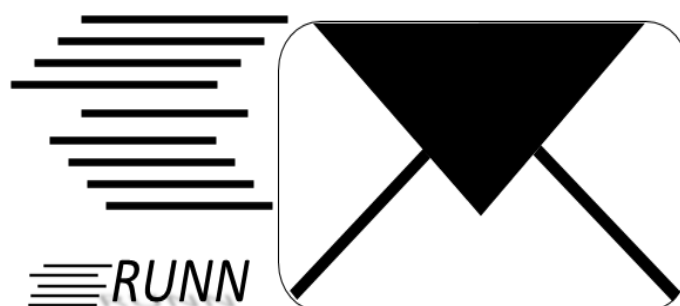




**November 2019 CGMA Exam**  
**Pre-seen material**



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## Runn Couriers

You are a senior manager in the finance function at Runn Couriers ("Runn"), a major international courier company. You report directly to the Board and advise on special projects and strategic matters.

Runn is based in Geeland where the currency is the G\$. Geeland requires companies to prepare their financial statements in accordance with IFRS.

Runn is quoted on the Geeland Stock Exchange. This is an active and well-regulated exchange. Companies which are quoted on the exchange are required to adhere to the Geeland Code of Corporate Governance, which sets out detailed regulations relating to the governance arrangements for quoted companies.

Geeland's economy is well developed and based on a mixture of manufacturing and service industries. Employment rates are high. There is a statutory minimum hourly wage, which is sufficient for full-time workers to support themselves and their families. A large proportion of the working population earn significantly more than that minimum wage.

## The courier, express and parcel (CEP) industry

Couriers provide delivery services to their clients. Courier services generally offer either or both of the following key features:

<b><i>Security and speed</i></b>	<p>Items are generally tracked electronically, from collection until delivery.</p> <p>Premises and vehicles are generally fitted with security systems that deter theft.</p> <p>Most couriers offer a guaranteed delivery deadline, often with scope for specifying a more rapid service in return for a higher fee.</p>
<b><i>Tailored service</i></b>	<p>Couriers will usually collect packages from clients, as well as delivering them. Some couriers offer locations at which packages can be dropped off, which may reduce the cost of the service and can also be more convenient for some clients.</p> <p>Larger courier companies will also create bespoke logistical services for businesses. For example, they may take responsibility for the collection, transportation and delivery of all goods, thereby saving the business from having its own delivery vehicles.</p> <p>Tailored services to businesses can also include both physical and digital inventory management. For example, canned foods might be collected from a manufacturer's despatch area, taken to a hub for sorting into loads and delivered to, say, individual supermarkets. This service could include deciding on the scheduling of deliveries, making the courier responsible for optimising loads and routes.</p>

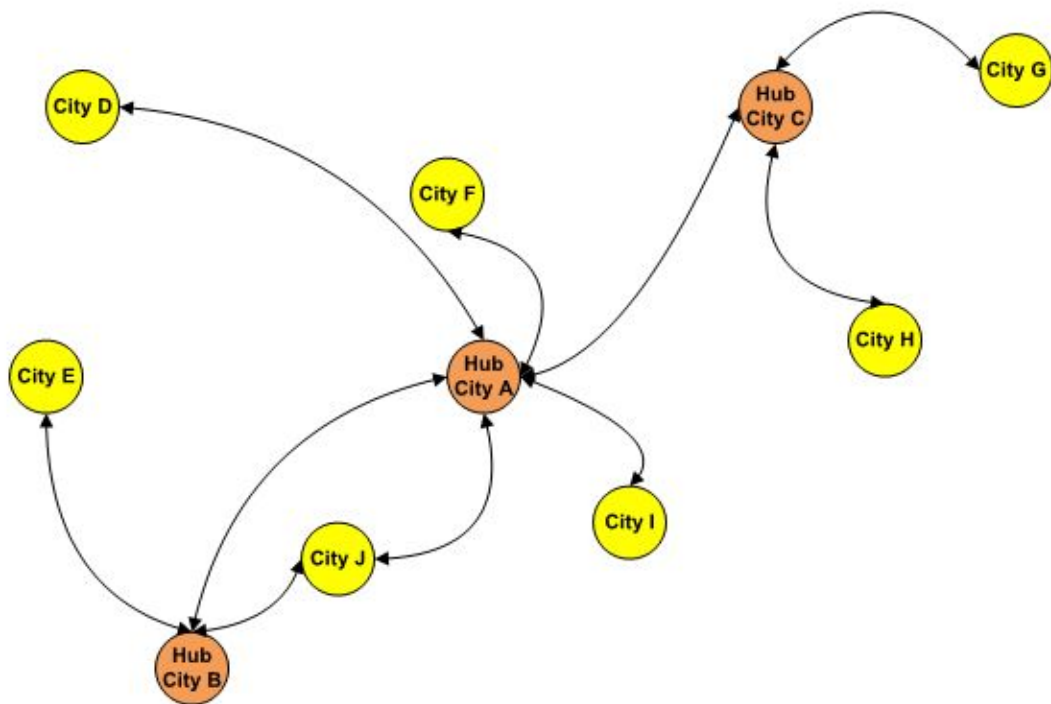
Courier companies can take a variety of different forms, ranging from local couriers who operate within a local area, such as a town or city, to multinational corporations that operate globally.



Local couriers often offer point-to-point collection and delivery services. This might involve collecting a package for immediate delivery to a nearby recipient. Such services are often required by professionals such as lawyers or architects who must transport time-sensitive documents or plans within a city. Such couriers may use bicycles or motorbikes because they can move quickly through city traffic.

Larger couriers operate on a national or international basis. They may offer point-to-point services for urgent items, possibly operating over a greater distance than would be covered by a local courier. For example, an airline that requires a spare part urgently might pay a courier to collect it from the manufacturer and have it driven immediately to the airport where it is required. Such services are generally very expensive because they require a vehicle and driver to make a potentially long-distance round trip for the delivery of a single item.

Most large couriers operate on a hub-and-spoke basis, which massively reduces the cost and inefficiency associated with point-to-point because it aims to minimise wasted capacity on vehicles.

