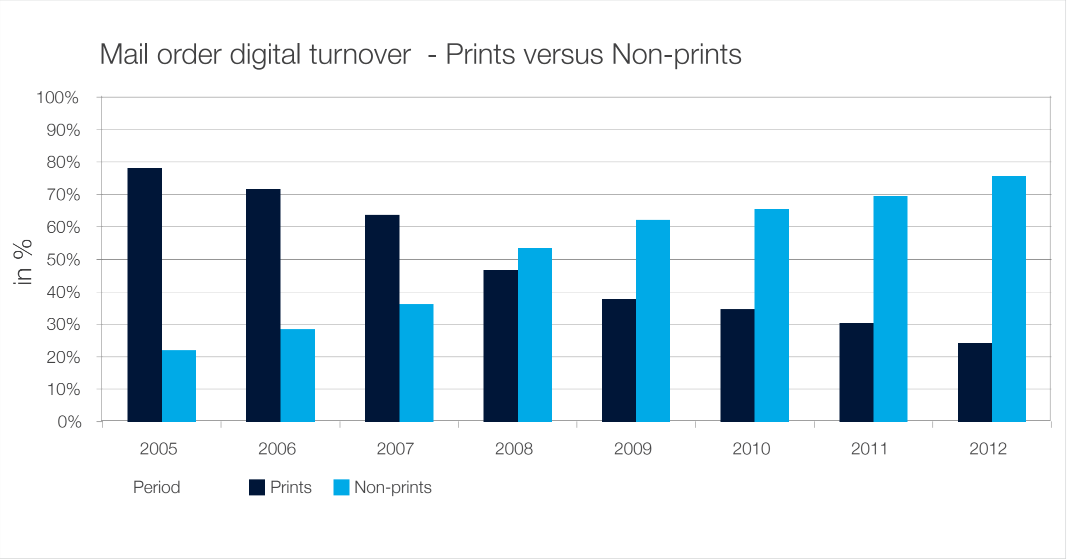
This means that the market for individual photo prints has come under pressure, because consumers no longer find any added value in it. We always have our pictures with us, on a tablet or smartphone, and can show them to everyone without any difficulty. Why then would we still need to print them?

This finding has obliged the sector to adjust its business model and put more effort into products with a higher added value for the customer. In principle, these are the same photos that are used in a totally different context.

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



Source: Spector Photo Group



Source: Spector Photo Group

From photos to photo books

Since the first steps of photography, people have been making photo albums by manually sticking photos, thus the photo book is a logical product to produce digitally.
A number of practical problems arise in this context. Initially, they concern the complexity of producing a photo book, and not unimportantly, the time required to produce this book. All the software developed for photo books must therefore be focused on simplifying the creative process, especially as the major user of photo books is the traditional 'mother'. In this area during recent years, the sector has progressed not insignificantly by developing from off-line to on-line development of photo books, making an infinite number of designs available, and the development of photo books in all feasible sizes.

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

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

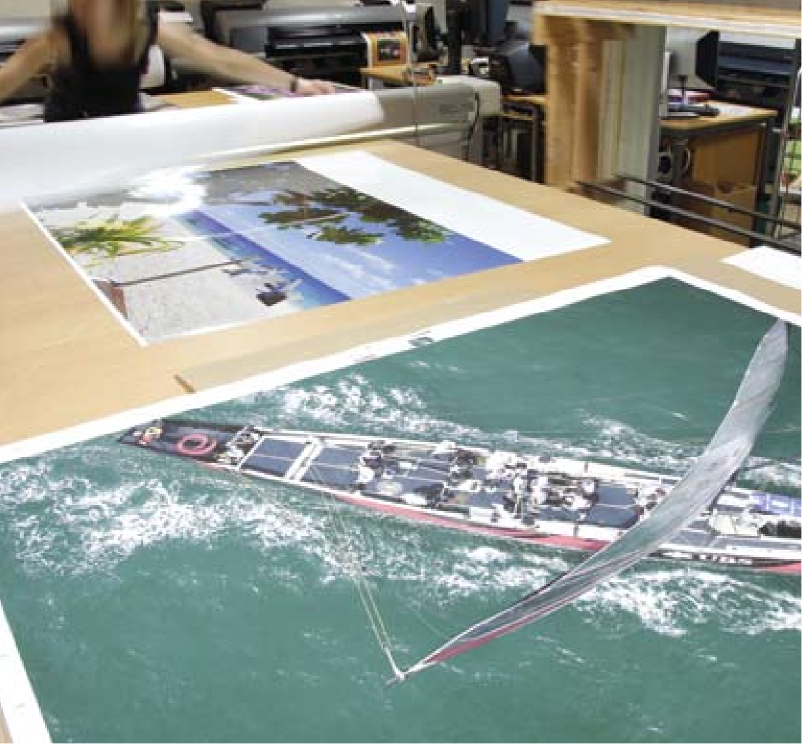
From photo books to photo-related products

The market is not limited to photo books. Therefore smartphoto has developed a very extensive range of photo-related products, i.e. products that make use of photos, such as greetings cards, calendars, clothing and accessories, notebooks, coffee mugs and even jewellery boxes.

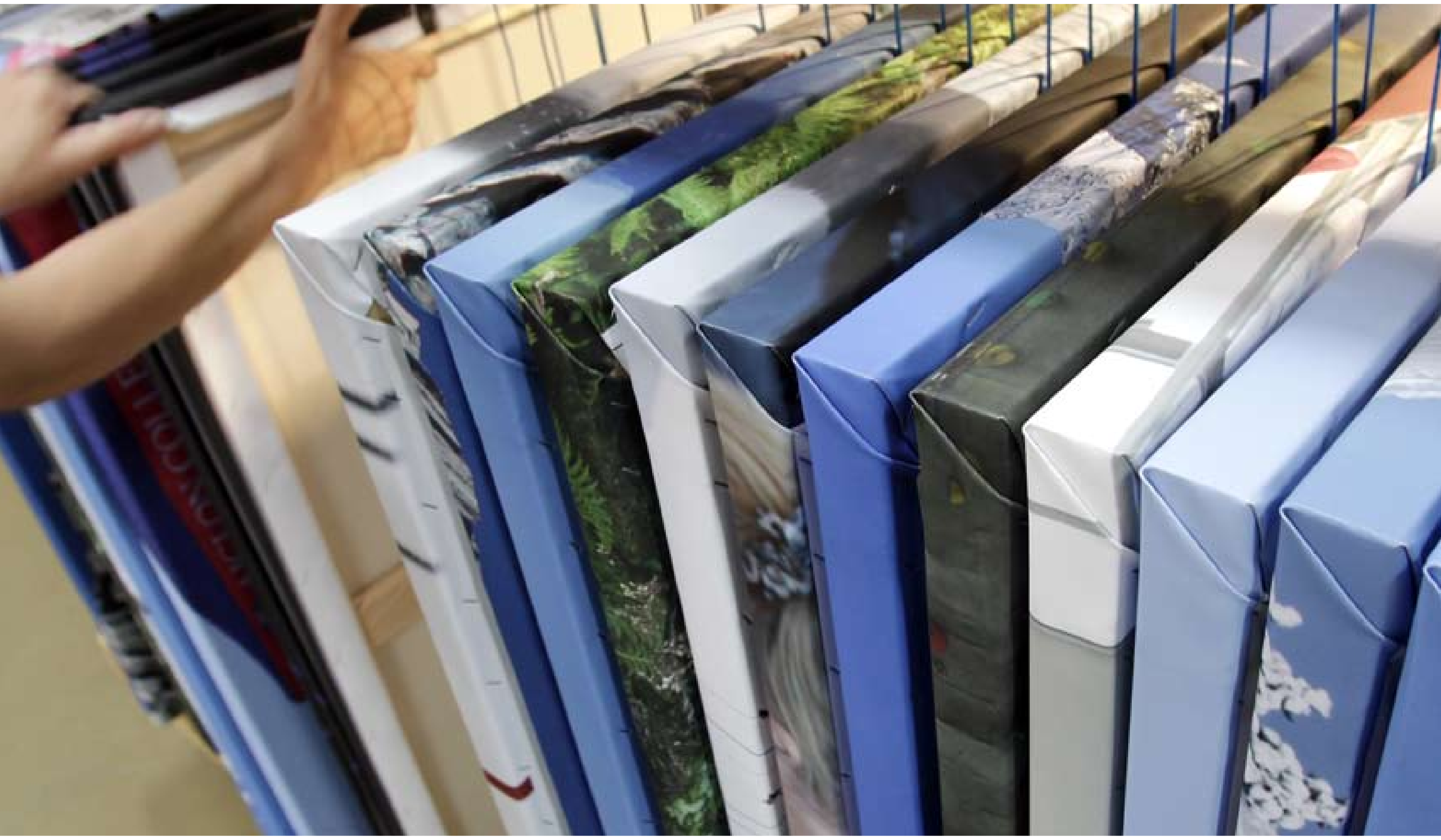
The growing success of these photo-related products is not limited to a derivative of a traditional photo market, but shows how to connect to a completely different market, i.e. that of stationary and cards. Greetings cards, invitations, paper products for consumers and companies, gifts, yearbooks, notebooks, calendars, etc., are all products that are now offered by smartphoto.

Cards were brought onto the market mid 2009 by smartphoto and already account for more than 20% of our sales, which is indeed very fast.

We also launched dozens of new products in 2012 and this is a trend that will increasingly continue.








Business executives are also consumers

The rapid changes also occur in other industries. The companies therefore must rapidly evolve and the employees also expect increasingly more. For this, with smartphoto.biz, smartphoto has launched a solution tailored to the SME.

Do you want to give your entrance hall a new look? Order a number of customized canvases to smartphoto.biz. Do you want to give your employees a personalised gift? Check out the options on smartphoto.biz and take advantage of the discounts on large quantities.

Are you responsible for a sports club? Contact us at info@smartphoto.biz, and we will find a business case for you.

Even bigger ideas? smartphotoXL

In the spring of 2013, the smartphoto Group is launching a new service with smartphotoXL, the professional provider of visual communications, presentation systems and printed textiles for the business-to-business customer and the specialised reseller. Would you like to know more? Visit smartphotoXL.biz for more information.

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

Changes in the world of photography follow each other very swiftly, but we are well placed as a group to exploit the many opportunities, and we will remain flexible to enable us to respond to the undoubtedly many changes to come.

Wholesale

In addition to the E-commerce operations, the smartphoto Group makes its expertise in the photo business also available as a wholesaler of hardware to independent traders.

As the only one in the market, the smartphoto Group uses an 'à la carte' approach to its customers. Instead of squeezing our customers into a tight straightjacket, with which they have to sacrifice their individuality to the brand of their supplier, we allow the customers to choose which elements from our marketing offerings provide added value for them. So, our customers choose for themselves whether they want to distribute a leaflet, which promotions they wish to offer to their consumers, etc.

This approach is clearly popular in the market, as proved by the fact that Filmobel has held up well in these difficult economic conditions.

BOARD OF DIRECTORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Current situation of each segment

smartphoto Group – E-commerce

The E-commerce operations of the smartphoto Group include all the activities aiming at the end consumer.

The revenue decreased with 4.7%, mainly due to the decline of the analogue and digital prints that was not fully compensated by the increase in the other product categories.
The analogue operations represent only 3% of the revenue (6% in 2011).

The REBITDA increased by 13.5% to EUR 4 073 ('000) mainly due to the change in the product mix towards products with a higher added value.
The digital operations saw an increase of 4% in the last quarter, partly due to the launching of new products. Also in 2013, dozens of new products will be added to the range of photo gifts.

The photo books, photo cards, photo calendars and photo gifts also saw growth of more than 10% in 2012.
In 2012, a first retail partnership was also started up with 'Standaard Boekhandel', with which the digital products of smartphoto are offered on the website of retail partners.
This approach will continue to be rolled out in several countries in 2013.

This means that the Group's transition to the smartphoto™ brand has been completed.

smartphoto Group – Wholesale

The Wholesale operations aim at companies or independent traders, with a mix of hardware sales and photo products.

Despite the difficult economic conditions, revenue increased by 0.3% to EUR 22 919 ('000).

However, there was pressure on the margins, which is reflected in a decrease of the REBITDA to EUR 293 ('000).

The Board of Directors agrees with the Audit Committee's opinion that the changed market in which the group is operating does not provide a reason for a permanent write-down on the consolidation goodwill or the deferred tax assets.

Discontinued Operations (Retail Group)

The result of the discontinued operations amounted to minus EUR 2 599 ('000) for 2012. This amount represents both the results for the first nine months of the financial year and the result from the divestment of the Retail Group's companies. The comparative figures for 2011 were adjusted in compliance with IFRS 5 and also restated under the 'discontinued operations'. The loss for the 2011 financial year amounted to minus EUR 7 214 ('000).

Hifi International SA (Luxembourg)

Following the ruling from the Commercial Court of 24 October 2012, the shares of Hifi International SA were transferred to Krëfel NV on 29 October 2012.

Due to the transfer of the shares of Hifi International SA, Spector Photo Group NV lost the control of the company (IAS 27 § 32-37). The assets and liabilities are no longer recognised in the statement of financial position. The result arising from this transaction is recognised under the 'discontinued operations', as are the results for the period from 1 January 2012 to 30 September 2012, which are the latest figures available.

Photo Hall Multimedia NV

On 4 December 2012, all rights and obligations of various components of the operations of Photo Hall Multimedia NV, under the procedure of judicial reorganisation, were transferred to respectively Mr. Max Heilbron, the NV Novo Belgium Holding, the NV Maes, and the NV Derco Systems.

On 5 December 2012, the Commercial Court of Brussels ruled, at the request of the court representatives and in accordance with Section 67 of the Act of 31 January 2009 concerning the Continuity of Enterprises, to close the judicial reorganisation of Photo Hall Multimedia NV.

The ending of the procedure of judicial reorganisation ended the suspension of payments. Since the company did not have the funds or credit facilities available to meet its payment obligations, the bankruptcy of Photo Hall Multimedia NV was opened on 7 December 2012. Mr. Bart De Moor was appointed as curator, and Messrs. Jan Van Camp and Frank Taildeman were appointed as co-curators.

Due to Photo Hall Multimedia NV being declared bankrupt, Spector Photo Group NV has lost the control of the company (IAS 27 § 32-37). Accordingly, the assets and obligations were no longer recognised in the statement of financial position and the investment in Photo Hall Multimedia NV recognised in the consolidated statement of financial position of Spector Photo Group NV was measured at its fair value in accordance with the requirements of IAS 39, which meant the fair value was recognised at zero. The result of this transaction is recognised under the ‘discontinued operations’, as are the results for the period from 1 January 2012 to 30 September 2012, which are the latest figures available.

Important items concerning the income statement for the period

Recurring results from operating activities

Spector Photo Group realised revenues in the 2012 financial year of EUR 55 005 (‘000), -2.1%, with a REBIT of EUR 1 659 (‘000), compared to EUR 56 170 (‘000) and EUR 832 (‘000) respectively according to the comparative figures in 2011, restated in accordance with IFRS 5.

The Group’s REBITDA increased from EUR 3 789 (‘000) to EUR 4 157 (‘000).

Financial result

The financial result for the 2012 financial year amounted to minus EUR 377 (‘000) compared to EUR 1 768 (‘000) in 2011. The evolution of the financial result is mainly due to the non-recurring income as a result of the loan and credit facility agreement that was entered into with NIBC Bank in 2011 for minus EUR 2 011 (‘000), the decrease of the positive exchange rate differences of minus EUR 176 (‘000), and finally a slight decrease of the financial expenses of plus EUR 48 (‘000).

Taxes

In 2012, the income tax expenses amounted to minus EUR 2 531 (‘000), compared to plus EUR 1 671 (‘000) in 2011. The tax result consists almost entirely of the use and the reversal of deferred taxes of minus EUR 2 538 (‘000).

Discontinued operations

The result of the discontinued operations amounted to minus EUR 2 599 (‘000) for 2012. This amount consists, on the one hand, of the operating, financial and tax results for the first nine months of the financial year of minus EUR 7 413 (‘000) and, on the other, the result of the divestment of the companies in the Retail Group of EUR 4 815 (‘000).
The comparative figures for 2011 were adjusted in compliance with IFRS 5 and also restated under the ‘discontinued operations’. The loss for the 2011 financial year amounted to minus EUR 7 214 (‘000).

Result for the financial year

A loss of minus EUR 3 849 (‘000) was realised in the 2012 financial year, compared to a loss of minus EUR 2 873 (‘000) in the 2011 financial year. The decrease in the result by EUR 976 (‘000) compared to the 2011 financial year can be explained as follows:

- Operating result: improvement of EUR 756 (‘000).
- Financial result: decrease of EUR 2 145 (‘000).
- Taxes: increase in the tax expenses by EUR 4 202 (‘000).
- Discontinued operations: an improvement of EUR 4 616 (‘000), mainly due to the positive effect from the derecognition of the companies in the Retail Group from the consolidation scope.

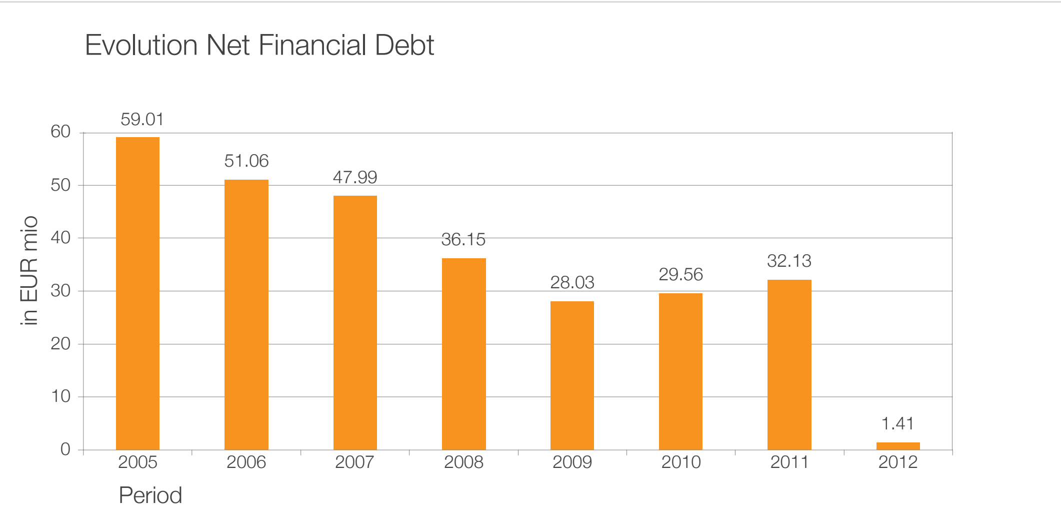
Dividend

The Board of Directors will recommend the General Meeting of Shareholders not to pay a dividend for the 2012 financial year.

Statement of financial position

The statement of financial position total decreased from EUR 95 608 (‘000) at year-end 2011 to EUR 39 600 (‘000) at year-end 2012. The most important items are the following:

- The derecognition in the statement of financial position of the carrying amounts of the assets and the obligations of
  - Hifi International due to the sale of the participating interests; and
  - Photo Hall Multimedia due to the loss of control as a result of the opening of the bankruptcy.
- The net financial debt as at year-end 2012 amounted to EUR 1 411 (‘000), compared to EUR 32 134 (‘000) at year-end 2011.



- The equity decreased from EUR 24 864 (‘000) at year-end 2011 to EUR 20 900 (‘000) at year-end 2012, i.e. minus EUR 3 964 (‘000). This decrease is primarily the effect of the net loss of minus EUR 3 849 (‘000) for the financial year. Negative currency translation differences of minus EUR 25 (‘000), and a negative effect from the Interest Rate Swap transactions of minus EUR 90 (‘000) are responsible for the remaining difference.
- The investments in 2012 amounted to EUR 837 (‘000), compared to EUR 1 186 (‘000) in 2011. The Retail Group’s investments in property, plant and equipment amounted to EUR 63 (‘000), and mainly related, on the one hand, to the renovations of shops and the central building in Luxembourg and, on the other, to hardware for the shops and the supporting services. The investments in property, plant and equipment for the smartphoto Group amounted to EUR 333 (‘000). These primarily related to hardware, other IT-related investments, and production equipment.

  Investments in intangible assets of EUR 441 (‘000) mainly relate to various software for supporting the IT platform for the smartphoto Group’s mail order operations, amounting to EUR 408 (‘000).

Prospects for 2013

The smartphoto Group expects its E-commerce operations in 2013 to continue shifting towards products with greater added value through the launch of dozens of new innovative products. We also expect to be able to enter into more retail partnerships in Europe.

The trend towards mobile, both smartphones and tablets, will require new investments, but these have already been started so that we will be able to respond in this area as well. This includes both software development and innovation in products.

New channels/resellers are being sought via smartphoto.biz, to fit in better with the needs of businesses by using existing products.

For the Wholesale operations, we expect continued pressure on prices and much will depend on the developments in the economic situation, which makes it difficult to estimate the revenue. In 2013, the services offered to businesses will actually be extended to banners, tarpaulins, lettering, fabric, etc. This will be done via the new smartphotoXL brand.

These forward-looking details are based on current internal estimates and expectations. The forward-looking statements contain inherent risks and only apply at the date on which they are communicated. It cannot be excluded that the actual results differ considerably from the forward-looking expectations that have been incorporated in this report.

Description of the most significant risks and uncertainties

The most significant risks and uncertainties are included in the 'Corporate governance statement' under the 'Risk management and internal control' heading on page 39.

Subsequent events

Since the closing of the 2012 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 2012.

Branch offices

Spector Photo Group NV has no branch offices.

Use of financial instruments

In 2012, Interest Rate Swap transactions were contracted with the counterparty to minimise the effects of the interest rate fluctuations on the income statement. These transactions concern cash flow hedges for the interest rates of contracted borrowings, with which the hedging consists of IRS contracts for which the notional amounts correspond with the amounts of the borrowings. The fair value of these IRS contracts as at 31 December 2012 amounted to EUR 90 ('000). The contractual end date is 31 March 2015, with three-monthly fixed interest payment dates on the last days of the months of March, June, September, and December. During the 2012 financial year, an amount of EUR 90 (000) was recognised in the unrealised results in the statement of comprehensive income.

More information concerning risks to which the Company is exposed, including price risk, credit risk, liquidity risk, and cash flow risk is provided in the 'Corporate governance statement' under the 'Risk management and internal control' heading on page 39, as well as in the notes to the consolidated financial statements on page 100 of this annual report.

