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The Cast Group

You are a senior manager who works for the Cast Group ("Cast"). You report directly to the parent company's board and advise on special projects and strategic matters. You have compiled the following facts about the company.

Company history

In 1920, Frank Smith opened a shop that sold men’s clothing. The shop sold good quality clothing at a reasonable price and sales grew. In 1922 Mr Smith moved to a larger shop and started to sell women’s clothes and by 1925 the business had occupied the largest shop in town and was selling household goods.

Over the next ten years the business grew as Mr Smith opened new stores in neighbouring towns. Growth slowed during the Second World War, but the company was able to continue to trade throughout the War years.

When Frank Smith retired as chief executive in 1952 the company owned eleven department stores in the Northern region of its home country. The stores traded as “Frank Smith and Sons”. Frank Smith’s four sons took over the running of the company and started an ambitious expansion plan. Firstly, they changed the trading name of the business to Woodvale. Secondly, they started an aggressive expansion which led to the opening of a total of 65 Woodvale stores, spread across their home country.

The expansion programme implemented by Frank Smith’s sons was financed largely by the use of commercial mortgages that were used to purchase Woodvale’s shops. As a major retailer, Woodvale generated significant cash inflows and the mortgages were serviced out of trading income. All of the mortgages were paid off by 1990.

Frank Smith had incorporated the business as a company in 1920. The company has never sought a stock market quotation. The shareholdings have become increasingly widespread because of inheritance. Succeeding generations of the founder’s family have tended to leave the running of the company to professional managers. None of the present board members are members of Frank Smith’s family.

During the 1990s, the Woodvale stores were a major presence in virtually every large town’s shopping centre. The shops still sold ranges of clothing and household goods. They aimed for the mass market by selling goods that were towards the bottom end of the market in terms of pricing, but were still of reasonable quality. Sales started to decline, partly because consumer tastes were changing. Most of Woodvale’s competitors moved upmarket and sold better quality items that were more fashionable. At the same time, some newcomers started to undercut Woodvale’s prices at the bottom end of the market. Many supermarkets started to sell inexpensive clothes in their larger branches and some new retail chains started to offer admittedly low quality goods at very cheap prices.

Woodvale’s initial response to these changes in the market was to aim to hold the middle ground and to aim to retain their existing customer base. That strategy failed because younger customers were attracted by the cheaper prices on offer from the low-cost entrants to the market while older customers moves slightly upmarket to buy from Woodvale’s traditional rivals.

The retail market was also changing in another significant way. Retail parks were opening on the outskirts of town and city centres. These offered customers the convenience of easy parking and a wide range of shops. Woodvale would have found it difficult to move out to these retail parks because it owned large town centre stores. It would have been expensive to sell those and to relocate to the retail parks.

Woodvale attempted to stem the loss of business by rebranding its stores. The emphasis on clothing was reduced and new lines were added. The company started to sell computer
games and music CDs, cosmetics and other books. One strategy that it adopted was the purchase of a number of smaller retailers who had already established themselves in those markets. For example, the Smile chain had a cosmetics shop in almost every town centre, but was struggling to compete with larger competitors. Woodvale purchased all of Smile’s equity and created a Smile “shop within a shop” within existing Woodvale stores. This strategy was used to create synergies with several other declining city centre retailers.

By the year 2010, Woodvale’s sales revenues were declining rapidly. The company was still committed to town centre shops, that now faced increasing pressure from internet retailing. The directors agreed that it was becoming increasingly difficult to maintain sales revenue. Profits had declined to the point where Woodvale was barely breaking even and was expected to slip into loss within a year.

The directors called an extraordinary meeting of the shareholders to present a proposal for a radical change of strategy, as outlined below. The shareholders agreed unanimously that the present business model had to change and that the directors should be given their permission to pursue a new online retailing strategy.

The present strategy

By 2011, Woodvale had sold all of its traditional stores. The cash that was generated was used to establish an online retailer. The company changed its trading name to “Cast”. To avoid confusion, it should be noted that Cast and Woodvale are different trading names for the same company. Any subsequent references to Woodvale are to this company in the period before 2010, when the company operated as a traditional, town centre retailer. Any references to Cast are to the period after 2010, after the company was restructured as an online retailer.

Despite the decline in business during the 1990s and into the 2000s, Cast remains a significant company. It is still unquoted and it is the largest unquoted business based in its home country.

Cast operates as a single entity, with a single corporate office and a single logistics centre. It trades through six main trading names, each of which has its own website. Each website sells a different product line. Having six separate sites makes it easier for customers to browse for the items that they wish to buy. It also means that Cast can manage the separate retail brands independently in the hope of maximising consumer awareness and brand identity. It is no secret that all six trading names belong to Cast.
Cast trades as follows:

| Cast Disk | Cast Disk sells DVDs, Blu-ray disks and music downloads. Cast Disk used to trade through Woodvale shops as Happy Music. When the decision was made to move to online retailing, the directors rebranded these stores as Cast Disk.
|           | Cast Disk sells a wide range of popular entertainment media, including computer games. |
| Papercut  | Papercut sells books. |
|           | In principle, customers can purchase almost any book that is in print. The logistical arrangements that are in place to make this possible are described below. |
|           | Woodvale did not sell books, but it was a very natural product line for Cast to sell because consumers were already familiar with buying books online. |
| Childsplay| Childsplay sells toys. |
|           | Childsplay’s core business is the sale of branded toys and games. For example, one of the site’s most successful products is a range of construction toys that is sold globally. |
|           | Childsplay also carries unbranded, generic products such as balls and skipping ropes. |
|           | The Childsplay website also sells computer games, both hardware and software. |
| Smile     | Smile sells cosmetics. |
|           | Prior to 2010, as part of Woodvale, Smile specialised in inexpensive brands of cosmetics. Smile has offered a wider range of products, including higher quality and more expensive brands, since the creation of Cast. |
| Warm      | Warm sells fashion clothes. |
|           | Warm aims at the market for men and women in the age range 18-35. All of the clothes sold are branded products. |
|           | These are the only clothes sold by Cast. Cast places far less emphasis on clothing than it did when it traded as Woodvale and it aims for a far narrower niche within the clothing market. |
| Zap       | Zap sells consumer electronics. These range from computers and tablets to music players and cameras. |
|           | Customers can buy games consoles through the Zap website and so there is further overlap between this site and the Cast Disk and Childsplay websites. |
Organisation

Each of these trading names has its own website. Customers can select items for purchase by either making specific searches or by browsing online. The software uses cookies to track customers and both buying and browsing habits are recorded. If a customer places an order then the customer’s email address is used to send personalised emails. For example, if a customer browses lipsticks on the Smile website but does not place an order then the system will send an email 48 hours later reminding the customer of the products that were viewed.

Customers are encouraged to leave feedback on their purchases. Thus, anybody who is unsure about a product’s suitability can read reviews left by others who have already purchased that item. Review starts with the customer’s initial impression expressed as a mark out of five. The reviewer is then invited to expand on that score by leaving brief comments on their experiences.

