



August 2018 Management case study examination – pre-seen material



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Introduction

Montel is a quoted multinational camera manufacturer, founded in the 1920s. Montel manufactures high quality cameras. These are aimed at professional photographers and amateurs who are serious about photography. The cameras are sold through specialist camera shops, upmarket department stores and electronics shops.

Montel is based in Farland, a developed country that leads the way in many high-tech and electronic industries. Farland has a high standard of education and has several universities with world-class reputations in areas such as electronics, engineering and programming.

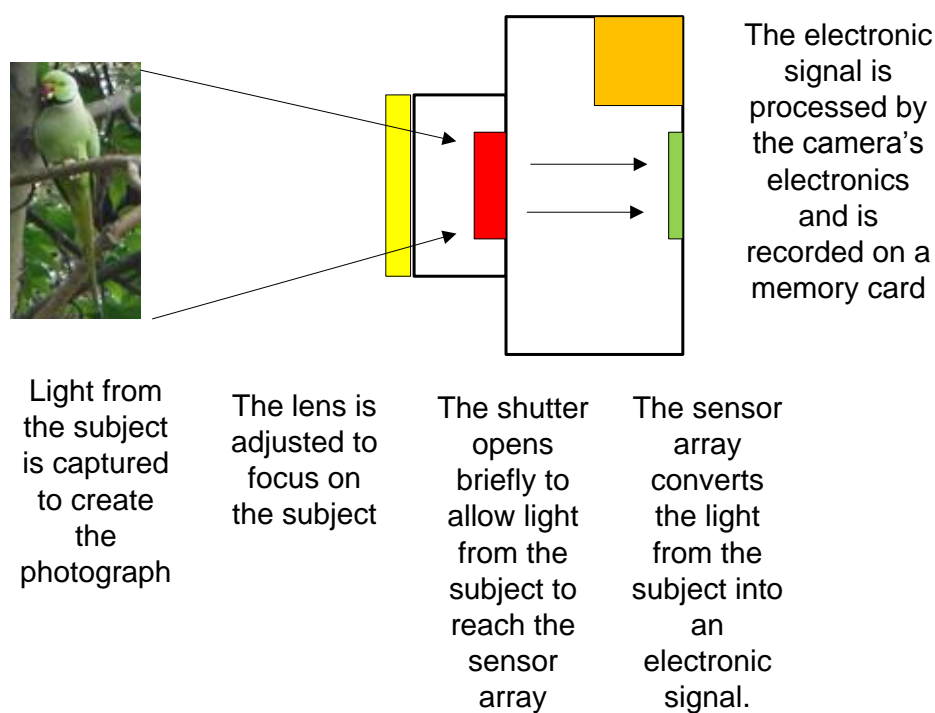
Farland's currency is the F\$. Company law requires that financial statements be prepared in accordance with IFRS. The Farland stock exchange has highly developed rules concerning corporate governance.

You are a financial manager in Montel's head office. Your primary responsibilities are associated with management accounting. You report to the Senior Financial Manager who, in turn, reports directly to the Finance Director.

The camera industry

Cameras are basically optical devices that capture images. These images can take the form of individual still photographs, or they can comprise a stream of images taken in quick succession that can be played back as videos. Montel specialises in cameras for still photographs.

The earliest digital cameras were introduced in the 1980s. These operated on the same basic principles as a traditional film camera, but they replaced the film itself with an electronic sensor array. Each sensor captures light from one of the basic primary colours (red, green and blue). The intensity of the light differs from sensor to sensor and this creates the basis for the photographic image. The electronics in the camera then transfer the data from each sensor to the camera's memory, which is generally in the form of a removable memory card. The resulting image file can then be viewed on a screen or printed out as a traditional paper photograph.

