

## Strategic Case Study Examination

May - August 2023

Pre-seen material



### **Context Statement**

*We are aware that there has been, and remains, a significant amount of change globally. To assist with clarity and fairness, we do not expect students to factor these changes in when responding to, or preparing for, case studies. This pre-seen, and its associated exams (while aiming to reflect real life), are set in a context where current and on-going global issues have not had an impact.*

*Remember, marks in the exam will be awarded for valid arguments that are relevant to the question asked. Answers that make relevant references to current affairs will, of course, be marked on their merits.*

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## Introduction

Daistruk is a quoted company that offers a logistics service.

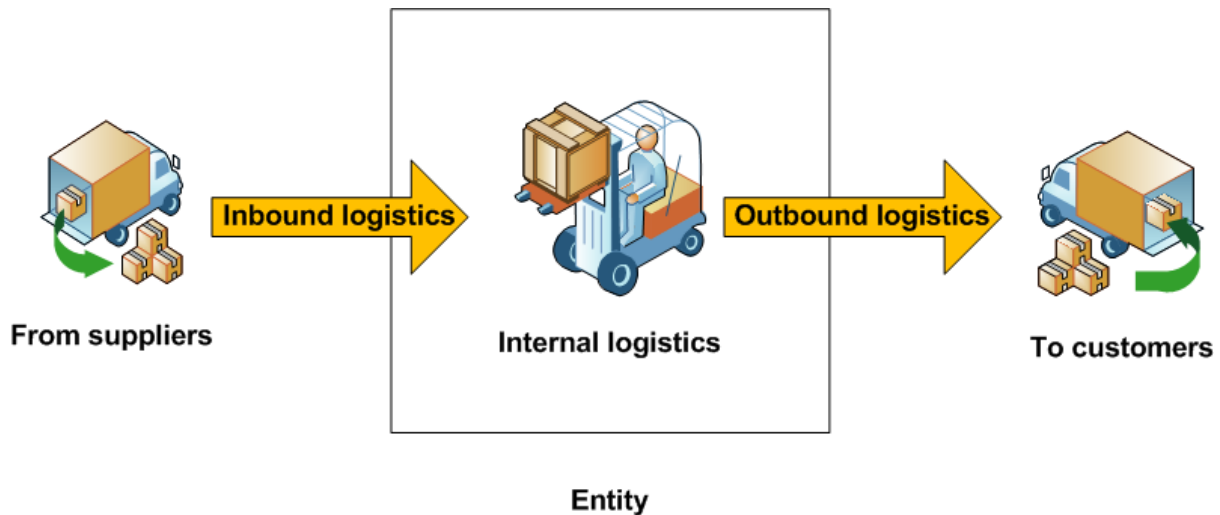
You are a senior manager in Daistruk’s finance function. You report directly to the Board and advise on special projects and strategic matters.

Daistruk is based in Roundland, a developed country that has an active and well-regulated stock exchange. Roundland’s currency is the R\$. Roundland requires companies to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS).

## Logistics

Logistics is a broad term that encompasses the process of managing the flow of goods, ensuring that they reach their intended destination on time. Logistics includes the planning, implementation and control required to ensure the safe and efficient management of that flow as well as the physical transportation of materials and products.

Most logistics systems involve the following:



Inbound logistics focus on the procurement of goods:

- receiving and checking goods (which may take the form of parts, materials and/or finished products)
- storing goods (if necessary)
- updating inventory records

Internal logistics involves handling goods within the entity, excluding inbound and outbound logistics:

- managing goods
- maintaining inventory records

Outbound logistics involves processes associated with the movement of goods to customers:

- warehouse picking
- packing
- despatch
- recording

Outbound logistics also includes reverse logistics whereby goods move from customer to the entity. That may be due to the return of defective goods or the recycling of products or packaging.

Each stage in the flow of goods depends upon the maintenance and communication of accurate information. Logistics requires the effective communication of information both within the entity and between the entity and its suppliers and customers.

The scale and complexity of logistics varies between entities, depending on their size and the nature of their business. For example, a manufacturer such as Maltor Motors has very different needs from a retailer such as Muddocks Supermarkets:

### Malttor Motors



Malttor Motors is a global manufacturing company that has 52 factories spread across 31 countries.

Each factory mass produces a specific product that may then be shipped to other factories as required. For example, all of Malttor's petrol engines are manufactured at a factory in Eastland.

- The engine factory's inbound logistics focus on the procurement of engine parts and materials.
- Internal logistics manages the inventory of parts and materials, supplying the factory when required.
- Outbound logistics stores completed engines, shipping them to the Malttor factories that assemble cars.

Each of Malttor's factories has its own logistics system, interacting with third parties and with other factories in the Group as appropriate.

Malttor's logistics are complicated by the need to ship often heavy and expensive components and assemblies between factories. Malttor's cars must then be shipped to dealers in the many countries where Malttor's cars are sold.