Cast’s retailing model is supported by a complex logistical operation. The group’s head office is in the centre of the country and it hosts the servers from which the websites are run. There are three distribution centres, one beside the head office and one each in the North and in the South of the country. Cast holds inventories of many of its more popular lines. Orders for those goods are automatically forwarded to one of the distribution centres, provided it has the item or items in stock. Less popular items are supplied by manufacturers or by other online retailers. These companies pay Cast a commission for all orders received through Cast’s website. They must also keep their inventory records up to date so that customers can check that an item is available before placing an order. Cast forwards the customer’s payment, less commission, as soon as the supplier confirms the despatch of the goods.

Each of the websites has its own website management team. Each team is responsible for monitoring and managing sales from its site. The teams are also responsible for procurement and buying. The managers in charge of each team report directly to the marketing manager. The marketing manager also supervises Cast’s public relations officer.

Cast’s marketing director regards buying as an extension of the marketing function because sales depend on Cast buying products that will appeal to customers. Marketing managers within each website team spend a lot of their time reviewing potential new products to add to the products sold through their site.

Most of the sites sell branded products and the promotion of the products themselves is largely left to the manufacturers. Cast’s marketing effort consists largely of designing web pages. Manufacturers often provide their own marketing materials, including product photographs and descriptive text, but Cast has to adapt that material in order to permit some consistency across the site.

Even though Cast does not advertise its products, marketing is a very important aspect of the business. It is possible to promote specific products or specific manufacturers by putting them on the opening page of a site. For example, a customer logging onto the Papercut site might be shown a recently-published book that is being sold at a discount. It is also possible to influence the order in which search results are displayed. For example, a customer entering the phrase “tablet computer” will be shown a wide range of computers, but the search algorithm will tend to place items that have a larger mark-up towards the top of the page so that the potential profit is maximised. Cast’s research shows that careful management of the opening page and of the search algorithm can have a significant effect on profit. The website sales teams are evaluated on their sales revenues and contribution figures.

Each website management team includes a buying department. The buyers are responsible for maintaining good relations with suppliers and for placing orders. The buyers are also responsible for negotiating prices and terms of trade with new suppliers and for ensuring that
these are kept under review. For example, if a product is selling well then the buyers may attempt to seek a larger discount from the supplier.

The Cast Disk team is responsible for computer games, both the hardware in the form of consoles and the software in the form of disks and cartridges. Most sales of these products originate from customers who started on the Cast Disk site. Having a single team for computer games ensures consistency in presentation and also ensures that manufacturers have a designated point of contact with Cast.

The website management teams have their own staff who are expert in web page design. They ensure that the web pages are up to date and then submit the new or revised pages to the information technology department for upload to the site itself.

The information technology (IT) department is responsible for the availability and security of the company websites. A single server supports the sites and provides all of the associated services, such as processing of customer credit and debit card payments.

The IT department also manages a recovery site that operates at a remote location. The recovery site maintains a full backup of all of the main site’s files. It also has the hardware and software required to act as the primary site in the event that Cast’s main server is forced to go offline for any reason.

The distribution department is responsible for the operation of the distribution centres. The logistical arrangements are complicated.

Customer orders are analysed by a computer programme that determines the most efficient way of fulfilling the order. If Cast holds the goods in one or more of its distribution centres then it will forward the details to whichever centre can fulfil the order. It may choose between centres on the basis that orders for multiple items should be directed to the centre that has everything in stock so that only one package needs to be prepared and despatched. The software can also take account of the activity levels in different centres. If two or more centres could fulfil the order then the instructions will go to the centre that is least busy at the time.

If Cast does not have the goods in stock then it forwards the order to the third party who is responsible for that line.

The work undertaken within Cast’s distribution centres combines both high technology with unskilled manual labour. Inventory is retrieved from storage areas using electrically-powered vehicles that are directed by messages transmitted by the inventory system. Screens on the vehicles instruct human operators to load specific items from each location and they scan barcodes on the packaging to confirm that the correct item that has been collected. Retrieved items are then delivered to the packing area where staff package goods in accordance with picking lists printed out by the inventory system and attach customer address labels, also printed automatically, to each package. Goods are packaged in cardboard boxes that have been designed to be sealed quickly once the goods have been placed inside. Staff are trained to select the most suitable box and to pack the goods securely.

Labelled packages are placed on a conveyor belt. Sensors read the barcodes on each package and direct it to the appropriate loading area. Customers can pay extra for an express courier delivery. Items that are not delivered by express courier are allocated either to a different courier if the package is bulky or to the postal service if it is small enough to be delivered by post. The distribution centres despatch so many packages that the courier companies and the postal service have their own loading bays that are staffed by their own employees.
Industry analysis

Online retailing has grown rapidly over the past ten years, to the extent that it is the third most shopped channel in the US, after supermarkets and mass merchandisers, which are essentially discount retailers that aim to sell large quantities of goods quickly using techniques such as discounting, self-service and so on.

The rate of growth is slowing as the market reaches maturity, but it continues to grow. The following chart shows inflation adjusted sales in Cast’s home market for the four years from 2010 to 2013:

![Graph showing inflation adjusted sales from 2010 to 2013]

Volume reflects the number of online sales while value expresses sales in monetary terms, index linked to exclude the effects of inflation. The average value of each sale made has increased because of growing consumer confidence in this medium, which has spurred retailers to offer “big ticket” items alongside traditional online goods such as books and music.

A much wider range of products is now sold online, with fashion, health, beauty and groceries all growing strongly. Once shoppers buy a product from a given category online they tend to become comfortable with such purchases and tend to buy further products.

Customers are attracted by the convenience of having bulky items delivered directly to their homes and, in many cases, lower prices than would be charged by traditional shops.

The move to online retail has had an impact on traditional retail models. Half of online shoppers purchase electronic goods online. Large electronics retailers are shedding capacity in their shops and moving towards their own internet stores in response to this shift.

Shoppers have adapted to internet-based shopping in other ways. Purchasing decisions are often informed by online research, with consumers reading reviews and comparing specifications in order to choose between competing products. Social media sites often influence buying decisions with opinions expressed by other shoppers being regarded as more reliable than advice offered by retail assistants.

The technology associated with online retailing has been developing too. There is a growing tendency towards the use of smartphones and tablets to make purchases. Many retailers have created apps that can be downloaded and used to place orders. The fact that these are portable can also mean that consumers will browse reviews and other information even while shopping in stores.

Smartphone apps open up the online market to consumers who were not previously regular internet users.