Fees relating the Committee of Statutory Auditors

The Committee of Statutory Auditors receives an annual fee of EUR 44 ('000), in accordance with the resolution of the Ordinary General Meeting of Shareholders of 11 May 2011, and is indexed according to the general consumer price index. In addition, local auditors were granted total fees of EUR 111 ('000) for work concerning the audits in the subsidiaries with which Spector Photo Group forms a group. During the 2012 financial year, the Committee of Statutory Auditors and the local auditors received an additional fee totalling EUR 30 ('000) for work outside the scope of their engagement. This mainly concerned work in the area of simplification of the group structure, tax-related services, audits of business processes, and specific IFRS audits. The total amount

of EUR 185 (‘000) in fees for audit services includes an amount of EUR 29 (‘000) earned by local auditors that do not belong to the Committee of Statutory Auditors and the members of their network.
Apart from these amounts, no remunerations or benefits in kind were granted, either by Spector Photo Group NV, or by any other of its subsidiaries. There were also no payments made to persons with whom the statutory auditors have concluded joint ventures, with the exception of the companies that conducted the local audits in the foreign branches of the Group.

Application of Section 526 of the Belgian Company Code

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

The Audit Committee is composed as follows: MCM BVBA, permanently represented by Mr. Geert Vanderstappen, Patrick De Greve BVBA, permanently represented by Mr. Patrick De Greve, and Norbert Verkimpe BVBA, permanently represented by Mr. Norbert Verkimpe.
Mr. Geert Vanderstappen possesses the necessary expertise and professional experience in the field of accounting and audit as a result of his career and current professional activities.

Corporate governance statement

Corporate Governance Code
Spector Photo Group NV undertakes to comply with all the relevant statutory provisions concerning Corporate Governance.

The Belgian Royal Decree of 6 June 2010, published in the Belgian Official Gazette on 28 June 2010, stipulates that the 2009 Belgian Corporate Governance Code, ‘the Code’, applies to reporting years beginning on 1 January 2009 or later, as the only code within the meaning of Section 96:2 of the Belgian Company Code. Spector Photo Group NV uses this code as its reference code. The Code is available on the website of the Belgian Corporate Governance Committee, www.corporategovernancecommittee.be. The main aspects of the Corporate Governance policy of Spector Photo Group NV are presented in the Corporate Governance Charter that can be consulted at the website www.spectorphotogroup.com. The Corporate Governance Charter is regularly updated.

Deviations from the Code
In accordance with the ‘comply or explain’ principle, the deviations from the Code due to the company’s specific structure and nature of its operations are explained below:

The composition of the Nomination Committee is a deviation from principle 5.3 of the Corporate Governance Code that stipulates that the Nomination Committee should be composed of a majority of independent non-executive directors. The Board of Directors believes, however, that the independent decision-making of the non-executive members is not affected, which has been effectively demonstrated by experience over recent years.

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

As at 31 December 2012, the Board of Directors was composed as follows:

Name		Non-executive director	Independent director	Audit Committee	Nomination Committee	Remuneration-Committee
TCL NV, represented by its permanent representative Mr. Tonny Van Doorslaer	◊	x			x	
Mr Philippe Vlerick	x	x			x	◊
Mr. Stef De corte	x					
Vean NV, represented by its permanent representative Mr. Luc Vansteenkiste	x	x			◊	
Patrick De Greve BVBA, represented by its permanent representative Mr. Patrick De Greve	x	x	x	x		x
MCM BVBA, represented by its permanent representative Mr. Geert Vanderstappen	x	x	x	◊		x
Norbert Verkimpe BVBA, represented by its permanent representative Mr. Norbert Verkimpe	x	x	x	x		
VIT NV, represented by its permanent representative Ms. Katrien Mattelaer	x	x				

◊ Chairman - x Member

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

The Board of Directors of 18 June 2012 resolved to appoint the company TCL NV, permanently represented by Mr. Tonny Van Doorslaer, as non-executive director by cooptation until the Annual General Meeting of Shareholders of 2013. The Board of Directors also resolved to appoint TCL NV as the Chairman of the Board of Directors.
To the Annual General Meeting of Shareholders on 8 May 2013 will be proposed to appoint TCL NV until the Annual General Meeting of Shareholders of 2014.

Absolutely no member of the Board of Directors has family connections with other members of the executive, management or regulatory bodies of the company.

One executive and seven non-executive directors, of which three are independent directors
The Board of Directors considers the following members to be independent directors:
- MCM BVBA, permanently represented by Mr. Geert Vanderstappen;
- Patrick De Greve BVBA, permanently represented by Mr. Patrick De Greve;
- Norbert Verkimpe BVBA, permanently represented by Mr. Norbert Verkimpe

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

To the Annual General Meeting of Shareholders on 8 May 2013 will be proposed to appoint Fovea BVBA, permanently represented by Ms. Katya Degrieck, as a non-executive, independent director until the Annual General Meeting of Shareholders of 2014.

With the appointment of VIT NV, represented by Ms. Katrien Mattelaer and the proposal to appoint Fovea BVBA, permanently represented by Ms. Katya Degrieck, the Board of Directors has already made efforts to obtain gender diversity within the Board of Directors.

Directorships at other companies

The brief biographies of the Board members each contain their main directorships at other companies; please see pages 29 to 34 of this document.

Internal measures to promote proper Corporate Governance practices

On the basis of the provisional timetable of publications for 2013, the Board of Directors has defined the following ‘closed periods’ for itself:

- from 8 April 2013 to 10 May 2013 inclusive,
- from 29 July 2013 to 30 August 2013 inclusive,
- from 24 September 2013 to 25 October 2013 inclusive,
- from 6 February 2014 to 7 March 2014 inclusive.

Insiders will be informed about the closed periods and the corresponding statutory and administrative law obligations associated with the abuse or unauthorised disclosure of confidential information.

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

Board of Director’ report on activities in 2012

In 2012, 12 meetings took place under the chairmanship of Mr. Tonny Van Doorslaer.

One meeting dealt mainly with the budget for 2012, two meetings dealt mainly with the approval of the financial statements as at 31 December 2011 and the half-yearly financial statements as at 30 June 2012. The meetings of 11 April 2012, 8 May 2012, and 21 May 2012 dealt with the changes of the measurement rules and the adjusted consolidated figures for 2011 concerning externally acquired customer relationships. At the other meetings, the Board of Directors mainly discussed the regular reporting concerning the results of the group and the company’s financial position, the investment strategy, and the recommendations from the Board’s committees, such as changes in the area of management, the composition of the committees, and the annual evaluation of the executive directors. The Board of Directors deliberated on matters including the strategy and progress of each division, the management structure, and proposals for acquisitions, divestments or demergers. More specifically, there was extensive discussion in 2012 of the situation of the Photo Hall Group, the position of the syndicate of banks, and subsequently the procedure of judicial reorganisation under the Act governing the Continuity of Companies.

Of 96 possible attendances, 12 meetings x 8 directors, there were 6 apologies for absence. Mr. Luc Vansteenkiste and Mr. Geert Vanderstappen each apologised for absence once, and Mr. Philippe Vlerick apologised four 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 were unanimous in 2012.

Conflict of interests

Directors' conflicts of interests of a proprietary nature in application of Section 523 of the Belgian Company Code.

In 2012, the Board of Directors followed the procedure prescribed by Section 523 of the Belgian Company Code in the Board meeting of 4 December 2012. The relevant parts of the minutes of this Board Meeting are shown below:

For the Board Meeting on 4 December 2012:

"Directors' declaration

Mr. Stef De corte declared that he was affected by a conflict of interests with respect to agenda item 6 because this concerned the signing of a 'Hold Harmless Agreement' between Spector Photo Group NV on the one hand, and Stef De corte and Acortis BVBA on the other. Such an agreement concerns the indemnification on behalf of Spector Photo Group NV of any directors' liability of Stef De corte and Acortis BVBA, which has Stef De corte as its as permanent representative. Consequently, the procedure provided in Section 523 of the Belgian Company Code must be observed. Mr. De corte will therefore leave the meeting after the resolution of agenda items 1 to 5.

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

Deliberation and Resolution

6. Signature of the 'Hold Harmless Agreements'

Mr. Stef De corte left the meeting.

A draft of the 'Indemnification and Hold Harmless Agreement' between Spector Photo Group NV and the following parties was presented to the Board members:

- Stef De corte and Acortis BVBA, permanently represented by Mr. Stef De corte
- Lucien Bohné
- Karl Bosmans
- Johan Dierickx

The agreements concern the indemnification on behalf of Spector Photo Group NV of the liability of the directors and their permanent representatives for the performance of their appointment in one or more companies of the group. For the agreement with Stef De corte and Acortis BVBA, represented by Stef De corte, it is true that Stef De corte and/or Acortis BVBA takes up appointments in many different companies of the Group, either as a director, manager or permanent representative. Notwithstanding the fact that an insurance policy was contracted for directors' liability, there is always the risk that the insurance would not intervene for one reason or another. The intention of the indemnification agreement is also to provide coverage for the director/permanent representative in these cases, based on the assumption of the appointment being performed with due care. Such an agreement is important to continue encouraging the relevant director/permanent representatives to take up company appointments, which is essential to ensure sufficient diversity of directors within the group.
Concluding such agreements is common practice in a business environment.

After deliberation, the Board of Directors resolved to approve the drafts of the 'Indemnification and Hold Harmless Agreements' between Spector Photo Group NV and the parties identified above and to sign them. The signing of these agreements has no immediate negative financial consequences for the Company.

Mr. Stef De corte rejoins the meeting."

During 2012, there were no situations as referred to in Section 524 of the Belgian Company Code.

Brief biographies of the Board members

TONNY VAN DOORSLAER
Permanent representative of TCL N.V., Chairman and non-executive director
Office address: Spector Photo Group N.V. - Kwatrechtsteenweg 160 - 9230 Wetteren, Belgium.

Master in Law. After a ten-year career in the financial world with KBC Bank, Mr. Van Doorslaer has fulfilled various management functions within the Group, in both the financial and general management areas. Managing Director of the Company and member of the Executive Committee from 1987 until June 2012. Chairman of the Board of Directors since August 2009. Member of the Nomination Committee.

The Board of Directors resolved to appoint the company TCL NV, permanently represented by Mr. Tonny Van Doorslaer, as non-executive director by cooptation until the Annual General Meeting of Shareholders of 2013. The Board of Directors also resolved to appoint TCL NV as the Chairman of the Board of Directors. It will be proposed to the Annual General Meeting of Shareholders on 8 May 2013 to appoint TCL NV until the Annual General Meeting of Shareholders of 2014.

Current appointments with other disassociated companies include:
- Recticel NV (director and member of the Audit Committee);
- Guberna (member of the Board of Trustees).

Mr. Van Doorslaer has no family connections with other members of the Company's executive, management or regulatory bodies.

Mr. Van Doorslaer is holder of 221,449 registered shares and 400,000 warrants of Spector Photo Group NV.

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

PHILIPPE VLERICK
Vice-Chairman, non-executive director
Office address: Doorniksewijk 49 - 8500 Kortrijk, Belgium.

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

Active in sector federations and special interest groups of the entrepreneurial world (VBO-FEB, Voka, etc.).
Non-executive director at the Company since 1995. Vice-chairman since 28 November 2005. Member of the Nomination Committee and chairman of the Remuneration Committee.

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

Current appointments with other companies include:
- BIC Carpets NV (chairman);
- UCO NV (chairman, managing director);
- Raymond Uco Denim Private Limited (chairman);
- Exmar NV (director);
- KBC Group (vice-chairman);
- Besix NV (director);
- BMT NV (director);
- ETEX Group SA (director);
- Vlerick Leuven Gent Management School (partner-director);
- Corelio NV (vice-chairman);
- LVD Company NV (director);
- Pentahold NV (chairman);
- IVC NV (director);
- Concordia Textiles NV (director);
- Hamon & Cie (director).

Mr. Vlerick is also a director of various family companies. Mr. Vlerick has no family connections with other members of the Company's executive, management or regulatory bodies.

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

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

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

Civil Engineer Chemical. Extensive experience as director in numerous companies and as a manager at Recticel that, under his leadership, has developed into a listed company with operations 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 director at the Company since 1995, and Chairman of the Board of Directors from 2001 until August 2009. Chairman of the Nomination Committee.

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

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

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

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

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

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

Master in Economic Sciences and in Management (MBA). As general manager of a management school with an international reputation, Mr. De Greve is very familiar with strategic, leadership, 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.

In the last five years, Mr. De Greve only fulfilled a director's appointment at the Vlerick Business School, and since 2008 he has been a member of the Board of Directors at Guberna, and a member the Board of Trustees of Guberna since 2010.

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 Section 526 of the Belgian Company Code, as stipulated by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises. He is also a member of the Remuneration Committee.

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

Mr. De Greve has no family connections with other members of the Company's executive, management or regulatory bodies.

Mr. De Greve holds no registered shares or share options of Spector Photo Group NV and also has no other commercial link with the Group, which enables him to act as an independent director.

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

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

Civil Engineer. Acted as the financial director with the Company between 1993 and 1999, thus more than five years ago. As partner at Pentahold NV and Buy-Out Fund CVA, Mr. Vanderstappen possesses sound financial expertise.

Non-executive, independent director since 28 November 2005. Director and Chairman of the Audit Committee. Mr. Vanderstappen meets the independence criteria stipulated in Section 526 of the Belgian Company Code, and also possesses the necessary expertise in the field of accounting and audit in the sense of Section 526b:2

of the same Code as stipulated by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises. Member of the Remuneration Committee.

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

Current directorships with other companies include:
- Kinepolis NV;
- Vergokan International NV;
- V!GO International;
- Garden Vision (Oh!Green) NV;
- Pentahold NV;
- Interio International NV.

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

Mr. Vanderstappen holds no registered shares of Spector Photo Group NV and also has not subscribed to any share options.

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

NORBERT VERKIMPE

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

Managing Partner of Naxxos NV (Belgium).
Extensive experience as director in numerous companies. Active in special interest groups of the entrepreneurial world (Guberna, Flemish Management Association, Belgian Direct Marketing Association, 'Stichting Marketing').

Non-executive, independent director and member of the Audit Committee since 14 May 2008. Mr. Verkimpe meets the independence criteria stipulated in Section 526 of the Belgian Company Code, as stipulated by the Act of 17 December 2008 on setting up an Audit Committee for listed companies and financial enterprises.

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

Current directorships with other companies include:
- Naxxos NV;
- Xenarjo NV (director).

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

Mr. Verkimpe possesses no share options of Spector Photo Group NV and holds no registered shares of the Company in a private capacity.

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

STEF DE CORTE
Managing Director, CEO
Office address: Spector Photo Group N.V. - Kwatrechtsteenweg 160 - 9230 Wetteren, Belgium.

Civil Engineer. Active in the Company since 1999, first as Finance & Administration Manager, then as 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 (now smartphoto Group). Formerly active in several consultancy positions in the area of production, logistics and general business policy at Bekaert-Stanwick and at ABB Service.

Executive committee member since 1999. At the General Meeting of 12 May 2010, Mr. Stef De corte was appointed as a director of Spector Photo Group. On 7 June 2012, the Board of Directors resolved to appoint Mr. De corte as Managing Director of Spector Photo Group NV.
His current appointment as director with the Company runs until the Annual General Meeting of Shareholders of 2014.

With the exception of his director's appointment at Acortis BVBA, Mr. De corte fulfils no director's appointments at any other disassociated company, nor has he done so during the past five years. He has no family connections with other members of the Company's executive, management or regulatory bodies.

Mr. De corte holds no registered shares of the Company in a private capacity. Acortis BVBA, permanently represented by Mr. De corte holds 52,500 shares. Mr. De corte has subscribed to 150,000 warrants.

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

KATRIEN MATTELAER
Permanent representative of VIT N.V., non-executive director
Office address: Doorniksewijk 49, 8500 Kortrijk, Belgium.

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

Non-executive director at the Company since 2011.

The appointment of VIT NV, permanently represented by Ms. Katrien Mattelaer, as director of the Company runs until the Annual General Meeting of Shareholders of 2014.

Ms. Mattelaer has no family connections with other members of the Company's executive, management or regulatory bodies.

Ms. Mattelaer holds no share options of Spector Photo Group NV and holds no registered shares of the Company personally; however, PANA BVBA, permanently represented by Ms. Mattelaer, holds 28,750 shares of Spector Photo Group NV.

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

KATYA DEGRIECK
Permanent representative of FOVEA B.V.B.A., non-executive director
Office address: FOVEA B.V.B.A. - avenue fond'roy 103 - 1180 Brussels, Belgium

To the Annual General Meeting of Shareholders on 8 May 2013 will be proposed to appoint Fovea BVBA, permanently represented by Ms. Katya Degrieck, as a non-executive independent director.

Master in Business Engineering. MBA. Active in the media world for some 15 years, including as Managing Director of ECI Belgium, Bertelsmann, and member of the ECI Netherlands executive committee, and more recently Corelio, and Arkafund, a media-oriented venture capital fund. Currently active as Corporate Director of Business Development of Corelio, and member of the Executive Committee of Corelio NV. Previously worked as Change Management consultant with Andersen Consulting, and Strategic planning at the Chrysler – Jeep coordination centre.

Current appointments with other disassociated companies include:
- QueroMedia NV (director);
- Larian Studios (director);
- Gezondheid – Passion Sante NV, Joint venture between Corelio and Rossel (director).

Ms. Degrieck has no family connections with other members of the Company's executive, management or regulatory bodies.

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

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

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

The regulations of these 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 the Annual General Meeting of Shareholders of 2014, which will take place on 14 May 2014:

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

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

Also in accordance with Section 526b of the Belgian Company Code, at least one member of the Audit Committee possesses the necessary expertise and professional experience in the field of accounting and audit. Mr. Geert Vanderstappen, an independent and non-executive director, possesses the necessary expertise and professional experience in the field of accounting and audit as a result of his career and current professional activities.

Audit Committee's Report on its activities in 2012

The Audit Committee met seven (7) times in 2012. Two meetings were mainly devoted to reviewing the consolidated financial statements as at 31 December 2011 and the half-yearly consolidated figures as at 30 June 2012. One meeting was devoted to the annual 'impairment tests in accordance with IAS 36' concerning the identified cash-generating units, to examine whether an impairment loss should be recognised. One meeting was mainly devoted to the internal control and risk management systems.
The meetings of 8 May 2012 and 21 May 2012 dealt with the changes of the measurement rules and the adjusted consolidated figures for 2011 as well as the comparative figures for 2010, concerning the externally acquired customer relationships. The Audit Committee also discussed the situation of the Photo Hall Group and especially the judicial reorganisation under the Act governing the Continuity of Companies, followed by the declaration of bankruptcy as well as the effect of this on the consolidated figures. Other important agenda items for the committee were the status of projects concerning internal control and risk management systems, the programme, activities, evaluation and assessment of the description of duties for the internal audit department, and questions concerning financial reporting according to IFRS.

All members of the Audit Committee attended all the meetings. This means that of 21 possible attendances, 7 meetings x 3 members, no member of the Audit Committee apologised for absence.

Nomination Committee

Composition of the Nomination Committee

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

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

The composition of the Nomination Committee is a deviation from principle 5.3 of the Corporate Governance Code that stipulates that the Nomination Committee should be composed of a majority of independent non-executive directors. The Board of Directors believes, however, that the independent decision-making of the non-executive members is not affected, which has been effectively demonstrated by experience over recent years.

Nomination Committee's Report on its activities in 2012

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

The Nomination Committee met twice in 2012 and handled the changes at Board level in particular. More specifically, the resignation of Mr. Tonny Van Doorslaer as managing director of the Company, before being accepted by the Board of Directors, was discussed in the Nomination Committee. The Nomination Committee proposed to the Board of Directors of June 7, 2012 to appoint Mr. Stef De corte as managing director for the entire duration of his appointment as director. The Nomination Committee proposed that the Board of Directors of 18 June 2012 should accept the resignation of Mr. Tonny Van Doorslaer as director of the Company and proposed appointing the company TCL NV, permanently represented by Mr. Tonny Van Doorslaer, as a non-executive director by cooptation.

All members attended all the meetings.

Remuneration Committee

Composition of the Remuneration Committee

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

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

The composition of the Remuneration Committee meets the provisions of Section 526d:2 of the Belgian Company Code and the principles of the 2009 Belgian Corporate Governance Code.

Remuneration Committee's Report on its activities in 2012

The Remuneration Committee met twice in 2012 and dealt with issues including the general remuneration policy and individual remuneration for the executive management. This took into account the Act of 6 April 2010 to reinforce corporate governance at listed companies, such as the stipulations concerning remuneration reporting and the new criteria for the awarding of a payment to the executive management and the obligation to spread the variable remuneration over time.

Of 6 possible attendances, 2 meetings x 3 members, there was 1 apology for absence. Mr. Philippe Vlerick apologised for absence once.

Day-to-day management

Managing Director

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

The Managing Director, or two directors acting jointly represent the enterprise in and out of court and in fact. The Spector Photo Group NV Board of Directors meeting of 7 June 2012 accepted the resignation of Mr. Tonny Van Doorslaer as Managing Director of the Company and accepted the proposal from the Nomination Committee to appoint Mr. Stef De corte as the Company's Managing Director.

Executive Committee

Until 7 June 2012, the Executive Committee comprised Mr. Tonny Van Doorslaer (Executive Chairman) and Mr. Stef De corte, Managing Director of the smartphoto Group.

As a result of the resignation of Mr. Tonny Van Doorslaer as executive director and the changes in the structure of the group, more specifically the transfer of Hifi International NV and certain assets of Photo Hall Multimedia NV under the procedure of judicial reorganisation and in accordance with the Act on the Continuity of Companies, followed by the declaration of bankruptcy of Photo Hall Multimedia NV, there is no longer any need for the existence of an Executive Committee.

At Spector Photo Group, there is no Executive Committee in the sense of Section 524b of the Belgian Company Code. The Extraordinary General Meeting of Shareholders on 14 June 2011 resolved to insert a new Article into the Company's Articles of Association that the Board of Directors is authorised in the future, if it deems it necessary, to set up an Executive Committee in accordance with Article 524b of the Belgian Company Code.

Evaluation process of the Board of Directors, the committees, and individual directors

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

Remuneration report

Remuneration policy

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

Remuneration of non-executive directors

Non-executive directors each receive a reimbursement of EUR 12 500 per annum.

TCL NV, permanently represented by Mr. Tonny Van Doorslaer, appointed as Chairman by the Board of Directors on 18 June 2012 via cooptation, receives an additional remuneration of EUR 12 500 a year in his capacity as Chairman of the Board of Directors.

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.

Total directors' reimbursements of EUR 95 ('000) were paid out during the 2012 financial year and EUR 98 ('000) for the 2011 financial year.

There is no contract between the Company or its associates and the members of the Board of Directors that provides for any payment on their retirement as director.