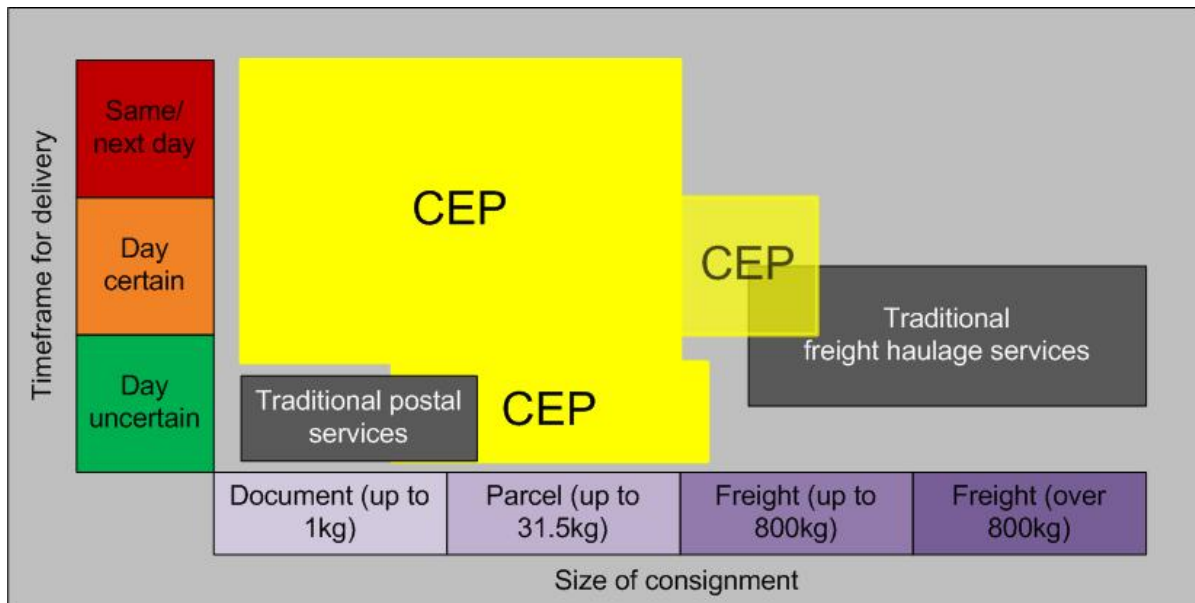


In this example, the courier has divided the country up into ten regions, each centred on a city or large town. Each region has either a hub or a depot that coordinates all collections and deliveries within that region. Each depot is connected to a hub (sometimes two). When goods are collected, they are taken to their nearest depot for sorting. Transfers between depots are made via hubs. For example, items collected by the City F Depot will either be retained if they are to be delivered locally or transported in bulk to the City A Hub for sorting. The City A Hub will then forward them either to one of the depots that it serves or to one of the other hubs. This arrangement means that the trucks used to transport items in bulk between depots and hubs are generally full, with little wasted capacity. On arrival at their final delivery depots, the packages are transferred to the vehicles that will make the final delivery (the so-called “last mile”). Ideally, every vehicle will be full when it leaves a hub or a depot, so that there is no wasted capacity and efficiency is maximised.

Hub-and-spoke systems must be managed carefully to ensure that deadlines are met. Customers can usually choose between various timeframes, ranging from next-day to seven days. Goods for next day delivery must usually be collected or deposited at the local depot by a cut-off time of, say, 15.00 hours. This should allow sufficient time for transportation to the hub, sorting and onward transportation to the delivery depot by the following morning.

## Market segments

The courier, express and parcel (CEP) industry can be categorised as follows:



Courier services do not tend to compete directly with postal services or with freight haulage companies, although their markets can overlap to a limited extent.

Courier companies take different forms that do not necessarily fit within the same business niche. They can also find themselves competing with businesses that do not fall within the CEP classification. As a broad generalisation, couriers specialise in the collection and delivery of relatively small consignments, although there are exceptions to that, with some couriers accepting larger consignments. Some couriers compete with traditional freight haulage businesses, although couriers generally offer a more flexible service than freight haulage companies.

Couriers generally offer rapid and predictable delivery dates. Clients may be offered guaranteed delivery within, say, 24 hours. Most couriers will also offer a range of delivery deadlines, with lower fees to compensate for later delivery. Others will offer delivery on a specific date or time of day, such as guaranteed Saturday or evening delivery, to meet the needs of recipients who cannot be at home to take deliveries during working hours. Some couriers will accept items for delivery within a specific time period, such as within three to five working days. Such services are generally cheaper, but they may face direct competition from traditional postal services.

Couriers generally focus on rapid and reliable delivery of relatively small items.

- The service is typically door to door, with the courier collecting a consignment from the sender and delivering it to the receiver.
- Couriers can be used to deliver documents and letters, but it is generally too expensive to use couriers for this unless the documents are urgent or have some intrinsic value. Traditional postal services generally undercut couriers on price for non-urgent deliveries. In some countries the postal services offer secure and expedited services and so would compete for some of the day certain and next day deliveries.

- Some couriers are prepared to handle larger consignments. Their upper limit is generally limited to the size of a typical courier van. Larger consignments that require collection and delivery in a heavy goods vehicle are generally left to traditional road haulage companies. Some haulage companies will compete with couriers for the collection and delivery of relatively small freight consignments.



- Couriers generally serve the business to business (B2B) and business to consumer (B2C) markets. B2C has expanded significantly thanks to online retailing, with many retailers relying on couriers to provide them with a cost-effective means of fulfilling their sales. In recent years, most of the growth has been in the B2C market. The B2B sector remains the more profitable at present because it has lower operating costs, but the continuing growth of volume in B2C suggests that it will also outgrow B2B in terms of profit.
- There is a small but growing market for consumer to consumer (C2C) services. This has arisen largely because of sales by individuals through online auction sites. Sales made through such sites have created a demand for a convenient method of sending items that have been auctioned online.

## Changing business environment

Couriers are adapting in response to the underlying needs of their customers.

B2C deliveries are changing at the greatest rate, particularly with regard to the “last mile”. Online sales have grown to such an extent in many countries that couriers have been forced to adapt to meet recipients’ needs.

- Pricing models have had to allow for the fact that B2C deliveries are generally more time-consuming and expensive than B2B. B2B deliveries usually require the driver to go to a reception desk or receiving bay, which is likely to be both accessible and staffed. B2C deliveries require drivers to go to the recipient’s home, ring the doorbell and wait for an answer. If the recipient is not at home then the courier may have to seek a safe alternative delivery point, such as a neighbour’s house, or redeliver at a later date.
- Many traditional retailers continue to operate from retail shops, despite the growth of online B2C sales. These retailers generally use their shops to fulfil online orders, with couriers picking up goods and taking them directly to customers’ homes. Some retailers offer “express” deliveries with customers being promised a delivery within a matter of hours of their order. This requires considerable flexibility on the part of couriers.

The problems created by B2C deliveries has led to the development of a number of digital strategies. For example, many courier companies fit their vans with computers that use a combination of GPS and mobile Wi-Fi to enable the van’s location to be tracked in real time. Drivers use hand scanners to log the delivery of each item. This enables the depot to track progress and to update drivers with details of pickups to be made during the run.



Most couriers text or email recipients to say that their items have been loaded and will be delivered that day. Some systems then update the recipient by sending an expected time slot for the delivery. Recipients can usually go online to reschedule delivery if the date or time are unsuitable, which at least avoids the wasted time associated with a failed delivery attempt.

Some couriers offer alternatives to home deliveries. Online customers can often opt to have their goods deposited to a designated secure place when they place their orders. They then receive an email or text to confirm that their goods have been delivered to that place.



Small, local shops can act as drop-off points for courier companies. The couriers drop off their deliveries there and then recipients are informed by text or email that they can collect their item. The shops generally have extended opening hours and so recipients can collect their goods at convenient times, such as after work.