The online retailing model has become very important, but it has by no means reached saturation point. There is still considerable scope for expansion in the battle for sales with the traditional retailers.
### Risk factors

*Cast is not a quoted company and is not required to publish details concerning risk management. However, the following report has been obtained from the annual report of a quoted company in the same industry.*

<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Competition</strong></td>
<td>Our businesses face a great deal of competition. Many of our competitors are large and powerful and are long-established. They may be able to use their buying power to secure better terms from suppliers and to undercut our selling prices.</td>
</tr>
<tr>
<td><strong>Fluctuating operating results and growth rates</strong></td>
<td>Many of the products that we sell are discretionary purchases for which demand declines in line with tightening of the economy. That can make it difficult to forecast sales because we are forced to predict both changes in the economy and also the elasticity of sales demand in response to such changes. It may prove impossible for us to sustain historical rates of growth.</td>
</tr>
</tbody>
</table>
| **Inefficiency in our distribution centres** | Any failure to operate our distribution centres efficiently may impact our profitability:  
  - Any failure to meet customer expectations could lead to a loss of repeat sales.  
  - Mismanagement of inventory could lead to obsolescence and overstocking.  
  - Additional delivery costs could be incurred because we fail to combine part-orders. |
| **Seasonal factors** | Demand is always far higher in our fourth quarter. That forces us to hold larger quantities of inventory during the period leading up to our peak demand. That increases the risks associated with overstocking and obsolescence. Failure to meet peak demand involve the opportunity costs associated with lost sales and also the reputational cost of failing to meet customer expectations. |
| **Supplier relationships** | We enjoy competitive advantage because we have good working relationships with key suppliers who are prepared to give us preferential terms on the sale of new products. We are often given the opportunity to comment upon new products under development and to order significant quantities during the period leading up to launch. Maintaining these relationships can be complicated because we must invest a great deal of time and effort and must also be prepared to make significant purchases of unproven products. |
| **IT security** | Our sales are online and so our customers must be confident that we can maintain and protect their personal information. We would also face significant losses in the event that failures in either hardware or software were to disrupt our ability to process sales. Our IT systems are under constant threat from external threats such as hacking and denial of service and are also exposed to physical threats such as fire and flood. |
| **Product liability** | We sell a wide range of products, many of which could injure a customer, damage property or be implicated in an incident affecting a third party. |
| **Payment-related risks** | We accept payments made by debit cards, credit cards and bank transfers. New forms of payment terms are being developed and we must be willing and able to process those in order to remain competitive. This leaves us exposed to fraudulent abuse of cardholders’ details by third parties. We could record sales and despatch products in good faith and then be required to reimburse the customer without being able to recover the goods. We also face the risks of failure by card issuers and other financial institutions, who may be unable to settle the receivables due to us. |
Cast mission statement

Our vision is to be the most customer-focussed company in our home market. We aim to offer a virtual location that offers consumers the products that they wish to buy at prices they are willing to pay.

Cast strategy

Cast's most immediate strategic priority is to build sales volume. The company aims to dominate the markets that it serves. That is partly to make the best possible use on any economies of scale that it might exploit and also to deter competitors from entering the market segments that the company has chosen to serve.

Cast cannot afford to lose ground because switching costs for consumers are low. It is difficult to differentiate an online retailer on the basis of quality because most sales are of branded goods that are generally available from a range of competing outlets. It is equally difficult to differentiate on the basis of service because most online retailers aim to offer fast and reliable delivery.

Larger retailers can generally negotiate discounts from suppliers and can absorb the costs of the logistical infrastructure more easily. Smaller competitors will, therefore, struggle to gain market share in the face of lower selling prices.

Cast's directors have prepared the following outline SWOT analysis:

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Diversified product range</td>
<td>• Dependence on suppliers</td>
</tr>
<tr>
<td>• Strong customer focus</td>
<td>• Unquoted status limits undermines credibility when dealing with suppliers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Growth prospects for e-commerce</td>
<td>• Suppliers may develop their own online sales channels</td>
</tr>
<tr>
<td>• Potential to add further product lines</td>
<td>• Foreign competitors may enter the home market</td>
</tr>
</tbody>
</table>

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Cast Directors Biographies

1. Judith Anderson
Group Chief executive
Judith joined Cast on 1 December 2014. She started her career as a journalist with a national newspaper. She was promoted to deputy editor before leaving to take charge of the public relations department of a television production company. She had several roles with that company before joining its board as sales director.

2. Arthur Brown
Non-executive chairman
Arthur joined the board of Cast on 4 August 2010 and was appointed chairman on 1 April 2011. He has held a variety of roles in the banking industry. He is also the trustee of a charity.

(note: Cast is an unquoted company and, as such, is not required to have non-executive directors. The shareholders have agreed that Arthur should remain the only non-executive for the time being.)

3. Brenda Carroll
Retail Services
Brenda was appointed to the board on 12 November 2009.
Previously she had held a variety of senior management positions with several retailers, including a national retail chain.
Brenda is a non-executive director with Cablevision, a quoted internet service provider.

4. Charles Denning
Marketing
Charles has worked for Cast since 1997. He was appointed to Cast’s Board on 23 February 2006. Previously, he had worked for Cast as a senior sales manager.
Charles has also worked for the marketing departments of two other major retailers.

5. Dana Elliot
Chief Financial Officer
Dana started her career as a trainee accountant in a government department. She has since held a number of posts with organisations including a manufacturing company and a distributor. She was appointed to Cast’s board on 1 January 2013.
Dana is a non-executive director of an opera company.

6. Earnest Fletcher
Human Resources
Earnest was appointed to Cast’s board on 1 July 2009.
He has held a number of management positions in human resources, working in three different countries in the course of his career.
The internal audit department comprises eight members of professional staff and two administrators. Five of the professional staff are qualified accountants and the other three are training for professional exams. One of the five qualified accountants is an experienced IT auditor, although she is also available for non-IT related assignments.

The head of internal audit reports to the non-executive chairman for administrative purposes.

The internal audit department focuses on compliance matters, with particular emphasis on the application of control processes and procedures in the area of accounting and administration.

The department prepares an annual work programme, which is reviewed by the non-executive chairman and the group chief executive. The work programme focuses on areas identified as either high-risk or of significant importance to the business operations.

Audit investigations are conducted in accordance with relevant professional standards. The audit programmes and the results of all investigations are documented in sufficient detail for review by the head of internal audit. Copies of all internal audit reports are made available to the board and any major findings are discussed by the board.
Cast

The following information has been extracted from Cast’s financial statements for the year ended 31 March 2015

**Accounting policies (extract only)**

**Vendor Agreements**

Some of our vendors provide us with cash payments as rebates and reimbursements for cooperative marketing arrangements. We generally account for these as a reduction of the cost prices for our purchases and so we offset these receipts against the cost of purchased inventory.

Vendor rebates are typically awarded in response to us reaching minimum purchase thresholds. We evaluate the likelihood of reaching purchase thresholds using past experience and current year forecasts. When volume rebates can be reasonably estimated, we record a portion of the rebate as we make progress towards the purchase threshold. The amounts that we accrue in this way are shown under trade receivables until such time as the payment is received or the balance is written off.