The non-executive directors do not receive any performance-related remuneration. Only Mr. Tonny Van Doorslaer, Managing Director of the company until 7 June 2012, could subscribe to the Warrant plan; please see page 47. The directors directly hold a total of 257,521 shares of the Company. Certain directors represent another main shareholder, and are indirect shareholders. A breakdown of these indirect interests can be found on pages 43 and 112 of this document.
Only executive directors were allowed to subscribe to the share option plan and warrant plan at the time these applied. These subscriptions are included in the remunerations and interests of executive directors that are disclosed; please see below.
None of the directors has received a loan granted by Spector Photo Group NV or any other related company.

Remuneration of the executive directors (in EUR '000)
Members of the executive management who are members of the Board of Directors receive no remuneration for their membership of the Board of Directors.

The remuneration of the executive directors is determined by the Board of Directors at the recommendation of the Remuneration Committee.

The determination of the remunerations takes into account the remunerations of managers in Belgian multinationals and medium-sized companies, combined with internal factors.
The basic salary is intended as remuneration for the job responsibilities, for specific competencies and experience in the person's job. This basic salary is compared with remunerations for comparable positions and is evaluated annually.

A portion of the remuneration of the current executive director is performance-related as encouragement to support the Group's short-term and long-term performance. The variable remuneration is directly linked to the achievement of the targets of the operating segments and of the individual targets.

The Remuneration Committee determines the variable remuneration on the basis of the financial performance and the success of the strategic initiatives.

The variable remuneration includes a cash bonus that depends on the performance achieved by the Company or the segments concerned against the predetermined targets.

The targets are subdivided into two categories: the financial targets, including the EBITDA of the segments for which one is responsible, and the non-financial targets. The combination of these targets ensures a balanced package, which creates added value for the shareholder, based on cash flow and growth. The balance between the financial targets and the non-financial targets is determined by the Board of Directors at the proposal of the Remuneration Committee.

If a variable remuneration is granted on the basis of incorrect financial data, nothing specific is provided contractually for a right of recovery in favour of the Company.

The total remuneration for the executive directors for the 2012 financial year amounted to EUR 499 ('000).

The remuneration elements for the executive directors are shown below. No guarantees or loans have been granted to the executive directors 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 2012. Details can be found in the brief biographies of the Board members.

Remunerations and interests of the executive directors (in EUR '000)

Executive director	Fixed remuner-ation component (1)	Variable remuner-ation component (1) (2)	Pension contri-butions (3)	Other remuner-ation components (4)	Number of warrants (exercise price per warrant) (5)
Tonny Van Doorslaer Executive director until 7 June 2012	75			2	400 000 (EUR 3.36)
Stef De corte	318	98		6	150 000 (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 Remuneration Committee. This bonus plan includes financial and non-financial targets.

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

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

(5) For the exercise periods: please see page 47 of this document.

Information concerning the remuneration policy for the coming two financial years
The determination of the remuneration policy takes into account the Belgian Act of 6 April 2010, which includes stipulations that if the bonuses awarded amount to more than 25% of the total remuneration, half of the bonuses must be paid distributed across time and subject to the long-term targets or criteria.

Severance payments for the management
At the Board of Directors meeting on 7 June 2012, Mr. Tonny Van Doorslaer resigned his appointment as managing director. The Board of Directors accepted the resignation of Mr. Tonny Van Doorslaer as Managing Director and accepted the proposal from the Nomination Committee to appoint Mr. Stef De corte as Spector Photo Group NV's Managing Director.
The Board of Directors also resolved that Mr. Tonny Van Doorslaer would remain (non-executive) Chairman of the Board of Directors for the entire duration of his appointment as director.

In view of the voluntary departure of Mr. Tonny Van Doorslaer as executive director, the Company did not pay out any severance payment.

There is a contract between Mr. Stef De corte and the Company that - only on resignation at the Company's request - provides him with a financial compensation of 12 monthly reimbursements.

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

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

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

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

With the implementation of a Project & Programme Management Office (PMO), this will offer a support service is offered combining management, administrative, advice and technical services for the initiation, implementation and delivery of programmes or projects. This service provides methods and standards, assists with setting up structures and processes, documents and ensures minutes of meetings, and simplifies the process of training and development.

The internal audit department of Spector Photo Group ensures that the risk management process is complied with, that the minimum internal control requirements are met, and that the identification and management of the risks are implemented effectively. The Audit Committee subjects the company's systems for internal control and risk management to an annual assessment. The Audit Committee also evaluates the operation of the internal audit department on an annual basis.
The external audit also assesses the internal controls contained in the business processes and reports regularly to the Audit Committee.

Description of the risks and uncertainties

Strategic risks
Market risks
The Company operates in a market that is highly susceptible to changes. The most important market-related risks are related to technological developments and their effect on consumer behaviour, the development of consumer prices, and the competitive position.

The smartphoto Group's strategy is heavily based on the findings of prospective market research from which new opportunities emerge 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 plans and business plans.

The future profitability of the Company is also determined by 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 continues to proactively manage risks by reducing its fixed overhead costs on the one hand and, on the other, by continuously developing new products that are less susceptible to the general price pressure. Thus the range of photo-related products is increasingly being expanded with products that are less susceptible to price pressure than the individual photo print, such as photo books, greetings cards, photo calendars, clothing and accessories, etc.

The Group's future market share and business figures 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 continues to cause pressure on the revenues. Consumers are more careful about purchasing more expensive consumer goods.

Operational risks
Inventory risks
Inventory risks can arise due to technological development or obsolescence, by theft or by price and currency fluctuations. These risks relate mainly to Wholesale operations. The risks due to technological changes and the price risks are limited by optimising the inventory. Furthermore, the inventory is always being evaluated and sufficient write-downs are recognised to hedge the risks where necessary. Risks of loss of inventory by theft are covered by inventory insurance policies.

Both the E-commerce and the Wholesale segments only have a limited dependence on strategic suppliers. There are always several suppliers for each of the various product groups.

IT risks

The E-commerce segment in particular is highly dependent on the in-house developed IT systems and access to the internet in general.

The online ordering software is maintained by a team of specialists and is ever increasingly optimised to improve the functionality for the customer. To reduce the risk of the failure of the systems as much as possible, and to ensure the continuity of operations, continuity programmes have been developed in which several backup systems have been implemented and fallback scenarios have been elaborated.

Financial risks

Financial reporting

The quality of the reported financial figures is assured by the proper monitoring of the accounting closing processes and the related internal controls.

The accounts are closed each month for the management reporting. The financial figures are consolidated on a quarterly basis according to a formal consolidation process. The annual and half-yearly financial figures are also subjected to the external auditor's review.

The financial figures are published by means of financial press releases on pre-announced dates so as to communicate and inform as transparent as possible.

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

Liquidity risk

The financial debt position of the Group has been reduced to EUR 1 411 ('000). The Group has built up a transparent and constructive relationship with the current lender, NIBC Bank.

Credit risk

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

No write-downs are recognised for the overdue receivables, because their collectability is deemed to be probable.

Exchange rate risk

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

The disclosures to the consolidated financial statements include more detailed descriptions of the credit risks, the interest rate risks, and the liquidity risks. Please see page 100 of this document.

Legal risks

Risks related to the compliance with laws and regulations

The Company is subject to the applicable laws and regulations of each country in which it operates, as well as the European laws and regulations. The listing of Spector Photo Group on Euronext Brussels means the Group is also subject to Belgian and European legislation concerning publication obligations and insider trading. Spector Photo Group endeavours to respect the imposed statutory requirements.

Risk related to tax disputes

The Company and some of its subsidiaries are involved in tax disputes that are pending in the tax courts, and for which provisions have been recorded if required.

With respect to the subsidiary Vivian Photo Products NV (liquidated), an unfavourable ruling was delivered in 2012 concerning the tax dispute, dating from 1991, which had been pending at the Court of Appeals. A reversal of minus EUR 810 ('000) was recognised from the provision, and an effective tax cost was recognised of EUR 629 ('000). The liquidation of Vivian Photo Products NV was closed on 6 November 2012, with publication in the Belgian Official Gazette of 5 December 2012.

In 2010, in the case of the tax claim relating to Extra Film A/S in Norway - in which the company would be subject to an exit tax, whereas the company has never ceased to exist - an appeal was lodged against the established assessment. Under IAS 37:14, no provision should be recognised because the Board of Directors believes there are no cash outflows to be expected.

Changes in tax legislation can have both positive and negative effects on the Group's result.

Risk related to other disputes

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

Force majeure risks

Risks concerning health, safety and the environment

Safety and prevention measures are used to avoid these risks as much as possible. These risks are also hedged by means of insurance policies with external insurers.

Risks as a result of fire and violence

These risks are also avoided as much as possible by measures of fire safety and prevention and hedged by means of insurance policies with external insurers.

Risks as a result of power outages

As stated under the IT risks, these risks are taken care of by continuity programmes in which several backup systems have been implemented and fallback scenarios have been elaborated. The adverse consequences are also covered by insurance policies.

Information pursuant to Section 14:4 of the Act of 2 May 2007

Structure of the shareholdings

The law and the Articles of Association require each shareholder whose voting rights, associated with the securities that grant voting rights, exceed or fall below the thresholds of 3%, 5% or any multiple of 5%, to notify this fact to the Company and the FSMA, the Belgian Financial Services and Markets Authority.

In 2012, the Company received the following notifications:

Notification received on 19 December 2012

Notification by a person who notifies alone:

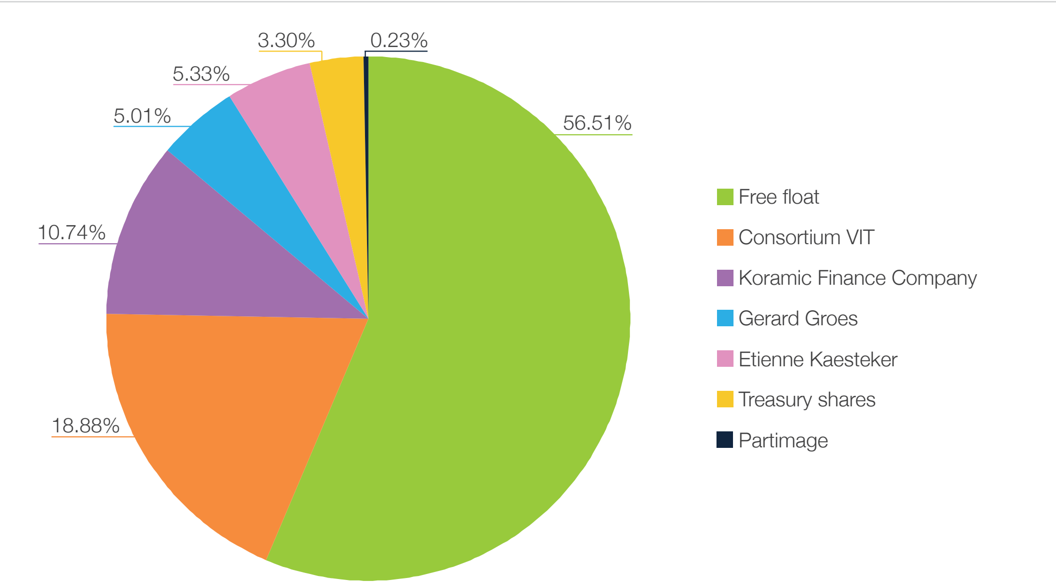
Holders of voting rights	Number of voting rights associated with securities	% voting rights associated with securities
Kaesteker Etienne Beukenlaan 1 - 9250 Waasmunster - Belgium	1 250 000	3.41%

Notification received on 24 December 2012
Notification by a person who notifies alone:

Holders of voting rights	Number of voting rights associated with securities	% voting rights associated with securities
Kaesteker Etienne Beukenlaan 1 - 9250 Waasmunster - Belgium	1 950 000	5.33%

Spector Photo Group and its subsidiaries possess 1 207 072 or 3.30% treasury shares. The number of treasury shares remained unchanged in 2012.

Shareholder structure as at the year-end closing date



More detailed information on the shareholdings in the company, as at the year-end closing date, can be found on page 112 of this document.

General Meeting of Shareholders

The Annual General Meeting takes place on the second Wednesday of the month of May at 2 p.m. The right to participate in the General Meeting will only be granted if the shareholder has complied with the statutory requirements governing companies whose shares are admitted to trading on a market as referred to in Section 4 of the Belgian Company Code. In any case, the shareholder's intention to participate in the General Meeting must be notified no later than six days before the General Meeting.

Conditions for participation

The right to participate in the General Meeting will be granted on the basis of the accounting registration of the registered shares of the shareholder, on the registration date at midnight, either
(i) by registration in the register of shares of the Company, for registered shares, or
(ii) by registration in the accounts of a recognised account holder or a settlement organisation, for dematerialised securities, or
(iii) submission of the shares to a financial intermediary, for bearer shares. The recognised account holder or the settlement organisation will provide the shareholder with a certificate or depository receipt showing the number of shares with which the shareholder wishes to participate at the General Meeting. Only the shareholders who are shareholders on the identified registration date and who can prove this by means of the certificate or depository receipt identified above, or the registration in the share register of the Company, are allowed to participate in the General Meeting. The intention to participate in the General Meeting must be notified to the Company no later than six days before the General meeting on the basis of the submission of this depository receipt or certificate to the Board of Directors. Registered shareholders and warrant holders must also notify their intention to attend the General Meeting in writing to the Board of Directors, and do this no later than six days before the General meeting. The warrant holders are reminded that they may attend the General Meeting, but only in an advisory capacity.

Use of proxies

Each shareholder can provide a proxy to represent him or her at the General Meeting by means of document that bears his or her signature, including digital signature as referred to in Section 1322:2 of the Belgian Civil Code, in which notice is provided by letter, fax, or email, or any other means specified in Section 2281 of the Belgian Civil Code. The representative must not be a shareholder. Except as stipulated in Section 547b of the Belgian Company Code, only one proxy can be designated. The proxy must vote in accordance with the instructions of the shareholder, for which each proxy maintains a special record.

In the event of a potential conflict of interests between the shareholder and the proxy holder appointed, the proxy holder must disclose the precise facts that are important for the shareholder in order to assess whether there is a risk that the proxy holder pursues any interest other than the interest of the shareholder. Where applicable, the proxy holder can only vote on behalf of the shareholder on condition that the proxy holder has specific voting instructions for each item on the agenda. In particular, there is a conflict of interests when the proxy holder:

1° is the company itself or an entity controlled by it, or a shareholder that controls the company, or another entity that is controlled by such a shareholder;

2° is a member of the Board of Directors or of the management bodies of the company, of a shareholder that controls the company, or of a controlled entity as referred to in 1°;

3° is an employee or a statutory auditor of the company, of the shareholder that controls the company, or of a controlled entity as referred to in 1°;

4° has a parental relationship with a natural person as referred to in 1° to 3°, or is the spouse or the legally cohabiting partner of such a person or of a relative of such a person.

An example of a proxy that takes into account the rules above has been made available on the website of the Company as indicated below.

The proxies must be deposited at the registered office of the Company, no later than six days before the General Meeting.

Rights of shareholders

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

- Extension of the agenda

  One or more shareholders who together holding at least 3% of the authorised capital of the company can add supplementary items to the agenda of the General Meeting and propose draft resolutions concerning the items included in the agenda or items to be included in. The Company must receive these requests no later than the 22nd day before the General Meeting. They can be sent to the Company by electronic means. The Company confirms the receipt of the request within a period of 48 hours from its receipt. No later than 15 days before the General Meeting, an agenda will be published that has been supplemented with the additional items to be discussed and the corresponding draft resolutions that should be included, and/or merely with the draft resolutions that would be formulated.
- Right to ask questions

  The shareholders have the right to ask questions to the directors and statutory auditors during the General Meeting or prior to it, in writing, relating to their report or to the agenda items. These questions can be sent electronically to the Company, no later than six days before the General Meeting.

Participation and voting remotely by letter or electronically

Voting by letter or electronically is not possible. Participation in the General Meeting remotely or voting remotely is not allowed.

Information available for inspection and receipt

The convocation, the annual financial report, in accordance with Section 12 of the Belgian Royal Decree of 14 November 2007, the proxy forms, additional information about the rights of the shareholders and the other information required by law will be made available 30 days before the General Meeting on the website of the Company: www.spectorphotogroup.com. These documents can be obtained as from the same date at the registered office of the Company, on presentation of the securities.

Communication with shareholders

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

These communications include, among other:

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

Remunerations and interests of members of the supervisory bodies: please see page 39 of this document.

Joint control

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

Information pursuant to Section 34 of the Belgian Royal Decree of 14 November 2007

1° Capital structure

Issued capital

The authorised share capital amounts to EUR 64 193 915.72, which is represented by 36 619 505 shares with no identified value, numbered from 1 to 36 619 505, each share representing 1/36 619 505th of the authorised share capital.

Changing the issued share capital

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

The shares that are subscribed to in cash, must first be offered to the shareholders, in proportion to the portion of the capital represented by their shares during a period of at least fifteen days calculated from the first day of the subscription period. When a share has been split into bare ownership and usufruct, the pre-emptive rights can only be exercised by the bare owner. The General Meeting determines the subscription price at which and the period during which the pre-emptive rights can be exercised.
The General Meeting that has to decide on the capital increase, taking into consideration the statutory provisions and in the interest of the company, can limit or cancel the pre-emptive rights, or deviate from the minimum period of fifteen days for exercising the pre-emptive rights.

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

2° Statutory or Articles of Association provisions limiting the transferring of securities

Not applicable

3° Holders of securities to which special controlling rights are associated

Not applicable

4° Control of any share plan for employees

Not applicable

5° Statutory or Articles of Association provisions limiting the exercising of voting rights

From the Company's perspective the shares are indivisible. If a share belongs to a number of different people, or if the rights associated with a share are divided among several people, the Board of Directors may suspend the exercising of the rights associated with that share until one single person is designated as being the owner of the share with respect to the Company. In the event there is usufruct, the bare owner of the share is represented by the usufructuary.

6° Shareholder agreements

Spector Photo Group does not know of any existing shareholder agreements. There are no direct or indirect relationships between the Company and its key shareholders.

7° Rules governing the appointment and replacement of the members of the management body and for amending the Articles of Association of the issuers

The statutory rules as provided in the Belgian Company Code apply.

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

As long as the General Meeting, for any reason whatsoever, does not provide for a new appointment or reappointment, the directors whose engagements have expired will remain in office. Resigning directors are eligible for reappointment. In the event of a premature vacancy on the Board of Directors, the remaining directors have the right to fill the vacancy temporarily until the General Meeting appoints a new director. The appointment will be placed on the agenda of the next General Meeting. Each director appointed in this way terminates the appointment of the director being replaced.

8° Powers of the management body specifically concerning the possibility to issue or purchase treasury shares

Treasury shares

The General Meeting of 14 June 2011 explicitly authorised the Board of Directors in accordance with the provisions of the Belgian 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 Section 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 can be renewed pursuant to Section 620:1 of the Belgian Company Code.

The Company's treasury shares included in the 'Eurolist by Euronext' can be disposed of by the Board of Directors without prior approval of the General Meeting.

The General Meeting of June 2011 also authorised the Board of Directors, in accordance with Section 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 five years from the publication of this resolution in the Supplements to the Belgian Official Gazette, and can be renewed pursuant to Section 620:1 of the Belgian Company Code.

Share option plan

There is currently no share option plan.

Warrant Plan

The Extraordinary General Meeting of Spector Photo Group NV on 28 November 2005 resolved to issue 600 000 warrants in the sense of Section 42 of the Act of 26 March 1999 concerning the Belgian 1998 Action Plan for Employment and containing various provisions, the "Share Options Act". Each warrant gives the right to subscribe for a single share. This warrant plan is designed to create a long-term incentive for the beneficiaries who, as directors or consultants, can make a significant contribution to the success and the growth of the company. In addition, this Warrant Plan aims to create a common interest between 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 on 30 June 2009 to extend the exercise period of the warrants granted on 28 November 2005, for which the initial exercise period expired on 30 September 2010, for an additional period of four (4) years until 30 September 2014. During the extended period, the beneficiaries will be entitled to existing shares and not to new shares. The warrant holders, as provided for in the Warrant plan, confirmed in writing to agree with the changes identified above. The General Meeting of 12 May 2010 also approved this extension.

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

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

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

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

9° Significant agreements whereby the Company is an involved party relating a public takeover bid

Not applicable

10° Agreements between the Company and its directors or employees providing for compensation when, as a result of a public takeover bid, the directors resign or are made redundant without valid reason, or the employment of the employees is terminated

Not applicable

General information concerning Spector Photo Group

1. General information about the Company

1.1. Identity

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

1.2. Foundation and duration

Spector was founded for an indefinite period on 23 December 1964 under the name `DBM Color N.V.' by deed executed in the presence of Civil-law notary Luc Verstraeten at Assenede, Belgium, published in the Supplements to the Belgian Official Gazette of 15 January 1965. The Articles of Association were last amended by deed executed before Civil-law notary Bernard Van Steenberghe, deputising for official colleague Rudy Vandermander, on 14 June 2011, published in the Supplements to the Belgian Official Gazette of 8 July 2011, as a result of the Act of 20 December 2010 on the exercising of certain rights of shareholders in listed companies.

1.3. Legal form

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

1.4. Company objective

The objective of the company is defined in Article 3 of the Articles of Association as follows:
a) the production, import, purchase, sale, supply, renting out, leasing and storage of all products, materials, and equipment for recording and reproduction of pictures, signals and sound, and in the field of electronic equipment, IT, 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 operations identified above, and provision of licences.
c) the purchase, sale, reconstruction, letting, sub-letting, finance leasing, leasing, concession and operation, in any form whatsoever, of all moveable and immovable property and machines, plants, equipment, commercial vehicles and passenger cars, which are relevant to the company's operations;
d) the investing, managing and using of capital assets;
e) the setting up and cooperation with enterprises and companies, the purchase and 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 a 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 can, in Belgium and abroad, at its own expense and at the expense of third parties, conduct all industrial, trading and financial transactions that could expand or promote its business.

1.5. Register

Spector is registered in the legal entities register of Dendermonde, Belgium, under number RPR 0405.706.755. Its number for Value Added Tax (VAT) 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 2012 amounted to EUR 64 193 915.72, and is represented by 36 619 505 fully paid-up authorised shares with no nominal 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 December 2012, the government decided to abolish the tax benefit associated with strips. The strips were scrapped from the stock price lists at the start of January 2013.