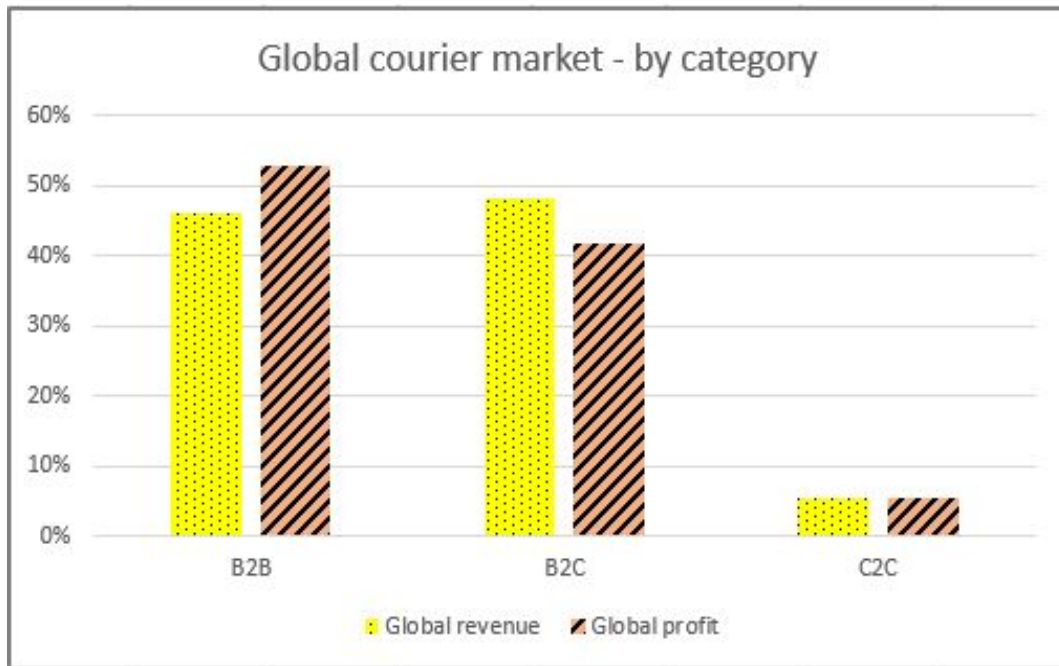
Some couriers have a network of automated lockers that are located in safe places that are freely accessible, such as at the entrance of a 24-hour supermarket. Couriers place the goods in empty lockers. The

recipient then receives a single-use code number by text or email. A numerical keypad on the locker enables the recipient to input the code number, which activates the locker's electronic lock and grants access to the goods.

Couriers are also adapting to the C2C market by establishing collection points in High Street shops. Senders can take items to their nearest collection point rather than having to wait for a courier to make a pickup or having to travel to their nearest depot, which is likely to be some distance away. Collection points tend to be based in popular retail chains because that makes it easier to promote the service.

Online retailers often use couriers for “reverse logistics” to facilitate returns from customers. For example, some online retailers give their customers the opportunity to try on clothes at home and return them for a refund if they do not fit. Customers generally use the retailer's website to request authorisation to return items and receive a return label to attach to the packages containing their items. Most such returns are made through High Street collection points.

B2B services remain important to courier companies, despite the rapid growth in B2C. The market for B2B remains larger for some services, although the overall rate of growth is higher in B2C. Some courier companies charge more for B2C deliveries because they generally take longer and cost more to facilitate than B2B.



Source: Geeland Telegraph, October 2019

The availability of flexible and reliable courier services has created growth in international trade, with online vendors (both B2B and B2C) able to sell directly to foreign customers, using courier companies to handle deliveries. Domestic shipping accounts for more than 75% of the global courier business. Both domestic and international shipping are growing steadily, but international is growing at a faster rate.



## Runn's history

Runn was founded in 1932, in response to a growing need for delivery services in Geeland. The company operated exclusively within a five-mile radius from its office in Geeland's Capital City, with couriers using bicycles to collect and deliver messages and packages.

The company expanded rapidly, acquiring its first delivery vehicle in 1934. By 1945, the company was operating within a radius of 150 miles of the centre of Capital City. By 1950, the company served the whole of Geeland.

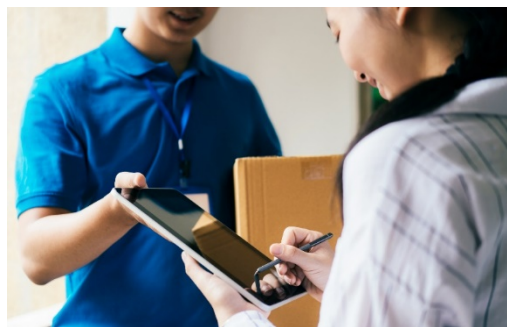
During the 1960s, Runn started to expand into overseas markets, providing both domestic courier services within the countries that it had targeted and international services between countries. Where the distances involved were too great for items to be transported by road, the company used airline cargo holds, thus making Runn one of the first companies to use air freight for courier purposes.



In 1982, Runn acquired its first cargo plane.

The air fleet grew rapidly, enabling the company to provide efficient and reliable services that covered most of the developed world. Owning its own aircraft meant that Runn was not dependent on the schedules of the airlines that it had used in the past. It also meant that the aircraft was free of the restrictions associated with the airlines' need to accommodate passenger baggage. By 1990, Runn had depots in 102 countries and was delivering to a total of 156 countries.

Runn's ability to grow was also assisted by the ongoing development of digital innovations. In 1996, Runn introduced its first generation of electronic delivery trackers. These were handheld devices that enabled drivers to download their delivery schedules before each run, saving time and reducing the need to manage paperwork. The trackers were fitted with wired



styluses that enabled recipients to record their signatures on the trackers' screens. Drivers could then upload their updated delivery schedules, including customers' signatures, onto Runn's servers at the ends of their runs.

Runn has been at the forefront of developing and introducing new technologies. Each van is now equipped with a computer system that provides the driver with a GPS map showing the optimal route for the remaining deliveries. The system receives

regular updates from the depot, including instructions to make pickups that have been scheduled during the run. The driver's handheld tracker links wirelessly to the van's wi-fi and updates the depot on the progress of the run in real time.




By 2000, Runn was delivering more than four million documents and packages every day and had more than one million regular customers.

In 2002, Runn was listed on the Geeland Stock Exchange. Since then, the Runn Group has expanded steadily, often through the acquisition of smaller courier companies or through the acquisition of businesses that have specific expertise in areas that would improve Runn's operations, such as logistics and data management.

Runn's head office remains in Geeland's Capital City.

The Runn Group now delivers more than nine million documents and packages every day, across more than 210 countries.

Runn employs approximately 400,000 employees, who staff a total of 1,600 depots worldwide. These employees are primarily engaged in the following roles:

<p><b>Depot staff</b></p> 	<p>Depot staff manage and support the flow of items through the depot. The depots themselves are heavily automated, with packages being moved to and from shelves by robotic forklift trucks. There is still a need for staff to deal with fetching urgent items and loading and unloading vehicles.</p> <p>Runn's IT systems manage the movement of items through the depot. Items are stored on arrival at the depot, before being loaded onto a departing vehicle for delivery or for transfer to another depot. Items are selected on the basis of their urgency, with non-urgent items being loaded whenever there is space on the vehicle.</p> <p>Depot staff are entrusted with access to packages that can contain confidential documents and/or high-value items and so their background history must be checked and cleared before they can be employed.</p> <p>Some of Runn's depots are adjacent to airport cargo terminals that are used to manage items that require air transport. The staff who operate those depots must obtain additional security clearance and are trained to load and unload aircraft.</p>
<p><b>Courier drivers</b></p> 	<p>Courier drivers make deliveries. They also collect items from senders or from shop-based collection points.</p> <p>Courier drivers do not require special driving licences. Vans can be driven by anyone who holds a valid car licence.</p> <p>Runn insists that all new courier drivers have "clean" licences, with no motoring convictions. Once appointed, drivers who lose their licences for any reason are subject to immediate dismissal.</p> <p>Courier drivers must also pass background history checks. In addition to having access to documents and packages, their Runn credentials give them access to business premises and home addresses.</p>
<p><b>Truck drivers</b></p> 	<p>Truck drivers move large loads of items between depots. The vehicles that they drive are too large to be driven without specialist training and so they are required to hold valid heavy goods vehicle licences.</p> <p>As with courier drivers, Runn requires its truck drivers to have clean licences and to pass background history checks.</p>

The Runn Group operates 104,000 vehicles, ranging from the small- and medium-sized vans used for collections and deliveries up to the large heavy goods vehicles that are used for bulk movements between hubs and depots.