When we receive direct reimbursements for costs incurred by us in advertising a vendor’s products we offset the amounts received against “Distribution” in our consolidated statement of profit or loss.

**Segmental reporting**

The group’s operating segmental format is by line of business, based on the company’s management and internal reporting structure.

**Goodwill**

Goodwill arising from the acquisition of subsidiaries is shown under intangible non-current assets.

We evaluate goodwill annually for impairment.

**Software**

Software costs that meet the recognition criteria set out in IAS 38 *Intangible assets* are capitalised as intangible non-current assets. These costs are amortised over the shorter of their estimated useful lives and the life of the licence agreement.
### Cast Group

**Consolidated Statement of Profit or Loss**
for the year ended 31 March 2015

<table>
<thead>
<tr>
<th>Notes</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Revenue</td>
<td>2,985</td>
<td>2,687</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(2,090)</td>
<td>(1,777)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>895</td>
<td>910</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>(197)</td>
<td>(192)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(174)</td>
<td>(171)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>[1,2] 524</td>
<td>547</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>523</td>
<td>546</td>
</tr>
<tr>
<td>Taxation</td>
<td>[4] (128)</td>
<td>(126)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>395</td>
<td>420</td>
</tr>
</tbody>
</table>

### Cast Group

**Consolidated Statement of Changes in Equity**
for the year ended 31 March 2015

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Share premium</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Opening balance</td>
<td>15</td>
<td>18</td>
<td>634</td>
</tr>
<tr>
<td>Profit for year</td>
<td>-</td>
<td>-</td>
<td>395</td>
</tr>
<tr>
<td>Dividend</td>
<td>-</td>
<td>-</td>
<td>(350)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>15</td>
<td>18</td>
<td>679</td>
</tr>
</tbody>
</table>
### Cast Group

**Consolidated Statement of Financial Position**

**as at 31 March 2015**

<table>
<thead>
<tr>
<th>Notes</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
</tbody>
</table>

#### ASSETS

**Non-current assets**

- **Intangible**
  - [5] 90 86
- **Property, plant and equipment**
  - [6] 387 349

**Current assets**

- **Inventories** 297 256
- **Trade receivables** 117 105
- **Cash and short term deposits** 243 238

**Total Assets**

1,134 1,034

#### EQUITY

- **Share capital** 15 15
- **Share premium** 18 18
- **Retained earnings** 679 634

**Total Equity**

712 667

#### LIABILITIES

**Non-current liabilities**

- **Deferred tax** 8 6
- **Debenture loans** 100 100

**Current liabilities**

- **Trade payables** 190 138
- **Current tax** 124 123

**Total Liabilities**

314 261

**Total Equity + Liabilities**

1,134 1,034
### Cast Group

**Consolidated Statement of Cash flows**

*For the year ended 31 March 2015*

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from customers</td>
<td>2,973</td>
<td>2,498</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(2,347)</td>
<td>(2,053)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>626</td>
<td>445</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(125)</td>
<td>(123)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>501</td>
<td>322</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(112)</td>
<td>(28)</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>Purchase of non-current intangibles</td>
<td>(35)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(145)</td>
<td>(16)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(350)</td>
<td>(325)</td>
</tr>
<tr>
<td>Net cash from financing activities</td>
<td>(351)</td>
<td>(326)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td>5</td>
<td>(20)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>238</td>
<td>258</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>243</td>
<td>238</td>
</tr>
</tbody>
</table>
Note 1 - Segmental analysis

The Cast Group is not subject to the requirements of IFRS 8 *Operating Segments*, but the directors have provided the following analyses to assist the shareholders.

### Revenue

<table>
<thead>
<tr>
<th>Segment</th>
<th>Film and music</th>
<th>Toys</th>
<th>Cosmetics</th>
<th>Books</th>
<th>Clothing</th>
<th>Electronics</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>776</td>
<td>507</td>
<td>328</td>
<td>448</td>
<td>328</td>
<td>598</td>
<td>2,985</td>
<td></td>
</tr>
</tbody>
</table>

### Operating profit

<table>
<thead>
<tr>
<th>Segment</th>
<th>Film and music</th>
<th>Toys</th>
<th>Cosmetics</th>
<th>Books</th>
<th>Clothing</th>
<th>Electronics</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>173</td>
<td>58</td>
<td>94</td>
<td>52</td>
<td>47</td>
<td>100</td>
<td>524</td>
<td></td>
</tr>
</tbody>
</table>

Note 2 - Operating profit

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 March 2015</th>
<th>Year ended 31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Operating profit is stated after charging:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Depreciation of property, plant and equipment</td>
<td>63</td>
<td>54</td>
</tr>
<tr>
<td>• Loss on disposal of property, plant and equipment</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>• Amortisation of intangible non-current assets</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>• Impairment of intangible non-current assets</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>• Cost of inventory recognised as an expense</td>
<td>1,489</td>
<td>1,248</td>
</tr>
<tr>
<td>• Operating leases</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>• External auditor’s remuneration</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>
### Note 3 – Staff costs including directors’ remuneration

<table>
<thead>
<tr>
<th>By activity</th>
<th>Year ended 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 2015</td>
<td>March 2014</td>
<td></td>
</tr>
<tr>
<td>Number of employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td>311</td>
<td>349</td>
<td></td>
</tr>
<tr>
<td>Information technology</td>
<td>113</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>Administration</td>
<td>82</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>506</strong></td>
<td><strong>545</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### Employee costs, including directors’ remuneration:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 2015</td>
<td>March 2014</td>
<td></td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>9</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Pension costs</td>
<td>4</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td><strong>14</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### Aggregate compensation paid to board members, including pension costs:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 2015</td>
<td>March 2014</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>

### Note 4 – Tax expense

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 2015</td>
<td>March 2014</td>
<td></td>
</tr>
<tr>
<td>Tax on current year’s profit</td>
<td>124</td>
<td>123</td>
<td></td>
</tr>
<tr>
<td>Adjustment in respect of prior year</td>
<td>2</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>126</strong></td>
<td><strong>127</strong></td>
<td></td>
</tr>
<tr>
<td>Increase/(decrease) in deferred tax</td>
<td>2</td>
<td>(1)</td>
<td></td>
</tr>
<tr>
<td>Tax on profit</td>
<td><strong>128</strong></td>
<td><strong>126</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Note 5 – Intangible non-current assets

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Software</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost at 1 April 2014</strong></td>
<td>70</td>
<td>40</td>
<td>110</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>-</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td><strong>Impairment</strong></td>
<td>-</td>
<td>(10)</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Cost at 31 March 2015</strong></td>
<td>70</td>
<td>65</td>
<td>135</td>
</tr>
<tr>
<td><strong>Accumulated amortisation at 1 April 2014</strong></td>
<td>-</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td><strong>Charge for year</strong></td>
<td>-</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td><strong>Impairment</strong></td>
<td>-</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Accumulated amortisation at 31 March 2015</strong></td>
<td>-</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td><strong>Net book value at 31 March 2015</strong></td>
<td>70</td>
<td>20</td>
<td>90</td>
</tr>
<tr>
<td><strong>Net book value at 1 April 2014</strong></td>
<td>70</td>
<td>16</td>
<td>86</td>
</tr>
</tbody>
</table>