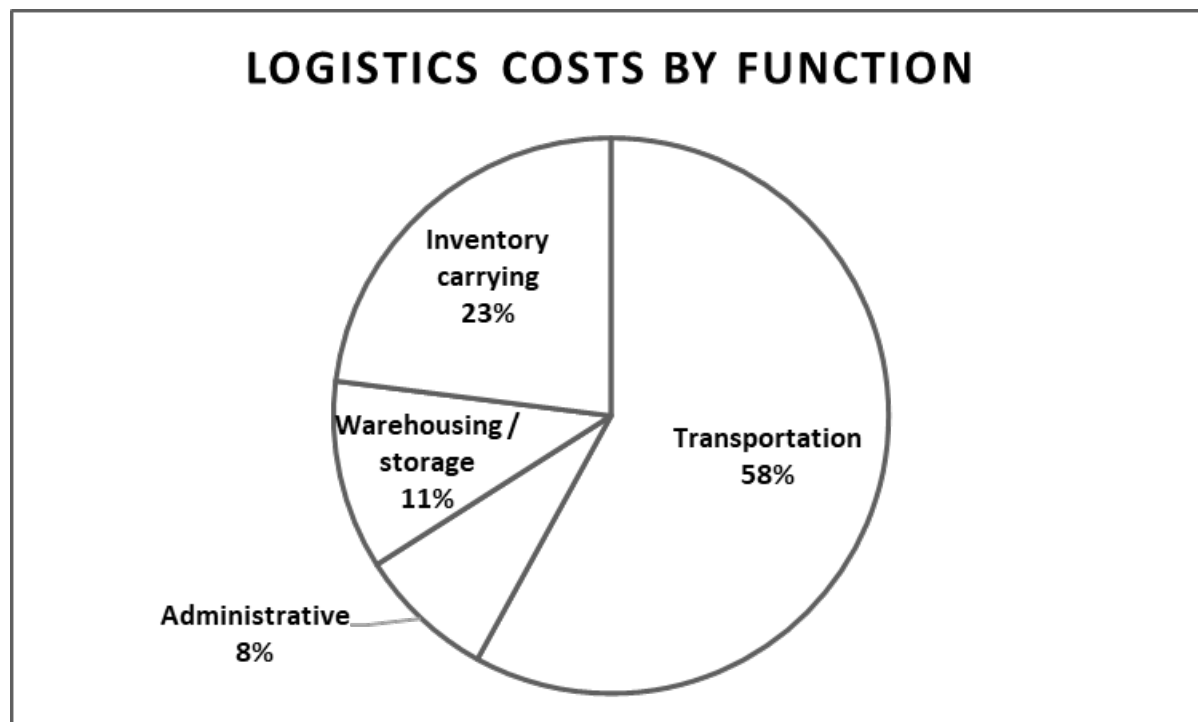
### Muddocks Supermarkets



Muddocks Supermarkets is one of the largest supermarket companies in Roundland. It has 1,270 stores and 37 warehouses in the country.

- Inbound logistics focusses on deliveries by food manufacturers to Muddocks's warehouses, each of which covers a geographical region. Perishable goods such as milk are delivered directly to shops by suppliers.
- Internal logistics manages inventory at the warehouses and shops. Muddocks uses lorries to replenish shops with goods from its warehouses.
- Most sales are direct to customers who collect their own goods. Some sales are made through the Muddocks website, and so there is an outbound logistics function that handles deliveries to customers' homes.

Businesses spend a vast amount on logistics. The total cost incurred by Roundlandian businesses for the year ended 31 December 2022 has been estimated at R\$226.2 billion. That total can be broken down as follows:



Inhouse or outsourced

Logistics can be managed in-house or outsourced to a contractor. Very few large organisations manage their own logistics because it is more efficient to outsource to a specialist. It is possible to outsource some or all elements of logistics:

1PL	A first-party logistics provider is a business that manages its own logistics.
2PL	A second-party logistics provider handles the transportation element of the flow of goods, acting on the instructions of a client. The client retains responsibility for managing its logistics.
3PL	A third-party logistics provider provides a wide range of services associated with logistics, from warehousing goods to their delivery.
4PL	A fourth-party logistics provider extends the 3PL model by taking responsibility for the strategy underlying logistics. Some 4PL providers employ external 3PL companies to provide transportation and warehousing.

Most large businesses use some variation of the 3PL arrangement, which potentially offers a number of advantages:

- 3PL providers offer expertise that can improve the reliability of logistics while reducing costs.
- 3PL providers may use their own warehouses and vehicles, in which case clients need not invest in property, plant and equipment.
- 3PL providers can offer flexibility in the event of changing needs. Clients may be able to add or release capacity in response to changing demand.

- 3PL providers can resolve problems affecting the flow of goods without the need to distract clients' management teams.
- 3PL providers can take responsibility for managing legal requirements such as licences and safety requirements.

Those advantages may not always be realised in practice. For example, there can be seasonal variations in demands for storage space, and so 3PL providers may not always be able to offer flexibility at busy times of year.

### Shared vs dedicated 3PL

Some clients negotiate exclusive arrangements for the use of a 3PL's resources. These "dedicated" arrangements grant exclusive use of specific assets belonging to the 3PL provider. That could mean that a number of vehicles will be painted in the client's colours and will be used on that client's business, or a warehouse could be set aside for the client's exclusive use.

Shared arrangements do not guarantee the exclusive use of assets. The 3PL provider is free to, for example, use a vehicle to carry several part loads for different clients in one trip, or to carry a load for one client on the outward journey between two locations and another load for a different client on the return journey. A warehouse could also have areas set aside for different clients within the same building.

Dedicated arrangements may be more cost-effective than shared for companies that have high volumes of goods to transport in accordance with a regular schedule so that vehicles can be kept full. They may also be beneficial for clients who have specialised needs such as goods that require specialised storage or transportation arrangements.

### Storage



Logistics management usually requires warehousing or other forms of storage that permit goods to be stored safely until they are required at the next stage of their journey. The number, size and location of storage facilities must be decided.

Storage sites must be large enough to provide sufficient capacity. They must also be accessible to whatever mode of transport will make deliveries or collections, whether that be road, rail, sea or air. Locations can also

affect transportation costs due to distances between nodes.



Storage facilities must be configured and equipped to handle the goods that will flow through them. For example, goods are often carried on wooden pallets so that they can be lifted by forklift trucks. That usually requires warehouses to have loading docks that enable forklifts to drive into cargo trailers when loading or unloading. The main storage space in the warehouse will then have to permit free and safe movement of forklifts so that pallets can be placed in storage or picked for despatch.

Different types of racks can be installed to make the best possible use of available space, taking account of the weight of a typical pallet (for instance, pallets of electronic goods will generally be lighter than pallets of tinned foods).



Warehouses can be automated, reducing the need for staff by using conveyor belts to move goods. It is also possible to use robots to pick and carry goods, placing them in their assigned storage location or preparing them for despatch.

This type of automation is frequently associated with the fulfilment of online sales. Despatches might comprise a single item or a small number of different products, picked from a large warehouse that stores many different products.

