

## **PRESS RELEASE – Regulated information**

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### **Change to 2010 and 2011 consolidated figures concerning the useful life of externally acquired customer relationships**

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The Board of Directors announces the change to the consolidated financial statements for the 2010 and 2011 financial years concerning the externally acquired customer relationships, in particular the definite or indefinite useful life of these intangible assets.

Under IAS 38.88, an intangible asset has an indefinite useful life if, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over it is expected to generate that these assets will generate a net cash inflow for the entity.

In the transition to IFRS, the externally acquired customer relationships recognised under intangible assets were measured using the cost model according to IAS 38.74. The net carrying amount in the opening balance as at 1 January 2004 amounted to EUR 22.5 million. These assets were amortised using the straight-line method pro rata on a monthly basis over a period of 7 years, with a residual value equal to zero.

As already explained in previous press releases, the externally acquired customer relationships have been recognised as intangible assets with indefinite useful lives with effect from 1 July 2010. Changes in market conditions due to the 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. A limited useful life with linear amortisation over 7 years therefore no longer corresponded to the real situation. In compliance with IAS 38 paragraphs 107 and 108, the externally acquired customer relationships were no longer amortised, but underwent annual impairment testing in accordance with IAS 36 to determine whether these assets had suffered impairment.

The change in the assessment of the useful life from 'finite' to 'indefinite' was accounted for in the 2010 consolidated figures as an estimation change in accordance with IAS 8.



Belgium's Financial Services and Markets Authority (FSMA), also after consulting the European Enforcers' Coordination Sessions (EECS; founded within the ESMA) in which its European counterparts are represented, has pointed out that the externally acquired customer relationships have a useful life for which the limit is predictable in the sense of IAS 38. In the context of IAS 38, after all, an 'indefinite useful life' is not envisioned in the situation in which it would be difficult to establish the precise end of the useful life, but rather in the situation in which there is no expected or foreseeable limitation in the period of the useful life. Since it is inherent in the externally acquired customer relationships that there is only a temporary flow of income generated, the useful life of this corresponds with this *limited* period. It is up to Spector Photo Group to make a best estimate of the exact useful life.

Spector Photo Group first still wants to clarify that the majority of the development of the customer database is internally generated. This expenditure is immediately recognised in costs. Moreover, an externally acquired customer relationship is equally as valuable for our company as an internally acquired customer relationship.

As was already established in 2010, a straight-line method over a period of 7 years is not an adequate representation of the reality. Due to the technological developments of internet and the resulting change in the acquisition channels and consumers patterns of behaviour, the Board of Directors believes that the best estimate is an amortisation period of one year.

This change in the amortisation method and duration will be applied retroactively to the consolidated figures for 2010 and 2011, resulting in an additional amortisation expense of EUR 8.9 million. This change will be applied retroactively in accordance with IAS 8.41, with the following items being affected:

In the consolidated figures for 2010:

- an increase in amortisation by EUR 8.2 million to EUR 13.9 million;
- a reduction in income tax by EUR 0.4 million;
- a decrease in the result from continuing operations by EUR 7.8 million to minus EUR 7.7 million; the result adjusted for non-cash expenses remains unchanged;
- a decrease of the intangible assets other than goodwill by EUR 8.2 million to EUR 2.1 million;
- a decrease in equity by EUR 7.8 million to EUR 22.7 million;
- a decrease in the deferred tax liabilities by EUR 0.4 million.

In the consolidated figures for 2011:

- an increase in amortisation by EUR 0.7 million to EUR 5.1 million, relating the pro rata temporis amortisations of the externally acquired customer relationships in 2010;
- a reduction in income tax by EUR 0.05 million;
- a decrease in the result from continuing activities by EUR 0.7 million to minus EUR 2.8 million; the result adjusted for non-cash expenses remains unchanged;
- a decrease in the intangible assets other than goodwill by EUR 8.9 million to EUR 1.3 million;
- a decrease in equity by EUR 8.5 million to EUR 24.9 million;
- a decrease in the deferred tax liabilities by EUR 0,4 million.

This also implies that the comparable figures that will be published in 2012 have to be adjusted.

The audited adjusted consolidated statements of financial position and income statements for 2010 and 2011 will be published on 25 May 2012.

This press release is an English translation of the official Dutch version.

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