### Note 6 - Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>Property</th>
<th>Plant and equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost at 1 April 2014</strong></td>
<td>120</td>
<td>271</td>
<td>391</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>11</td>
<td>101</td>
<td>112</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>-</td>
<td>(14)</td>
<td>(14)</td>
</tr>
<tr>
<td><strong>Cost at 31 March 2015</strong></td>
<td>131</td>
<td>358</td>
<td>489</td>
</tr>
<tr>
<td><strong>Accumulated depreciation at 1 April 2014</strong></td>
<td>18</td>
<td>24</td>
<td>42</td>
</tr>
<tr>
<td><strong>Charge for year</strong></td>
<td>3</td>
<td>60</td>
<td>63</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>-</td>
<td>(3)</td>
<td>(3)</td>
</tr>
<tr>
<td><strong>Accumulated depreciation at 31 March 2015</strong></td>
<td>21</td>
<td>81</td>
<td>102</td>
</tr>
<tr>
<td><strong>Net book value at 31 March 2015</strong></td>
<td>110</td>
<td>277</td>
<td>387</td>
</tr>
<tr>
<td><strong>Net book value at 1 April 2014</strong></td>
<td>102</td>
<td>247</td>
<td>349</td>
</tr>
</tbody>
</table>
# Cast

## Corporate Social Responsibility Report
(for year ended 31 March 2015)

### Our values

Our approach to corporate social responsibility stems from two main values:

- Our customers come first and we strive to delight them with our service
- We treat everyone in the same manner as we would wish to be treated ourselves – every stakeholder’s interests matters to us.

Those values are amplified in the following commitments:

1. We buy and sell our products responsibly
2. We care for the environment
3. We offer local communities our active support
4. We offer our employees good jobs and genuine career prospects.

Cast sets specific targets for each of those commitments and measures performance. Managers at all levels are evaluated on their contribution to the achievement of those targets.

Corporate social responsibility is an important element of our overall strategic planning for Cast’s development.

### Responsible buying and selling

We recognise that our customers want to buy products that have been sourced from suppliers who behave ethically and who respect the environment. Cast takes care to ensure that everybody in the supply chain is treated honestly and fairly and that care is taken to minimise the impact of manufacture and distribution on the environment.

Cast works in partnership with suppliers to ensure that every product sold is sourced responsibly. We have an ethical trade manager, who reports directly to the board of directors, whose responsibility is to ensure that Cast’s standards are adhered to by each and every one of its suppliers.

Cast has had some success in persuading suppliers to modify their products or their packaging so that their environmental impact is reduced.

In 2012 Cast committed itself to reducing the carbon emissions of the products in its supply chain by 20% by 2020. The company is well on its way to achieving this target.

Cast actively avoids trading with companies that have exploitative employment practices. Every supplier must demonstrate its commitment to treating staff fairly and to ensure that all staff have a safe and pleasant working environment. Suppliers must document their acceptance of Cast’s values and must provide verifiable evidence that they do not employ child labour and that health and safety practices are of a high standard.

Cast develops long-term relationships with key suppliers, which makes it easier to ensure that the supply chain operates in a clear and transparent manner with respect to these issues.
Caring for the environment

Our online retail model is inherently less harmful than traditional retail. Our distribution model avoids the transportation of bulk goods from a central warehouse to retail outlets. Customers place their orders from home instead of travelling to a store or a shopping centre. Goods are transported directly to customers using a mixture of courier and postal services.

Cast is constantly striving to minimise its impact on the environment. Our distribution centres are modern and efficient facilities that are designed to minimise energy use. The buildings are heavily insulated and use solar panels to provide a large proportion of the energy used for heat and light. Two of our centres have wind turbines that make them totally self-sufficient with respect to electricity.

We have developed a range of packaging that minimises waste, while ensuring that customers receive a safe and reliable delivery. Our cardboard contains a high proportion of recycled wood pulp. Our packaging is designed to be opened easily and to be easily recycled by customers.

Customer orders are distributed using a combination of courier and postal services. These services are provided by companies who operate modern and fuel-efficient fleets of vehicles. We take care to ensure that collections are scheduled in the most efficient manner possible so that vehicle capacity is not wasted and so fuel is saved.

We have introduced a number of further initiatives to protect the environment. For example, we have a scheme whereby customers can use a free postage service to return used ink and toner cartridges for recycling.

Our staff are encouraged to assist in identifying ways to avoid waste. There is a “green champion” in every work team and we offer rewards and incentives to staff who make cost-effective suggestions for improved energy efficiency.

Supporting local communities

Cast aims to be a good neighbour to local communities. Our distribution centres are major local employers in their locations and our behaviour has a significant impact on the lives of local residents. We actively encourage our staff to become involved in local charities through a variety of initiatives, such as matching donations, granting special leave and funding projects.

During the year ended 31 March 2015, these activities include:

- Staff at the Capital City distribution centre raised $10,000 for a local children’s charity by completing a sponsored bicycle ride. Cast contributed an additional $2 for every $1 raised from sponsorship, so a total of $30,000 was raised.
- Members of staff from the North distribution centre operate a crèche at a local hospital, making it easier for patients who have small children to attend outpatients clinics. Cast grants each participating employee an additional day of annual leave for every two days spent working at the hospital.
- The South distribution centre has a large recreation centre, including playing fields. This centre is made available to local schools for two days per week.

Cast has a number of further initiatives in place to assist the local community. There are regular meetings and focus groups for local residents. For example, residents living beside the North distribution centre were being disturbed by security lights along the centre’s perimeter. Those lights were relocated so that residents were not being troubled.

Cast contributes to the wider community. For example, the company does not aggressively pursue tax avoidance schemes that would artificially reduce the effective tax rate being paid.
Creating good jobs and careers

We make the following commitment to our employees:

- You will be treated with respect
- You will have an opportunity to develop
- Your manager will be supportive
- Your working environment will be safe and pleasant

To that end, we work closely with employees to ensure that there is a sense of mutual respect and understanding. We hold regular focus groups for staff to give employees the opportunity to give us feedback. We have an employee website to keep staff informed of all major developments. We send all staff a weekly newsletter by email.

We set wage rates in excess of the national minimum and we benchmark against the rates offered for comparable jobs. We aim to pay a realistic rate to each of our staff.

We are willing to consider requests for flexible working patterns to accommodate the needs of single parents and others whose personal responsibilities. We have more than 500 full-time equivalent staff, but a number of those posts are filled by two people who job share.

We provide our staff with other benefits, including a generous defined contribution pension scheme, a staff discount on all purchases.