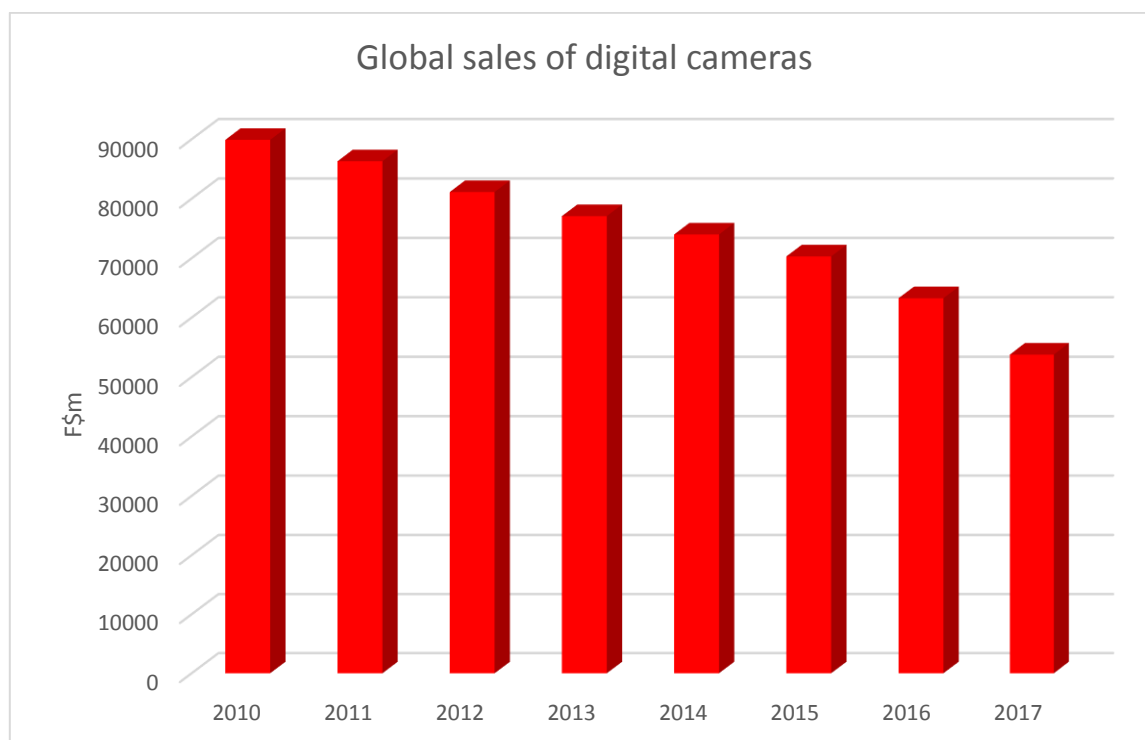


The quality of cameras varies significantly, with a wide range of prices to match. Physical components, particularly the lens, can make a significant difference to the final results. Better lenses capture the image with less distortion. The shutter and the iris control the manner in which light is allowed into the camera itself. Again, better quality components offer greater control and more precise results. Electronic components are also important determinants of quality. For example, increasing the number of sensors in the sensor array can enable the array to capture finer details and so produce superior results. In the early days of digital photography, manufacturers competed to increase the number of sensors, expressed in terms of the number of 'megapixels'. That trend tailed off over time, partly because there is a physical limit to the number of megapixels that can be put in a sensor array and exceeding that limit actually causes the quality of pictures taken to deteriorate.

Digital cameras rapidly replaced film cameras for various reasons. Firstly, film cameras require expensive film. Digital cameras store images on a memory card that can be reformatted and reused if the images are transferred to another device or to cloud storage. Secondly, processing film involves inconvenience and further cost. Thirdly, many amateur photographers like to share their pictures on social media sites and most professionals send their work to clients electronically; digital images are created in a format that makes this process convenient. Finally, digital photography makes it cheap to take lots of photographs and to discard those that are badly composed or out of focus. Even a poor photographer will be left with some good photographs, once the unwanted pictures have been discarded.

Paradoxically, digital photography has precipitated a decline in the camera industry. Photographs are often shared through social media sites, which limits the sizes of files that can be uploaded. Many amateur photographers are not interested in buying expensive cameras with large megapixel counts because they intend to take low-resolution pictures that are easier to work with because of their smaller file sizes.

The upsurge in smartphones has had the greatest impact on camera sales in recent years. Phone cameras have increased in quality to a point where the results are deemed satisfactory by many users who might otherwise have purchased an inexpensive digital camera. Furthermore, integrating a camera into a phone means that it is always available to users. Moreover, photographs can be directly uploaded from the phone via the internet to social media sites. This phenomenon has led to a worldwide decline in camera sales, with total revenue declining by more than 40% since 2010:



There do, however, remain many customers for standalone digital cameras and several specialist camera manufacturers exist to serve this market. Montel and Kira are the largest manufacturers in terms of revenue from camera sales and these two companies dominate the

market for high-quality cameras. Indeed, both companies are fond of quoting the statistic that more than 97% of all professional photographers worldwide use either a Montel or a Kira camera.

Both Montel and Kira produce several less expensive ranges to suit the needs of photographers who cannot afford to spend thousands of F\$ on a camera, although both companies still tend to sell the more expensive cameras in these market segments, advertising them on the basis of quality.

There are several other camera manufacturers, some of whom produce very inexpensive models for purchase by consumers who either have a very limited budget or who simply feel more comfortable travelling with a cheap camera for taking basic holiday photographs. Other manufacturers produce cameras in the middle range, with products that come close to those of Montel and Kira in terms of quality but at slightly lower prices. None of these other manufacturers make any cameras aimed at the professional market.

There are also some niche manufacturers whose products are not in direct competition with Montel's. For example, Rugcam manufactures miniature cameras for extreme sports enthusiasts. These are shock- and water-resistant and can be clipped to clothing or mounted on a safety helmet so that the wearer can record activities such as parachute jumps.

There is also a very small number of manufacturers who continue to sell film cameras.



Types of digital photographic equipment

DSLR cameras

Digital single-lens reflex cameras (DSLRs) are generally expensive and are purchased by professional photographers or by enthusiasts who require the very best.

This camera gets its name because it has a single lens that serves both the sensor that captures the photographic image and the viewfinder through which the photographer composes the shot. A mirror inside the camera directs the light to both. This arrangement has the advantage that the photographer sees the same image that will be captured when the shutter is released. Non-reflex cameras have separate viewfinder lenses, which means that the photographer sees the picture from a slightly different angle.



DSLR cameras have removable lenses, which enable the photographer to carry replacement lenses to suit different needs. For example, a telephoto lens can take a photograph of a distant subject, while a wide-angle lens permits more of the subject to be fitted into the shot when taking pictures from close range.

Different camera manufacturers have their own standard lens mountings, which means that a Montel lens will not necessarily fit another manufacturer's cameras and vice versa. It is possible to fit an adapter that connects lenses and bodies from different manufacturers.

Most DSLR manufacturers, including Montel, sell DSLR bodies either as separate products or as kits. Kits usually include one or two compatible lenses. Strictly speaking, a DSLR body must be fitted with a lens before it can be described as a camera.

Lenses

Lenses make an enormous difference to the quality of the photographs taken by their cameras. The principal factor that determines lens quality is the precision with which the glass is shaped and mounted. The build quality of the lens barrel and the electronics within the lens are also important.

DSLR lenses are generally optimised for specific purposes. A lens that is suitable for, say, taking close up photographs at a sporting event may be unsuitable for, say, taking a portrait shot in a studio.

The retail prices of lenses varies significantly. More expensive lenses generally take better photographs by capturing the image more accurately and with less distortion. Some photographers are willing to pay significantly more for a lens that is incrementally better than its alternatives.



Compact System Cameras (CSCs)



CSCs are less sophisticated than DSLRs, but they share the ability to exchange lenses so that photographers can match the lens to suit the shot.

CSC bodies and lenses are smaller and lighter than their DSLR equivalents and they cost less. CSCs are generally purchased by enthusiasts who do not wish to carry a heavy DSLR or who do not wish to incur the cost

of a DSLR body and lenses. They are generally quite expensive, but are nevertheless generally cheaper than DSLRs and their popularity is growing steadily. As with DSLRs, it is possible to buy CSC bodies and lenses separately or together.