2.2. Authorised capital, convertible bonds

Article 34 of the Articles of Association provides that the Board of Directors is authorised for a term of five years starting from the publication of the resolution of the General Meeting of 14 June 2011 in the Supplements to the Belgian Official Gazette of 08 July 2011, to increase the issued authorised capital on one or more occasions, within the statutory limitations, 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 authorised shares, as well as by means of issuing, once or several times, bonds convertible into shares, bonds with warrants or warrants connected or not connected to another security, and all this for a maximum global amount of EUR 64 193 918.72. This ceiling applies to the issue of bonds convertible into shares, bonds with warrants, or warrants that are connected or not connected to another security, to the amount of the capital increases that could result from the conversion of these bonds or the exercising of these warrants.

The Board of Directors was hereby authorised by the General Meeting, based on a resolution taken in accordance with the provisions of Section 560 of the Belgian Company Code, within the framework of issuing securities within the authorised 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 in such a way that this aims to or results in a disadvantage to the rights of the existing shareholders. The Articles of Association also provide that the Board of Directors is explicitly authorised for a term of three years starting from the publication of the resolution of the General Meeting of the eighth of July two thousand and eleven (8 July 2011) in the Supplements to the Belgian Official Gazette, to use the authorisation granted by the existing provision to increase the capital in the circumstances, under the conditions and within the restrictions of Section 607 of the Belgian Company Code.

The Board of Directors determines the dates and the conditions of the capital increases that it has resolved to implement pursuant to the previous paragraphs, including the possible payment of the share premiums. It determines the conditions for the issue of bond loans that it has resolved pursuant to the previous paragraphs. When use is made of the previous paragraphs, the Board of Directors determines, in accordance with Sections 592 and following of the Belgian Company Code, the period and other conditions for the exercising of the preferential rights by shareholders when they are vested with this right by law. The Board of Director can also, in accordance with the same Sections 592 and following, in the interest of the Company and under the conditions stipulated by law, restrict or exclude the pre-emptive rights of the shareholders, in favour of one or more specific 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 existing provision, this 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 always be incorporated into the authorised capital at any time; this resolution can be made by the Board of Directors in accordance with the first paragraph.

2.3. Profit sharing certificates

None

2.4. Conditions concerning changes in the capital

Statutory conditions

2.5. Transactions

a) 08 November 1991 (publication in Belgian Official Gazette of 29 November 1991): Capital increase in the context of the share option plan, by cash contribution worth BEF 2 872 620 and creation of 23 609 new shares. As a result of this, the authorised capital amounted to BEF 1 016 633 457, represented by 1 425 510 shares of which 205 140 were AFV shares.

b) 5 June 1992 (publication in Belgian Official Gazette of 27 June 1992): Capital increase by cash contribution worth BEF 117 166 543 by creation of 68 921 new shares. 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) 9 June 1993 (publication in Belgian Official Gazette of 03 July 1993): Capital increase in the context of the share option plan, by cash contribution worth BEF 1 497 581 by creation of 6 809 new shares. Accordingly, the authorised 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 resolved 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 authorised 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 authorised 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 for 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): Capital increase under suspensive condition amounting to the number of shares subscribed to by means of warrants, multiplied by the accounting parity of the existing authorised 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 524 783 VVPR strips were 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): Capital increase 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 increased 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): Capital increase in the context of the authorised capital by a cash contribution of BEF 2 159 176 311, 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) Capital increase by incorporation of BEF 2 104 997 705 of share premiums, without creation of new shares. As result of this, the capital amounted to BEF 4 264 174 016, represented by 4 796 925 shares, with 2 015 418 VVPR strips in circulation; (ii) Issue of 600 000 transferable registered warrants, with discontinuation of preferential right to the benefit of Fotoinvest CVBA or its legal successors. Each warrant gives the right to subscribe to 1 new share of the company at a price per share equal to the average of the closing prices of Spector shares during the 60 trading days that precede the exercising, with a minimum equal to the average of the stock exchange price during 30 days prior to the date of issue. The warrant can be exercised at every moment, individually or jointly, during a period of five years counting from the date of emission, (i) with effect from the notification by the Belgian Financial Services and Markets Authority 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 Belgian Financial Services and Markets Authority and/or the company receives knowledge of the purchase by one or more persons who by mutual agreement act with 20% or more of the voting-right securities of the company, or (iii) as soon as the price of the company's shares on the Brussels Stock Exchange's First Market become identifiably and substantially affected by systematic buying orders or by constant rumours concerning a take-over bid on the shares of the company, subject to approval of the capital increase on condition and to the extent that the warrants identified above amounting to the maximum amount equal to the number of subscription rights represented by the warrants, multiplied by the fraction unit value of the share at the moment of subscription.

m) 23 June 1998 (publication in Belgian Official Gazette of 21 July 1998): Capital increase due to exercising of 115 warrants, subscription at parity 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): Capital increase due to exercising of 812 warrants, subscription at parity 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) Capital increase, with discontinuation of preferential right, by cash contribution of BEF 300 000 000 and issue of 783 046 registered shares with no indication of nominal value; (iii) Incorporation of the share premium amounting to BEF 232 235 199 in the capital so that the issued registered share capital was increased by an Amount of BEF 232 235 199 to bring it from BEF 482 972 083 to BEF 715 207 282 without creation of new shares; (iv) Conversion of the issued registered share capital amounting to BEF 715 207 282, rounded off, to EUR 17 729 525.41 so that the issued registered capital after conversion amounts to EUR 17 729 525.41.

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

q) 14 December 2005 (publication in Belgian Official Gazette of 05 January 2006): (i) Capital increase by an amount of EUR 39 999 999.20 thus bringing it from EUR 22 392 361.52 to EUR 62 392 360.72 by the issue at EUR 1.40 per newly created share of 28 571 428 newly created VVPR bearer shares without indication of their nominal value, offering the same rights and benefits as the Company's existing shares with reduced withholding taxes (the VVPR shares); ii) capital increase by EUR 1 801 555.00 thus bringing it from EUR 62 392 360.72 to EUR 64 193 915.72, by contribution in kind of a receivable belonging to De Bommels NV, and of a receivable belonging to R.N.A. NV, and of a receivable belonging to Olca NV, by the issue at an issue price of EUR 1.40 per share of 1 286 824 new Company bearer shares without indication of their nominal value, offering the same rights and benefits as the Company's existing shares with reduced withholding taxes (the so-called VVPR shares); (iii) Establishing 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) Establishing the amount of the authorised capital at EUR 64 193 915.72.

r) 06 November 2007 (publication in Belgian Official Gazette of 21 November 2007): (i) Approval of the resolution to amend the Articles of Association as a result of the amended legislation concerning the abolition of bearer securities and the dematerialisation of securities; (ii) Amending article 35 of the Articles of Association concerning acquisition or disposal of treasury shares.
s) 14 June 2011 (publication in Belgian Official Gazette of 8 July 2011): (i) Authorisation of the Board of Directors to a capital increase within the boundaries of the authorised capital; (ii) Amendment of Article 34 of the Articles of Association concerning authorisation of capital increase amounting to the maximum authorised capital;
(iii) Amending article 35 of the Articles of Association concerning acquisition or disposal of treasury shares.

2.6. Summary of transactions

Year	Number of shares	Capital
1964	200	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	EUR 17 729 525.41
2002	6 761 253	EUR 22 392 361.52
2005	36 619 505	EUR 64 193 915.72

Discharge of directors and Committee of Statutory Auditors

Pursuant to the statutory provisions and the Articles of Association, it is requested that the directors and the Committee of Statutory Auditors be granted discharge for the performance of their engagements during the financial year ended on 31 December 2012.

Wetteren, Belgium, 25 March 2013

On behalf of the Board of Directors

Stef De corte
Managing Director

Management responsibility statement

Mr. Stef De corte, CEO declares on behalf of Spector Photo Group, to the best of his knowledge, that:

- the consolidated financial statements, which have been prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, the liabilities, the financial situation and the results of Spector Photo Group NV and the companies included in the consolidation;
- the annual report gives a true and fair view of the development and the results of Spector Photo Group and the companies included in the consolidation, as well as a description of the risks and uncertainties that they are facing.

Report of the Committee of Statutory Auditors

Statutory auditor's report to the general meeting of shareholders of SPECTOR PHOTO GROUP NV for the year ended December 31, 2012

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 consolidated financial position as at December 31, 2012, and on the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and on the notes to the financial statements and contains also the required additional reports.

Report on the consolidated financial statements - unqualified opinion with emphasis of matter

We have audited the consolidated financial statements for the year ended December 31, 2012, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of EUR (000) 39.600 and a loss for the year of EUR (000) 3.849.

Management's responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and the fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from management and the officials, the explanations and information necessary for executing our audit procedures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unqualified audit opinion with emphasis of matter

In our opinion the consolidated financial statements for the year ended December 31, 2012 give a true and fair view of the financial position of Spector Photo Group NV and its subsidiaries and of their financial performance and cash flows for the year then ended 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 consolidation goodwill and the deferred tax assets is motivated, taken into account the changing market conditions. The motivation of the valuation of the consolidation goodwill and deferred tax assets depends on the future positive development of the markets on which the business plan is based.

Report on other legal and regulatory requirements.

The preparation of the consolidated Director's report and its content are the responsibility of management.
It is our responsibility, as statutory auditor, to verify in all material respects, the compliance with certain legal and regulatory requirements. On this basis we issue the following supplementary statements which do not modify our audit opinion on the consolidated financial statements:

- The consolidated Director's report includes the information required by law, is consistent with the consolidated financial statements and do not present any inconsistencies of a material importance with the information that we became aware of during the performance of our mandate.
- According to article 523 of the Company Code we are also required to report to you on the following transactions which have taken place since the last annual general meeting: the Board of Directors of December 4, 2012 has decided on the signing of an 'Indemnification and Hold Harmless Agreement' between Spector Photo Group NV and Stef De corte and Acortis BVBA. Such an agreement concerns the indemnification by Spector Photo Group of the possible director's liability of Stef De corte and Acortis BVBA (represented by Stef De corte). The Board of Directors has decided to approve the 'Indemnification and Hold Harmless Agreement' between Spector Photo Group NV and the above mentioned parties. The signing of these agreements has no immediate negative impact on the financial position of the company.

Statutory auditors

Ghent, March 28, 2013

Ernst & Young, Lippens & Rabaey
Audit BV CVBA
Represented by

Leen Defoer
Partner

Antwerp, March 28, 2013

Grant Thornton Bedrijfsrevisoren
CVBA
Represented by

Ria Verheyen
Partner

2012 CONSOLIDATED FINANCIAL STATEMENTS

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Income statement for the period (in € '000)

	Note	2011	2012
Revenue	2	56 170	55 005
Other operating income	3	2 010	1 961
Changes in inventory of finished goods & work in progress	4	- 8	50
Work performed by enterprise and capitalised	5	2	
Trade goods, raw materials and consumables	6	- 29 238	- 28 754
Employee expenses	7	- 10 365	- 10 732
Depreciation, amortisation and write-downs	8	- 2 845	- 2 033
Other operating expenses	9	- 14 894	- 13 839
Profit/loss (-) from operating activities, before non-recurring items		832	1 659
Non-recurring items from operating activities	11	70	
Profit/loss (-) from operating activities		902	1 659
Financial income		494	116
Financial costs		- 738	- 493
Financial cost-net, before non-recurring items		- 243	- 377
Non-recurring financial items		2 011	
Financial result	12	1 768	- 377
Profit/loss (-) before taxes, before non-recurring financial items		659	1 282
Profit/loss (-) before taxes		2 670	1 282
Income tax expense (-)/ income	13	1 671	- 2 532
Profit/loss (-) from continuing activities		4 341	- 1 250
Discontinued operations			
Profit/loss (-) from discontinued operations		- 7 214	- 2 599
Profit/loss (-) for the period		- 2 873	- 3 849
Attributable to equity holders of the parent company		- 2 873	- 3 849

Statement of comprehensive income for the period (in € '000)

	2011	2012
Profit/loss (-) for the period	- 2 873	- 3 849
Currency translation adjustments :	- 269	- 25
Gains/losses (-) arising during the year	- 269	43
Reclassification adjustments for gains/losses (-) included in profit or loss		- 67
Revaluation surplus	5 514	
Gains/losses(-) arising during the year concerning hedging instruments		- 90
Income tax relating to components of other comprehensive income	- 179	
Total comprehensive income for the period attributable to equity holders of the parent company	2 193	- 3 964

Key figures per share (in €, except for the number of shares)

	2011	2012
Number of shares	36 619 505	36 619 505
Shares with dividend rights	35 412 433	35 412 433
Income statement for the period		
Profit/loss (-) from continuing activities	0.12	-0.04
Profit/loss (-) for the period attributable to equity holders of the parent company	-0.08	-0.11
Comprehensive income for the period		
Total comprehensive income for the period attributable to equity holders of the parent company	0.06	-0.11

Statement of financial position at the end of the period (in € ‘000)

ASSETS	Note	2011	2012
Non-current assets			
Property, plant and equipment	14	20 849	8 463
Goodwill	15	18 603	10 162
Intangible assets other than goodwill	16	1 318	1 358
Other non-current financial assets	17	49	49
Trade and other receivables	18	199	58
Deferred tax assets	19	8 881	6 343
Non-current assets		49 899	26 433
Current assets			
Assets held for sale	20	735	
Inventories	21	20 337	2 247
Trade and other receivables	22	14 149	6 146
Investment securities - current		3	3
Cash and cash equivalents	23	10 235	4 761
Current income tax assets	24	250	10
Current assets		45 709	13 167
TOTAL ASSETS		95 608	39 600

EQUITY AND LIABILITIES	Note	2011	2012
Total equity			
Capital		64 194	64 194
Reserves and retained earnings/ accumulated loss (-)		- 44 402	- 46 827
Revaluation surplus		5 335	3 822
Treasury shares (-)		- 2 422	- 2 422
Currency translation adjustments		2 158	2 134
Shareholder's equity		24 864	20 900
Total equity	25	24 864	20 900
Non-current liabilities			
Non-current interest-bearing financial liabilities	26	8 468	4 775
Employee benefit liabilities	27	474	553
Non-current provisions	28	1 236	148
Deferred tax liabilities	30	759	752
Non-current liabilities		10 936	6 229
Current liabilities			
Liabilities held for sale	31	753	
Current interest-bearing financial liabilities	26	33 904	1 400
Trade and other payables	32	19 837	8 283
Employee benefit liabilities	27	4 061	2 292
Current income tax liabilities	33	45	160
Current portion of provisions	29	1 208	335
Current liabilities		59 808	12 471
TOTAL EQUITY AND LIABILITIES		95 608	39 600

Statement of changes in equity (in € '000)

	Balance as at 31.12.2010	Currency translation differences	Net gains/ losses (-) not recog-nised in the income statement	Net profit/ loss (-) for the period	Total com-prehensive income	Transfer	Balance as at 31.12.2011
Capital	64 194						64 194
Retained earnings	-41 529			-2 873	-2 873		-44 402
Revaluation surplus					5 335		5 335
Treasury shares	-2 422						-2 422
Currency translation adjustments	2 428	- 269			- 269		2 158
Shareholders' equity	22 671	- 269		-2 873	2 193		24 864
Total equity	22 671	- 269		-2 873	2 193		24 864

	Balance as at 31.12.2011	Currency translation differences	Net gains/ losses (-) not recog-nised in the income statement	Net profit/ loss (-) for the period	Total com-prehensive income	Transfer	Balance as at 31.12.2012
Capital	64 194						64 194
Retained earnings	-44 402		- 90	-3 849	-3 939	1 513	-46 827
Revaluation surplus	5 335					-1 513	3 822
Treasury shares	-2 422						-2 422
Currency translation adjustments	2 158	- 25			- 25		2 134
Shareholders' equity	24 864	- 25	- 90	-3 849	-3 964		20 900
Total equity	24 864	- 25	- 90	-3 849	-3 964		20 900

Statement of cash flows for the period (in € '000)

For the year ended on 31 December	2011	2012
Operating activities		
Net result	- 2 873	- 3 849
Depreciation, write-offs, impairment of property, plant and equipment	3 239	2 667
Depreciation, write-offs, impairment of intangible assets	1 468	666
Write-offs, impairment on current and non-current assets	674	14
Provisions	1 313	465
Unrealised foreign exchange losses/gains (-)	- 418	6
Net interest income (-)/expense	1 981	1 311
Loss/gain (-) on sale of property, plant and equipment	- 68	- 13
Income tax expenses	- 1 149	1 701
Other		- 5 418
Profit from operations before changes in working capial and provisions	4 168	- 2 451
Decrease/increase (-) in trade and other receivables and current income tax assets	2 566	3 579
Decrease/increase (-) in inventories	12 781	5 188
Increase/decrease (-) in trade and other payables	- 17 822	- 3 736
Increase/decrease (-) in provisions	- 565	- 1 781
Increase/decrease (-) in non-current employee benefit liabilities	- 75	- 43
Deferred tax liabilitiy/tax asset		18
Increase/decrease (-) in working capital	- 3 115	3 226
Operating cash flow after changes in working capital and provisions	1 053	776
Interest paid (-)	- 1 944	- 1 287
Interest received	34	13
Income tax paid (-)	- 673	- 124
Cash flow from operating activities	- 1 530	- 623
Investing activities		
Proceeds from sale of property, plant and equipment	238	35
Proceeds from sale of subsidiaries		- 2 114
Acquisition of property, plant and equipment	- 763	- 396
Acquisition of intangible assets	- 423	- 441
Cash flow from investing activities	- 948	- 2 916
Financing activities		
Proceeds from interest-bearing financial liabilities	13 524	
Repayment of interest-bearing financial liabilities	- 15 956	- 2 723
Other differences	- 1 336	
Cash flow from financing activities	- 3 768	- 2 723
Increase/decrease (-) in cash and cash equivalents	- 6 247	- 6 262
Effect of exchange rate fluctuations	9	52
Net increase/decrease (-) in cash and cash equivalents	- 6 237	- 6 210
Cash and cash equivalents at the beginning of the year	16 580	10 235
Cash and cash equivalents at the beginning of the year (discontinued operations)	628	735
Cash and cash equivalents at the end of the period	10 235	4 761
Cash and cash equivalents at the end of the period (discontinued operations)	735	
Total cash and cash equivalents	10 970	4 761

Abridged notes to the statement of cash flows

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

Cash flows from operating activities

The cash flow from operating activities is mainly affected by the net result and the non-cash items.
Details about depreciation, amortisation, write-downs and provisions can be found in the notes to the consolidated statement of financial position on page 81 of this document. The non-cash flows mainly concern amortisation of intangible assets, depreciation and write downs on property, plant and equipment, and non-cash costs from the discontinued operations.

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

In the 2012 financial year, the write-downs and impairment losses on non-current and current assets amounted to EUR 14 (‘000), of which minus EUR 248 (‘000) related to the reversal of write-downs on inventories, EUR 330 (‘000) to write-downs on trade receivables, and minus EUR 68 (‘000) to the reversal of write-downs on other receivables.

The interest expenses decreased to minus EUR 1 1311 (‘000) in 2012, compared to minus EUR 1 981 (‘000) in 2011. The interest paid amounted to minus EUR 1 287 (‘000) in 2012, compared to minus EUR 1 944 (‘000) in 2011.

In the 2012 financial year, taxes of minus EUR 124 (‘000) were paid, compared to minus EUR 673 (‘000) in 2011.

The other non-cash costs of minus EUR 5 418 (‘000) in 2012 consisted mainly of the divestment of the companies of the Retail Group and of the liquidation of Vivian Photo Products NV.

Furthermore, the cash flows are subject to the increase or decrease (-) in the working capital.

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

At Group level in 2012, the trade receivables, other receivables, and current income tax assets decreased by EUR 3 579 (‘000), of which minus EUR 41 (000) concerned the closing exchange rates for the foreign subsidiaries at the financial year-end. The inventories decreased by EUR 5 188 (‘000). The trade and other payables decreased by minus EUR 3 736 (‘000). The provisions also decreased by minus EUR 1 781 (‘000). The impact of the closing exchange rates for the foreign subsidiaries at the financial year-end amounted to minus EUR 62 (‘000) for the current liabilities. In 2012, the cash flows in the working capital were also affected by the Retail Group for the first nine months of the financial year.

Cash flows from investing activities

In the 2011 financial year, proceeds from the sale of property, plant and equipment mainly related to the sale of machinery for EUR 238 ('000), compared to EUR 35 ('000) in 2012.

In 2012, the amount of minus EUR 2 114 ('000) in the 'proceeds from the sale of subsidiaries' item refers to the discontinued operations of the Retail Group. This concerns the cash and cash equivalents that were present at the time of deconsolidation.
Investments amounted to EUR 1 186 ('000) in 2011. Retail Group's investments in property, plant and equipment amounted to EUR 482 ('000) and mainly related to the furnishing of the new shop in Jette, renovations in Luxembourg, and hardware for the shops and the supporting services. The investments in property, plant and equipment for the smartphoto Group amounted to EUR 269 ('000). These primarily related to hardware, other IT-related investments, and production machinery.

Investments in intangible assets of EUR 423 ('000) mainly concerned various software for supporting the IT platform for the smartphoto Group amounting to EUR 398 ('000).

In 2012, investments amounted to EUR 837 ('000). The Retail Group's investments in property, plant and equipment amounted to EUR 63 ('000) and mainly related, on the one hand, to the renovations of shops and the central building in Luxembourg and, on the other, to hardware for the shops and the supporting services. The investments in property, plant and equipment for the smartphoto Group amounted to EUR 333 ('000). These primarily related to hardware, other IT-related investments, and production machinery.
The investments in intangible assets of EUR 441 ('000) mainly concern various software to support the IT platform for the mail order operations of the smartphoto Group, amounting to EUR 408 ('000).

Cash flows from financing activities

In 2011, the debts were reduced by EUR 2 432 ('000). In 2011, the amount of EUR 1 336 ('000) related to the waiver of the NIBC loan and to the facilities agreement that was conducted with NIBC Bank during the course of the year. This amount is part of the non-recurring financial income in 2011.
In 2012, EUR 2 723 ('000) of debts were repaid.

In 2011, the cash and cash equivalents decreased by EUR 6 237 ('000) to EUR 10 970 ('000) as at the financial year-end.
In 2012, the cash and cash equivalents decreased by EUR 6 210 ('000) to EUR 4 761 ('000) as at the financial year-end.