Runn operates 208 cargo aircraft, facilitating a mixture of domestic and international services. These aircraft provide a service that links the 248 depots that are generally adjacent to major airports.

Runn has developed a major IT infrastructure that enables it to track all the packages in its possession and schedule their delivery. Data from delivery vans and depots is transmitted to the primary IT centre on the outskirts of Capital City for processing. A hot backup site located 40 miles from the primary centre is used to mirror all data in real time.

## Extracts from Runn's corporate documents

### **Vision**

Runn's vision is to be the World's favourite delivery company.

### **Mission**

Runn links businesses and individuals in a responsible and sustainable manner.

### **Values**

1. Runn cares deeply about its customers.
2. Runn cares deeply about its stakeholders.
3. Runn honours its commitments.

## Runn's strategy

Runn's business model is constantly adapting to changes in the needs of its customers. The company aims to deliver added value through developing new services and through harnessing the potential of innovation. Runn claims credit for creating the first operational hub-and-spoke network in order to improve the efficiency of its deliveries across Geeland after it opened its 15<sup>th</sup> depot in the country. Runn has also been at the forefront of developments in IT and logistics.

Runn constantly seeks feedback from customers in order to ensure that their needs are being met. The courier industry has high fixed costs and increasing volume has been a key factor in maintaining Runn's competitive position. The average selling price per delivery has decreased steadily in real terms over the past 20 years. That has only been possible because of continuing improvements in Runn's efficiency and also in its ability to generate additional business in order to spread fixed costs across more transactions.



Runn recognises that it serves a diverse range of customers and it aims to segment the market to allow for their differing needs. Runn targets each segment, taking account of the needs and expectations of each. For example, a parts supplier in the motor trade may require a rapid and reliable point-to-point courier service to ensure that garages can count on them to deliver parts in time to complete repairs. Such customers are prepared to pay more for a courier service. Conversely, some online retailers are prepared to tolerate slower service in return for a lower price. It may be possible to reduce prices still further by agreeing to deliver goods within a period of, say, seven days without promising delivery on a specific date. This will increase Runn's flexibility and may enable it to make better use of the carrying capacity in its vehicles.



Runn's global presence offers it considerable advantage in serving the needs of customers who need to send goods internationally. Runn has its own infrastructure, including a fleet of aircraft and depots in most of the countries to which it offers deliveries. Smaller couriers that operate nationally may be able to organise international deliveries too, but they have to rely on the support of third parties, which may make them slightly slower and more expensive than global companies such as Runn. Demand for international courier services is growing strongly because of the

continuing growth in online B2B and B2C retail sales. The courier industry has been a major enabler of online sales across international borders. Some online auction sites also operate internationally, and that has created demand for C2C shipments.

Runn is also one of the World's best known and most trusted brands. Branding on its depots and vehicles make Runn highly visible. Even its aircraft are familiar sights at major airports. Runn advertises heavily in the business press and on television. It even works closely with the movie industry, paying to have its vans on screen or even used as movie props in order to further develop brand recognition.

Runn provides the following services:

<b>High Volume – used by large corporate customers</b>	
Runn Now	Senders are generally corporate customers who send goods frequently. They use Runn software to print labels and other documents, ready for the collection of their goods by a van. Customers using this service usually have credit accounts and are invoiced for their use of the service.
Runn Web	Runn can integrate its software with that of online retailers, so that selling prices can be quoted inclusive of delivery charges. When the retailer makes a sale that will use Runn to facilitate the delivery, it will pack the goods for despatch using labels that are printed automatically. The software will automatically schedule a pickup, with the paperwork ready for the van driver to check before accepting the goods.
Runn Back Office	<p>As a separate service, Runn can provide its corporate customers with a customisable reporting function that enables them to analyse their courier billings by sender, by recipient, by country of origin and destination, and so on.</p> <p>Some large organisations have several departments that are heavy users of courier services. For example, the Sales, Purchasing and Legal departments could all find it necessary to send packages and documents to their respective business contacts.</p> <p>It is common for Runn drivers to make several pickups from different offices within the same building when they make their daily collections.</p>
<b>Low volume – used by small businesses and individuals</b>	
Drop and send	Senders bring their packages to the customer service desk at a Runn depot or they visit one of the third-party retailers who act as Runn collection agents. In either case, a member of staff helps the sender to complete the documentation and takes payment for the charge that is calculated by Runn's software. The sender pays for delivery by cash or card.
Click and Send	Senders book a collection online, using a PC, tablet or smartphone. Runn's website calculates the cost and the sender pays by card. A van is despatched to the sender's address. The driver uses a portable printer on the van to prepare the paperwork for the sender's signature and also all necessary labels.

Each of these services offers the flexibility to arrange domestic or overseas deliveries. They also allow some choice of priority, with express services costing more than those with a longer delivery time.



Runn's software checks that the sender's wishes are feasible before it accepts an order:

- Next day delivery might not be possible if the request is made late in the evening or if the sender wishes to send goods to a country where customs delays are commonplace. The software would require the sender to agree to a later delivery deadline before accepting the item.
- Items can be legal to possess in some countries but not others. For example, some countries ban certain pharmaceutical products that can be legally prescribed in others. Some plants and foodstuffs are banned in some countries because of fears of contamination. Runn's software rejects items that would be illegal in their intended destination.
- Health and safety issues might flag a package because it is too large or heavy to be carried safely by a courier driver or would otherwise pose a risk because of, for example, dangerous chemicals.

Once a consignment is accepted then it is assigned a reference number and a barcode that enables it to be identified at every step in its journey. Runn emails the consignment number to both the sender and receiver, so both can track the item until its delivery. The tracking information gives an indication of the stage in the delivery process, such as "In transit from collection depot to delivery depot" and also the expected date and time of delivery.



Runn's vans are fitted with electronic systems that are integrated and fulfil a number of functions automatically, without the driver being distracted while driving. A computer is built into the dashboard of each van. The computer uses mobile phone technology to exchange data with the depot and Bluetooth to exchange data with the driver's handheld scanner. The computer also has an integrated satellite navigation system.

The system works as follows:

- At the start of every run, the driver loads the van while the van's computer downloads details of the items, including the delivery location.
- Software in the computer determines the most efficient route, allowing the driver to deliver every item while minimising the total distance to be driven.
- The screen displays a map, similar to a conventional car Satnav system, directing the driver to the next delivery stop.
- The driver updates his or her handheld scanner at each delivery stop. The item can be marked as delivered to the addressee, delivered to an alternative safe address or undelivered and brought back to the van for return to the depot. The scanner records the signature of the person signing to accept delivery. All data is automatically uploaded to the van's computer as soon as the driver gets back within Bluetooth range.
- The system constantly updates the depot with the van's location, its projected route and the status of each item for delivery during the run.
- The depot can send the driver text messages which appear on the screen.



## Costings

Runn's Board is served by a management accounting system that offers an overview of operations and enables management to drill down to a more detailed analysis as required.