Bridge cameras

Bridge cameras take their name from the fact that they 'bridge' the gap in terms of quality and versatility between DSLRs and more basic compact cameras.



Bridge cameras have non-replaceable lenses, but they are generally fitted with a zoom function that permits them to take photographs ranging from wide-angle to zoom.

Bridge cameras are being phased out in favour of CSCs, which offer greater versatility (when combined with a selection of lenses) and higher picture quality.

For many years, camera manufacturers competed by fitting their bridge cameras with higher-resolution sensor arrays and longer zoom settings. These often pushed the technology beyond its practical limits. For example, it was often difficult to take a clear and focussed photograph when the camera's maximum zoom was being used.

Compact cameras

Compact cameras are often known as 'point-and-shoot' because their electronics can be set to deal with the photographic functions such as focus automatically.

Compact cameras are generally small enough to fit in a jacket pocket or a handbag. They are, therefore, convenient. Their small size imposes constraints in terms of the sensor and lens that can be fitted. Even Montel's premium quality compact cameras are incapable of matching bridge and CSC cameras in terms of picture quality.



Most smartphones are fitted with cameras that can rival compact cameras in terms of quality. Sales of compact cameras have therefore been declining rapidly as increasing numbers of casual photographers believe that their phones take satisfactory pictures and offer the convenience of always being readily available.

Montel's product range

Montel offers a wide range of cameras. All products are pitched at premium prices within their markets, even the expensive DSLR cameras that are sold primarily to professionals.

Montel has four factories, all in Farland. Each has a specific function:

Northtown: lenses for the Professional range

Eastown: all other lenses

Westown: bodies for DSLR and CSC cameras

Southtown: bridge and compact cameras

Montel produces six ranges of cameras and camera bodies and three ranges of lenses.

Professional DSLR	<p>Montel's Professional DSLR camera bodies are extremely high quality and are so expensive that they are marketed almost exclusively to professional photographers.</p> <p>Montel's Professional DSLR bodies have a unique mounting bracket that is designed to accept Montel's FZ480 range of lenses. The bracket is not patented, but very few competitors manufacture compatible lenses.</p>
Premium DSLR	<p>Premium DSLR cameras are less expensive than the Professional range, although they are still good enough for professional use. They are also purchased by enthusiastic amateurs, whose interest in photography is sufficient to justify owning an expensive camera. Montel's Premium DSLR bodies can accept lenses manufactured by Montel itself and also several competitors.</p> <p>A Premium DSLR body and a compatible Montel lens can easily cost more than F\$5,000.</p>
DSLR	<p>The DSLR range is aimed at amateur photographers who wish to own a good quality camera that has the potential to enable them to exercise their creativity.</p> <p>Montel's DSLR bodies can accept lenses manufactured by Montel itself and also several competitors.</p>
Lenses	<p>Montel makes three main ranges of lenses. The Z100 and Z220 lenses are aimed at the enthusiastic amateur, while the FZ480 lenses are aimed at the professional. Lenses can cost more than the camera bodies that they are fitted to. Montel's Z220 lenses retail for F\$1,920 while the FZ480 sells for F\$4,200.</p>
CSC	<p>Montel's CSC range was launched only two years ago. The company wished the format to become reasonably mainstream and popular before committing itself. Montel's CSC cameras cost more than competing brands but they sell well because of their high quality.</p>

Bridge	<p>Montel's range of bridge cameras has not been updated for three years, apart from some modest improvements. The format is becoming less attractive to customers because CSC cameras are smaller, lighter and can take superior photographs. Montel continues to make these cameras because there is still sufficient demand to make them viable. Some photographers buy them because they combine a good quality lens with a magnification of up to 45x.</p> <p>Montel continues to review demand for its range of bridge cameras and it may develop a new range in the medium-term future. The board has, however, withdrawn most of the funding for development work on this type of camera and it may reduce it even further.</p>
Compact	<p>Montel's compact range combines a good quality lens with 5X magnification in a case that is small enough to slip into a jacket pocket. Compact cameras are becoming less popular because of improvements in smartphone cameras, but Montel's compact cameras are still significantly better than any phone camera on the market.</p>

Manufacturing camera lenses

A lens is essentially a piece of transparent material that is shaped so that it directs and focusses light in a very particular way. Camera lenses are generally rigid, but the focus can be changed by changing the distance between the lens and the sensor array. That means that the subject will be in sharp focus in the photograph, but anything that is closer or further away will appear blurred.



The lens enables the camera to focus on a specific subject. A better lens will lead to better focussed photographs with less distortion. These lenses are more expensive to make because of the materials used and the need for additional skilled labour.

The optical qualities of lenses differ according to the manner in which they are shaped and also by the working of the shutter and iris that allows light to fall on the sensor array. Cheap cameras often have a fixed focus, where the lens is cannot be adjusted to focus on a specific subject. Fixed focus is of course cheaper to make and easier to operate.

Grinding and polishing

Lenses can be made from many different materials, including plastic, resin and glass. The most expensive lenses are made from optical glass that requires considerable time and effort to grind and polish to the precise shape.

All of Montel's lenses are made from high quality optical glass, even the lenses fitted to its compact cameras. That makes its cameras more expensive than competitors' offerings, but it also enables them to take superior photographs.

Montel's lenses start as a circular slice of optical glass. That is then ground to the correct shape using a specialised grinder called a curve generator. Even though the grinder is very accurate, the lens is by no means perfect and it has to go through an extensive polishing process to reach the final shape.

Montel's lenses are polished by spraying them with a mixture of water and a fine abrasive. The water jets enable the abrasive to polish the glass very gently. The precision and quality of the finish depends on the number of polishing processes, with each one using a finer grade of abrasive to achieve the desired result. Once the lens has been polished to the precise shape, it is 'centred' by making the external rim of the lens perfectly circular with the optical axis of the lens coinciding with the centre of that circle.