Cast has a comprehensive training programme, including formal training for staff who are promoted to supervisory positions and into managerial roles. Staff are also free to undertake part-time study in their own time and the company will pay for their courses provided they are relevant to their roles.

Cast provides itself on being an equal employer. The workforce is racially diverse and there is a healthy gender balance at all levels within the company.

Health and safety is of paramount importance.

- Every new process is subject to a formal risk evaluation. All staff receive appropriate safety training on their induction and there is a compulsory training programme to ensure that knowledge remains up to date.
- Cast works closely with government agencies to ensure that our health and safety standards exceed all relevant requirements.
- All workplace accidents are investigated and the results of that investigation are documented and discussed by senior management.

Cast has a health and safety department which carries out regular inspections of every area of operations on a rotational basis.
Cast Group appoints new chief executive

The Cast Group is pleased to announce that Ms Judith Anderson will join the company as its chief executive with immediate effect.

Ms Anderson joins the company at an interesting stage in its development. The move to online retailing has been completed successfully and the appointment of a new chief executive will assist the board in its deliberations concerning future strategies.

Ms Anderson has had a long and varied career. She has worked in a variety of industries, including newspapers and entertainment. She has previously served on the boards of two quoted companies. Firstly as the finance director of a footwear manufacturer and latterly as the chief executive of a telecommunications company.

The board believes that Ms Anderson's acceptance of this role indicates that the Cast Group has an exciting future.

Note to editors

This information is cleared for immediate publication.

Please address any queries to the Cast Group press office.
Yesterday’s announcement that Cast Group has appointed Judith Anderson as its CEO comes at an interesting point in the company’s development.

The Cast Group is, by far, the country’s largest unquoted company. It has been sitting on a large and, so far, unproductive cash mountain since it sold its massive property portfolio and embraced the altogether more profitable online retailing model.

The company has made no attempt to signal its intentions for the future. The only thing that we can be sure of is that major change is inevitable. It is highly unlikely that Judith Anderson would have stood down from the board of one of the country’s leading telecoms providers to take charge of a sleeping giant such as Cast unless the directors had promised her some fresh challenges.

Unconfirmed rumours suggest that one of the new CEO’s first challenges will be to heal internal disagreements within Cast’s board. There have been suggestions that a fresh appointment from outside was considered necessary because the existing board could not reach a consensus on the direction that Cast should take.
Competitor analysis

It is difficult to identify Cast’s competitors because no other company sells exactly the same range of products in Cast’s home market. Furthermore, Cast competes with many different types of retailer in virtually all of its markets. For example, DVDs are sold by other online retailers, by specialist video shops and by supermarkets. Each of those channels presents a slightly different threat to Cast’s revenues. For example, other online retailers can compete in a visible and transparent manner on price and may also attempt to compete in terms of the quality of service. Shops can offer personal service and advice from shop staff. Supermarkets often aim to offer a very narrow range of titles but to discount them heavily, so that they can match or even undercut Cast’s prices on popular items.

Cast’s board tend to benchmark themselves against Greatline and Fashionstore.

Greatline is an online retailer that offers a wide range of products, including books, DVDs and electronic goods, through a single website. Greatline operates in a number of different countries, including Cast’s home country.

Greatline’s website handles literally millions of different products. It can be searched and browsed and it also gathers data on individual consumers’ searches and their purchase history.

Fashionstore also operates internationally, but focuses on the sale of fashionable clothes. Fashionstore sells more than 70,000 products through its sites. Some carry the Fashionstore brand, but most are from established clothing labels.

Fashionstore attracts younger and more fashion-conscious customers by refreshing its product ranges frequently. Roughly 2,000 new styles are added to the site every week, with a similar number being withdrawn as sales decline or products are sold out.

Both Greatline and Fashionstore are quoted on the stock exchange in Cast’s home country. Their share prices are followed closely, if only because they reflect consumer confidence in the wider economy.
The following statistics have been obtained:

<table>
<thead>
<tr>
<th></th>
<th>Greatline</th>
<th>Fashionstore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current share price ($)</td>
<td>3.12</td>
<td>15.07</td>
</tr>
<tr>
<td>Market capitalisation ($)</td>
<td>142,870m</td>
<td>3,876m</td>
</tr>
<tr>
<td>Price/earnings ratio</td>
<td>4.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Beta</td>
<td>0.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Number of employees</td>
<td>14,000</td>
<td>1,462</td>
</tr>
</tbody>
</table>
Greatline Group

Consolidated Statement of Profit or Loss
for the year ended 31 March 2015

<table>
<thead>
<tr>
<th>Notes</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$61,200</td>
<td>$55,080</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>$(46,400)</td>
<td>$(41,720)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>$14,800</td>
<td>$13,360</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>$(2,600)</td>
<td>$(2,430)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>$(920)</td>
<td>$(832)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>$11,280</td>
<td>$10,098</td>
</tr>
<tr>
<td>Finance costs</td>
<td>$(40)</td>
<td>$(38)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>$11,240</td>
<td>$10,060</td>
</tr>
<tr>
<td>Taxation</td>
<td>$(440)</td>
<td>$(412)</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td><strong>$10,800</strong></td>
<td><strong>$9,648</strong></td>
</tr>
</tbody>
</table>

Greatline Group

Consolidated Statement of Changes in Equity
for the year ended 31 March 2015

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Share premium</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Opening balance</td>
<td>2,000</td>
<td>1,000</td>
<td>4,227</td>
</tr>
<tr>
<td>Profit for year</td>
<td>-</td>
<td>-</td>
<td>10,800</td>
</tr>
<tr>
<td>Dividend</td>
<td>-</td>
<td>-</td>
<td>(10,506)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>2,000</td>
<td>1,000</td>
<td>4,521</td>
</tr>
</tbody>
</table>
Greatline Group  
Consolidated Statement of Cash flows  
For the year ended 31 March 2015  

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from customers</td>
<td>61,237</td>
<td>55,087</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(49,374)</td>
<td>(42,461)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>11,863</td>
<td>12,626</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(418)</td>
<td>(414)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>11,445</td>
<td>12,212</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(2,261)</td>
<td>(1,970)</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>1,175</td>
<td>867</td>
</tr>
<tr>
<td>Purchase of non-current intangibles</td>
<td>(8)</td>
<td>(7)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(1,094)</td>
<td>(1,110)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td>(40)</td>
<td>(38)</td>
</tr>
<tr>
<td>Dividend paid</td>
<td>(10,506)</td>
<td>(11,057)</td>
</tr>
<tr>
<td>Proceeds from issuing debentures</td>
<td>200</td>
<td>-</td>
</tr>
<tr>
<td>Net cash from financing activities</td>
<td>(10,346)</td>
<td>(11,095)</td>
</tr>
</tbody>
</table>

Net increase/(decrease) in cash and cash equivalents  
5  7

Cash and cash equivalents at beginning of period  
36  29

**Cash and cash equivalents at end of period**  
41  36
Greatline Group
Consolidated Statement of Financial Position
as at 31 March 2015