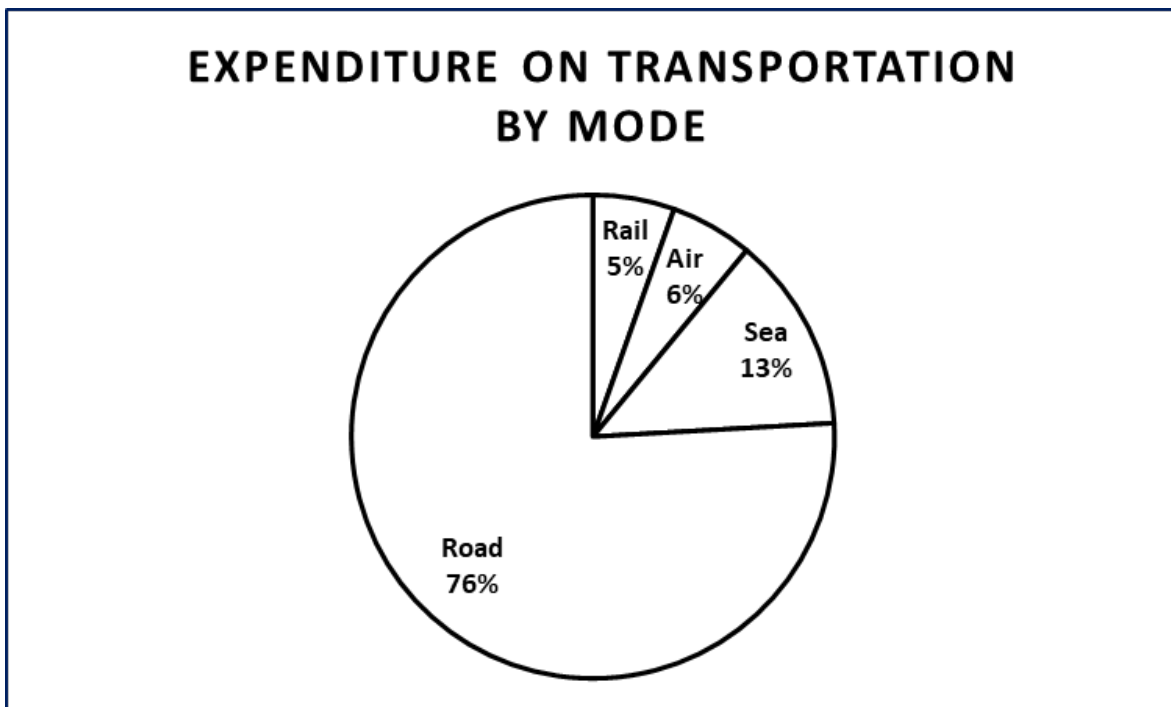


Many products require specialised facilities for handling and storage. For example, liquids require tankers and storage tanks. Grain and other crops require their own equipment for collection and storage.




Different types of goods can also raise safety concerns if they are flammable or toxic and must be handled with care. Or there may be hygiene issues with goods that are intended for human consumption, either as food products or ingredients.

### Road transport

Road vehicles account for most of the expenditure on transportation for logistical purposes:



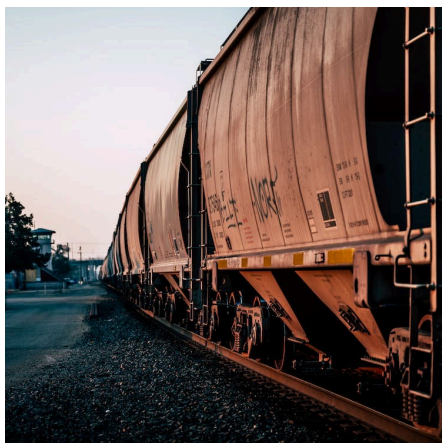
Road transport takes a variety of different forms:

<p><b>Cars and vans</b></p> 	<p>Cars and vans can be an efficient means of carrying small loads, particularly when making multiple deliveries over the “last mile” for an online retailer.</p> <p>Drivers do not need to have special licences, and so recruitment and retention are simplified for employers.</p> <p>Some larger vans can accommodate a pallet and can be loaded and unloaded by forklift.</p>
<p><b>Rigid trucks</b></p> 	<p>Rigid trucks consist of a chassis with a cab for the driver and a load compartment.</p> <p>Manufacturers usually supply these vehicles without a load compartment. Third-party suppliers can then add a load space that best meets the buyer’s needs. For example, the load compartment could have flexible “curtain” sides that can be opened to make it easier to load and unload with a forklift or the load compartment might be refrigerated.</p> <p>Rigid trucks are available in a variety of sizes. Roundlandian law permits trucks of up to 7.5 tonnes to be driven by holders of standard driving licences. Larger trucks require a heavy goods vehicle licence.</p> <p>18-tonne trucks are a popular size because they are well suited to carrying pallets of goods.</p>
<p><b>Articulated trucks</b></p> 	<p>Articulated trucks consist of a tractor unit and a trailer. The tractor unit has the driver’s cab, the engine and the fuel tanks. The trailer carries the load.</p> <p>Tractors and trailers are designed to be interchangeable, to the extent that a trailer can be left at a destination for loading and the tractor can be hitched to another trailer for the return journey.</p> <p>Trailers come in a variety of different configurations, allowing buyers to specify the manner in which they will be loaded and unloaded as well as the ability to specify trailers that are suited to different types of cargo.</p> <p>Drivers must have heavy goods vehicle licences before they can drive an articulated truck, even if it is a bare tractor unit without a trailer.</p>



	Some tractor units come equipped with a sleeping compartment, which enables the driver to park overnight and sleep in the cab.
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## Rail



Rail transport offers a number of advantages over road:

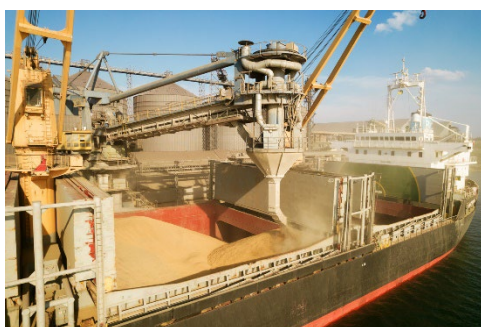
- Rail transport is generally more sustainable than road transport with lower emissions per tonne/kilometre.
- Using rail reduces congestion on the roads. It is estimated that each trainload of goods replaces 75 articulated truckloads on the roads.
- Rail can be more reliable in terms of on-time delivery, which can be beneficial when scheduling the movement of goods for immediate use.
- Rail transportation is often much cheaper, particularly for the carriage of materials in bulk.

Rail can be used to carry a range of products. Wagons come in a variety of different configurations, including open wagons for raw materials such as iron ore, tankers for liquids and wagons adapted for special loads, such as cars and vans.

The usefulness of rail depends largely on the location of facilities that are convenient for loading and unloading at either end of a load's journey.

Roundland has an extensive network of railway lines that are used for passengers and freight. All of the country's seaports have rail connections to their freight docks, and so it is possible to offload ships directly onto trains. The railway lines are used by several rail operators, enabling logistics companies to offer both rail freight and road for the transportation of goods.

## Sea



It may be necessary to use sea freight simply because there are no alternatives when goods are to be transported to or from a distant location. For example, Roundland imports large quantities of grain from Northland which is on the far side of the Western Ocean. That grain is transported to ports in Roundland on bulk carriers. The grain is then transported by road or rail to factories where it is used to make bread and other products.