Coating

Lenses are also coated with different layers that make them both more robust and to improve their optical performance. For example, lenses are usually coated in order to prevent the lens material from oxidising through contact with the air. Other coatings reduce reflections or improve the balance of colours reaching the sensor array. Each layer of coating requires further polishing to ensure that the coating is uniform and of the intended thickness.

The application of some materials requires complicated processes to ensure that the coating is both effective and bonded to the lens. Coatings often feature prominently in advertising materials, but they can impede the lens' ability to permit light to flow through. The more layers that are added, the greater the care that must be taken with each to avoid impairing the lens.

The lens barrel

The lens barrel holds the lens itself and the associated mechanisms. It is important that the dimensions of the lens barrel are extremely precise, otherwise any photographs taken could be out of focus. The barrel must also be strong and capable of retaining its shape through changing temperatures and without being damaged by the knocks and bumps that arise from everyday use.

The lens barrel is coated on the inside in order to reduce the risk of reflections ruining a photograph. The barrel may also be coated on the outside for cosmetic reasons and also to improve the user's grip of the camera.

The lens barrel is designed to be fitted to the body of the camera. If the lens is intended for a DSLR or CSC camera then the barrel will be fitted with catches that can attach the lens to the camera in exactly the right place and can be unfastened in order to permit the attachment of another lens. If the lens is to be fitted permanently to a bridge or compact camera then it will still require attachment points in order to position the barrel precisely on the body of the camera.

Assembling the lens

The barrel may also contain other components such as the iris and shutter. Again, these must be positioned very precisely and must remain in place. There may also be electrical, electronic and mechanical components, such as the auto-focus mechanism or the anti-vibration control that reduces the risk of a blurred picture caused by the camera's movement while the photograph is being taken.

Quality checks

Cheaper lenses tend to be made largely through automated processes. More expensive lenses generally require much more input from skilled technicians. Lenses must be checked carefully because any shortcoming in the lens will affect every photograph taken by the camera. Montel invests heavily in quality control processes and has a specific set of tests that has been designed for each type of lens manufactured. Even the most basic lenses fitted to Montel's compact cameras are checked carefully.

Costings for Montel lenses

The following costings relate to the manufacture of two of the ranges of DSLR lenses made by Montel:

Model	FZ480	Z220
	F\$	F\$
Materials		
Optical glass	20	20
Coatings	40	30
Lens body	40	30
Electronics	200	120
Labour		
Initial shaping of lens	200	150
Grinding and polishing	250	200
Coating and finishing	150	100
Overheads		
Initial shaping of lens	300	120
Grinding and polishing	400	250
Coating and finishing	250	120
Total manufacturing costs	1,850	1,140

The FZ480 lens is made exclusively to fit Montel's Professional range of DSLR bodies. The Z220 fits all other Montel DSLRs.

Manufacturing camera bodies

Camera bodies are primarily electronic devices with some mechanical parts. They have to be assembled with care because certain parts must be aligned very precisely in order to ensure that they take clear and focussed photographs. The cameras must also be sufficiently robust to cope with their intended roles. Professional photographers may use their cameras every day in a variety of environments.



Amateurs will generally use their cameras far less frequently than professionals, but their lack of expertise may lead to careless handling, with cameras being carried loosely in bags or rucksacks. Amateurs may also be more willing to use their cameras in inclement weather conditions.

The cases of cameras and camera bodies are made from a variety of materials, generally

plastic or metal. All of Montel's cameras have metal cases because they are stronger than plastic and can also be also thinner, so that the resulting camera body is slightly smaller.

Cameras and camera bodies contain both electronic and mechanical components. For example, all digital cameras have an electronic sensor array that captures the image when the shutter is opened. The alignment of the sensor array with the lens is crucial in order to ensure that pictures are properly focused. That can be complicated in the case of a DSLR or CSC because the lenses are designed to be interchangeable and so there has to be a mechanical mounting mechanism that enables the photographer to locate the lens precisely and then remove it without damaging any of the delicate optical components. Bridge and compact cameras do not have removable lenses, but they generally have motorised zoom mechanisms that change the magnification of the lenses and again, accurate positioning is crucial. The electronics that enable the camera body to capture data are generally mounted on circuit boards that are screwed into place so that they cannot work loose and cause a malfunction. Montel manufactures its own components to ensure quality and to protect intellectual property. The parts themselves are manufactured to very fine tolerances and the assembly lines use a mix of robotic and manual assembly.



Montel's distribution channels

Professional DSLR camera bodies and lenses are sold exclusively through 250 retail shops that are staffed and equipped to ensure that customers receive expert personal service. These shops are located in major cities around the world, with no more than one shop in any given city. Professional DSLRs are sold as follows:

- Direct sales are made through 100 Montel-branded shops, which are owned and operated by Montel and staffed by Montel employees. Sales advisers are trained to help customers choose the Montel camera bodies and lenses that perfectly meet their needs. Those shops also sell a selection of Premium DSLR cameras.
- Indirect sales occur through a further 150 specialist third-party camera shops. These are mostly independent retailers who have met Montel's rigorous selection criteria. These shops must employ suitably trained sales advisers who can offer the same level of advice as the staff in the Montel-branded shops. Those retailers are not required to sell Montel cameras exclusively.

Sales report – Professional range (bodies and lenses) – latest quarter

Montel-branded shops		Third-party retailers	
Budget	Actual	Budget	Actual
F\$135.0m	F\$105.5m	F\$101.2m	F\$132.0m

	Budget	Actual
Total sales	31,000 items	32,000 items
Sales revenue	F\$236.2m	F\$237.5m

Some Premium DSLR camera bodies are sold through Montel's branded shops, but most are sold through specialist third-party camera shops. A total of 1,800 retailers are authorised to sell Premium DSLR camera bodies.