<table>
<thead>
<tr>
<th>Notes</th>
<th>2014</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible</td>
<td>[5]</td>
<td>190</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>[6]</td>
<td>7,978</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td>5,814</td>
</tr>
<tr>
<td>Trade receivables</td>
<td></td>
<td>2,417</td>
</tr>
<tr>
<td>Cash and short term deposits</td>
<td></td>
<td>41</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>16,440</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td></td>
<td>2,000</td>
</tr>
<tr>
<td>Share premium</td>
<td></td>
<td>1,000</td>
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<tr>
<td>Retained earnings</td>
<td></td>
<td>4,521</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY + LIABILITIES</strong></td>
<td></td>
<td>16,440</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax</td>
<td></td>
<td>19</td>
</tr>
<tr>
<td>Debenture loans</td>
<td></td>
<td>4,500</td>
</tr>
<tr>
<td><strong>Total Non-current Liabilities</strong></td>
<td></td>
<td>4,519</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td></td>
<td>3,970</td>
</tr>
<tr>
<td>Current tax</td>
<td></td>
<td>430</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY + LIABILITIES</strong></td>
<td></td>
<td>16,440</td>
</tr>
</tbody>
</table>
**Note 1 - Segmental analysis**

### Geographical

**Revenue**

<table>
<thead>
<tr>
<th></th>
<th>America</th>
<th>Europe</th>
<th>Asia</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>24,600</td>
<td>18,200</td>
<td>18,400</td>
<td>61,200</td>
</tr>
</tbody>
</table>

**Operating profit**

<table>
<thead>
<tr>
<th></th>
<th>America</th>
<th>Europe</th>
<th>Asia</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>4,200</td>
<td>3,620</td>
<td>3,460</td>
<td>11,280</td>
</tr>
</tbody>
</table>

### Line of business

**Revenue**

<table>
<thead>
<tr>
<th></th>
<th>Media</th>
<th>Electronics</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>33,800</td>
<td>21,700</td>
<td>5,700</td>
<td>61,200</td>
</tr>
</tbody>
</table>

**Operating profit**

<table>
<thead>
<tr>
<th></th>
<th>Media</th>
<th>Electronics</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>5,760</td>
<td>4,490</td>
<td>1,030</td>
<td>11,280</td>
</tr>
</tbody>
</table>

**Note 2 - Operating profit**

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 March 2015</th>
<th>Year ended 31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Operating profit is stated after charging:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Depreciation of property, plant and equipment</td>
<td>645</td>
<td>621</td>
</tr>
<tr>
<td>• Loss on disposal of property, plant and equipment</td>
<td>47</td>
<td>38</td>
</tr>
<tr>
<td>• Amortisation of intangible non-current assets</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>• Cost of inventory recognised as an expense</td>
<td>28,768</td>
<td>26,768</td>
</tr>
<tr>
<td>• Operating leases</td>
<td>86</td>
<td>79</td>
</tr>
<tr>
<td>• External auditor’s remuneration</td>
<td>22</td>
<td>21</td>
</tr>
</tbody>
</table>
Note 3 – Staff costs including directors’ remuneration

By activity:

- Customer order fulfilment
  - Year ended 31 March 2015: 10,500 employees
  - Year ended 31 March 2014: 10,220 employees
- Information technology
  - Year ended 31 March 2015: 2,500 employees
  - Year ended 31 March 2014: 2,500 employees
- Administrative and managerial staff
  - Year ended 31 March 2015: 1,000 employees
  - Year ended 31 March 2014: 980 employees

Total employees:
- Year ended 31 March 2015: 14,000 employees
- Year ended 31 March 2014: 13,700 employees

Employee costs, including directors’ remuneration:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 March 2015</th>
<th>Year ended 31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>390</td>
<td>363</td>
</tr>
<tr>
<td>Pension costs</td>
<td>40</td>
<td>36</td>
</tr>
<tr>
<td>Total</td>
<td>430</td>
<td>399</td>
</tr>
</tbody>
</table>

Aggregate compensation paid to board members, including pension costs:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 March 2015</th>
<th>Year ended 31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>39</td>
</tr>
</tbody>
</table>

Note 4 – Tax expense

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 March 2015</th>
<th>Year ended 31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Tax on current year’s profit</td>
<td>435</td>
<td>407</td>
</tr>
<tr>
<td>Adjustment in respect of prior year</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>438</td>
<td>408</td>
</tr>
<tr>
<td>Increase/(decrease) in deferred tax</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Tax on profit</td>
<td>440</td>
<td>412</td>
</tr>
</tbody>
</table>
### Note 5 – Intangible non-current assets

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Software</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td></td>
</tr>
<tr>
<td>Cost at 1 April 2014</td>
<td>165</td>
<td>32</td>
<td>197</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Cost at 31 March 2015</td>
<td>165</td>
<td>40</td>
<td>205</td>
</tr>
<tr>
<td>Accumulated amortisation at 1 April 2014</td>
<td>-</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Charge for year</td>
<td>-</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Accumulated amortisation at 31 March 2015</td>
<td>-</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Net book value at 31 March 2015</td>
<td>165</td>
<td>25</td>
<td>190</td>
</tr>
<tr>
<td>Net book value at 1 April 2014</td>
<td>165</td>
<td>21</td>
<td>186</td>
</tr>
</tbody>
</table>

### Note 6 - Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>Property</th>
<th>Plant and equipment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td></td>
</tr>
<tr>
<td>Cost at 1 April 2014</td>
<td>2,800</td>
<td>6,753</td>
<td>9,553</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>2,261</td>
<td>2,261</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(1,349)</td>
<td>(1,349)</td>
</tr>
<tr>
<td>Cost at 31 March 2015</td>
<td>2,800</td>
<td>7,665</td>
<td>10,465</td>
</tr>
<tr>
<td>Accumulated depreciation at 1 April 2014</td>
<td>768</td>
<td>1,201</td>
<td>1,969</td>
</tr>
<tr>
<td>Charge for year</td>
<td>56</td>
<td>589</td>
<td>645</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(127)</td>
<td>(127)</td>
</tr>
<tr>
<td>Accumulated depreciation at 31 March 2015</td>
<td>824</td>
<td>1,663</td>
<td>2,487</td>
</tr>
<tr>
<td>Net book value at 31 March 2015</td>
<td>1,976</td>
<td>6,002</td>
<td>7,978</td>
</tr>
<tr>
<td>Net book value at 1 April 2014</td>
<td>2,032</td>
<td>5,552</td>
<td>7,584</td>
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</tbody>
</table>
**Fashionstore Group**