	<b>Actual 2019</b>	<b>Budget 2019</b>
Average daily package volume (thousands of items)		
Urgent	5,665	4,900
Deferred/low priority	3,280	3,840
Total	8,945	8,740
Average revenue per item		
Urgent	G\$18.00	G\$17.50
Deferred/low priority	G\$12.82	G\$13.80
Operating revenue (G\$ millions)	52,560	50,641
Operating expenses (G\$ millions)	43,198	39,875



## Runn's Board of Directors

### *Ronald Hellers, Non-Executive Chairman*

Ronald has had a successful career as a banker, having served as Chief Economist of a major corporate bank, before being appointed to the bank's board.

Ronald retired from the bank's board in 2016, at which time he joined Runn as Non-Executive Chairman.

### *Augustus Siafa, Chief Executive Officer*

Augustus has worked for Runn since graduating from university with a BA in Human Resource Management. He joined the company as a graduate trainee and rose rapidly through the company. He became a senior manager in the HR Department at Runn's Head Office and then served as Depot Manager of Geeland's third largest depot.

Augustus joined Runn's Board as HR Director in 2011 and was subsequently promoted to CEO in 2015.

### *Juanita Alvares, Director of Operations*

Juanita is in overall charge of Runn's supply chain. She is an engineering graduate and worked in the automotive industry as a design engineer before she joined Runn as a senior manager in vehicle acquisition.

Juanita has held several senior positions in Runn, including three years in the country of Kayland, where she was the manager in charge of operations. She was promoted to her present position in 2014.

### *Chen Yanyun, Director of Finance*

Chen qualified as an accountant in a leading software company. She has worked for a travel company and in financial services before joining the Geeland Theatre Company as Chief Executive.

Chen joined Runn's Board in 2016 as Director of Finance.

### *Thushara Mapalagama, Director of Human Resources*

Thushara is in overall charge of Runn's HR planning and management including motivation and incentivisation. He is responsible for the strategic management of staff recruitment & retention and for staff welfare and morale. He has an MSc in personnel management and is a member of Geeland's professional body for human resource managers.

Thushara spent several years in the retail industry before joining Runn's Human Resources Department as a senior manager in 2006.

Thushara joined Runn's Board in 2015.

#### *Rowena McCall, Director of Marketing*

Rowena is responsible for global marketing and also for the development of customer-focussed strategies. Her responsibilities include the development of mutually beneficial relationships with key customers.

Rowena has a degree in modern languages and an MBA. She worked in the marketing department of a leading travel company before joining Runn in 2008.

Rowena joined Runn's Board in 2016.

#### *Dr Shashi Raheja, Director of Information and Engineering*

Shashi has a doctorate in software design. He is responsible for all IT and engineering functions within the Runn Group. He started his career as a project manager with a major software company. He subsequently left to join a major supermarket chain as its head of online retail operations. He was promoted to the post of Chief Information Officer with the supermarket chain before he was recruited directly to Runn's Board in 2017.

#### *Frank Duchamps, Independent Non-Executive Director*

Frank had a successful career in the retail industry. He was chief executive of a major retail organisation before he retired from his full-time executive career. He is presently the Chairman of the Geeland Museum, in addition to his role with Runn.

Frank was appointed to Runn's Board in 2017.

#### *Nasreen Shah, Independent Non-Executive Director*

Nasreen is a qualified lawyer. She spent her career in a major law firm, specialising in corporate law. She spent 18 years as a partner with the firm, including three years as managing partner. Nasreen is also on the boards of two major charities.

Nasreen was appointed to Runn's board in 2017.

#### *Gina Lovett, Independent Non-Executive Director*

Gina is a qualified electrical engineer. She spent her career in the design departments of a number of leading manufacturing companies. She served as Director of Research at a major quoted engineering company before she joined Runn. She chairs the Qualification Committee of the professional body that represents Geeland's electrical engineers.

Gina was appointed to Runn's Board in 2016.

#### *Gijs de Haan, Independent Non-Executive Director*

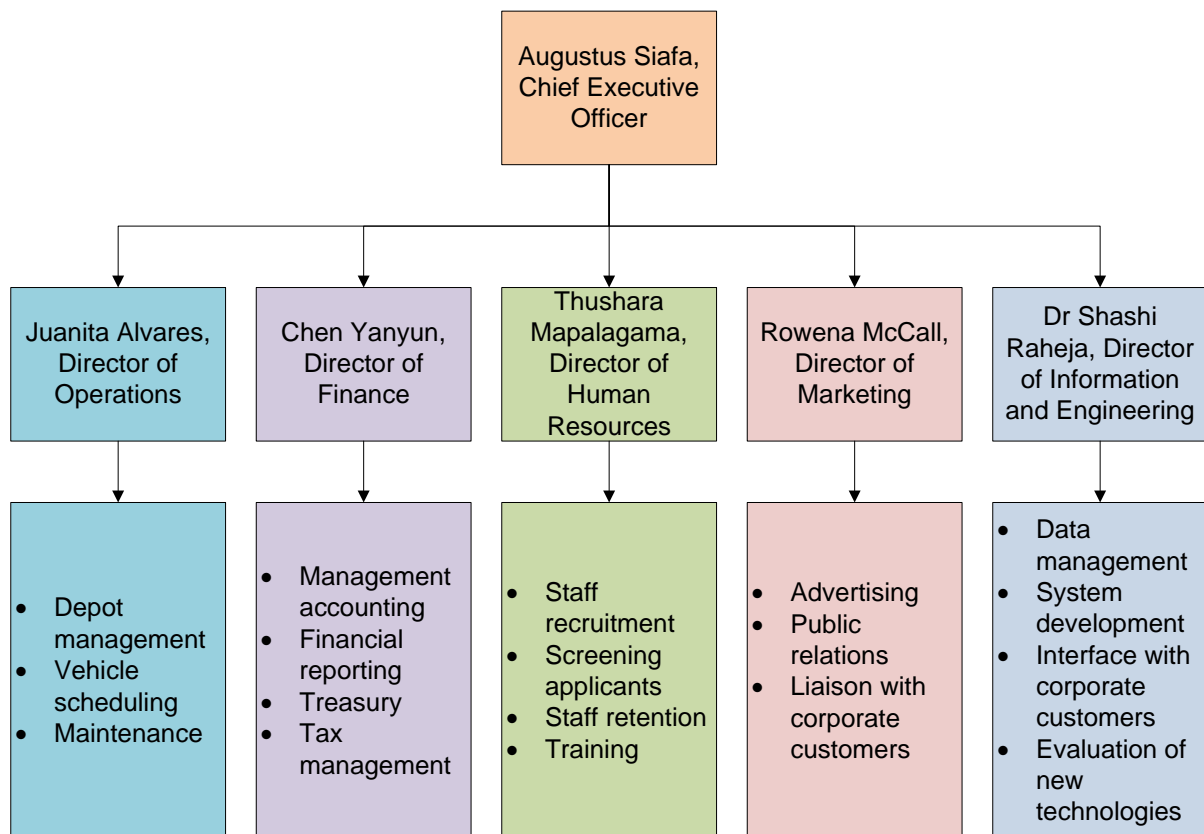
Gijs is a qualified accountant. He has held senior roles in several different companies, including a spell as Finance Director of a quoted airline. He also serves as convener of the finance committee at the Geeland Opera Company, in addition to his role with Runn.

Gijs was appointed to Runn's Board in 2016.