Montel insists that Professional and Premium DSLR camera equipment are sold through retail shops because it believes that customers need specialist advice before they can be expected to spend such a large amount on a camera. At that level, it is important to ensure that customers are properly advised on the configuration of the camera, the selection of suitable lenses, and so on.

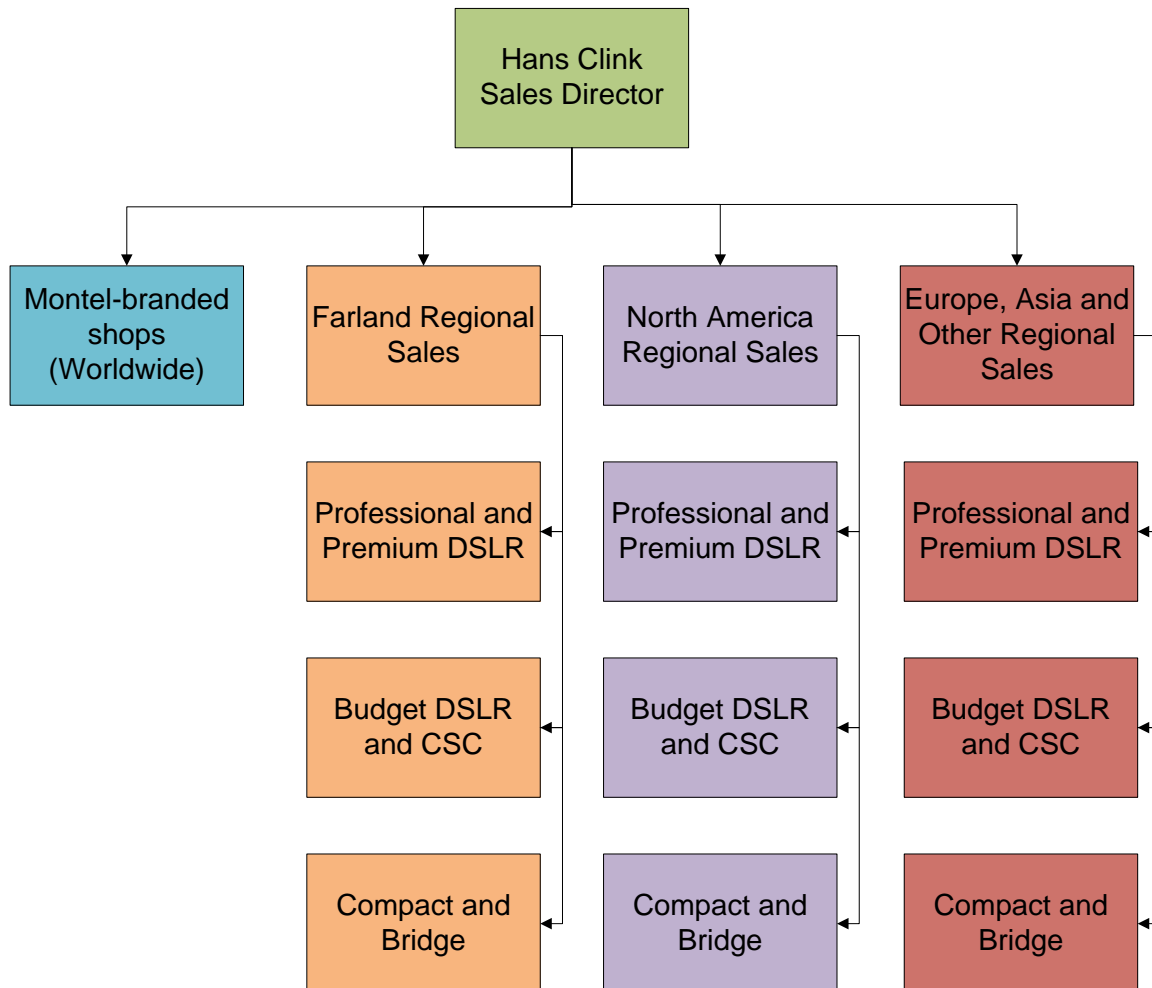
Most of Montel's Professional camera bodies are typically sold with one or more lenses from the FZ480 range.

Montel's other cameras, including basic DSLRs, are sold through a wide range of physical and online retailers. There is less need for specialist advice and there is insufficient profit in those cameras to justify the level of customer care that accompanies Professional and Premium DSLRs.

Montel has a website through which it sells cameras other than the Professional and Premium ranges directly to customers.

Other retail sales are made by independent retailers. Many specialise in cameras, but Montel is willing to sell its products through any retailer whose reputation will enhance the Montel brand. Third-party retailers include electronics shops, department stores, and airport duty free shops. Montel cameras can also be purchased online from independent online retailers.

Montel has a large and well-resourced sales force. Its structure reflects the needs of the business:



A single sales team manages the direct sales channel through Montel-branded shops, which are spread across the world.

Sales of other types of camera are managed on a geographical basis. There are three regional sales offices, each of which reports sales broken down between three categories of equipment: Professional and Premium DSLRs, budget DSLRs and CSCs, and compact and bridge cameras.

Sales budgets are set for each category on a regional basis. For example, the manager in charge of budget DSLRs and CSCs for North America has a sales target of F\$400m. Demand for different models of camera varies from country to country.