**Extracts from financial statements**

**Fashionstore Group**

**Consolidated Statement of Profit or Loss**

for the year ended 31 March 2015

<table>
<thead>
<tr>
<th>Notes</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Revenue</td>
<td>8,788</td>
<td>7,489</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(6,480)</td>
<td>(5,677)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>2,308</td>
<td>1,812</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>(587)</td>
<td>(496)</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>(613)</td>
<td>(518)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>[1] 1,108</td>
<td>798</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(4)</td>
<td>(4)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>1,104</td>
<td>794</td>
</tr>
<tr>
<td>Taxation</td>
<td>[4] (257)</td>
<td>(248)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>847</td>
<td>546</td>
</tr>
</tbody>
</table>

**Fashionstore Group**

**Consolidated Statement of Changes in Equity**

for the year ended 31 March 2015

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Share premium</th>
<th>Retained earnings</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$m</td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Opening balance</td>
<td>300</td>
<td>350</td>
<td>237</td>
</tr>
<tr>
<td>Profit for year</td>
<td>-</td>
<td>-</td>
<td>847</td>
</tr>
<tr>
<td>Dividend</td>
<td>-</td>
<td>-</td>
<td>(819)</td>
</tr>
<tr>
<td>Closing balance</td>
<td>300</td>
<td>350</td>
<td>265</td>
</tr>
</tbody>
</table>
# Fashionstore Group

## Consolidated Statement of Cash flows

**For the year ended 31 March 2015**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from customers</td>
<td>8,819</td>
<td>7,568</td>
</tr>
<tr>
<td>Cash paid to suppliers and employees</td>
<td>(7,626)</td>
<td>(6,325)</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>1,173</td>
<td>1,243</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(245)</td>
<td>(242)</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>928</td>
<td>1,001</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** |      |      |
| Purchase of property, plant and equipment | (109) | (87) |
| Proceeds from disposal of property, plant and equipment | 17 | 12 |
| Purchase of non-current intangibles | (10) | - |
| Net cash used in investing activities | (102) | (75) |

| **Cash flows from financing activities** |      |      |
| Interest paid | (4) | (4) |
| Dividend paid | (819) | (920) |
| Net cash from financing activities | (823) | (924) |

| **Net increase/(decrease) in cash and cash equivalents** | 3 | 2 |

| **Cash and cash equivalents at beginning of period** | 4 | 2 |

| **Cash and cash equivalents at end of period** | 7 | 4 |
### Fashionstore Group
### Consolidated Statement of Financial Position
#### as at 31 March 2015

<table>
<thead>
<tr>
<th>Notes</th>
<th>$m</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible</td>
<td>[4]</td>
<td>250</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>[5]</td>
<td>787</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td>612</td>
</tr>
<tr>
<td>Trade receivables</td>
<td></td>
<td>343</td>
</tr>
<tr>
<td>Cash and short term deposits</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>962</td>
</tr>
<tr>
<td></td>
<td>1,999</td>
<td>1,955</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td></td>
<td>300</td>
</tr>
<tr>
<td>Share premium</td>
<td></td>
<td>350</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>265</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td>915</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax</td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>Debenture loans</td>
<td></td>
<td>300</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td>309</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td></td>
<td>521</td>
</tr>
<tr>
<td>Current tax</td>
<td></td>
<td>254</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY + LIABILITIES</strong></td>
<td></td>
<td>775</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY + LIABILITIES</strong></td>
<td></td>
<td>1,999</td>
</tr>
</tbody>
</table>
**Note 1 - Operating profit**

Operating profit is stated after charging:
- Depreciation of property, plant and equipment
  - Year ended 31 March 2015: $195m
  - Year ended 31 March 2014: $164m
- Loss on disposal of property, plant and equipment
  - Year ended 31 March 2015: $7m
  - Year ended 31 March 2014: $4m
- Amortisation of intangible non-current assets
  - Year ended 31 March 2015: $5m
  - Year ended 31 March 2014: $5m
- Cost of inventory recognised as an expense
  - Year ended 31 March 2015: $3,740m
  - Year ended 31 March 2014: $3,260m
- Operating leases
  - Year ended 31 March 2015: $8m
  - Year ended 31 March 2014: $7m
- External auditor’s remuneration
  - Year ended 31 March 2015: $2m
  - Year ended 31 March 2014: $2m

**Note 2 – Staff costs including directors’ remuneration**

By activity:
- Distribution
  - Year ended 31 March 2015: 1,006 employees
  - Year ended 31 March 2014: 953 employees
- Information technology
  - Year ended 31 March 2015: 247 employees
  - Year ended 31 March 2014: 238 employees
- Administration
  - Year ended 31 March 2015: 209 employees
  - Year ended 31 March 2014: 206 employees

Total number of employees:
- Year ended 31 March 2015: 1,462 employees
- Year ended 31 March 2014: 1,397 employees

Employee costs, including directors’ remuneration:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 March 2015</th>
<th>Year ended 31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wages and salaries</strong></td>
<td>$51</td>
<td>$45</td>
</tr>
<tr>
<td><strong>Pension costs</strong></td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>57</td>
<td>50</td>
</tr>
</tbody>
</table>

Aggregate compensation paid to board members, including pension costs:

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 March 2015</th>
<th>Year ended 31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>12</td>
<td>10</td>
</tr>
</tbody>
</table>
### Note 3 – Tax expense

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 March 2015</th>
<th>Year ended 31 March 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on current year’s profit</td>
<td>251</td>
<td>239</td>
</tr>
<tr>
<td>Adjustment in respect of prior year</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>255</td>
<td>245</td>
</tr>
<tr>
<td>Increase/(decrease) in deferred tax</td>
<td>2</td>
<td>3</td>
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<tr>
<td>Tax on profit</td>
<td>257</td>
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</table>

### Note 4 – Intangible non-current assets

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Software</th>
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</tr>
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<tbody>
<tr>
<td></td>
<td>$m</td>
<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Cost at 1 April 2014</td>
<td>50</td>
<td>288</td>
<td>338</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Cost at 31 March 2015</td>
<td>50</td>
<td>298</td>
<td>348</td>
</tr>
<tr>
<td>Accumulated amortisation at 1 April 2014</td>
<td>-</td>
<td>93</td>
<td>93</td>
</tr>
<tr>
<td>Charge for year</td>
<td>-</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Accumulated amortisation at 31 March 2015</td>
<td>-</td>
<td>98</td>
<td>98</td>
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<tr>
<td>Net book value at 31 March 2015</td>
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<td>200</td>
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<tr>
<td>Net book value at 1 April 2014</td>
<td>50</td>
<td>195</td>
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### Note 5 - Property, plant and equipment

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<tbody>
<tr>
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<td>$m</td>
<td>$m</td>
</tr>
<tr>
<td>Cost at 1 April 2014</td>
<td>400</td>
<td>792</td>
<td>1,192</td>
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<td>Additions</td>
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<td>109</td>
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<tr>
<td>Disposals</td>
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<td>(36)</td>
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<tr>
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<td>1,265</td>
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<tr>
<td>Disposals</td>
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<tr>
<td>Net book value at 1 April 2014</td>
<td>340</td>
<td>557</td>
<td>897</td>
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