Policy for the preparation of the financial statements

Statement of compliance

Spector Photo Group NV, Kwatrechtsteenweg 160, 9230 Wetteren, is a company established in Belgium. The statement of financial position and income statement of Spector Photo Group comprises the company, its subsidiaries, the Group's proportional share in joint ventures and the Group's interest in associates, jointly referred to as 'Spector Photo Group' or the 'Group'. The Board of Directors issued the consolidated statement of financial position and income statement for publication on 25 March 2013.
The consolidated statements of financial position and statement of comprehensive income were prepared in accordance with the International Financial Reporting Standards (IFRS), the standards for financial reporting and the interpretations issued by the International Accounting Standards Board (IASB), as approved by the European Union, and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

Application of IFRS standards and interpretations

The first application of the International Financial Reporting Standards (IFRS) to the consolidated financial statements of Spector Photo Group was performed with the preparation of the consolidated statement of the financial position and income statement 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 2012, as issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) of the IASB.
The Group has not yet proceeded with the early application of the new standards, amended existing standards and interpretations that had already been endorsed by the EU on the date of the financial statements' approval, but which were not compulsorily applicable for the period commencing on 1 January 2012:

Amendments to IAS 1 Presentation of Financial Statements - Presentation of items of other comprehensive income: applicable for financial years commencing on or after 1 July 2012.
IAS 19 Employee Benefits – Revised version of 2011: applicable for financial years commencing on or after 1 January 2013.
IAS 27 Separate Financial Statements: applicable for financial years commencing on or after 1 January 2014 Requirements for consolidated financial statements are now included in IFRS 10 Consolidated Financial Statements.
Amendments to IAS 28 Investments in associates and joint ventures: applicable for financial years commencing on or after 1 January 2014.
Amendment to IAS 32 Financial instruments: presentation – offsetting financial assets and liabilities: applicable for financial years commencing on or after 1 January 2014.
Amendments to IFRS 7 Financial Instruments: disclosures – offsetting financial assets and liabilities: applicable for financial years commencing on or after 1 January 2013.
IFRS 10 Consolidated Financial Statements: applicable for financial years commencing on or after 1 January 2014.
IFRS 11 Joint Arrangements: applicable for financial years commencing on or after 1 January 2014.
IFRS 12 Disclosure of interests in other entities: applicable for financial years commencing on or after 1 January 2014.
IFRS 13 Fair Value Measurement: applicable for financial years commencing on or after 1 January 2013.
The future application of the standards, amendments, and interpretations identified above is not expected to have any material effect on the consolidated financial statements of Spector Photo Group NV.

Key changes in the consolidation scope

The key changes in the consolidation scope between 2011 and 2012 are summarised below:

The name of the legal entity Extra Film AG, the company that performs mail order activities in Switzerland under the brand smartphoto™ (formerly ExtraFilm™) was changed to smartphoto AG.
The name of the legal entity Extra Film NV, the company that performs mail order activities in Belgium under the brand smartphoto™ (formerly ExtraFilm™) was changed to smartphoto NV.
The name of the legal entity Photomedia NV, a company which holds investments and provides supporting services in the field of marketing and advice to its subsidiaries within smartphoto, was changed to smartphoto services NV.

The shares of the companies Hifi International SA and its wholly-owned subsidiary Hifimmo SA, operating in the retailing of consumer electronics and multimedia products, were transferred to Krëfel NV on 29 October 2012. Due to the transfer of the shares of Hifi International SA, Spector Photo Group NV has lost the control of this company (IAS 27 § 32-37). The assets and liabilities are no longer recognised in the statement of financial position. The result arising from this transaction is recognised under the 'discontinued operations', as are the results for the period from 1 January 2012 to 30 September 2012, which are the latest available figures.

The bankruptcy of Photo Hall Multimedia NV, operating in the retailing of consumer electronics and multimedia products, opened on 7 December 2012. Due to Photo Hall Multimedia NV being declared bankrupt, Spector Photo Group NV has lost the control of the company (IAS 27 § 32-37). Accordingly, the assets and liabilities are no longer recognised in the statement of financial position and the investment in Photo Hall Multimedia NV in the consolidated statement of financial position of Spector Photo Group NV was measured at the fair value in accordance with the requirements of IAS 39, which meant the fair value was recognised at zero. The result arising from this transaction is recognised under the 'discontinued operations', as are the results for the period from 1 January 2012 to 30 September 2012, which are the latest available figures. Consequently, the subsidiary Photo Hall France SARL is no longer recognised in the statement of financial position.

Of the companies already put into liquidation, the liquidations were completed in 2012 for the following companies: Litto-Color NV, a company formerly operating in the wholesale photofinishing market, and Vivian Photo Products NV, a non-operational company.
For the company put into liquidation in prior financial years, Sacap France SA, a company incorporated in France and formerly operating in wholesale and distribution of photographic material and equipment for the photocommerce, the liquidation has not yet been concluded.

Summary of the most significant accounting policies

Basis of preparation

The consolidated financial statements' presentation currency is the euro, rounded to the nearest thousand. The consolidated financial statements have been prepared under the historical cost convention. Any exceptions to this historical cost convention will be disclosed in the measurement rules below.
The consolidated financial statements comprise the financial statements of Spector Photo Group NV and its subsidiaries drawn up as at 31 December of each year.
The consolidated financial statements are presented before the profit appropriation of the parent company as proposed to the General Meeting of Shareholders

Consolidation principles

Subsidiaries are those companies in which Spector Photo Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has control, directly or indirectly, over the operations.
Subsidiaries are recognised in the consolidation using the full consolidation method. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date that control ceases.
Joint ventures are companies over which the Group exercises joint control. The financial statements of these companies are consolidated using the proportional consolidation method.
Associates are those companies in which Spector Photo Group directly or indirectly exercises significant influence over the financial and operating policies, but which it does not control. This is presumed by ownership of between 20% and 50% of the voting rights shares.

Associates are recognised in the consolidation 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 related to this associate.
Available-for-sale financial assets, and investments in associates over which Spector Photo Group exercises no control and holds less than 20% of the voting rights, are initially measured at fair value unless this cannot be reliably assessed. Investments that do not qualify for measurement at fair value are recognised at their historical cost. Changes in fair value after initial recognition, with the exception of impairment losses that are recognised in the statement of comprehensive income, are taken directly to the equity. On divestment, the accumulated changes previously recognised in the equity, are transferred to the statement of comprehensive income.
All intercompany transactions, balances, and unrealised gains and losses on transactions between group companies are eliminated. If a group company uses different measurement rules, adjustments are made to the individual financial statements to ensure that these are consistent with the Group's measurement rules.
A list of the Group's key subsidiaries and associates is included in the disclosures.

Income statement

Sale of goods
Revenue from the sale of goods is recognised in the income statement:
- when the effective risks and benefits of ownership of the goods have been transferred to the buyer;
- when the entity does not retain the effective control or involvement that usually belongs to the owner concerning the goods sold;
- when the amount of the proceeds can be reliably established;
- when it is probable that the economic benefits related to the transaction will flow to the entity;
- and when costs already incurred or still to be incurred in relation to the transaction, can be measured reliably.

Rendering of services

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

Interest, royalties, and dividends

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

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

Dividends are recognised at the time when the shareholder's right to receive payment is established.

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

Financial expenses/income

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

Finance costs are recognised as an expense in the period in which they are incurred. Interest expenses of repayments on finance leases are recognised in the income statement using the effective interest rate method. Operating lease payments are recognised as expenses in the income statement on a straight-line basis over the term of the lease.

Foreign currency translation

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

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction or at the end of the month before the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rates of exchange on the balance sheet date. Gains and losses arising from transactions in foreign currencies and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate applicable on the date of the transaction.

Assets and liabilities of foreign subsidiaries are translated at the rates of exchange applicable on the balance sheet date. Income, expenses, cash flows, and other movement items are translated at the average exchange rates for the period. The components of the shareholders' equity are translated at historical rates. Translation gains and losses arising from the conversion to euros of the equity at the rate on the balance sheet date are recognised in the Exchange rate differences reserve under Equity.

Statement of financial position

Property, plant and equipment

The cost of a property, plant, and equipment asset is capitalised if and only if it is probable that future economic benefits associated with the asset will flow to the entity, and the cost of the asset can be measured reliably. This principle applies both to initial costs incurred for the acquisition or manufacture of the property, plant and equipment asset, and to the subsequent costs after initial recognition.

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

The cost is discounted to present value if payment is deferred beyond normal credit terms.

Subsequent expenditure is capitalised when it can be clearly demonstrated that it has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset of property, plant, and equipment.

Measurement after recognition

Land and buildings: revaluation model

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

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

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

- Administration 3%
- Production 5%

Other property, plant, and equipment: cost model

For all other items of property, plant, and equipment, the carrying amount is its cost reduced by any accumulated depreciation and impairment losses.

The amount to be depreciated on an asset is allocated on a systematic basis over the useful life of the asset. The amortisation costs are recognised in the income statement, unless they are included in the carrying amount of another asset. The residual value of an asset is often insignificant and therefore is immaterial in the calculation of the amount to be depreciated. All other items of property, plant and equipment are depreciated using the straight-line method, pro rata on a monthly basis, and the general depreciation rates applied, are as follows:

- Plant ....10% - 20%
- Machines ....14% - 20%
- Minilabs 20%
- Office equipment 14%
- Company cars 20%
- Vehicles... 33%
- Computer hardware..20% - 33%

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

Derecognised assets

The carrying amount of a property, plant, and equipment asset is derecognised on disposal, or when no future economic benefits are expected to flow from the asset's use or its disposal. Gains and losses ensuing from derecognition of property, plant and equipment are recognised in the income statement.

Leases

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

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

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

Investment property

Investment property is measured at cost, including all transaction costs, less accumulated depreciation and any accumulated impairment losses. The fair value of the investment property is disclosed in the notes to the consolidated financial statements.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal of the investment property. Derecognition gains or losses ensuing from the withdrawal from use or disposal of an investment property are calculated as the difference between the net proceeds from disposal and the carrying amount of the asset, and recognised in the income statement in the period of withdrawal from use or disposal.

Consolidation goodwill

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

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses.

Goodwill resulting from acquisitions with effect from 1 January 2004 and later is not amortised, and goodwill previously carried on the balance sheet is no longer amortised after 1 January 2004. Goodwill is subjected to an impairment test, annually or more frequently, if events or changes in circumstances indicate that the carrying amount of the goodwill may have been impaired. An impairment loss recognised for goodwill cannot be reversed in a subsequent period. Gains and losses on the disposal of a business combination include the carrying amount of goodwill relating to the business combination sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities exceeds the cost of the business combination, the acquirer reassesses the identification and measurement of the acquiree's identifiable assets, liabilities, and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after that reassessment is recognised immediately in the income statement.

Intangible assets

An intangible asset is recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and the cost of the asset can be measured reliably. An intangible asset is measured initially at cost.

The cost is discounted to present value if payment is deferred beyond normal credit terms.

Research and development costs

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

Other intangible assets

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

Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates (and if this expenditure can be measured and attributed to the asset reliably). All other expenditures are considered as expenses.

Amortisation
For an intangible asset with a limited useful life, the amount to be amortised is allocated on a systematic basis over its estimated useful life. Intangible assets are amortized using the straight-line method on a proportional monthly basis. The amortisation costs are recognised in the income statement, unless they are included in the carrying amount of another asset. Intangible assets are generally amortised using the following rates:
- Trading securities.. 5%
- Other intangible assets ....14% - 20%
- Standard software packages are immediately taken to expenses
There is a rebuttable assumption that the useful life of an intangible asset does not exceed 20 years.

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

Externally acquired customer relationships
Capitalised customer relationships are measured at cost as at the date of transition to IFRS. Based on an analysis of all of the relevant factors, including the changing market conditions and the transition from analogue to digital photography, the Board of Directors decided to amortise the value of these assets with effect from 2010 and the future capitalised externally acquired customer relationships using the straight-line method over a period of one year, pro rata each month, with no residual value.

Subsequent expenditure
Externally acquired customer relationships are recognised as intangible assets if they meet the following criteria:
- Customer relationships are identifiable.
- The company has control over the customer relationships.
- Future revenues must result from these customer relationships.

The expenditure to acquire customer relationships is recognised as a capitalised intangible asset if the acquisition takes place using the following methods:
(1) Purchase of customer relationships from other companies.
(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 of customer relationships from other companies:
Mail order companies within the Group regularly purchase customer relationships' data 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; because of which they also effectively become customer relationships of Spector Photo Group.
The costs incurred that are directly attributable to the preparation of the asset for its intended use, are recognised in the balance sheet in accordance with IAS 38.27.
(2) Exchange with companies possessing customer relationships:
Entirely in line with the acquisition method described in (1), customer relationships are exchanged between mail order companies from different industrial sectors. The related purchase invoices form the basis for the capitalisation of such exchange transactions, in accordance with IAS 38.16.
In addition, as under (1), the directly attributable costs incurred in preparation of the 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 recognised at acquisition. There is not yet an existing customer relationship, which is in fact the case in acquisition methods (1) and (2). However, there is a privileged relationship between the customers and the company, equal to a customer relationship. In these cases, the people involved have always given their explicit or implicit approval for the company to contact them, which leads to the acquisition of a customer relationship by the company.
The underlying invoices for the right to develop a future relationship are the basis for these externally acquired relationships to be recognised in the balance sheet.
In addition, the directly attributable costs incurred in preparation of the intangible asset for its intended use, are capitalised.

In the transition to IFRS, the externally acquired customer relationships were recognised under intangible assets and measured according to the cost price model of IAS 38.74. The net carrying amount in the opening balance as at 1 January 2004 amounted to EUR 22 500 ('000). These assets were amortised using the straight-line method over a period of seven (7) years, with no residual value.

Changes in market conditions due to technological developments of internet, including a change in approach to customers, a change in the acquisition channels, and a resulting change in the customer's pattern of behaviour, are reflected in the history of the customer relationships that Spector Photo Group has built up. With effect from 1 July 2010, the externally acquired customer relationships have been recognised as intangible assets with indefinite useful lives in compliance with IAS 38.88. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which it is expected that these assets will generate a net cash inflow as stipulated in IAS 38.88. A limited useful life with linear amortisation over seven (7) years therefore no longer corresponds to the real situation. In compliance with IAS 38 paragraphs 107 and 108, the externally acquired customer relationships are no longer amortised, but they were subject to annual impairment testing in accordance with IAS 36 to determine whether these assets have suffered impairment.

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

The EECS (European Enforcers' Coordination Sessions) states that, according to IAS 38.88, an intangible asset can only have an indefinite useful life if there is no expected or foreseen restriction in the useful life, communicated by the Belgian FSMA dated 3 May 2012. Provided it is inherent to the externally acquired customer relationships that an incoming cash flow will only be generated temporarily, according to this interpretation, the useful life corresponds to this restricted period of time.

Based on this opinion, in 2012 the Board of Directors defined an adjusted amortisation method and useful life, defining the amortisation period must be between at least one (1) year and up to no more than 20 years.

As was already determined in 2010, linear amortisation over a period of seven (7) years does not properly reflect the reality. Due to the technological developments such as internet and the resulting change in the acquisition channels and customer's pattern of behaviour, according to the Board of Directors it is impossible to determine the 'best estimate'. The Board of Directors therefore believed that the most transparent estimate is an amortisation period of one (1) year. This change in the amortisation method and useful life was applied retroactively in accordance with IAS 8.41.

Borrowing costs

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

Impairment of assets

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

Inventories

Inventories are measured at the lower of cost or realisable value. The cost of inventories comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

The cost of the inventories is calculated using the weighted-average cost formula. The Group continually examines the inventories to identify damaged, obsolete or unmarketable stocks. Such inventories are written down to their realisable value, provided this is less than the cost price according to the method stated above. Realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and any necessary selling costs.

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

Trade and other receivables

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

Income taxes

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

Current taxes for current and prior periods are, to the extent that they are still unpaid, recognised as a liability. If the amount already paid for current and prior periods exceeds the amount due for these periods, the net excess is recognised as an asset. The possible reclaiming of taxes paid in prior periods as a result of a tax loss in subsequent years is also recognised as an asset.

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or reclaimed from the tax authorities, on the basis of the tax rates and tax legislation that has been enacted or substantively enacted in legislation at the balance sheet date.

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

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the unallocated tax losses and tax assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted in legislation on the balance sheet date.

Current and deferred tax assets and liabilities are measured using the announced tax rates (and tax laws) in case announcements of tax rates (and tax laws) by the government have the substantive effect of actual enactment.

Derivative financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks, on-demand deposits with an original maturity of three months or less, and short-term highly liquid investments that are readily convertible to known amounts of cash and for which the risk of their changing in value is negligible. The cash and cash equivalents include current account overdrafts that are payable on demand at the request of the bank.

Share capital

Purchase of treasury shares

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

Dividends

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

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at cost, taking no account of the transaction costs incurred. Subsequent to initial recognition, interest-bearing loans and borrowings are recognised at amortised cost, with any difference between the cost and the redemption value being recognised proportionately in the income statement over the period of borrowings on an effective interest rate basis.

Trade and other payables

Trade and other payables are measured at nominal value.

Employee benefits

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

Current employee 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 provided the related services.

Post-employment benefits

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

- Defined contribution pension plans

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

  For any contributions already paid prior to the balance sheet date, which are in excess of the payable contribution for services, the surplus is recognised as an asset under prepaid expenses and accruals. If contributions to a defined contribution plan are not fully due within 12 months after the end of the period in which the employees perform the related services, they are discounted to their present value.

- Defined benefit pension plans

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

benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
The recognition of actuarial gains and losses is determined separately for each defined benefit plan. If the net accumulated unrecognised gains or losses exceed 10% of the greater of either the present value of the gross obligation for the defined benefit plan on the balance sheet date, or the fair value of the plan assets, this excess is recognised in the income statement over the expected average remaining period of service for the employees participating in the plan.
Past service costs are recognised as an expense allocated on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested following the introduction of, or changes to, a defined benefit plan, past-service costs are recognised as an expense immediately.
The present value of the gross obligations for defined benefit plans and the current service costs for the year are calculated by a qualified actuary using the projected unit credit method. The discount rate used is the market yield as at balance sheet date on highly-creditworthy corporate bonds that have residual periods consistent with the estimated period of the Group's estimated gross obligations for post-employment benefit payments. The amount recognised in the income statement consists of current service costs, interest costs, the expected yield on plan assets, and actuarial gains and losses.

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

Redundancy payments
Redundancy payments are recognized 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 this plan, or to pay redundancy payments as a result of an offer made to employees to encourage voluntary redundancy. Redundancy payments falling due more than 12 months after date of the statement of financial position are discounted to present value.

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

Provisions
Provisions are recognised when the Group has an existing legal or constructive obligation as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
A provision for restructuring is recognised provided the Group has approved a detailed and formal restructuring plan, identifying at least the following: the operation or part of the business concerned, the principal locations affected, the location, function and estimated number of employees who will be compensated for terminating their employment, the costs related to this, and when the plan will be implemented. Moreover, the Group must have raised a valid expectation among those affected that the restructuring will be carried out. Costs relating to the continuing activities of the company are not provided for.
A provision for onerous contracts is recognised if the unavoidable cost of meeting the 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 the grants' associated conditions will be met and the grants will be received. Government grants must be systematically recognised as income over the periods necessary to match these grants to the costs that they are intended to compensate.

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

Segmented information

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

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

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

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

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

Notes to the 2012 consolidated financial statements - overview

Notes to the 2012 consolidated financials statements

1. Reportable segments

(in € '000)	E-commerce		Wholesale		Total reportable segments	
	2011	2012	2011	2012	2011	2012
Revenue						
External revenue	33 775	32 370	22 395	22 630	56 170	55 000
Intersegment	2 770	2 474	449	288	3 219	2 762
Total revenue	36 545	34 843	22 844	22 919	59 389	57 762
Interest revenue	420	374			420	374
Interest expense	- 898	- 399	- 399	- 371	-1 297	- 770
Profit/loss (-) before taxes	2 581	1 665	- 29	- 195	2 552	1 470
Total operating segment assets	34 660	30 485	3 424	3 865	38 084	34 350
Total operating segment liabilities	12 082	9 078	308	4 658	12 390	13 736
Total capital expenditures property, plant & equipment	263	332	5	1	268	333
Total capital expenditures intangible assets other than goodwill	398	408			398	408
Depreciations and amortisations	-2 682	-1 742	- 85	- 37	- 2 767	- 1 779
Other non cash	- 143	- 638	- 40	- 81	- 183	- 719
Number of persons employed in FTEs end of the period	247	247	13	11	260	258

Reconciliations

Revenue	2011	2012
Total revenue for reportable segments	59 389	57 762
Elimination of intersegment revenue	-3 219	-2 762
Other		5
	56 170	55 005

Profit/loss (-)	2011	2012
Total profit/loss (-) for reportable segments	2 552	1 470
Other	118	- 188
Profit/loss (-) before taxes	2 670	1 282

Assets	2011	2012
Total assets for reportable segments	38 084	34 350
Total assets for reportable segments 2011 retail	47 851	
Assets not allocated to reportable segments		
Elimination of assets	-9 238	-6 234
Deferred tax asset	8 863	6 343
Other	9 312	5 141
Discontinued operations	735	
Total assets	95 608	39 600

Liabilities	2011	2012
Total liabilities for reportable segments	12 390	13 736
Total liabilities for reportable segments 2011 retail	14 556	
Liabilities not allocated to reportable segments		
Elimination of liabilities	-5 283	-6 234
Financial obligations	42 372	6 175
Other	5 957	5 022
Discontinued operations	753	
Total liabilities	70 745	18 699

Discontinued operations

(in € '000)	2011	2012
Revenue Retail Group	141 235	80 658
Rebitda Retail Group	- 947	- 168

Geographical information

(in € '000)	2011	2012
Revenue		
Belgium	30 377	31 763
Luxembourg	1 673	1 095
All other foreign countries	24 120	22 147
Total	56 170	55 005
Non-current assets		
Belgium	34 164	17 816
All other foreign countries	6 606	2 166
Total	40 770	19 983

The segment reporting of Spector Photo Group on the reporting date consists of the two operating segments E-commerce and Wholesale.

- The measurement of the result of the segments is performed in the same way as the measurement of the entity's result. This also applies for the measurement of the assets and liabilities. The principle for the financial reporting concerning transactions between the segments to be reported is set at arm's length.
- For the information on products and services concerning the revenues from sales to external customers for the entity as a whole, please refer to the consolidated financial statements concerning the current situation of each segment.
- There is no dependence on key customers in the two different segments.

In the previous reporting period, the E-commerce and Wholesale operating segments were aggregated into a single operating segment, the Imaging segment by combining activities that, in accordance with paragraphs 5 to 10 of IFRS 8, have been identified and meet the aggregation criteria as prescribed in IFRS 8.12.
Due to the termination of the activities of the Retail segment, which were fully in line with the Retail Group, and as a result of the far-reaching digitalisation, the E-commerce and Wholesale operating segments must henceforth be considered as separate operating segments. In accordance with IFRS 8.18, the comparative segment information of the prior period presented have been adjusted to show the newly reportable segments as separate segments.