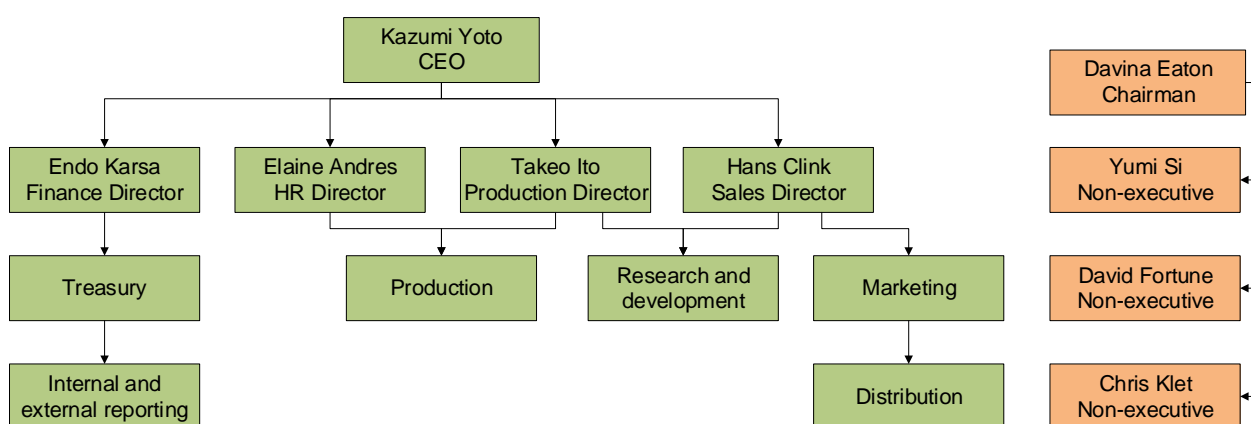
Group strategy and structure

Montel's basic strategy is to maintain market share in the photographic industry through technical innovation and product quality. Total sales of dedicated photographic equipment are declining, but there is still demand for high quality cameras and lenses from professionals and enthusiasts.

Montel aims to offer the best camera equipment available in any given category. It does not necessarily aim to compete on price if doing so would compromise quality. Montel's customers are prepared to pay more to have the very best.

Montel does not necessarily aim to grow while the camera market is in flux, but it will pursue any opportunities for organic growth that present themselves and is open to the possibility of acquisitions of other businesses.

Management structure



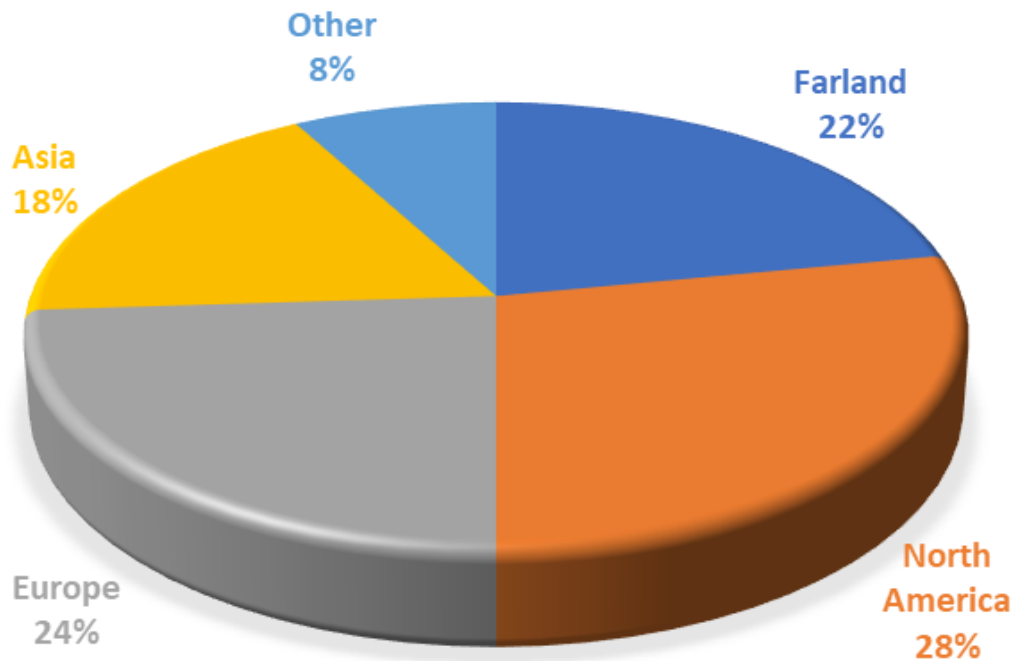
- **Kazumi Yoto** has been Montel's CEO for eight years. He has a degree in engineering and holds an MBA. He was previously the marketing director of Farland's largest laptop manufacturer. Montel has grown steadily under Kazumi's leadership.
- **Endo Karsa** has been Montel's Finance Director for nine years. Endo is a qualified accountant. Before joining Montel, he was treasurer of a major chain of supermarkets in Farland. Endo has been credited with keeping Montel's cash flows under control and also for improving the group's control systems.
- **Elaine Andres** has been Montel's Human Resources director for six years. She has a degree in psychology. Before joining Montel, Elaine was previously the human resources director of an unquoted company that manufactures rechargeable batteries for many of Farland's leading manufacturing companies, including Montel. Elaine has focussed on staff retention since she took post and has been successful in reducing staff turnover.
- **Takeo Ito** has been Montel's Production Director for three years. Takeo has a degree in electronic engineering. He was recruited from one of Farland's largest telecommunications companies. Takeo is highly respected for having reduced manufacturing costs without compromising product quality and without making staff redundant.

- **Hans Clink** has been Montel's Sales Director for two years. Hans has a degree in management science. He worked in publishing before joining Montel. Industry analysts have been impressed with the way in which Hans has managed Montel's marketing activities in response to the declining consumer demand for cameras.
- **Davina Eaton** has been the Montel's Chairperson for five years. She was previously the chief executive of one of Farland's main commercial banks.
- **Yumi Si** has been a non-executive director for two years. He was previously a non-executive director for a quoted fast food company in Farland. Before that, he was the finance director of a small airline.
- **David Fortune** has been a non-executive director for four years. He was the finance director of a food manufacturer and joined Montel when he retired from that position.
- **Chris Klet** has been a non-executive director for three years. He was previously the dean of electronic engineering at one of Farland's most prestigious universities.