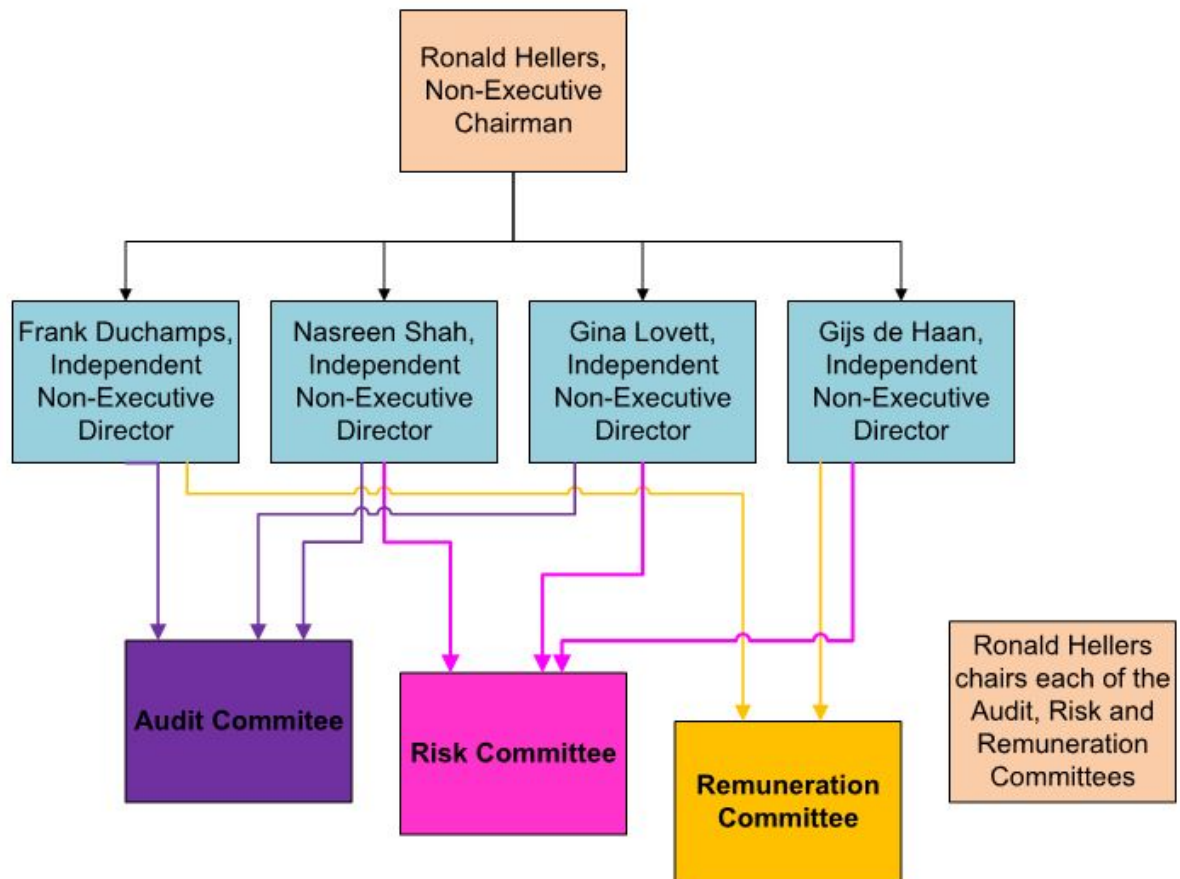


## Organisation Chart

### Executive directors



## Non-executive directors





## Runn's Principal Strategic Risks

Risk theme	Risk description	Risk mitigation
<b><i>Political and legal</i></b>	A great deal of Runn's business involves cross border deliveries. Various international tensions threaten to complicate the free movement of goods across some key borders, with the legality of imports and exports often being determined by national laws.	Runn takes great care to keep up to date with the changing compliance issues associated with international trade.  Runn cooperates fully with all national authorities with regard to verifying the legality of all deliveries.
<b><i>Economic development</i></b>	Several regions are undergoing a period of economic expansion, leading to a further increase in global trade. This creates significant opportunities for Runn as a facilitator.	Runn pays close attention to all potential opportunities and invests where appropriate in order to ensure that it has the necessary infrastructure in place to expand into new markets.
	Both established and developing economies can contract, thereby diminishing trading opportunities.	Economic disruption can create challenges, but it can also lead to opportunities because contractin businesses often turn to outsourcing in order to deal with problems. That can create opportunities to replace in-house logistics. Runn's service is designed to be both flexible and responsive.
	Supply chains are generally becoming more complex and are at increasing risk of disruption.	Runn aims to offer a reliable service that adapts to circumstances. Runn works closely with stakeholders in order to ensure that their interests are fully understood and are unlikely to conflict with customer needs.
<b><i>Financial risks</i></b>	Runn's position as a global courier means that it must deal with the complexities of the financial risks that affect both its own operations and world trade prospects.	Runn's Treasury Department pays close attention to the Group's exposure to different currencies and responds accordingly. Treasury also conducts frequent scenario-planning exercises to ensure that Runn has a contingency plan for most potential problems.



<b>Operational factors</b>	Runn offers a global service that requires a closely integrated infrastructure. Disruption in one area can have implications across the Group. For example, the unscheduled closure of one depot could lead to delays in deliveries across a whole country and beyond.	Management pays close attention to the factors that might interfere with operations, particularly technical and personnel issues.
<b>Staffing</b>	Runn's services could be at risk from the loss of key staff who could prove difficult to replace. For example, the loss of truck drivers or pilots would disrupt the movement of items between depots, causing delayed deliveries.	Runn pays close attention to the terms and conditions offered by rival companies to ensure that its rates of pay and other conditions remain competitive, particularly for jobs where replacements could be difficult to recruit. Group Human Resources also monitors staff engagement and morale as part of its ongoing staff appraisal system.
<b>Information systems</b>	<p>Runn's business model is wholly dependent upon information systems for bookings, tracking the locations of the items placed in our care and the scheduling and management of deliveries. Much of the data that Runn collects and generates is also highly confidential and it would cause considerable reputational damage to both Runn and its clients if it was intercepted.</p> <p>Much of the hardware associated with Runn's system is portable and potentially accessible by third parties.</p>	<p>All software is kept up to date, particularly with regard to updates applied to all firewall and other security software.</p> <p>All staff receive regular training in IT security. Staff are trained to understand the security implications associated with any equipment under their control and are expected to adhere to Runn's code of practice concerning the personal responsibility of those using IT equipment.</p> <p>Work with clients to ensure their data is protected in the event of any breach.</p>



## Financial statements

The following information has been extracted from Runn's financial statements for the year ended 30 September 2019

**Runn Group  
Consolidated Statement of Profit or  
Loss  
for the Year Ended 30 September**

	2019	2018
	G\$ millions	G\$ millions
Revenue	52,560	48,881
Operating expenses:		
Wages and Salaries	(27,234)	(25,682)
Fuel	(8,391)	(7,720)
Depreciation and amortisation	(2,309)	(2,101)
Maintenance	(1,267)	(1,216)
Other operating expenses	(3,997)	(3,797)
	<u>(43,198)</u>	<u>(40,516)</u>
Operating profit	9,362	8,365
Finance charges	<u>(443)</u>	<u>(414)</u>
Profit before tax	8,919	7,951
Tax expense	(1,819)	(1,618)
Profit for the year	<u><u>7,100</u></u>	<u><u>6,333</u></u>

**Runn Group  
Consolidated Statement of Comprehensive  
Income  
for the Year Ended 30 September**

	2019	2018
	G\$ millions	G\$ millions
Net income	7,100	6,333
Change in foreign currency translation reserve	329	289
Comprehensive income	<u><u>7,429</u></u>	<u><u>6,622</u></u>