E-commerce
The E-commerce segment comprises all the activities focusing on the end consumer.
The operating entities within the E-commerce segment produce individual goods or a group of similar goods. The nature of the products is comparable. They are all directly concerned with photography, both analogue and digital. This mainly concerns products and services related to the production of photo prints.
The production process "photofinishing" is the heart of this segment: the processing of photoshots into photo prints. This is the only core activity for the majority of the entities in the E-commerce segment. The photo prints are processed in the lab in Wetteren, Belgium. Central teams perform all the marketing and other back-office activities. The end consumer is the direct customer.
The entities in this segment show comparable economic characteristics. The returns from virtually all the entities in this division are of similar size – notwithstanding any national, culturally-related or channel-specific differences. These entities have similar levels of investment requirements and working capital, and generate comparable gross margins and EBIT margins.

Wholesale

The Wholesale segment's activities aim at companies or independent traders, with a mix of hardware sales and photo products.

The Wholesale segment corresponds to the legal entity Filmobel NV and is lead at operational level by the Chief Operating Officer, who reports on the whole of these activities directly to the CEO of Spector Photo Group NV. This segment trades goods related to photofinishing, or provides photofinishing services under the Spector by smartphoto™ brand name.

The end consumer is also the direct customer for most of this trading. The marketing concept that Filmobel NV pursues under the Spector by smartphoto™ brand name is also tuned to the end consumers.

Both the E-commerce and the Wholesale segments meet the quantitative thresholds as prescribed in IFRS 8.13, in which reported revenue, including both sales to external customers and sales or transfers between the segments amount to at least 10% of the combined revenue of all the operating segments. In addition, in compliance with IFRS 8.15, the external revenues from the identified operational segments amount to more than 75% of Spector Photo Group's total revenues, which means no additional operating segments need to be considered.

Discontinued operations

The discontinued operations concern the Retail Group on the one hand and the entity Litto-Color NV on the other.

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

2. Revenue

The results for the period from 1 January 2011 to 31 December 2011 have been restated due to the loss of control in relation to the Retail Group. The results are recognised under the 'discontinued operations' in accordance with IFRS 5.

The Group realised revenues of EUR 55 005 ('000) in the 2012 financial year, compared to EUR 56 170 ('000) in 2011.

The revenue from the E-commerce operations increased over the entire year in 2011 by 2% compared to 2010, the growth undoubtedly having been slowed down due to the economic crisis. On an annual basis, the number of photo prints continued to decrease; however, photo books and photo cards increased in volume by more than 20%, the same as in the first half-year. The analogue operations continued their decline by minus 42%. This means that digital photography represents 94% of the mail-order revenues, with analogue now only responsible for 6%.
The decrease in revenues is also largely the result of the decline in hardware sales in the Wholesale operations, in which Filmobel lost some key customers with limited profitability.

In 2012, the smartphoto Group's revenues from its E-commerce operations experienced a fall of 4.7%, including intersegment sales, mainly due to the decline of the analogue and digital prints that was not fully compensated by the increase in the other product categories. The analogue operations represented only 3% of the revenues.

The digital operations saw an increase of 4% in the last quarter, also due to the launch of new products. The photo books, photo cards, photo calendars and photo gifts also recorded a growth of more than 10% in 2012.

Despite the difficult economic conditions, revenue from the Wholesale operations increased by 0.3% to EUR 22 919 ('000), including intersegment sales. The revenue includes the sale of photo products and hardware.

3. Other operating income

The other operating income decreased by 2.5% in 2012. The most important items are: the sale of waste materials from the production laboratory to recycling companies, the recovered outstanding payments from mail-order customers, unused discount vouchers, and marketing contributions from the channel of the specialised photographic businesses.

4. Changes in inventory of finished goods and work in progress

This item amounted to EUR 50 ('000) for the 2012 financial year, compared to minus EUR 8 ('000) in 2011.

5. Work performed by the enterprise and capitalised

This item amounted to EUR 2 ('000) for the 2011 financial year.

6. Trade goods, raw materials and consumables

In 2011, the costs of trade goods, raw materials and consumables decreased with -13.6% mainly due to the decrease in hardware sales at Filmobel.

The costs of trade goods, raw materials and consumables decreased overall by -1.7% in 2012 compared to 2011. The costs of trade goods increased by of 5.1% for Filmobel as a result of the continuing pressure on the margins.

7. Employee expenses

(in € '000)	2011	2012
Wages and salaries	7 530	7 836
Social security contributions	2 246	2 292
Other employee expenses	362	331
Contribution to defined contribution plans	200	166
Increase/decrease (-) in the defined benefit obligations		- 5
Increase/decrease (-) in the other long-term employee benefit liabilities	28	112
Total	10 365	10 732

In 2011, the employee expenses decreased by -15.6%. This decrease in the employee expenses is mainly attributable to the closing of the Swedish lab and the continued optimalisation of the workforce in the smartphoto Group.
In 2012, the employee expenses increased by 3.5%. The increase in the employee expenses is a result of the indexed pay rise with a stable staffing level.
The total number of employees expressed as full time equivalents (FTEs) decreased as at the 2012 year-end to 258, compared to 260 as at year-end 2011 for the smartphoto Group.

Remunerations and interests of the executive directors (in € '000)

Executive director	Fixed remuner-ation component (1)	Variable remuner-ation component (1) (2)	Pension contri-butions (3)	Other remuner-ation components (4)	Number of warrants (exercise price per warrant) (5)
Tonny Van Doorslaer Executive Director until 7 June 2012	75			2	400 000 (EUR 3.36)
Stef De corte	318	98		6	150 000 (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 Remuneration Committee. This bonus plan includes financial and non-financial targets.

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

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

(5) For the exercise periods: please see page 96 of this document.

8. Depreciation, amortisation and write-downs

(in € '000)	2011	2012
Amortisation and write-downs of intangible assets, goodwill and trading securities	1 201	465
Depreciation and write-downs of property, plant and equipment	1 573	1 320
Write-downs on inventories	- 11	- 72
Write-downs on trade receivables	82	320
Total	2 845	2 033

In 2012, the depreciation, amortisation and write-downs amounted to EUR 2 033 ('000) compared to EUR 2 845 ('000) in 2011.
In 2011, depreciation of property, plant and equipment decreased by 16.5%. The amortisation of intangible assets amounted to EUR 1 201 ('000), of which EUR 729 ('000) was related to the 'externally acquired customer relationships'. The write-downs recognised on inventories amounted to minus EUR 11 ('000) and on trade receivables EUR 82 ('000).
In 2012, depreciation of property, plant and equipment decreased by 16.1%. The amortisation of intangible assets decreased by EUR 736 ('000) to EUR 465 ('000). The decrease in the cost of write-downs is mainly attributable to the 'externally acquired customer relationships', for which the net carrying amount of EUR 729 ('000) was fully written off in 2011.
The write-downs recognised on inventories amounted to minus EUR 72 ('000) and on trade receivables EUR 320 ('000).

9. Other operating expenses

The other operating expenses decreased by 16.1% in 2011. The marketing expenses mainly contributed to this; including the switch to the new smartphoto™ brand name.
In 2012, the other operating expenses decreased by 7.1%. The costs of services were kept under strict control and decreased by 9.3%. The increase in the provisions is attributable to redundancy and severance payments.

(in € '000)	2011	2012
Services & other costs	14 165	12 855
Other operating taxes	180	115
Loss on disposal of intangible assets, property, plant and equipment		1
Loss on disposal of trade receivables	193	233
Other operating charges	272	276
Provisions : increase/decrease (-)	84	359
Total	14 894	13 839

10. Profit or loss (-) from operating activities, before non-recurring items

Spector Photo Group achieved a recurrent profit from operating activities of EUR 1 659 ('000) in 2012, compared to EUR 832 ('000) in 2011.

11. Non-recurring items from operating activities

In 2011, the non-recurring items amounted to minus EUR 70 ('000) and included a reversal of obligations with respect to Spector Verwaltung GmbH.
In 2012, there were no non-recurring items from operating activities recognised.

12. Financial result

(in € '000)	2011	2012
Interest income	23	10
Interest expense	- 421	- 363
Net gain/loss (-) on realisation of other receivables & non-current financial assets	- 52	- 73
Addition(-)/reversal of impairment on other receivables & non-current financial assets		53
Net foreign exchange gains/losses (-)	195	19
Other financial income/expenses (-)	12	- 23
Financial cost-net, before non-recurring items	- 243	- 377
Non-recurring financial items	2 011	
Financial cost-net	1 768	- 377

Recurring financial items

The financial result before non-recurring items amounted to minus EUR 377 ('000) in 2012, compared to minus EUR 243 ('000) in 2011.

The evolution in the financial result was mainly attributable to the decrease in positive exchange rate differences of minus EUR 176 ('000) and a slight decrease in the net financial expenses of EUR 48 ('000).

The exchange rate differences are attributable to various transactions between Spector Photo Group NV and its subsidiaries in countries outside the Eurozone, and are primarily related to the Swiss franc and the Swedish krona.

Non-recurring financial items

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

The financial statements were prepared using the following exchange rates:

Currency exchange rates	Closing rate		Average rate	
	2011	2012	2011	2012
Swiss franc	1.2156	1.2072	1.2318	1.204383
Norwegian krone	7.7540	7.3483	7.7809	7.461483
Danish krone	7.4342	7.461	7.44962	7.445208
Swedish krona	8.9120	8.582	9.0070	8.683917

13. Income tax expense (-)/income

Amounts recognised in the income statement

(in € '000)	2011	2012
Current tax expenses (-)/income		
Taxes on the result for the financial year	- 9	- 171
Adjustments to taxes for preceding periods	14	183
	5	12
Deferred taxes		
Originating and reversal of temporary differences	1 666	-2 543
Income tax expenses (-)/income recognised in the income statement	1 671	-2 531

Reconciliation of effective income tax expenses (-)/income

(in € '000)	2011	2012
Tax calculated at the theoretical tax rate*	-2 425	-3 454
Profit/loss (-) before tax	2 670	1 282
Theoretical tax rate*	31.58%	32.97%
Impact of tax excempt revenues	2 479	6 484
Impact of non-deductible expenses	-4 558	-3 750
Tax deduction for risk capital	1 956	
Impact of utilised tax losses	2 557	552
Over/under (-) provided in preceding years	14	183
Other	- 19	- 2
Effective current income tax expenses (-)/income	5	12
Impact of deferred taxes	1 666	-2 543
Income tax expenses (-)/income recognised in the income statement	1 671	-2 531

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

The 'taxes calculated at the theoretical tax rate' are calculated as the product of multiplying the profits of the legal entities that achieved a profit by the tax rate of the tax jurisdictions concerned.

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

In view of the overall loss situation in the result before taxation, an effective tax rate does not apply to the Group as a whole for 2011, or for 2012.

14. Property, plant and equipment

(in € '000)	Land & buildings	Plant, machinery & equipment	Furniture, fixtures & vehicles	Total
Acquisition value				
Balance at end of previous year	26 487	16 738	20 678	63 903
Mutation				
Acquisitions	43	287	66	396
Sales & disposals (-)		- 955	- 2 616	- 3 571
Disposals through business divestiture (-)	- 8 722	- 2 661	- 17 486	- 28 870
Translation differences		2	1	3
Balance at end of current period	17 807	13 411	643	31 861
Depreciation and impairment				
Balance at end of previous year	11 565	14 354	17 136	43 054
Depreciation	437	1 098	1 132	2 667
Sales and disposals (-)		- 948	- 2 600	- 3 548
Disposals through business divestiture (-)	- 1 188	- 2 537	- 15 051	- 18 777
Translation differences		2		2
Balance at end of current period	10 814	11 968	616	23 398
Carrying amount				
at end of previous year	14 922	2 384	3 543	20 849
at end of current period	6 993	1 443	27	8 463

Recognition at fair value used as the deemed cost.

In accordance with IFRS 1, it was decided to measure land and buildings at the date of transition to IFRS at fair value and to use this fair value as the deemed cost at that date. As a result of this option in the transition to IFRS on 1 January 2004, an additional value of EUR 2 018 (000) was recognised for the land. This additional value concerned land of the subsidiaries Photo Hall Multimedia NV and Promo Concept Investment BVBA.
The determination of the fair value of the land and buildings identified above was performed by the accredited assessors Valorem Expertises and Galtier Expertises. In the measurement of the properties, they were valued as unencumbered by tenancy rights. The costs of the transaction, such as costs for registration, civil-law notary, any VAT, publicity and estate agent's fees, were not included. Since the assessors noted that there was no market data available, in view of the specialised category of the properties and that these assets are seldom sold, except as premises in use by a company, these assets were recognised at their 'depreciated replacement value' in accordance with IAS 16. This means that the starting point is an estimate of the cost for rebuilding the property, including the cost of deeds, the costs of preparing the site, the construction costs and all applicable taxes. This initial recognition value is then depreciated for expenses including the commercial and physical age of the buildings, the cyclic economic conditions, and losses in value associated with any sale.
A revaluation was recorded in the 2011 financial year.
The fair value was determined by the accredited assessors Valorem Expertises for the land and buildings located in Wetteren, and by the assessors Galtier Expertises for the land and buildings located in Brussels. The building in Luxembourg was not revalued because it has only been in our possession for less than five (5) years.
The determination of the fair value at the end of 2011 took place on the same basis as with the transition to IFRS and is described above. Revaluation gains were recognised, amounting to EUR 1 020 ('000) for the land, and EUR 4 493 ('000) for the buildings.
If there would not have been opted to recognise land and buildings at their fair value, the net carrying amount at the 2011 financial year-end would amount to EUR 7 390 ('000) instead of EUR 14 922 ('000).
As at the 2012 year-end this would have resulted in a net carrying amount of EUR 1 277 ('000) instead of EUR 6 993 ('000). The revaluation surplus, after the effect of the deferred taxes, amounted to EUR 3 822 ('000) and was not distributed to the shareholders. In 2012, the land and buildings of Photo Hall Multimedia and Hifimmo are no longer recognised in the statement of financial position. The gain recognised in the transition to IFRS amounted to EUR 303 ('000) and the revaluation gain of EUR 1 513 ('000) recognised in 2011 is no longer recognised in the asset.

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

2012 evolution
The net carrying amount of the property, plant and equipment decreased by EUR 12 386 (‘000) between 2011 and 2012. The decrease is, on the one hand, due to the annual depreciation that amounted to minus EUR 2 667 (‘000) and the investments amounting to EUR 396 (‘000). As a result of no longer recognising the assets of the Retail Group in the statement of financial position, the net carrying amount of the property, plant and equipment decreased by EUR 10 093 (‘000).

Investments in the Retail Group
The Retail Group’s investments in property, plant and equipment in 2011 amounted to EUR 482 (‘000) and mainly related to the furnishing of the new shop in Jette, renovations in Luxembourg, and hardware for the shops and the supporting services.
The Retail Group’s investments in property, plant and equipment in the first nine months of 2012 amounted to EUR 63 (‘000) and mainly related, on the one hand, to the renovations of shops and the central building in Luxembourg and, on the other, to hardware for the shops and the supporting services.

Investments in the smartphoto Group
The 2011 investments in property, plant and equipment amounted to EUR 269 (000) and primarily related to hardware, other IT-related investments, and production machinery. Of the total investments, EUR 2 (‘000) related to the by the entity self-constructed assets.
The 2012 investments in property, plant and equipment for the smartphoto Group amounted to EUR 333 (‘000). These primarily related to hardware, other IT-related investments, and production machinery.

15. Goodwill

(in € ‘000)	Consolidation goodwill	Other goodwill	Total
Gross carrying amount			
Balance at end of previous year	45 845	14 114	59 959
Mutation			
Disposals through business divestiture (-)	- 12 158		- 12 158
Other transfers		- 14 235	- 14 235
Translation differences		121	121
Balance at end of current period	33 687		33 687
Amortisation and impairment			
Balance at end of previous year	28 751	12 604	41 355
Mutation			
Disposals through business divestiture (-)	- 5 226		- 5 226
Other transfers		- 12 725	- 12 725
Translation differences		121	121
Balance at end of current period	23 525		23 525
Carrying amount			
at end of previous year	17 094	1 509	18 603
at end of current period	10 162		10 162

Consolidation goodwill
Taking the requirements of IFRS 8 into account, and the changed operating cash flows resulting from the discontinued operations of the Retail division, the segment reporting was adjusted as at the end of 2012 and therefore also the assessment of the cash-generating units.

The consolidation goodwill contains two items: EUR 9 695 ('000) for E-commerce and EUR 467 ('000) for Wholesale. The net carrying amount decreased by EUR 6 932 ('000) because Photo Hall Multimedia and Hifi International are no longer recognised in the statement of financial position.
In accordance with IAS 36, the company performed impairment tests at the end of December in both 2011 and 2012 concerning the identified cash-generating units to examine whether they had suffered any impairment loss. These tests demonstrated that the recoverable amounts for the units were higher than the carrying amounts for the units in all cases. Consequently, no impairment needed to be recognised for the continuing operations.
The cash-generating units E-commerce and Wholesale combined represent the total net carrying amount of the consolidation goodwill: E-commerce contains all the operations focusing on the end consumer, and Wholesale focuses on companies and independent traders with a mix of hardware sales and photo products.

E-commerce

The recoverable amount of the cash-generating unit E-commerce is higher than the net carrying amount of all the operating assets and liabilities of this cash-generating unit, increased with its consolidation goodwill. The net carrying amount of the consolidation goodwill that was attributed to this unit was EUR 9 695 ('000) as at 31 December 2012.
The recoverable amount is calculated on the basis of the value in use, which is the sum of the discounted free cash flows.
This calculation uses projections of the future free cash flows for the five coming financial years and projects continuing annual growth of 2%. The projections for 2013 correspond with the budgets approved by the Board of Directors, without taking into account the cost savings that could result from the restructuring measures that may still be implemented but have not yet been approved by the Board of Directors. The projections for 2014, 2015, 2016 and 2017 are based on prudent extrapolations by the management. The continuing annual growth of 2% is justified by the permanent nature of the operations, including an increase in the overheads due to inflation and a conservative evolution in the revenue that takes into account the changing market conditions.
The growth rates in the projections resulted from the individual developments for each product group: (i) a fall in the revenue from analogue photography, based on the developments in recent years and confirmed for the coming years by several market studies. This fall is the result of a decrease in the number of customers active in analogue photography, with which the revenues for each customer remains stable. With effect from 2011, the weight of analogue is very limited within the total revenues as a result of which this constant fall has little impact on the development of the total smartphoto operations; (ii) an increase in the number of digital customers in accordance with the database model. This increase is the combination of, on the one hand, attracting new customers as a result of the continuing increase in the penetration rate of digital cameras and the marketing campaigns and, on the other, the dynamics in the composition of the customer base in which the proportion of new customers in relation to the total number of customers is decreasing year after year; (iii) an increase in the average revenues from each digital customer. This increase results from the increasing supply of products other than traditional photos, such as photo books, photo cards, photo calendars, photos on canvas and photo gifts, with a higher price per 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 8.56% before taxes for the coming five years. In 2011, this discount rate before tax amounted to 10.48%. The decrease in the discount rate is a result of the decrease in interest rates.

This discount rate reflects: a market-level return on equity and debt, the current balance between equity and debt for this cash-generating unit, and the estimates of additional risks and volatility for the potential developments in the market in which this unit operates.
The impairment test was also subjected to a sensitivity analysis in which the annual EBIT would be 10% lower each year. This showed that the recoverable amount was still higher than the carrying amount.

Wholesale

The recoverable amount of the cash-generating unit Wholesale is higher than the net carrying amount of all the operating assets and liabilities of this cash-generating unit, increased with its consolidation goodwill. The net carrying amount of the consolidation goodwill that was attributed to this unit was EUR 467 ('000) as at 31 December 2012.
The recoverable amount is calculated on the basis of the value in use, which is the sum of the discounted free cash flows.
This calculation uses projections of the future free cash flows for the five coming financial years and projects

continuing annual growth of 2%. The projections for 2013 correspond with the budgets approved by the Board of Directors, without taking into account the cost savings that could result from the restructuring measures that may still be implemented but have not yet been approved by the Board of Directors. The projections for 2014, 2015, 2016 and 2017 are based on prudent extrapolations by the management. The continuing annual growth of 2% is justified by the permanent nature of the operations, including an increase in the overheads due to inflation and a conservative evolution in the revenue that takes into account the changing market conditions. The key assumptions are a steadily increasing free cash flow for the period from 2013 to 2017, and a stable gross margin.
The results of these calculations are discounted at 8.56% before taxes for the coming five years.

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

The impairment test was also subjected to a sensitivity analysis in which the annual EBIT would be 10% lower each year. This showed that the recoverable amount was still higher than the carrying amount.

Other goodwill and trading securities
This item was transferred to other intangible assets at the start of the 2012 financial year.

16. Intangible assets

(in € '000)	Conces-sions, patents, licenses, etc.	Deve-lopment expenses capitalised	Other intangible assets	Customer relationships	Total
Acquisition Value					
Balance at end of previous year	13 629	70		77 647	91 346
Mutation					
Acquisitions	441				441
Sales & disposals (-)	- 5 191		- 3 665		- 8 856
Disposals through business divestiture (-)	- 452		- 4 577		- 5 029
Other transfers			14 235		14 235
Translation differences			53	1 011	1 064
Balance at end of current period	8 428	70	6 045	78 658	93 201
Amortisation and impairment					
Balance at end of previous year	12 311	70		77 647	90 028
Mutation					
Amortisation	478		188		666
Sales and disposals (-)	- 5 191		- 3 665		- 8 856
Disposals through business divestiture (-)	- 348		- 3 436		- 3 784
Other transfers			12 725		12 725
Translation differences			53	1 011	1 064
Balance at end of current period	7 251	70	5 865	78 658	91 844
Carrying amount					
at end of previous year	1 318				1 318
at end of current period	1 178		180		1 358

The items of other goodwill and trading securities were transferred from the goodwill to other intangible assets at the start of the 2012 financial year. The net carrying amount was EUR 1 510 ('000).
The investments in intangible assets for the 2012 financial year amounted to EUR 441 ('000) and mainly concern various software to support the IT-platform for the mail order operations of the smartphoto Group, which amounted to EUR 408 ('000). The amortisations amounted to minus EUR 666 ('000), of which minus EUR 478 ('000) was attributable to concessions, patents, and licences, and minus EUR 188 ('000) was attributable to other intangible assets.
The net carrying amount also decreased by EUR 1 245 ('000) due to the derecognition of the Retail Group.