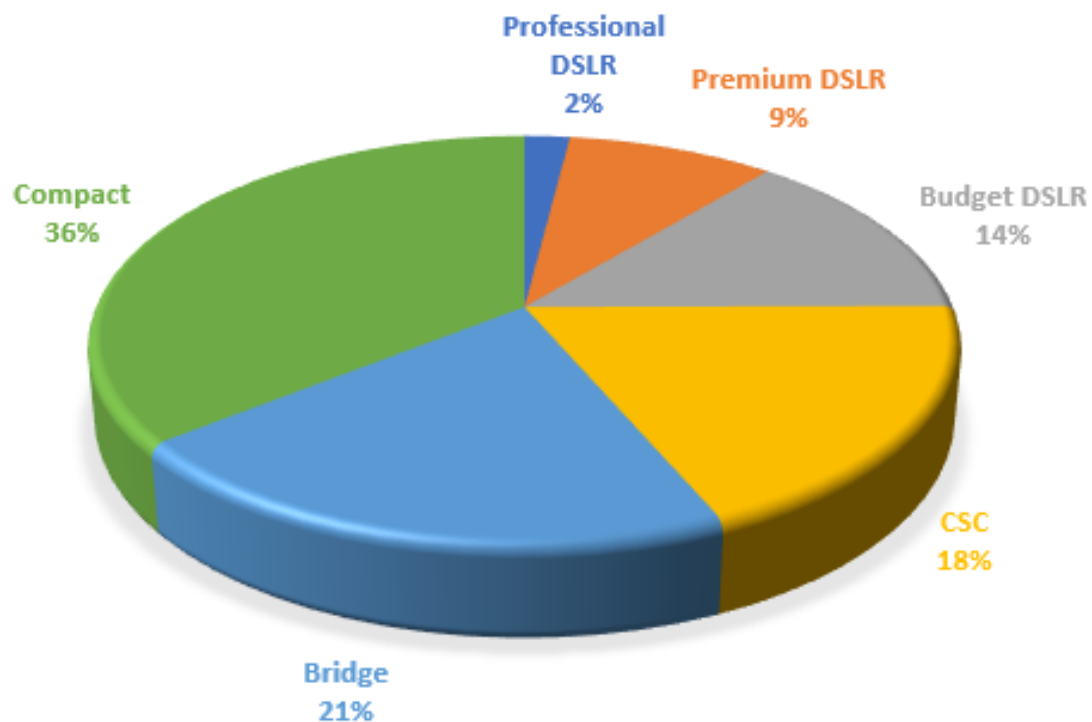
Revenue sources

The following charts analyse Montel's performance figures geographically and by type of camera.

Revenue by geographical area



Profit by product range



Montel's competition

Apart from Montel, there are five major camera manufacturers. Only three of those manufacturers compete directly with Montel. All of the manufacturers export their products around the world.

Kira

Kira is Montel's largest competitor. It produces high quality cameras and lenses that are broadly comparable to Montel's. Kira also manufactures scientific equipment that is used in industrial applications.

Kira is roughly 40% larger than Montel in terms of sales revenue, although that is largely attributable to its sales of scientific equipment. Kira's camera operations are slightly smaller than Montel's. Kira is based in Farland.

Narto

Narto also makes lenses and cameras. The company undercuts Montel in terms of price, although its cameras do not quite match Montel's in terms of quality. Narto's products are regarded as good value for money. Many enthusiasts buy Narto cameras because they cannot afford Montel's or Kira's superior products. Narto is much smaller than Montel and is based in East Asia.

Jola

Jola is much smaller than Montel. It focusses on the DSLR market, selling a range of cameras that are popular with camera enthusiasts, some of whom argue that Jola's C4000 is a better camera than Montel's similarly priced Premium range.

Jola does not have sufficient market share to trouble Montel unduly. The company also has limited access to distribution networks.

Jola's cameras are very expensive and so the company assists the retailers who stock its products by providing inventory on a consignment basis. This means that Jola provides retailers with inventory that can be displayed and sold as usual, but the inventory remains Jola's property for a period after delivery. Jola does not require its retailers to pay for such inventory immediately, unless the cameras are sold. Jola is based in North America.

Lemm

Lemm manufactures compact cameras and has recently launched two CSC cameras. Lemm does not compete directly with Montel because it focusses on developing and selling low-cost cameras that are inferior to Montel's in terms of quality. Lemm is slightly larger than Montel.

Lemm has a good reputation for offering value for money. It does not compete with Montel in terms of quality, but its cameras are popular with customers who wish to buy acceptable quality at a reasonable price. Lemm is based in Farland.

Plasta

Plasta manufactures inexpensive cameras that are generally regarded as being of poor quality, but might be suitable for a customer who wished a basic camera at the lowest possible price. Plasta is smaller than Montel. Plasta is based in Europe.

Extract from Montel's management accounts

Summary for the year ended 31 July 2018

	Sales F\$m			Gross margin F\$m		
	Actual	Budget	Diff	Actual	Budget	Diff
Professional DSLR	1,008	991	17	520	532	(12)
Premium DSLR	3,244	3,599	(355)	1,039	1,195	(156)
Budget DSLR	4,541	5,235	(694)	1,818	1,859	(41)
CSC	5,450	5,235	215	2,338	2,788	(450)
Bridge	6,539	6,544	(5)	2,727	2,390	337
Compact	10,366	11,114	(748)	4,545	4,512	33
	<u>31,148</u>	<u>32,718</u>	<u>(1,570)</u>	<u>12,987</u>	<u>13,276</u>	<u>(289)</u>

Extracts from Montel's financial statements

Consolidated statement of profit or loss

For the year ended 31 March

	2018	2017
	F\$m	F\$m
Revenue	32,265	32,516
Cost of sales	(15,884)	(15,957)
Gross profit	16,381	16,559
Selling, general and administrative expenses	(13,105)	(13,578)
Operating income	3,276	2,981
Interest	(460)	(440)
Tax	(468)	(426)
Profit for year	2,348	2,115