Bulk carriers have open holds that can carry large quantities of goods such as grain, ore or coal. Each type of load requires specialised equipment to allow it to be loaded and unloaded quickly and efficiently. Bulk goods are often loaded into open-topped railway wagons at the dockside.

Liquids such as oil are carried on tanker ships. Liquids can be pumped from tankers into storage tanks by the dockside. Those liquids can then be pumped to smaller ships or into tankers towed by trucks or railway locomotives for onward transportation.



Container ships carry goods in shipping containers, which allow for rapid loading and unloading. Many ports have container terminals that are equipped with cranes designed to lift containers. Once unloaded, containers can be stacked ready to reload onto another ship. Containers can also be loaded onto trucks or trains. Containers are standard sizes, which makes them easy to manage.

Shipping containers can also be brought to ports on railway wagons and trucks, making them a flexible means of transporting goods for export.

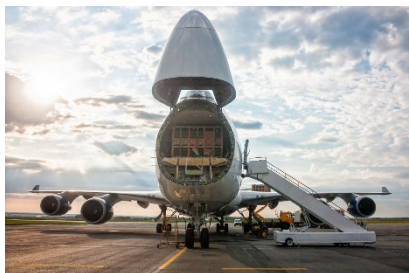
Articulated trucks can be carried on car ferries, which can allow for flexibility in making sea crossings that are served by ferry routes. There are six major ferry ports on Roundland's south and east coasts, and all are used by trucks to carry freight between Roundland and foreign destinations. Roundland is a large island that has no road or rail links to other countries.

Most 3PL logistics providers can manage the documentation associated with imports and exports by sea, in addition to making the necessary arrangements to charter ships or to organise the carriage of shipping containers by sea.

## Air

Freight can be carried by air, either on dedicated cargo aircraft or in the holds of passenger aircraft, alongside luggage.

Airfreight is generally suited to high-value goods that are small enough to be carried economically. It may also be necessary to consider airfreight for the transportation of goods that are either urgent or that are perishable. For example, fresh fruit and vegetables account for 10% of the weight of airfreight arriving in Roundland. Some varieties must be imported from countries with warmer climates and must be flown rather than shipped because they are unsuitable for freezing and would not remain edible for the duration of a sea voyage.



Cargo aircraft are configured to carry only freight. They can accommodate large items that are required urgently and so cannot be transported by overland or by ship, or large volumes of pallets, such as high value electronics that must be transported quickly and securely.

It is possible to charter a cargo aircraft for a single urgent load or for regular deliveries of an item that requires the speed or security of airfreight.

It is also possible to book consignments of freight onto the cargo aircraft operated by the major courier companies. Those companies have regular flights between major transport hubs in most industrialised countries.



Most airfreight is carried in the holds of passenger aircraft. Airlines do not require all their hold space for passenger luggage and can generate significant additional revenue by carrying cargo. Goods must fit onto the standard pallets used for airfreight and clear the door to the aircraft hold.

All large airports are equipped to handle freight. It is possible to transfer freight between aircraft on connecting flights when there is no direct flight between a load's origin and its final destination.

It can be complicated to manage airfreight. Many 3PL providers work with third-party specialists to deal with clients' needs.

## Intermodal

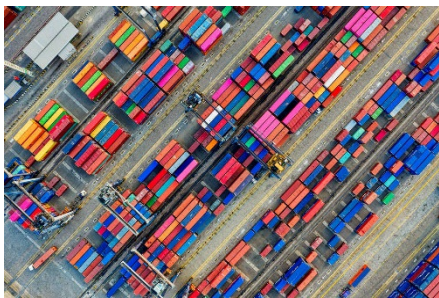
Intermodal transport involves the use of two or more modes in a single journey. For example, a shipping container might arrive at a Roundlandian port by sea, be offloaded onto a railway wagon that carries it to a terminal at which it is loaded onto an articulated truck for delivery to its final destination.



Intermodal transport frequently involves freight that is being carried in shipping containers. These can be stacked on the decks of container ships or loaded onto wagons on freight trains or trailers on articulated trucks. The containers can also be stacked on land for storage purposes, enabling goods to be stored without the need for warehouse space to protect them.

Shipping containers are standardised in terms of their size and the fittings that are used to secure them on a ship, train or truck. Those same fittings are also compatible with the hoists used for loading and unloading at ports and road and rail terminals. Containers can be purchased with refrigeration, air conditioning and other systems that enable them to be used to prolong the lives of perishable goods during transportation and storage.

Intermodal transportation can offer rapid and efficient movement of goods in comparison to single mode transport. For example, it may be cheaper to use an articulated truck to transport manufactured goods from a factory to the nearest rail terminal and have them complete their journey by freight train rather than making the entire journey by road.



The intermodal transport can be made more efficient by using inland ports. These are basically rail terminals that are not served by a seaport. They are usually located close to both main railway lines and motorways so that they can act as distribution centres, offering flexibility in the collection and onward movement of goods. They also have storage facilities to enable goods to be offloaded and held until they are needed.

It is often cheaper to take goods arriving by ship to an inland port for storage or distribution. Seaports usually have good rail links, but it can be expensive to store goods there because of restrictions on space. Similarly, goods can be offloaded at an inland port before taking them by rail to a seaport.



Inland ports can also be used for transporting goods within the country. They can make it cost-effective to transfer goods from road to rail, even if the railway journey is relatively short.