17. Other non-current financial assets

(in € '000)	2011	2012
Other non-current financial assets, opening balance		
Gross amount	108	108
Accumulated impairment losses (-)	- 60	- 60
Other non-current financial assets, closing balance		
Gross amount	108	108
Accumulated impairment losses (-)	- 60	- 60
Other non-current financial assets	49	49

This item refers to equity interests and social rights in other companies that amount to less than 10% of the issued capital.
The fair value is deemed to be equal to the cost adjusted for write-downs. There were no changes in the other non-current financial assets in the 2011 and 2012 financial years.

18. Trade and other receivables (non-current)

(in € '000)	2011	2012
Cash guarantees	169	58
Other receivables	35	5
Gross carrying amount	204	63
Accumulated provisions for bad and doubtful debts in other receivables (-)	- 5	- 5
Net carrying amount	199	58

In 2012, the changes are mainly attributable to the deconsolidation of Photo Hall Multimedia, Hifi International and their wholly-owned subsidiaries. There were no changes in the accumulated write-downs.

19. Deferred tax assets

(in € '000)	Balance at end of previous financial year	Recognised in result	Effect of exchange rate changes	Other changes	Balance at the end of current period
Property, plant and equipment	18	7		- 25	
Tax effect of tax losses carried forward	8 863	-2 550	29		6 343
	8 881	-2 542	29	- 25	6 343

In 2011, the tax assets in the Retail Group amounting to minus EUR 527 ('000) were not recognised in the discontinued operations because of the evolution of the figures. In the smartphoto Group, the deferrals amounting to minus EUR 1 355 ('000) were used because the tax losses were reduced in the companies concerned. On the other hand, EUR 2 986 (000) was recognised as a new deferred tax assets on the basis of the budgeted figures and the resulting tax planning for the relevant tax jurisdictions.
In 2012, the current deferred tax assets include the following changes:
(i) minus EUR 1 446 ('000) was not considered because of the evolution of the figures;
(ii) minus EUR 1 380 ('000) was used because the tax losses were reduced in the companies concerned;
(iii) EUR 277 ('000) was recognised as new current deferred tax assets on the basis of the budgeted figures and the resulting tax planning for the relevant tax jurisdictions;
(iv) EUR 7 ('000) was recognised in the discontinued operations.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the unused taxable losses and tax assets can be utilised.

The summary below shows not only deferred tax assets, but also deferred tax liabilities and the net effect.

Recognised deferred tax assets and liabilities	Assets		Liabilities		Net	
(in € '000)	2011	2012	2011	2012	2011	2012
Property, plant and equipment	18		762	752	- 744	- 752
Intangible assets			- 3		3	
Tax effect of tax losses carried forward	8 863	6 343			8 863	6 343
Gross deferred tax assets and liabilities	8 881	6 343	759	752	8 122	5 591

The tax loss carry forwards for the 2011 financial year for which no deferred tax assets had been recognised amounted to EUR 78 743 ('000). The tax losses have no time limitation. For these losses, no deferred tax assets were recognised because it is improbable that there will be sufficient taxable profit available to be able to realise the tax benefits.
The tax loss carry forwards for the 2012 financial year for which no deferred tax assets had been recognised amounted to EUR 80 238 ('000). The tax losses have no time limitation. For these losses, no deferred tax assets were recognised because it is improbable that there will be sufficient taxable profit available to be able to realise the tax benefits.

20. Assets held for sale

Discontinued operations of smartphoto Group: Litto-Color N.V.

The shares of the companies Litto-Color BV and Litto-Color SARL were sold at the end of 2006. Litto-Color NV was put into liquidation on 6 November 2006. Litto-Color, operating in the wholesale photofinishing market, was a separate significant area of operations within the meaning of IFRS 5.32, with its own lab in Ostend and its own portfolio of customers. With effect from the 2006 financial year, the assets and liabilities of this company have been classified as 'available-for-sale assets and liabilities'. On 12 October 2012, the general meeting decided to close the liquidation. On 10 January 2013, the closing balance and the reports were filed at the Commercial Court, and the closure of the liquidation was published in the Belgian Official Gazette on 22 January 2013. The assets held for sale and the liabilities directly linked to them were offset and derecognised as a result of this transaction.

The result and cash flow from these discontinued operations can be summarised as follows:
The change in the cash and cash equivalents in this context concerns the further settlements of the balance sheet items by the liquidator.

(in € '000)	2011	2012
Cash flow from operating activities	108	- 735

Assets held for sale and liabilities directly linked to them:

(in € '000)	2011	2012
Assets		
Cash and cash equivalents	735	
Assets held for sale	735	
Provisions	16	
Employee benefit liabilities	594	
Trade and other payables	143	
Liabilities directly linked to liabilities held for sale	753	

Discontinued operations: Retail Group

The discontinued operations of the Retail Group include Photo Hall Multimedia NV, Hifi International SA, Hifimmo SA, and Photo Hall France SARL.
The evolution of the discontinued operations of the Retail Group are described in the Board of Directors' report concerning the consolidated financial statements.

The result of the discontinued operations amounted to minus EUR 2 599 ('000) for the first nine months of the financial year, which are the latest available figures. This amount consists, on the one hand, of the operating result, financial result and tax result for the first nine months of the financial year of minus EUR 7 413 ('000) and, on the other, the result of the divestment of the companies in the Retail Group of EUR 4 815 ('000). The tax liabilities related to the profit from normal operations amount to EUR 91 ('000).
The comparative figures for 2011 were adjusted in compliance with IFRS 5 and also restated under the 'discontinued operations'. The loss for the 2011 financial year amounted to minus EUR 7 214 ('000). The tax liabilities related to the profit from the normal operations amount to EUR 591 ('000), of which current deferred liabilities of EUR 527 ('000) are not recognised in the figures.

(in € '000)	2011	2012
Post-tax profit/loss (-) of discontinued operations	-7 214	-2 599
Revenue from ordinary activities	141 327	80 658
Other income from ordinary activities	2 132	1 140
Expenses from ordinary activities	-148 501	-83 349
Financial result	-1 581	- 956
Interest revenue	13	9
Interest expense	-1 595	- 967
Pre-tax profit/loss (-) from discontinued operations	-6 623	-2 508
Taxes	- 591	- 91
Gain arising from the disposal of discontinued operations		4 815
Cash flow from operating activities	-24 208	-1 678
Cash flow from investing activities	- 494	- 95
Cash flow from financing activities	17 615	- 823

The assets and liabilities are no longer recognised in the statement of the financial position. The investment in Photo Hall Multimedia NV was measured at the fair value in the consolidated statement of financial position of Spector Photo Group NV in accordance with the requirements of IAS 39, which meant the fair value was recognised at zero.

21. Inventories

(in € '000)	2011	2012
Trade goods	20 901	1 149
Raw materials and consumables	1 046	1 178
Work in progress	6	56
Total gross carrying amount	21 953	2 383
Depreciation and other write-downs (-)	-1 616	- 136
Net carrying amount	20 337	2 247

The inventories item fell by EUR -18 090 ('000) in the 2012 financial year.
The change is mainly attributable to the Retail Group no longer being recognised for minus EUR 18 616 ('000). In the 2012 financial year, a reversal of write-downs was recognised for an amount of minus EUR 71 ('000) compared to a reversal of write-downs amounting to EUR -11 ('000) in the 2011 financial year. These reversals are accounted for in the income statement. In the result of the discontinued operations, a write-down on inventories amounting to EUR 338 ('000) was recognised in 2011 compared to a reversal of write-downs amounting to minus EUR 177 ('000) in 2012.

22. Trade and other receivables (current)

(in € '000)	2011	2012
Trade receivables, gross	15 463	6 810
Other receivables, gross	616	530
Accruals and deferrals	400	312
Gross carrying amount	16 480	7 652
Accumulated write-downs on bad and doubtful trade receivables (-)	-2 130	-1 425
Accumulated write-downs on bad and doubtful other receivables (-)	- 201	- 81
Net carrying amount	14 149	6 146

The current portion of the trade and other receivables decreased by minus EUR 8 003 ('000) in the 2012 financial year, of which minus EUR 7 839 ('000) was attributable to the Retail Group.

Of the accumulated write-downs on bad and doubtful trade receivables, EUR 81 ('000) was recognised in the income statement in 2011 compared to EUR 320 ('000) in 2012.
The discontinued operations in 2011 included a write-down on bad and doubtful trade receivables amounting to EUR 265 ('000) compared to EUR 11 ('000) in 2012.

The 2012 financial year included a recurring financial revenue of EUR 53 ('000) on bad and doubtful other receivables.

The net other receivables of EUR 816 ('000) for the 2011 financial year contain the following items:
(i) EUR 379 ('000) receivable related to VAT, (ii) EUR 401 ('000) of costs to be transferred and acquired revenues, and (iii) EUR 36 ('000) of other receivables.
The net other receivables of EUR 761 ('000) for the 2012 financial year contain the following items:
(i) EUR 443 ('000) receivable related to VAT, (ii) EUR 312 ('000) of costs to be transferred and acquired revenues, and (iii) EUR 6 ('000) of other receivables.

23. Cash and cash equivalents

(in € '000)	2011	2012
Short term bank deposits	5 269	7
Other cash and cash equivalents	4 966	4 753
	10 235	4 761

See also the cash flow statement on page 61 of this annual report.

24. Current income tax assets

This heading refers mainly to income tax assets in certain consolidated entities related to pending tax appeals, and should be considered jointly with the current income tax liabilities, under heading 'equity and liabilities'. The decrease of the current tax assets in 2012 is attributable to the Retail Group for minus EUR 108 ('000) and to the smartphoto Group for minus EUR 133 ('000).

25. Total equity

See also the statement of changes in equity on page 60.
The total number of shares amounts to 36,619,505 of which 1,207,072 are treasury shares. No treasury shares were purchased in the 2011 or 2012 financial years. Of the total of 1,207,072 shares, 77,271 are held by Spector Photo Group NV, 54,526 by the subsidiary Alexander Photo SA, and 1,075,275 by the subsidiary Spector 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. The authorised capital amounts to EUR 64 194 ('000).

Calculation of the earnings per share for 2011

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

2. Net profit				
	Net profit (from continuing operations)	Net profit (from discontinued 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)	4 341	- 7 214	- 2 873	2 193
2.3. Profit/loss (-) available to ordinary shareholders (per share, amount in euros)	0.123	-0.204	-0.081	0.062

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

Calculation of the earnings per share for 2012

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

2. Net profit				
	Net profit (from continuing operations)	Net profit (from discontinued 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)	- 1 250	- 2 599	- 3 849	- 3 964
2.3. Profit/loss (-) available to ordinary shareholders (per share, amount in euros)	-0.035	-0.073	-0.109	-0.112

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

In view of the exercise price, the outstanding warrants will not lead to dilution.

26. Non-current and current interest-bearing financial liabilities

The interest-bearing liabilities amounted to EUR 6 175 (‘000) at year-end 2012, compared to EUR 42 372 (‘000) at year-end 2011. A loan and credit facility agreement was concluded with NIBC Bank in April 2011 and the participation certificates were no longer recognised in the consolidated figures as a result of their transfer to smartphoto services NV.
As at 31 December 2011, all outstanding loans are in EUR. Photo Hall Multimedia’s non-current debt of EUR 10 138 (‘000) was transferred to ‘current interest bearing financial liabilities ’ and included in the agreements made between the bank consortium and Photo Hall Multimedia for its continuing financial support.
As at year-end 2011, the interest expenses for the non-current loans in EUR were at between Euribor + 0.25% and Euribor + 4%.

As at year-end 2011, the interest expense for the current borrowings at variable interest rates in EUR was at rates between Euribor +1% and Euribor +3%.
In 2011, secured borrowings were guaranteed for an outstanding amount of EUR 40 497 ('000) by
(i) mortgages on land and buildings of which the registered amount was EUR 13 112 ('000). The carrying amount of the land and building concerned was EUR 14 919 ('000); (ii) pledges on business assets amounting to EUR 23 201 ('000); and (iii) pledges on trade receivables amounting to EUR 57 ('000). Furthermore, shares of specific companies included in the consolidation have been given as collateral. The lines of credit were used by means of bank guarantees amounting to EUR 789 ('000).

In 2012, the decrease in the interest-bearing liabilities could be explained as follows: (i) no longer recognising the Retail Group's interest-bearing liabilities of EUR 34 297 ('000) in the statement of financial positions, and (ii) a repayment of EUR 1 900 ('000) of the liabilities by smartphoto services NV.
The interest expense is calculated on the basis of the Euribor interest rate plus a number of basis points.
In 2012, secured borrowings were guaranteed for an outstanding amount of EUR 4 800 ('000) by
(i) mortgages on land and buildings of which the registered amount was EUR 5 280 ('000). The carrying amount of the land and building concerned was EUR 6 993 ('000); (ii) pledges on business assets amounting to EUR 8 400 ('000); and (iii) pledges on trade receivables amounting to EUR 4 ('000). Furthermore, shares of specific companies included in the consolidation have been given as collateral. The lines of credit were used by means of bank guarantees amounting to EUR 939 ('000).

The breakdown between non-current and current are shown in the table below.

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

(in € '000)	2012						
	Up to 1 year	2014	2015	2016	2017	More than 5 years	Total
Interest-bearing borrowings credit institutions							
Secured bank loans	400	400	400	3 100			4 300
Unsecured bank loans	500	500	375				1 375
Borrowings current account							
Secured bank loans	500						500
Total interest-bearing borrowings according to their maturity	1 400	900	775	3 100			6 175

Disclosures relating to the finance lease obligations:

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

(in € '000)			2012			
Payments 2011	Interest	Capital	Outstanding current payable	Outstanding non-current payable	Outstanding current interest	Outstanding non-current interest
20	3	17				

Disclosures relating to the operating lease obligations.
Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

(in € '000)	2011	2012
Rentals during the financial year	9 408	6 652
Less than one year	8 469	966
Between one and five years	23 330	923
More than five years	10 587	

The most important obligations for the Retail Group concern the retail premises over a period of nine (9) years, with an option to renew the leases after the expiry date. The rent is increased annually to reflect market rental rates. Because the Retail Group no longer belongs to our Group, all liabilities have lapsed. smartphoto Group rents a number of business offices and other operating facilities with contracts that run for several years. The rental expenses during the financial year also contain the rentals of the retail premises that are recognised in the discontinued operations.

Leases as lessor
The Group leased out minilabs under operating leases.
These contracts were terminated during the course of 2011. Consequently, there is no contractual rental revenue from operating leases, neither for more than one year, nor for less than a year.

(in € '000)	2011	2012
Rentals during the financial year	4	

27. Non-current and current employee benefit liabilities

The 'non-current employee benefit liabilities' concern the pension obligations of the consolidated companies. The change between the 2011 and 2012 financial years amounted to EUR 79 ('000).
The 'current employee benefit liabilities' mainly comprise the payable wages and salaries, as well as the corresponding social security contributions, payroll withholding tax, and provisions for holiday pay. In 2011, these amounted to EUR 4 061 ('000) compared to EUR 2 292 ('000) in 2012.

Share option plans
The share option plans have expired and have lost all their value.

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

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

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

Granting and exercising the warrants will have an effect on the employee expenses and thus on the results of the company due to the application of IFRS 2 'share-based payment'. The 'theoretical value' of the warrants, calculated according to a conventional valuation method (Black & Scholes), amounts to EUR 0.22366 per warrant or a total of EUR 134 198, and is recognised as an employee expense for the 2005 financial year in which they were issued. For this theoretical measurement of the value, the last closing price of the share before the offer of these warrants was taken into account, which was EUR 1.48, and with the exercise price of the warrants amounting to EUR 3.36.
The expected volatility was based on the average volatility over a period of one year.
No effects of any expected premature exercising were included, as this was not considered relevant.
The effect of extending the term of the warrants was not included as it is not material.

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

Post-employment benefits
Defined contribution pension plans
With defined contribution plans, contributions are paid to insurance companies. After payment of these contributions, the smartphoto Group's companies have no further obligations. The contributions are recognised as an expense in the income statement for the year to which they are related. For 2011, the costs of the Group's defined contribution plans amounted to EUR 252 ('000), of which EUR 200 ('000) was recognised under the 'employee expenses', and EUR 52 ('000) under the 'discontinued operations'. For 2012, this cost amounted to EUR 165 ('000) recognised under the 'employee expenses', and EUR 40 ('000) under the 'discontinued operations'.

Defined benefit pension plans
The smartphoto Group had defined benefit pension plans in France in 2011. The applicable pension plans are drawn up in accordance with statutory provisions and local customs. The pension plans are related to salary and seniority. No plan assets are held for the defined benefit plans in France. These pension funds do not hold any shares issued by the Group or any properties of the Group companies.
There was no effect on the result in the 2011 financial year related to the defined benefit plans. In 2012, the impact on the result was minus EUR 5 ('000) and thereby the defined benefit plans in France have lapsed.

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

(in € '000)	2011	2012
Present value of defined benefit plan obligations for which no investments are held	6	
	6	

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

(in € '000)	2011	2012
Balance at end of previous financial year	6	6
Gains recognised in the income statement		-5
Other		-1
As at the financial year-end	6	

The main actuarial assumptions as at reporting date are:

	2011	2012
Discount rate used	4%	4%
Percentage pay rise	2%	2%
Percentage increase in benefits	2.5%	2.5%

Other non-current employee benefit liabilities

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

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

(in € '000)	2011	2012
Balance at end of previous financial year	529	468
Increase/decrease (-) of liability recognised in the income statement	-61	111
Other changes		-26
As at the financial year-end	468	554

On the basis of the actuarial calculation, it was decided in 2010 to record a provision of EUR 348 ('000) for pension commitments concerning Spector Verwaltung GmbH, the German company that operated in the wholesale photofinishing business until 2001.

This entry resulted from an in-depth risk analysis that showed that the risk of paying the total amount of pensions had increased significantly compared to previous years. On the basis of the annual actuarial calculations, an amount of minus EUR 70 (000) was reversed from the recognised provision via the non-recurring results in 2011, compared to minus EUR 6 ('000) in 2012.

28. Non-current provisions

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

In 2010, concerning the tax claim relating to Extra Film A/S in Norway - in which the company would be subject to an exit tax, whereas the company has never ceased to exist - an appeal was lodged against the assessment issued. Under IAS 37.14, no provision should be recognised because the Board of Directors believes there are no cash outflows to be expected.

The provision for taxes in 2011 concerns the subsidiary Vivian Photo Products NV.

There was an additional provision of EUR 91 (000) recorded for restructuring within the Retail Group, which mainly consists of redundancy payments following the decision to close a number of shops. In the smartphoto

Group, minus EUR 5 (‘000) of unused provision was reversed.
An additional provision of EUR 88 (‘000) was recorded under the ‘other provisions’ for redundancy payments in the smartphoto Group. This obligation extends over several financial years. Minus EUR 20 (‘000) was transferred to current provisions.
The ‘other provisions’ mainly relate to claims for damages from owners of shops in the Retail Group. There was an additional provision of EUR 11 (000) recorded for these.

	2012			
(in € ‘000)	Provisions for taxation	Provisions for restructuring	Other provisions	Total
Balance at end of previous year	810	201	225	1 236
Additional provisions			38	38
Disposals through business divestiture (-)			- 132	- 132
Amounts of provisions used (-)		- 91	- 74	- 165
Unused amounts of provisions reversed (-)	- 810		- 4	- 814
Other changes			- 15	- 15
Balance at end of current period		110	38	148

In 2012, an unfavourable ruling was delivered concerning the tax dispute of the subsidiary Vivian Photo Products NV (liquidated). A reversal of minus EUR 810 (‘000) from the provision was recognised, and an effective tax cost of EUR 629 (‘000) was recognised. The ‘provision for restructuring’ within the Retail Group amounting to minus EUR 91 (‘000) was used. The settlement date for the other ‘provisions for restructuring’ of the smartphoto Group is not known. An additional provision of EUR 38 (‘000) was recorded under the ‘other provisions’ for severance payments. This obligation will be settled in the 2014 financial year. Minus EUR 74 (‘000) was used within the smartphoto Group for redundancy payments. The reduction due to company demerger of minus EUR 132 (‘000) relates to the Retail Group.

29. Current portion of provisions

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

In 2011, a provision amounting to EUR 1 187 (‘000) was recorded. This provision was recorded for the restructuring within the Retail Group. Minus EUR 635 (‘000) was used for the completion of the restructuring within the smartphoto Group for an amount EUR -589 (000), and minus EUR 46 (‘000) for the Retail Group.

	2012		
(in € ‘000)	Provisions for restructuring	Other provisions	Total
Balance at end of previous year	1 208		1 208
Additional provisions		320	320
Disposals through business divestiture (-)	- 860		- 860
Amounts of provisions used (-)	- 348		- 348
Other changes		15	15
Balance at end of current period		335	335

In 2012, the EUR 1 208 ('000) provision for restructuring was derecognised due to the use, on the one hand, of minus EUR 348 ('000) and, on the other as a result of the decrease of minus EUR 860 ('000) resulting from the demerger of the Retail Group. An additional provision of EUR 320 ('000) was recorded under the 'other provisions' of the smartphoto Group for redundancy and resignation payments. These obligations will be settled during the course of the 2013 financial year.

30. Deferred tax liabilities

Changes in temporary differences during the period.

2011					
(in € '000)	Balance at end of previous financial year	Recognised in result	Effect of exchange rate changes	Other changes	Balance at the end of current period
Property, plant and equipment	574	- 9		196	762
Intangible assets	36	- 40	1		- 3
	611	- 49	1	196	759

The deferred tax assets recognised in the result for intangible assets relate to the smartphoto Group. The other changes of EUR 196 ('000) mainly relate to the revaluation of the land and buildings and are recognised in accordance with IAS 12.62 in the Group's unrealised results in the statement of comprehensive income.

2012					
(in € '000)	Balance at end of previous financial year	Recognised in result	Effect of exchange rate changes	Other changes	Balance at the end of current period
Property, plant and equipment	762	- 9			752
Intangible assets	- 3	2			
	759	- 7			752

In 2012, minus EUR 7 ('000) deferred tax liabilities were recognised against the result.
The deferred tax liabilities related to the revaluation gains.

31. Liabilities held for sale

Because a number of assets are held for sale, the corresponding liabilities from the respective items were recognised under this separate heading 'liabilities held for sale' in 2011; see also page 90.

32. Current trade and other payables

(in € '000)	2011	2012
Trade payables: suppliers	14 078	5 878
Prepayments received on contracts in progress	292	
Dividends payable	128	122
Other amounts payable	387	344
Derivates		90
Other taxes and VAT payable	3 836	1 688
Accrual and deferrals	1 116	160
Net carrying amount	19 837	8 283

The current trade and other payables in the smartphoto Group fell by 11.0% in 2011. The current trade and other payables in the Retail Group saw a decrease of 60.6%.