**Runn Group****Consolidated Statement of Changes in Equity  
for the Year Ended 30 September  
2019**

	Shares and share premium G\$ millions	Retained earnings G\$ millions	Foreign currency translation G\$ millions	Total G\$ millions
Balance as at 30 September 2018	2,500	6,776	1,536	10,812
Net income		7,100		7,100
Dividend		(5,882)		(5,882)
Increase in foreign currency translation reserve			329	329
Balance as at 30 September 2018	2,500	7,994	1,865	12,359

**Runn Group**  
**Consolidated statement of financial**  
**position**  
**as at 30 September**

	2019 G\$ millions	2018 G\$ millions
<b>Non-current assets</b>		
Property, plant and equipment	19,431	16,740
Goodwill	2,787	2,787
Other intangible assets	1,518	1,372
	<u>23,736</u>	<u>20,899</u>
<b>Current assets</b>		
Trade receivables	6,570	6,110
Cash and cash equivalents	3,090	3,170
	<u>9,660</u>	<u>9,280</u>
<b>Total assets</b>	<u><u>33,396</u></u>	<u><u>30,179</u></u>
<b>Equity</b>		
Shares and share premium	2,500	2,500
Currency reserve	1,865	1,536
Retained earnings	7,994	6,776
	<u>12,359</u>	<u>10,812</u>
<b>Non-current liabilities</b>		
Borrowings	14,578	13,620
Deferred tax	1,184	858
	<u>15,762</u>	<u>14,478</u>
<b>Current liabilities</b>		
Trade payables	3,795	3,567
Taxation	1,480	1,322
	<u>5,275</u>	<u>4,889</u>
	<u><u>33,396</u></u>	<u><u>30,179</u></u>

## Segmental analysis of revenue for the year ended 30 September 2019

	Express G\$ millions	Non-urgent G\$ millions	Total G\$ millions
High volume (corporate customers)	15,768	21,024	36,792
Low volume (small businesses and individuals)	2,628	13,140	15,768
Total	18,396	34,164	52,560

## Extracts from a competitor's financial statements

Fronnt is Runn's most direct competitor. Like Runn, it is based in Geeland, but offers a global service.

### **Fronnt Courier Group**

#### **Consolidated Statement of Profit or Loss for the Year Ended 30 September**

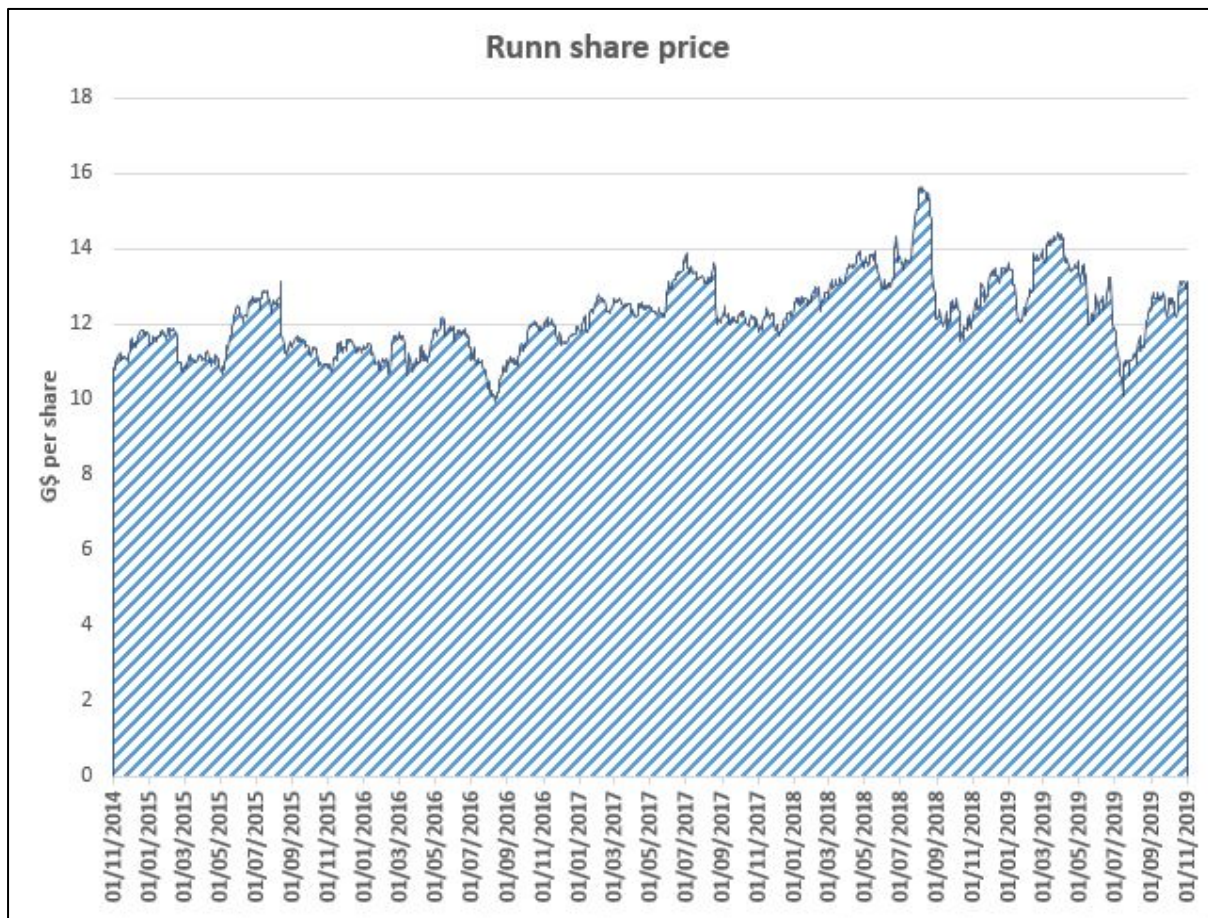
	2019	2018
	G\$ millions	G\$ millions
Revenue	42,048	39,105
Operating expenses:		
Wages and Salaries	(22,332)	(21,059)
Fuel	(7,048)	(6,484)
Depreciation and amortisation	(2,032)	(1,849)
Maintenance	(1,001)	(961)
Other operating expenses	(3,278)	(3,114)
	<u>(35,691)</u>	<u>(33,467)</u>
Operating profit	6,357	5,638
Finance charges	<u>(399)</u>	<u>(466)</u>
Profit before tax	5,958	5,172
Tax expense	(1,601)	(1,386)
Profit for the year	<u><u>4,357</u></u>	<u><u>3,786</u></u>



**Fronnt Courier Group**  
**Consolidated statement of financial position**  
**as at 30 September**

	2019 G\$ millions	2018 G\$ millions
<b>Non-current assets</b>		
Property, plant and equipment	17,099	17,931
Goodwill	1,951	1,951
Other intangible assets	1,199	1,086
	<u>20,249</u>	<u>20,968</u>
<b>Current assets</b>		
Trade receivables	5,256	4,888
Cash and cash equivalents	2,472	2,268
	<u>7,728</u>	<u>7,156</u>
<b>Total assets</b>	<u><u>27,977</u></u>	<u><u>28,124</u></u>
<b>Equity</b>		
Shares and share premium	2,000	2,000
Currency reserve	1,123	860
Retained earnings	7,523	6,560
	<u>10,646</u>	<u>9,420</u>
<b>Non-current liabilities</b>		
Borrowings	11,662	13,620
Deferred tax	947	621
	<u>12,609</u>	<u>14,241</u>
<b>Current liabilities</b>		
Trade payables	3,342	3,141
Taxation	1,380	1,322
	<u>4,722</u>	<u>4,463</u>
	<u><u>27,977</u></u>	<u><u>28,124</u></u>

## Share price history



Runn's beta is 1.37.