## **Daistruk**

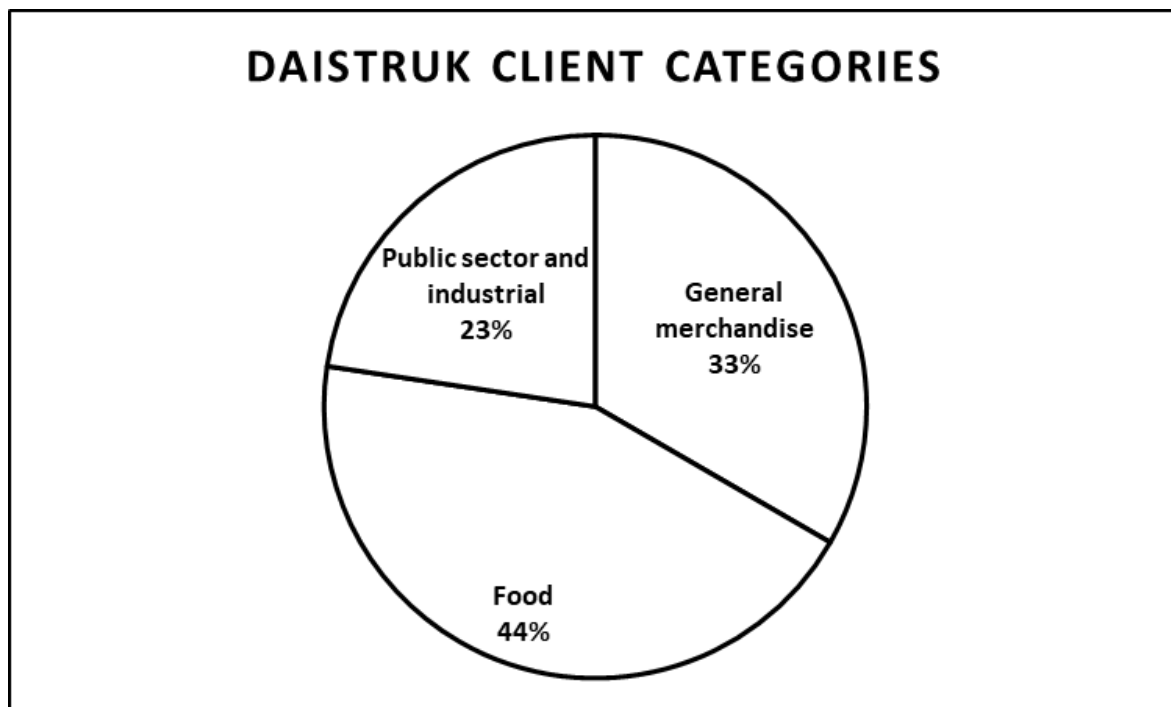
Daistruk was established in 1958 as a transport company to move building materials for the construction of a large steelworks that was being built in its hometown. The company grew rapidly, expanding its client base and buying additional vehicles and employing more drivers. By 1974, it was transporting loads by road across the whole of Roundland. Daistruk was quoted on Roundland's stock exchange in 1978. The company now employs 22,000 people, including 7,000 drivers.

Daistruk is now one of the largest 3PL logistics providers in Roundland. It provides intermodal logistics management services to many large organisations including:

<p>Inventory management</p>	<p>Daistruk provides IT-based services to manage customers' inventory and enhance efficient transport:</p> <ul style="list-style-type: none"> <li>• Planning and optimisation of uplifts and despatches</li> <li>• Data capture and analysis</li> <li>• Optimisation of vehicle utilisation</li> <li>• Modelling and decision making with respect to inventory holding</li> </ul> <p>Clients provide Daistruk with access to relevant data held on their enterprise resource planning (ERP) systems. Daistruk uses a warehouse management system (WMS) to track inventory levels and movements of goods.</p> <p>Daistruk can manage elements of a client's supply chain. Clients may issue instructions relating to the movement of goods, or they may ask Daistruk to monitor and manage inventory at different locations. For example, a supermarket client might pay Daistruk to replenish shops using goods held under Daistruk's management and at Daistruk's discretion, provided the shops do not run out of products and have space for the incoming deliveries.</p>
<p>Shared user storage and handling</p>	<p>Daistruk has 35 warehouses spread across Roundland. These are used to store and despatch goods. Clients are charged on the basis of the storage space occupied and the length of occupancy, with additional charges for inventory handling. Inventory handling includes checking incoming goods, putting them into storage and collecting them and processing them for despatch.</p> <p>The warehouses have areas set aside for the storage and handling of different types of goods, including temperature and humidity-controlled areas for storing food and secure areas for the storage of high-value items.</p>
<p>Outsourced warehouse management</p>	<p>Daistruk operates 90 warehouses belonging to clients, providing both labour and all aspects of inventory handling.</p>
<p>Shared usage transport</p>	<p>Daistruk owns 4,500 articulated tractor units and 6,500 trailers. All are available for shared usage. That enables goods to be carried as part-loads, which reduces transportation costs. It also makes it possible for trucks to backhaul loads on the return journey, again offsetting running costs for clients.</p> <p>Shared usage reduces the number of vehicles on the roads, making this a more sustainable means of operation.</p> <p>The company's trailer fleet includes 800 tankers that can carry liquids or powder. 600 of those are available for the carriage of fuel and chemicals. The remainder are for the carriage of foods, including milk and vegetable oils.</p> <p>The company has a further 1,000 smaller vehicles, including rigid trucks and vans, to offer a flexible and efficient service.</p>

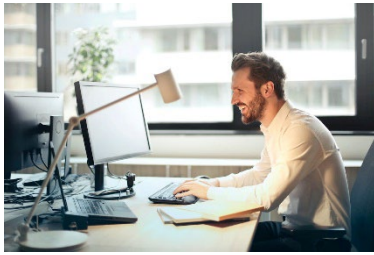
<p>Rail transport and intermodal</p>		<p>Daistruk owns ten railway locomotives that pull loads on Roundland’s national rail network. These operate continuously, with each trainload carrying the equivalent of up to 80 articulated trucks’ worth of goods.</p> <p>Daistruk owns two inland ports in Roundland, in addition to the 35 warehouses that it uses for shared storage. The inland ports are used primarily for the short-term storage of goods that are in shipping containers and for switching shipping containers between trains or between rail and road transport.</p> <p>Daistruk can manage the import and export of goods by sea, using both trucks and trains for deliveries to and collections from Roundland’s seaports. The company does not own its own ships, but it works closely with shipping companies to organise cargo for its clients. Daistruk’s staff can also manage the documentation and other administrative issues associated with customs regulations. The company can make similar arrangements for air cargo.</p>
<p>Specialised loads</p>		<p>Daistruk offers a specialised service for the transportation of oversized loads. Clients in the construction industry often need to move large items such as wind turbines. These require specialised equipment and specially trained and licenced drivers.</p>

Daistruk has three main categories of client:



Some customers do not fit within a single category. For example, Muddocks Supermarkets is one of Daistruk’s largest clients in terms of revenue. Each of Muddocks’s shops sells clothes

and household goods as well as food. Where appropriate, Daistruk will use the same truck to deliver both food and non-food items to shops. Muddocks also sells fuel to motorists and has filling stations at most of its shops, and so Daistruk also provides tanker services.



Daistruk's IT systems track client inventory in real time. Clients can access information relating to their inventory and can instruct Daistruk to organise movements of goods. Those instructions are sent electronically. For example, Muddocks Supermarkets may wish five shipping containers of tinned goods to be collected from the docks, transported to a warehouse and unloaded by forklift. Daistruk would acknowledge the instruction and would then ensure that

suitable vehicles were assigned to meet the ship. Drivers would be assigned to this task and told which trucks and trailers they should use.