In 2012, the current trade and other payables decreased by minus EUR 11 554 ('000), which was the result of (i) a decrease of minus EUR 11 607 ('000) as a result of the Retail Group's liabilities no longer being recognised in the statement of financial position, and (ii) an increase in liabilities of EUR 53 ('000) concerning the smartphoto Group.

33. Current income tax liabilities

The 'current income tax liabilities' decreased by minus EUR 149 ('000) in 2011, compared to an increase of EUR 114 ('000) in 2012.

34. Remuneration for the Committee of Statutory Auditors and the members of their network for the group.

Committee of Statutory Auditors: Statutory Auditors' fee of EUR 44 ('000).
Audit fees for the Committee of Statutory Auditors and their network concerning subsidiaries: EUR 86 ('000).
Fees for exceptional activities or special engagements performed by the Committee of Statutory Auditors and their network: EUR 26 ('000), broken down as follows:

Performed by	Committee of Statutory Auditors	The network linked to the Committee of Statutory Auditors
Other audit assignments	8	
Tax consultancy	1	2
Other assignments beyond audit	3	12
Total	12	14

35. Risk factors

The general risk factors are extensively described in the 'corporate governance statement' on page 25 and onwards.
As a result of the application of IFRS 7, further disclosures are made below concerning the financial assets and liabilities, which provide additional information for readers of the financial statements.

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

(in € '000)		Not due	Overdue as at the reporting date but not impaired					
	2011 net carrying amount		less than 30 days	between 30 and 59 days	between 60 and 89 days	between 90 and 179 days	between 180 and 359 days	more than 359 days
Other receivables (non-current)	199	199						
Trade receivables (current)	13 333	9 171	3 807	133	27	67	82	46
Other receivables (current)	415	415						
Total	13 947	9 785	3 807	133	27	67	82	46

(in € '000)		Not due	Overdue as at the reporting date but not impaired					
	2012 net carrying amount		less than 30 days	between 30 and 59 days	between 60 and 89 days	between 90 and 179 days	between 180 and 359 days	more than 359 days
Other receivables (non-current)	58	58						
Trade receivables (current)	5 386	3 863	1 208	155	29	37	40	54
Other receivables (current)	448	445	3					
Total	5 892	4 366	1 211	155	29	37	40	54

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

The continued decrease in the outstanding trade receivables 'overdue less than 30 days' is explained because mandatory online payments have been introduced in France, the Netherlands, and Spain. Customers are encouraged to pay online in other countries as well. In cases of non-payment on the due dates, additional costs are charged depending on the overdue periods. In due course, the collection of the receivables is handed over to debt-collection agencies. For other trade receivables, credit limits and payment terms are set for each customer. Dunning procedures are started when these terms are exceeded. Deliveries are blocked to customers who have exceeded their credit limits or payment terms.

There was no significant risk concentration as at 31 December 2011 or 2012. 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:

	2011					
(in € '000)	Available for sale investment	Other financial assets (non-current)	Other receivables (non-current)	Trade receivables	Other receivables (current)	Other financial assets (current)
Balance at end of previous year	-1 689	- 59	- 4	-2 174	- 201	- 163
Accumulated Impairment additions (-), reversals				- 347		
Utilisation				394		
Translation differences				- 4		
Balance at end of current period	-1 689	- 59	- 4	-2 130	- 201	- 163

	2012					
(in € '000)	Available for sale investment	Other financial assets (non-current)	Other receivables (non-current)	Trade receivables	Other receivables (current)	Other financial assets (current)
Balance at end of previous year	-1 689	- 59	- 4	-2 130	- 201	- 163
Accumulated Impairment additions (-), reversals				- 331	53	
Utilisation				284	67	
Translation differences				- 9		
Other changes				761		
Balance at end of current period	-1 689	- 59	- 4	-1 425	- 81	- 163

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

In 2012, EUR 331 ('000) write-downs on trade receivables were recognised, of which EUR 320 ('000) was via the results from operating activities and EUR 11 ('000) via the discontinued operations. The other changes concern (i) the expenditure of EUR 284 ('000) attributable to the smartphoto Group, and (ii) the other changes of EUR 761 ('000) attributable to the Retail Group. The change in the other receivables concerns a reversal of EUR 53 ('000) and an expenditure of EUR 67 ('000).

Liquidity risk

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

	2012							
(in € ‘000)	Carrying amount	Contractual cash flows	Up to 1 year	2014	2015	2016	2017	More than 5 years
Interest-bearing borrowings credit institutions								
Secured bank loans	4 300	4 707	540	526	513	3 128		
Unsecured bank loans	1 375	1 444	540	523	381			
Borrowings current account								
Secured bank loans	501	501	501					
Trade and other payables	6 435	6 435	6 435					
Total	12 610	13 088	8 016	1 050	894	3 128		

Non-current payables are measured at amortised cost that approximates to the fair value. The fair value of current payables is comparable with the carrying amount.
Photo Hall Multimedia’s non-current debt of EUR 10 138 (‘000) was transferred to ‘current interest-bearing financial obligations’ as at 31 December 2011, and included in the agreements made between the bank consortium and Photo Hall Multimedia for the continuing financial support. In 2011, 93.07% of the interest-bearing borrowings had a variable interest rate.
In 2012, Interest Rate Swap transactions were contracted with the counterparty to minimise the effects of the interest rate fluctuations on the income statement. These transactions concern cash flow hedges concerning the interest rates of contracted borrowings, with which the hedging consists of IRS contracts for which the notional amounts correspond with the amounts of the borrowings. The fair value of these IRS contracts as at 31 December 2012 amounted to EUR 90 (‘000).
The fair value was notified to us by the financial institution (level 2 hierarchy).
The contractual end date is 31 March 2015 with three-monthly fixed interest payment dates on the last day of the months of March, June, September, and December. During the 2012 financial year, an amount of EUR 90 (000) was recognised in the unrealised results in the statement of comprehensive income.
On the basis of the projections of the cash flow liquidity forecast, the Group’s subsidiaries will be able to meet their financial obligations in 2013.

For the borrowings in current account, the interest rate is fixed at the withdrawal. This operating procedure enables Spector Photo Group NV to accept fluctuations in the financial expenses in accordance with the evolution of market interest rates. On the basis of the outstanding overdraft borrowings as at 31 December 2012, a rise or fall in the market rate by 1% has a negative or positive effect of EUR 5 (‘000) respectively on the financial result. The cash and cash equivalents are invested free of risks.

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

Capital structure
The Group optimises its capital structure, the combination of liabilities and equity. The most important objective of the capital structure is to obtain the best possible shareholder value, while simultaneously retaining the requisite financial flexibility to implement strategic projects. Maintaining a fundamentally healthy financial structure is essential.
In the analysis of the capital structure, we use the IFRS classification for the distinction between equity and liabilities.

36. Significant future assumptions and estimation uncertainties

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

The above is applicable to, among other:

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

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

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

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

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

37. Related parties

Except for transactions between consolidated companies, which are eliminated through the consolidation, and the fees paid to managers with a key position, for which we refer to the remuneration report, the transactions and outstanding balances for other related parties are negligible, for both 2011 and 2012.

Companies belonging to the group
Fully consolidated subsidiaries (o)

Name and full address	V.A.T. - or national number	Share in the capital (in %)
o ALEXANDER PHOTO S.A. Boulevard Royal 11, 2449 Luxemburg, Luxembourg	1999 2234 620	100.00
o DBM-COLOR N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0402.247.617	100.00
o EXTRA FILM A/S Postbox 364, 7601 Levanger, Norway	NO 919 322 942	100.00
o FILMOBEL N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0408.058.709	100.00
o PROMO CONCEPT INVESTMENT B.V.B.A. Kwatrechtsteenweg 158, 9230 Wetteren, Belgium	0423.852.188	100.00
o SACAP S.A. (in liquidation) Rue Logelbach 124, 68000 Colmar, France	FR 19 353 224 694	100.00
o SMARTPHOTO A.G. Hauptstrasse 70, 4132 Muttenz, Switzerland	CH 213.717	100.00
o SMARTPHOTO N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0447.697.065	100.00
o SMARTPHOTO S.A.S. Rue du Faubourg de Douai 128, 59000 Lille, France	FR 48 331 704 122	100.00
o SMARTPHOTO NORDIC AB Östergatan 39, 4 Van, 211 22 Malmö, Sweden	SE 556334-8100	100.00
o SMARTPHOTO SERVICES N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0439.476.019	100.00
o SPECTOR COORDINATIECENTRUM N.V. Kwatrechtsteenweg 160, 9230 Wetteren, Belgium	BE 0437.663.406	100.00
o SPECTOR NEDERLAND B.V. Weidehek 83, 4824 AT Breda, The Netherlands	NL 6511004B01	100.00

Subsidiaries not included in the consolidation:

Name and full address	V.A.T. - or national number	Share in the capital (in %) [1]
FLT s.r.l. [2] (on october 1st, 2008) Galleria Passarella 1, 20122 Milaan, Italy	IT 13146200152	49.00
PHOTO HALL FRANCE S.A.R.L. [3] p/a Taylor Wessing, Troonstraat 4, 1000 Brussel, Belgium	FR 70 391 700 440	100.00
PHOTO HALL MULTIMEDIA N.V. [3] p/a Taylor Wessing, Troonstraat 4, 1000 Brussel, Belgium (declared bankrupt on 07/12/2012)	BE 0477.890.096	100.00
SPECTOR VERWALTUNG GmbH [2] Laufamholzstrasse 171, 90482 Nürnberg, Germany	214 116 20551	100.00
VH SERVICE S.A. [2] Kwatrechtsteenweg 160, 9230 Wetteren, Belgium (put into liquidation on 25/03/2011)	BE 0427.390.611	100.00

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

(2) FLt s.r.l. is the Italian lab, operating in the photofinishing-market, over which the Group has no longer joint control with effect from the fourth quarter of 2008. This participation is accounted for in accordance with IAS 33.45 as a financial asset in accordance with IAS39. Spector Verwaltung GmbH is an inactive company that operated in the wholesale photofinishing market until 2001. VH Service S.A. is a company that operated in the sale of equipment for medical imaging. During the course of 2003, the business and other assets of VH Service were sold.

(3) Photo Hall Multimedia N.V., operating in the retailing of consumer electronics and multimedia products, was declared bankrupt on 7 December 2012. Due to Photo Hall Multimedia N.V. being declared bankrupt, Spector Photo Group N.V. lost the control of the company (IAS 27 § 32-37). Accordingly, the assets and obligations were no longer recognised in the statement of financial position and the investment in Photo Hall Multimedia N.V., as well as its wholly-owned subsidiary Photo Hall France S.A.R.L, was measured at its fair value in the consolidated statement of financial position of Spector Photo Group N.V. in accordance with the requirements of IAS 39, which meant the fair value was recognised at zero. The result arising thereof is recognised under the 'discontinued operations', as are the results for the period from 1 January 2012 to 30 September 2012, which are the latest available figures.

2012 SEPARATE FINANCIAL STATEMENTS


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Balance sheet after profit allocation (Belgian Gaap)

ASSETS (in €)	2011	2012
FIXED ASSETS	128 034 261	65 058 594
Intangible fixed assets	20 155	15 154
Tangible fixed assets	9 581	
Financial fixed assets	128 004 525	65 043 440
Affiliated enterprises	127 975 608	65 014 523
Participating interest	127 530 225	64 569 140
Amounts receivable	445 383	445 383
Other financial assets	28 917	28 917
Shares	28 818	28 818
Amounts receivable and cash guarantees	99	99
CURRENT ASSETS	2 679 863	2 400 636
Amounts receivable within one year	2 093 179	63 990
Trade debtors	92 807	32 133
Other amounts receivable	2 000 372	31 857
Current investments	422 560	35 651
Own shares	29 363	32 454
Other investments and deposits	393 197	3 197
Cash at bank and in hand	120 150	2 267 341
Deferred charges and accrued income	43 974	33 654
TOTAL ASSETS	130 714 124	67 459 230

EQUITY AND LIABILITIES (in €)	2011	2012
EQUITY	129 652 610	66 377 069
Capital	64 193 916	64 193 916
Issued capital	64 193 916	64 193 916
Reserves	9 436 349	9 436 349
Legal reserve	4 516 647	4 516 647
Reserves not available	29 363	32 454
In respect of own shares held	29 363	32 454
Untaxed reserves	2 616 219	2 616 219
Available reserves	2 274 120	2 271 029
Accumulated profits/losses (-)	56 022 345	-7 253 196
AMOUNTS PAYABLE	1 061 514	1 082 161
Amounts payable after more than one year	445 384	445 384
Financial debts	445 384	445 384
Subordinated loans	145 384	145 384
Other loans	300 000	300 000
Amounts payable within one year	540 685	541 777
Trade debts	20 078	20 933
Suppliers	20 078	20 933
Taxes,remuneration and social security	47 668	54 297
Taxes	9 001	12 105
Remuneration and social security	38 667	42 192
Other amounts payable	472 939	466 547
Accruals and deferred income	75 445	95 000
TOTAL LIABILITIES	130 714 124	67 459 230

INCOME STATEMENT (in €)	2011	2012
Operating income	734 956	668 395
Turnover	587 880	566 760
Other operating income	147 076	101 635
Operating charges	-1 031 117	-1 006 282
Services and other goods	701 948	562 904
Remuneration, social security costs and pensions	231 401	230 968
Depreciation and other amounts written off formation expenses, intangible and tangible fixed assets	6 721	6 323
Amounts written off stocks, contracts in progress and trade debtors		124 150
Other charges	91 047	81 937
Operating profit/loss (-)	- 296 161	- 337 887
Financial income	1 161 977	66 517
Income from current assets	1 161 977	66 517
Financial charges	- 110 350	- 43 452
Debt charges	35 248	24 060
Amounts written off current assets except stocks, contracts in progress and trade debtors	71 479	- 8 683
Other financial charges	3 623	28 075
Profit/loss (-) on oridnary activities before taxes	755 466	- 314 822
Extraordinary charges	-3 060 485	-62 961 085
Amounts written off financial fixed assets	3 060 485	62 961 085
Loss on disposal of fixed assets		
Profit/loss (-) for the period before taxes	-2 305 019	-63 275 907
Income taxes	- 194	366
Income taxes	462	96
Adjustment of income taxes and write-back of tax provisions	268	462
Profit/loss (-) for the period	-2 305 213	-63 275 541
Transfer from untaxed reserves	884 551	
Profit/loss (-) for the period available for appropriation	-1 420 662	-63 275 541

APPROPRIATION ACCOUNT		
Profit/loss (-) to be appropriated	56 022 345	-7 253 196
Profit/loss (-) of the period available for appropriation	-1 420 662	-63 275 541
Profit/loss (-) brought forward	57 443 007	56 022 345
Profit/loss (-) to be carried forward	56 022 345	-7 253 196

Structure of the shareholdership of the company as at year-end, as it appears from the notifications received by the company

	Most recent notification	Number of shares	% of total (1)
A. SPECTOR COORDINATIECENTRUM NV	15/09/2008	1 075 275	2.94%
Kwatrechtsteenweg 160, B-9230 Wetteren			
B. PARTIMAGE BVCVA	28/03/2008	84 044	0.23%
Grote Steenweg Zuid 39, B-9052 Zwijnaarde			
C. ALEXANDER PHOTO SA	15/09/2008	54 526	0.15%
Boulevard Royal 11, L-2449 Luxemburg			
D. SPECTOR PHOTO GROUP NV	15/09/2008	77 271	0.21%
Kwatrechtsteenweg 160, B-9230 Wetteren			
E. CONSORTIUM VIT NV, LUTHERICK NV,			
MERCURIUS INVEST NV, MIDELCO NV,			
CECAN INVEST NV en ISARICK NV	28/01/2009	6 914 244	18.88%
p/a Doorniksewijk 49, B-8500 Kortrijk			
- VIT NV		1 708 995	4.67%
- LUTHERICK NV		2 512 566	6.86%
- MERCURIUS INVEST NV		215 703	0.59%
- CECAN INVEST NV		2 173 643	5.94%
- MIDELCO NV		212 500	0.58%
- ISARICK NV		54 765	0.15%
- PHILIPPE VLERICK		36 072	0.10%
F. KORAMIC FINANCE COMPANY N.V.	30/10/2008	3 933 775	10.74%
Ter bede Business Center,			
Kapel Ter Bede 84, B-8500 Kortrijk			
G. GROES GERARD			
Straten 15, NL-5688 NJ Oirschot	26/10/2008	1 835 000	5.01%
H. KAESTEKER ETIENNE	24/12/2012	1 950 000	5.33%
Beukenlaan 1, B-9250 Waasmunster			

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

Statement of capital

(in €)	Amounts	Number of shares
A. SOCIAL CAPITAL		
1. Issued capital		
• at the end of the previous period	64 193 916	
• at the end of the period	64 193 916	
2. Structure of the capital		
2.1 Different categories of shares		
Ordinary shares without nominal value	64 193 916	36 619 505
Registered shares		2 126 737
Shares to bearer and/or dematerialised		34 492 768
Dematerialisation of bearer securities according to the Law of 14 December 2005 abolishing bearer securities		
B. OWN SHARES HELD BY		
• the company itself	32 454	77 271
• the subsidiaries	474 516	1 129 801
C. AUTHORISED CAPITAL, NOT ISSUED	64 193 916	

Summary of the accounting rules

Basic principle
The accounting rules are determined in accordance with the provisions of chapter ii of part ii of the Belgian Royal Decree of 30 january 2001 on the implementation of the Belgian company code.

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

Special rules

I. Assets

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

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

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

For the depreciation calculations, the following rates are applied:
• plant, equipment and furniture 25%
• vehicles 20%
• machinery..25%
• it equipment 25%
Depreciation takes place using the straight-line method and/or the degressive method. The first financial year in which the assets are obtained, they are depreciated in proportion to the time they have been held.

4. Financial fixed assets
Shares are recorded at their purchase price, excluding the additional expenses that are charged to the income statement. They are measured separately each year. This measurement occurs on the basis of the net asset value of the shares in accounting terms, or the probable contractual value at disposal, or according to the criteria applicable at the purchase of the shares when the participating interest was obtained at a price that deviates from its carrying value. The investments in affiliated companies are subject to an impairment test based on the projections of the future free cash flows of the entities concerned. The underlying business plan takes into account the changing market conditions.

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

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

6. Cash and cash equivalents
These generally follow the same rules as those defined for the 'financial assets' category. Nevertheless, the board of directors will enter every write-down, regardless of whether it is permanent or not.

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

II. Liabilities

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

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

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

4. Provisions for liabilities and charges
The board of directors will each year conduct a full review of the previously recognised provisions to cover the risks and expenses to which the enterprise has been exposed.
The board of directors will consider the necessity of forming or releasing provisions, by analysing each line item of the accounts and reviewing all information that can exclude unhedged risks, such as disputes, etc.
The board will specify the appropriate valuation methods for the main risks. The provisions for risks and costs are formed or released systematically, and the formation or releasing of them cannot be made dependent on the profit or loss for the financial year.

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

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

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

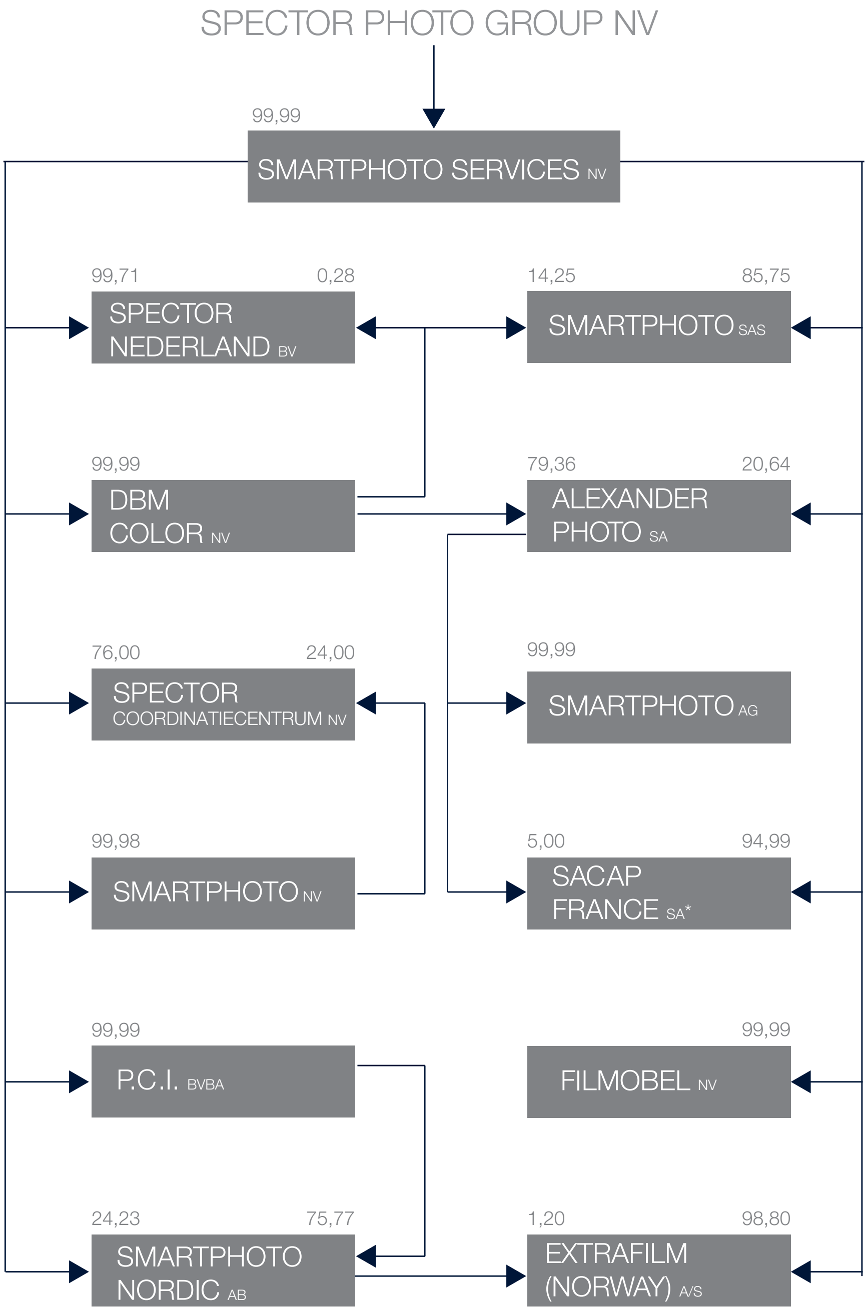
The annual report, the separate financial statements of Spector Photo Group NV and the statement of the Committee of Statutory Auditors shall be filed with the National Bank of Belgium.

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

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

Organisation chart

Fully consolidated subsidiaries



* in liquidation