# Geeland Telegraph

## Military relies on couriers for logistical support



Geeland's Defence Minister confirmed that the country's armed forces had spent more than G\$800 million on logistical support from courier companies during the last fiscal year. She confirmed that the military often sent documents and packages by courier, but denied that these consignments ever involved classified materials.

The Minister admitted that a deployment of a Company of soldiers to assist in anti-poaching operations in the Southland Jungle was supported by a courier firm, which established a temporary depot at the Army's helicopter base in that country. The depot was used to manage the supplies that were flown in by Geeland's Air Force and the courier's own transport planes.

The courier staff based at the temporary depot were not directly involved in military operations and were not permitted to leave the base at any time during their deployment. They took no active part in operations, other than the management of supplies.

A source in Geeland's Navy admitted that the military often studied courier companies' procedures in order to improve upon the efficiency and reliability of their own supply networks.

# Geeland Telegraph

## Fronnt experiments with 3D technology



Fronnt, the major courier company, is trialling the use of 3D printers at several of its depots. This technology enables suppliers to email engineering drawings to participating depots, where the item will be printed as a three-dimensional object, exactly as drawn.

Fronnt's hope is that a buyer who requires an item urgently will find it faster and more convenient to have it printed at the nearest depot for immediate collection or delivery. For

example, a spare part could be printed locally so that a vital repair was not delayed by having to wait for the part to be driven or flown in from a distant depot.

Early 3D printers were restricted to small items made out of poor-quality plastics, but the technology is maturing rapidly, and larger and more robust items can be created from resins, some of which are as strong as many metals.

# Geeland Daily News



## I want it NOW (or next Monday)!

Research conducted by Geeland's Capital City University has shown that online retailers are finding it increasingly important to manage customer expectations with regard to delivery. As many as 30% of potential sales are abandoned after the customer has placed items in an online retailer's shopping basket because none of

the delivery options offered by the retailer are acceptable.

The researchers conclude that many consumers require the ability to specify delivery within 24 hours. Indeed, some retailers offer two-hour delivery to customers located within a manageable radius of their fulfilment centres, and this has proved to be extremely popular.

Other customers wish to be able to specify a particular day for delivery, so that they can be sure that they will be at home to receive the item. Some customers are unwilling to pay more than a nominal amount for delivery, even when they require an express service.

A spokesperson for Hortine, one of Geeland's largest online retailers, commented that it is becoming increasingly important to be responsive to customer needs. Hortine works closely with both couriers and postal services to ensure that those needs are fulfilled.

# Geeland Daily News



## Excess baggage woes

The threat of excess baggage charges is one of the most stressful aspects of checking in for a flight. Passengers who have packed their bags carefully and brought only the bare minimum can find themselves being charged a significant amount because their cases are heavier than they thought and weigh more than the baggage allowance.

Airlines used to allow some discretion for minor breaches, but many are becoming increasingly aggressive about restricting baggage and charging heavily for any excess. That may seem greedy, but the airlines are actually trying to discourage excess baggage by penalising passengers who bring too much to the airport. One reason for this is the increasing use of air freight to service global trade. Many airlines sell capacity in their baggage holds to courier companies, leaving less room for passengers' holiday clothes.

Most courier companies buy baggage space from airlines, even when they have their own fleets of dedicated cargo aircraft. These are often older and noisier than the planes used by passenger airlines. Many airports have strict noise abatement rules that forbid noisy aircraft from taking off or landing during the hours of darkness. This can lead to cargo planes being unable to use key airports outside of daylight hours, forcing couriers to buy space on quieter airliners in order to keep urgent packages moving overnight.

Next time you are charged extra for your holiday luggage, try to take some comfort from the fact that you may be helping reduce the noise pollution suffered by those living under the flight path close to your local airport or your destination.



# Geeland Daily News

## Fixed rate penalties to increase



The fixed-rate penalties imposed on drivers for a variety of motoring offences are to increase from 1 January 2020. At present, drivers who are caught committing most motoring offences are offered the opportunity to pay a G\$200 fine and have a penalty point on their licence. If they receive four or more points within a three-year period then their licences are automatically suspended. Drivers who wish to deny the accusation can choose to be tried in court, but the

penalties are generally far harsher if they are found guilty.

Serious motoring offences are always dealt with through the courts and penalties can include the immediate loss of driving licence and a prison sentence.

Motorists who park illegally are fined G\$50, with no penalty points on their licences.

Under the new laws, the fixed-rate penalties will increase to a fine of G\$250, plus a penalty point. Licences will be suspended when drivers reach three points within a three-year period, although the licence of any driver who already has three points when the change takes effect will not be suspended unless one further offence is committed.

Parking fines will double to G\$100 from 1 January 2020. It was argued that illegally parked vehicles can cause accidents, as well as holding up traffic.

## Extracts from Daisy the Driver's Blog

### Driven to distraction!



I had a really horrible day today, I am glad to be home! There are huge roadworks on the ring road around Capital City. The traffic was backed up for miles, and none of the alternative routes were any better because I wasn't the only one trying to dodge the queues. It's all right for you car drivers. Other motorists seem to take delight in blocking vans that need to change lanes or join the main road from a junction.

These delays meant that I was nearly an hour late in getting back to the depot. I had an urgent delivery that missed its delivery deadline by 15 minutes. That might not sound like much, but late is late according to my employer's rules.

#### COMMENTS

Daisy, you have very little to complain about. At least you are paid to sit in the traffic jams. It took me twice as long as usual to get home after collecting the kids from school.

Hammer Man

Daisy, I agree that it is unacceptable to drive in a selfish and aggressive manner. It doesn't matter whether you are driving a van or a racing car, other motorists should show a little consideration for others.

Secret Sandra

### Why do they do it?



I had lots of domestic deliveries today. I hate those because I have to ring the doorbell and then wait for ages until the door is opened and I can make my delivery. Worse than that, if there is nobody at home then I have to write out a card to tell them that they missed their delivery and then either take the item back to the van for redelivery or find a friendly neighbour to take the item and sign for it.

Why do people order things for home delivery if they are not going to be at home? It makes my job so much harder.

#### COMMENTS

Daisy, what about the inconsiderate courier drivers? Sometimes they ring the doorbell, wait for no more than five seconds and have driven away before I can get to the door. They can also be very reckless. I had a parcel left at my front door by a driver who had faked my signature. Luckily for me, it wasn't stolen. Unluckily for me, it rained all day and my new laptop was ruined because of water damage.

Sad Eric

## Goodbye Martin



One of my colleagues lost his job today. It took longer than usual to get his van ready this morning and he had booked cinema tickets for this evening. So he drove much faster than the speed limit allowed for most of the day in order to catch up. Luckily, there wasn't an accident. Unfortunately for him, all courier companies have sophisticated satellite navigation systems in their vans. They don't just tell you how to get to wherever you are going, they also track where you have been and how fast you were driving in order to get there.

Poor Martin was dismissed for gross misconduct because of his reckless driving. I hope he enjoyed the film!

### COMMENTS

Daisy, I hope you don't expect us to feel any sympathy for "Poor Martin". He was breaking the law and putting other road users at risk. And he knew that the details of his driving were being recorded by his satellite navigation system, so he should be called "Stupid Martin".

Boy Racer