Daistruk's IT systems also track the services being provided for clients. These are priced in accordance with the nature of the support being offered. For example, inventory stored on pallets at one of Daistruk's warehouses will be charged at a daily rate per pallet, with additional charges for any movements, such as unloading a trailer or a container or picking items to make a load for despatch.

All of Daistruk's vehicles are fitted with electronic trackers that update the transportation staff on their locations and status at all times. Transportation staff, supported by software, can manage loads and select the most efficient routes, which can be helpful when part loads must be carried and offloaded. For example, Muddocks might wish to replenish six of its shops with a variety of cleaning materials. Daistruk's warehouse staff would receive electronic instructions telling them which pallets to pick and the order in which they are to be loaded onto the trailer. The truck driver would then drive from shop to shop, following a route that both minimised time and distance and maximised the overall efficiency of each delivery.

Daistruk's IT systems can monitor the estimated time of arrival at each location. Delays due to traffic or weather conditions can be predicted and revised routes can be sent to the satnav system in each truck. If a delay cannot be avoided, then the systems will send a warning to the client.

Apart from monitoring delivery times, Daistruk must also ensure that its drivers do not exceed their permitted hours. Roundlandian law makes it an offence for a driver to drive for more than 9 hours each day. That limit is in place to reduce the risk of drivers losing concentration or falling asleep while driving.

## Extracts from Daistruk's annual report

### Daistruk's mission and values

#### Daistruk's mission

Daistruk gets things done.

#### Daistruk's vision

Daistruk's vision is to have a positive impact on all stakeholders through the provision of sustainable supply chain strategies and services.

### Dastruk's core values

- Dastruk is passionate about providing excellent service.
- Dastruk delivers excellent service at all times.
- Dastruk acts with integrity in dealing with its stakeholders.
- Dastruk trusts and respects its employees and provides a safe working environment.

### Dastruk's Board of Directors

#### *Mabalemi Maleka, Non-Executive Chair*

Mabalemi had a long and successful career as a politician, including spending 2 years as a junior minister for railways. She has now retired from politics. In addition to her position on Dastruk's board, she is a visiting professor of economics at Central City University. Mabalemi joined Dastruk's Board in 2020.

#### *Henrik Gerding, Chief Executive Officer (CEO)*

Henrik has a degree in computer science. He worked in software development with a major IT company before joining Dastruk as a senior manager in the company's data centre. Henrik joined Dastruk's Board as Chief Information Officer (CIO) in 2016. He was promoted to Chief Executive Officer in 2020.

#### *Doreen Sumpat, Chief Operating Officer (COO)*

Doreen holds a heavy goods vehicle licence. She worked in a food warehouse after leaving school, during which time she learned to operate forklifts. She went on to learn how to drive articulated trucks. She joined Dastruk in 2002 as a trainee warehouse manager. She completed a part-time MBA degree, after which she was promoted to various management roles within the company. Doreen joined Dastruk's Board in 2017.

#### *Rasim Hamid, Chief Finance Officer (CFO)*

Rasim is a qualified accountant. He spent much of his career working for a leading supermarket company, during which time he completed his professional training and worked his way up to a senior management role in the finance function. He joined Dastruk in 2015 as Chief Accountant and was promoted to CFO in 2019.

#### *Andrea Lopes, Chief Information Officer (CIO)*

Andrea studied data science at university. After graduating, she worked in logistics management with a variety of manufacturing companies. She joined Dastruk in 2017 as a senior IT manager. She was promoted to her present position on the Board in 2020, replacing Henrik Gerding as CIO.

#### *Max Foster, Human Resources Director*

Max has significant experience of human resource management at a senior level. He was HR Director at a major quoted construction company before joining Dastruk's Board in 2020.

*Professor Hongyu Liu, Senior Independent Director*

Hongyu had a successful career in academia, latterly as a professor of management science at Capital City University. She joined Daistruk’s Board as an independent director in 2019, combining that with convening the Management Committee of Capital City Hospital. She was appointed Daistruk’s Senior Independent Director in 2021.

*Khaled Abbas, Independent Non-Executive Director*

Khaled has an engineering background. He spent most of his career worked for a leading vehicle manufacturer, latterly as Director of Innovation. He retired from full-time employment in 2018. Since then, he has combined his role on Daistruk’s Board with convening a professional engineering body’s outreach programme to encourage school pupils to consider a career in engineering.

*Nathalie Brulat, Independent Non-Executive Director*

Nathalie worked for Roundland’s Department of Transport for most of her career. She had reached a senior position by the time of her retirement. She was involved in drafting legislation on a variety of issues, including revisions to motorway speed limits and updating the tests required for driving licences. Nathalie joined Daistruk’s Board when she retired from government service in 2021.

Directors’ responsibilities

Henrik Gerding Chief Executive Officer			
Doreen Sumpat Chief Operating Officer	Rasim Hamid Chief Finance Officer	Andrea Lopes Chief Information Officer	Max Foster Human Resources Director
<ul style="list-style-type: none"> <li>Transportation</li> <li>Liaison with clients</li> <li>Warehouse operations</li> </ul>	<ul style="list-style-type: none"> <li>Financial reporting</li> <li>Management accounting</li> <li>Treasury</li> </ul>	<ul style="list-style-type: none"> <li>IT operations</li> <li>IT security</li> <li>Software maintenance and development</li> </ul>	<ul style="list-style-type: none"> <li>Recruitment and selection</li> <li>Staff retention</li> <li>Health and Safety</li> </ul>

	Board committees			
	Audit	Risk	Remuneration	Nomination
Mabalemi Maleka Non-Executive Chair	◆	◆		◆
Professor Hongyu Liu Senior Independent Director	◆		◆	◆
Khaled Abbas Independent Non-Executive Director	◆	◆	◆	
Nathalie Brulat Independent Non-Executive Director		◆	◆	◆

Daistruk’s Chief Internal Auditor reports to the convener of the Audit Committee.