Consolidated statement of financial position

As at 31 March

	2018	2017
	F\$m	F\$m
Non-current assets		
Property, plant and equipment	66,551	68,462
Goodwill	21,485	18,765
	88,036	87,227
Current assets		
Inventories	6,553	6,325
Trade receivables	2,785	2,884
Bank	856	874
	10,194	10,083
Total assets	98,230	97,310
Equity		
Share capital and share premium	70,000	70,000
Retained earnings	22,034	21,440
	92,034	91,440
Non-current liabilities	4,600	4,400
Current liabilities		
Trade payables	1,126	1,047
Tax	470	423
	1,596	1,470
	98,230	97,310

Montel's segmental information

Revenue split geographically	2018	2017
	F\$m	F\$m
Farland	7,098	7,152
North America	9,034	9,106
Europe	7,744	7,602
Asia	5,808	5,855
Other	2,581	2,801
	<u>32,265</u>	<u>32,516</u>

Revenue split by product range	2018	2017
	F\$m	F\$m
Professional DSLR	944	899
Premium DSLR	3,360	3,140
Budget DSLR	4,704	4,316
CSC	5,645	5,325
Bridge	6,774	7,056
Compact	10,838	11,780
	<u>32,265</u>	<u>32,516</u>

Gross profit split geographically	2018	2017
	F\$m	F\$m
Farland	3,654	3,645
North America	4,665	4,644
Europe	3,974	3,924
Asia	2,712	2,746
Other	1,376	1,600
	<u>16,381</u>	<u>16,559</u>

Gross profit split by product range	2018	2017
	F\$m	F\$m
Professional DSLR	324	309
Premium DSLR	1,488	1,391
Budget DSLR	2,270	2,083
CSC	3,048	2,875
Bridge	3,398	3,539
Compact	5,853	6,362
	<u>16,381</u>	<u>16,559</u>

Extracts from Kira's annual report

Consolidated statement of profit or loss

For the year ended 31 March

	2018 F\$m	2017 F\$m
Revenue	45,171	40,202
Cost of sales	(20,649)	(18,378)
Gross profit	24,522	21,824
Selling, general and administrative expenses	(18,392)	(17,066)
Operating income	6,130	4,758
Interest	(500)	(480)
Tax	(875)	(652)
Profit for year	4,755	3,626

Consolidated statement of financial position

As at 31 March

	2018 F\$m	2017 F\$m
Non-current assets		
Property, plant and equipment	89,844	88,478
Goodwill	18,745	17,658
	108,589	106,136
Current assets		
Inventories	8,745	8,863
Trade receivables	3,652	3,245
Bank	913	847
	13,310	12,955
Total assets	121,899	119,091
Equity		
Share capital and share premium	90,000	90,000
Retained earnings	23,757	21,379
	113,757	111,379
Non-current liabilities	5,000	4,800
Current liabilities		
Trade payables	2,265	2,263
Tax	877	649
	3,142	2,912
	121,899	119,091

Press coverage

Photography Today

Mobile phones are now the most popular cameras in the world

Figures released last week show that cameras on mobile phones are used more than any other type of camera. They are popular with both old and young with a survey showing that most users feel the quality is as good as they need for most purposes.

This is a blow to camera manufacturers who are trying hard to sell compact and bridge cameras at reasonable prices to compete with cameras on phones. A spokesman from Montel, a leading camera manufacturer, said they could not believe people are happy with the quality of photos taken on phones as the quality on even their cheapest camera is so much better.

Photography Today

Kira's latest DSLR impresses

Kira unveiled its latest DSLR body yesterday, amidst claims that it was a significant improvement on previous models. The new camera boasts Kira's long-awaited Matricks sensor array that is said to improve image resolution across a range of lighting conditions.

The camera's electronics have also been updated to enable images to be processed more quickly.

Externally, the new camera looks little different to previous models. As one would expect from Kira, the camera's ergonomics are superb and the camera itself feels well-balanced even with a large lens attached.

The camera reveals its professional aspirations with provision for a high-capacity battery and on-board wireless control for complicated flash photography arrangements.

The new camera will reignite the debate over whether Kira's top of the range cameras are better than Montel's.

Farland News

Valumart to sell F\$25 camera

Valumart, the low-cost supermarket chain, announced that it plans to sell a compact camera for the bargain price of F\$25. This is timed to coincide with the fast-approaching holiday season and the retailer hopes that consumers will be willing to replace their smartphones with a 'real' camera in the interest of capturing superior photographs.

At first glance, the specifications are interesting. The camera will have an 18-megapixel sensor array and a 5x optical zoom. It will have a rechargeable battery that should be capable of taking 200 photographs between charges. Its lens will be glass, with an anti-reflective coating.

The camera will carry the Valumart brand, but the cameras will actually be made by Plasta, the manufacturer of inexpensive cameras. A spokesman for Valumart said that the camera would be made to the retailer's own specification and would use only good quality components. Valumart was able to place a very large order, which enabled Plasta to use components that were similar in quality to those in a much more expensive compact camera.

Valumart has agreed that it will limit sales of these cameras to one per customer. This is to prevent customers buying cameras in bulk and exporting them to countries that are not served by Valumart. These so-called 'grey market' exports could then displace sales of Plasta's cameras through its traditional distribution channels in affected countries.

Farland Business News

Accessories continue to be a lucrative niche in the camera industry

Demand for cameras has been declining ever since consumers started to realise that the camera in their smartphones did everything that they needed and had the advantage of always being available. The market for camera accessories continues to offer steady demand, albeit with many products being low-price items with limited margins.

Camera bags continue to sell well, partly because they are a cost-effective way to protect the investment that has been made in an expensive camera and partly because they are subject to the same fashion trends as other bags. Other inexpensive fashion accessories include the ubiquitous selfie sticks that enable users to photograph themselves in order to update their social media pages.

DSLR and CSC owners who wish to indulge in their hobby can also consider a new lens to extend the functionality of their existing camera. They can usually buy lenses that have been manufactured by their camera's maker, but there are also third-party lens manufacturers whose products are often competitive both in terms of quality and price.