### Daistruk’s Principal Risks

Risk impact	Risk mitigation
<p>Concerns about the consumption of fossil fuels have caused both statutory and reputational risks for companies that rely heavily on the movement of goods by road and rail freight.</p> <p>The Roundlandian government is aiming for the country to achieve net-zero carbon emissions by 2052.</p>	<p>Daistruk has been proactive in setting targets for reductions in its carbon emissions.</p> <p>The company has actively pursued the use of new technologies to reduce emissions.</p>
<p>Daistruk’s activities create significant health and safety risks. Handling goods and operating delivery vehicles can put employees and others at serious risk of injury.</p> <p>Daistruk’s operations can also risk damage to property belonging to third parties, including clients’ goods, premises and vehicles.</p>	<p>All staff receive health and safety training during their induction. Ongoing training is provided.</p> <p>Daistruk has detailed procedures in place to minimise the risks of injury and damage to property. Those procedures include the need for specific training relating to tasks and the operation of equipment.</p> <p>Detailed records are maintained about all events that have caused injury or damage or that had the potential to do so.</p>
<p>Clients depend on Daistruk for the prompt and reliable movement of goods. Any failure to meet schedules is both visible and potentially damaging to business relationships.</p>	<p>Daistruk has comprehensive IT systems that manage the movement of goods and that can predict any delays and alert transportation management staff so that action can be taken and clients can be kept informed.</p>
<p>Daistruk relies heavily on its IT systems to ensure that all movements of goods are planned and executed on time and as efficiently as possible. The company’s IT systems are potentially vulnerable to attack or downtime due to problems with hardware or software.</p>	<p>Daistruk’s IT managers are vigilant with regard to monitoring potential threats and responding accordingly.</p> <p>All systems, including security software, are kept up to date at all times.</p> <p>The threat of emerging vulnerabilities is evaluated, seeking advice and conducting penetration tests where appropriate.</p>
<p>Daistruk relies heavily on its ability to recruit and retain employees to fill key roles, including drivers with the heavy goods vehicle licences that are required to drive articulated trucks.</p>	<p>The Board pays close attention to rates of staff turnover and responds to any threats. Daistruk ensures that staff pay is competitive with respect to the rest of the industry.</p>

**Daistruk Group**  
**Consolidated statement of profit or loss**  
**for the year ended 31 December**

	<b>2022</b>	<b>2021</b>
	<b>R\$ million</b>	<b>R\$ million</b>
Revenue	1,989	1,810
Operating costs	<u>(1,850)</u>	<u>(1,701)</u>
Operating profit	139	109
Finance costs	<u>(14)</u>	<u>(13)</u>
	125	96
Tax expense	<u>(15)</u>	<u>(12)</u>
Profit for the year	<u><u>110</u></u>	<u><u>84</u></u>

**Daistruk Group**  
**Consolidated statement of changes in equity**  
**for the year ended 31 December 2022**

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>R\$ million</b>	<b>R\$ million</b>	<b>R\$ million</b>
Opening balance	100	310	410
Profit for year		110	110
Dividend		<u>(92)</u>	<u>(92)</u>
Closing balance	<u><u>100</u></u>	<u><u>328</u></u>	<u><u>428</u></u>

**Daistruk Group**  
**Consolidated statement of financial position**  
**as at 31 December**

	<b>2022</b>	<b>2021</b>
	<b>R\$ million</b>	<b>R\$ million</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	530	511
Goodwill	91	91
	<u>621</u>	<u>602</u>
<b>Current assets</b>		
Inventory	3	2
Trade receivables	290	257
Bank	32	28
	<u>325</u>	<u>287</u>
	<u>946</u>	<u>889</u>
<b>Total assets</b>	<u>946</u>	<u>889</u>
<b>Equity</b>		
Share capital	100	100
Retained earnings	328	310
	<u>428</u>	<u>410</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	280	260
<b>Current liabilities</b>		
Trade payables	224	206
Tax liability	14	13
	<u>238</u>	<u>219</u>
	<u>946</u>	<u>889</u>
<b>Total equity and liabilities</b>	<u>946</u>	<u>889</u>

### Extract from competitor's financial statements

Daistruk is one of the largest 3PL logistics providers in Roundland. Its biggest competitor is Carree, which provides a similar range of services to Daistruk's, including a full intermodal service.

The logistics industry is very competitive. Most large entities have outsourced this function already. The volume of available business depends on the level of economic activity.

#### Carree Group

##### Consolidated statement of profit or loss for the year ended 31 December

	<b>2022</b>	<b>2021</b>
	<b>R\$ million</b>	<b>R\$ million</b>
Revenue	2,347	2,154
Operating costs	(2,128)	(1,939)
Operating profit	219	215
Finance costs	(12)	(12)
	207	203
Tax expense	(25)	(24)
Profit for the year	182	179

#### Carree Group

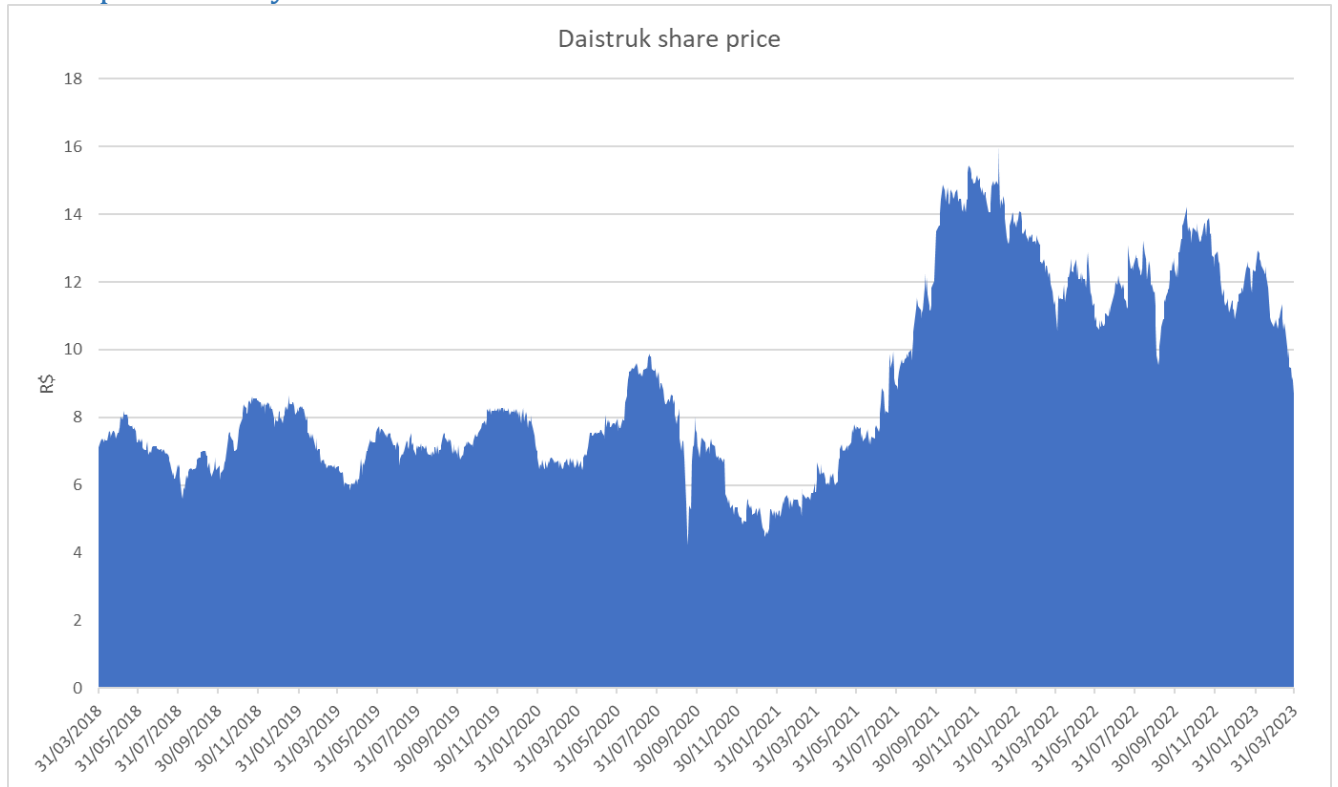
##### Consolidated statement of changes in equity for the year ended 31 December 2022

	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>R\$ million</b>	<b>R\$ million</b>	<b>R\$ million</b>
Opening balance	300	105	405
Profit for year		182	182
Dividend		(155)	(155)
Closing balance	300	132	432

**Carree Group**  
**Consolidated statement of financial position**  
**as at 31 December**

	<b>2022</b>	<b>2021</b>
	<b>R\$ million</b>	<b>R\$ million</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	592	570
Goodwill	100	100
	<u>692</u>	<u>670</u>
<b>Current assets</b>		
Inventory	4	3
Trade receivables	329	280
Bank	36	32
	<u>369</u>	<u>315</u>
<b>Total assets</b>	<u><u>1,061</u></u>	<u><u>985</u></u>
<b>Equity</b>		
Share capital	300	300
Retained earnings	132	105
	<u>432</u>	<u>405</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Borrowings	300	300
<b>Current liabilities</b>		
Trade payables	305	258
Tax liability	24	22
	<u>329</u>	<u>280</u>
<b>Total equity and liabilities</b>	<u><u>1,061</u></u>	<u><u>985</u></u>

### Share price history



Daistruk's beta is 1.27.

## News stories

# Happy Comic

## Readers' questions



**Question:** I see lots of trucks carrying shipping containers. How do they transport goods that can't be carried in a big metal box?

Anita, age 11

**Answer:** Shipping containers have standard dimensions that makes them easy to stack on the decks of cargo ships. Being a standard size also makes it easy to carry them on trailers towed by articulated trucks and on railway wagons. Containerloads of goods can be transported all over the world, getting transferred between ships, trains and trucks without having to be unloaded until they reach their destination.

Most containers are just metal boxes, which are ideal for carrying a huge range of goods ranging from mobile phones to fruit. It is, however, possible to create containers for other purposes. For example, there are containers that open at the top which makes them ideal for loading and unloading bulk products such as wheat and grain. Containers can also be supplied as tanks for carrying liquid or gas. Those are built into a frame that lets them stack with standard metal containers and they also fit on the same trailers and wagons as standard containers.

# Happy Comic

## Readers' questions



**Question:** Why do some trucks have big curtains along the side? Wouldn't metal be a lot stronger?

Rocco, age 12

**Answer:** Some trucks and some shipping containers are designed to open at the side. In fact, they are called "curtain sides". The side openings make it easier to load and unload them using forklift trucks. That can be very convenient if goods at the front of the container have to be unloaded first.

The curtains are made out of very strong material, so they don't tear easily. Also, the cargo is secured to the floor, so the load doesn't lean against the curtain.

You might not have noticed, but some trucks have curtain tops. The sides are solid, but the roof is a sliding curtain that can be opened and closed. That can be very convenient when loading loose goods such as coal, which can be poured in once the top has been slid open.



# Happy Comic

## Readers' questions



**Question:** My Dad operates a forklift at South City Port, but he doesn't have a licence to drive a car. Is he breaking the law?

Asim, age 11

**Answer:** The good news is that there is no need to have a car licence in order to operate a forklift truck. Forklift drivers do, however, need to have completed a formal training programme. That is important because forklifts can be difficult to drive. Loads can make a forklift very unstable if the forks are lifted too high. They can also block the driver's view of anything (or anyone) in the road ahead.

# Roundland Telegraph

## Roundland's first fully automated container terminal



Daistruk, the major logistics company, has just completed the modernisation of both of its inland ports.

Both ports have now been fully automated by the purchase of 40 Vivibon 3000 straddle carriers, all of which are fully automated. Software and sensors enable these carriers to operate without a driver. They can load and unload both trucks and railway wagons, carrying fully-laden shipping

containers to their desired location, either transferring them from one vehicle to another or stacking them up to four units high for temporary storage.

A spokesperson for Daistruk commented that the modernisation meant that the company could carry even more goods by rail instead of by road. The automation improves reliability because the company will be less vulnerable to shortages of skilled crane drivers.

## Roundland Daily

### Motorway chaos disrupts holiday travel



Three trucks carrying oversized loads created a massive holdup on the M12 Motorway, delaying holidaymakers who were attempting to catch flights from Central City Airport which is located by the M12.

The trucks in question belong to Daistruk, the logistics company. A spokesperson told the Roundland Daily that the vehicles had been scheduled to leave at 4.00 that morning, but a mechanical problem with one of the vehicles had delayed departure by 2 hours. That meant that the trucks and their escorts were passing the airport during the morning rush hour, holding up traffic in the process. The size of the loads meant that the trucks occupied two lanes of the motorway, leaving only a single lane for motorists trying to get to the airport and beyond, which caused substantial tailbacks of traffic. The large loads also meant that the trucks were restricted to 40 kilometres per hour.

There are very strict rules concerning the carriage of oversized loads on public roads. These include the need for drivers to be accompanied by attendants in the cabs of their trucks, vehicles to be fitted with marker boards and additional lighting and the provision of escort vehicles to prevent road users from getting too close to the load. There are also strict rules on the maximum size and weight that can be carried.

Central City Police confirmed that they had been notified of the load. Daistruk had complied with all applicable regulations. No accidents had been reported.