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DX Network Services Limited

Annual report and financial statements for the year ended 30 June 2019

COMPANY NUMBER 05026914

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Directors and advisers

Directors
Lloyd Dunn
David Mulligan
Paul Ibbetson
Martin Illidge
Michael Sherry
Kerensa Leatherland

Auditor
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Theale
Reading RG7 4SD

Registered office
DX1 Ditton Park

Ditton Park
Riding Court Road
Datchet
Slough
SL3 9GL

Registered number
05026914

Strategic report

DX at a glance

DX Network Services Limited ('DX') is a well-established provider of a wide range of delivery services, including parcel freight, secure, courier and logistics services, to both business and residential addresses across the UK.

The Company operates through two divisions, DX Freight and DX Express.

DX Freight

DX Freight has the capability to handle a wide range of parcel freight, including those with irregular dimension and weight ("IDW"), and up to six metres in length. It offers next-day and timed delivery options, including Saturdays, making deliveries throughout the UK and Ireland.

- **DX 1-Man**
  A nationwide network primarily providing business-to-business next day and timed delivery services. DX 1-Man has the capability to move all freight types from document satchels and parcels to pallets along with the ability to effectively handle more awkward shaped items plus lengths up to six metres. Full access to European and International delivery networks with the choice of International Mail, European Road Premium and Air Express for mail, packets, parcels and items of irregular shape and dimensions.
- **DX 2-Man**
  Specialises in providing a superior customer experience when delivering high-value, larger and heavier consumer products to the customer's room of choice within a two-hour delivery window throughout the UK and Ireland.
- **DX Logistics**
  Complete range of supply chain solutions serving customers across all market sectors of the UK. Warehouse and Transport Solutions include dedicated own-fleet management across all vehicle types, mechanical handling delivery, storage and order preparation. A 4PL experience, owning and managing relationships.

DX Express

DX Express specialises in the secure delivery of items on behalf of businesses and organisations, including to residential addresses.

- **DX Courier**
  A fast, reliable and cost-effective packets and parcel delivery solution for business-to-business next-day delivery. Ideal for regular next-day deliveries to high streets and trading estates six days a week.
- **DX Secure**
  A highly secure business-to-consumer tracked next-day courier service for mail, packets and small parcels. Ideal for items that require extra security including etail/retail goods, identity documents, bank cards, documents and tickets.
- **DX Exchange**
  A private member-to-member next-day, pre-9am, mail and parcels network connecting people within the legal, financial and public sectors.
- **DX Mail**
  DX Mail takes advantage of mail deregulation (downstream access) and collects postcode-addressed mail from customers. It moves collected mail swiftly through our network, handing it over for 'final mile' delivery to the UK's national mail operator.

Key performance indicators

	Year ended 30 June 2019	2018
Revenue (£m)	310.5	288.4
EBITDA (£m)	(1.3)	(8.8)
EBITDA margin (%)	(0.4)	(3.1)

The Company uses alternative performance measures ("APMs") to measure performance. These APMs are applied consistently from one period to the next and the Directors believe that this information is important for the stakeholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and items which are not expected to recur. The Company presents EBITDA which is calculated as the statutory measure (operating profit/(loss)) before depreciation, amortisation, exceptional items and share-based payments charge.

Review of the business

Eighteen months on since announcing our detailed turnaround plans, the Company's financial performance has significantly improved. These improvements have been driven by the substantial changes we made across the Company as we restructured and reorganised the operations and introduced initiatives to reinvigorate the business. The Company remains well-positioned to deliver further progress over the new financial year and we continue to be confident of meeting both the short and long-term goals we have set ourselves. Further details of the turnaround plans are described in the DX Group's 2018 Interim Results and Annual Report and Accounts available at www.dxdelivery.com/investor/reports-and-results.

The Company's revenue for the year to 30 June 2019 increased by 8% to £310.5 million (2018: £288.4 million). The Company's underlying loss reduced substantially with EBITDA showing a loss of £1.3 million (2018: loss of £8.8 million). The improvement in EBITDA mainly reflected the major improvement in the performance of the DX Freight division where the EBITDA loss reduced by 45%, helped by growth in 1-Man and Logistics activities. The ongoing turnaround of this division remains a core focus. The DX Express division contributed positively and the actions we have taken to address attrition in annuity income at DX Exchange have yielded results, with a less than expected level of attrition.

For the year ended 30 June 2019 there was an exceptional net credit of £63.4 million to the profit and loss account (2018: £27.2 million credit). This was a reversal of prior years' impairment charges following repayment of certain group loans.

During the year the Company paid a non-cash dividend of £63.3 million (2018: £nil). The Company also received a dividend of £3.5 million (€4.0 million) (2018: £4.4 million (€5.0 million)) from its wholly owned subsidiary, DX Network Services Ireland Limited.

Employee matters

Across our culturally diverse workforce, we aim to create a culture where all our employees feel appreciated and valued.

Adhering to our obligations under the Equality Act 2010, including Gender Pay Gap reporting, is a fundamental requirement, however we strive to go beyond this. We have policies and programmes in place for recruitment, career development and promotion that are based solely on the ability and performance of the individual, and are aligned to the needs of the Company.

Apprenticeship programmes are available to our employees. These focus on enhancing existing skill sets within current roles as well as developing skills for future roles, thereby helping employees to develop their career at DX. Apprenticeship programmes cover customer service, warehouse, driver and management apprenticeships. Our induction programme also ensures that all our new employees understand our full product range as well as the Company's vision.

All employees are offered a competitive benefits package, including a provision for death-in-service and access to counselling and advice services. There are a number of voluntary benefits, including healthcare plans and gym discounts, which support employee welfare and wellbeing. A variety of pension schemes are provided that meet our auto-enrolment obligations as well as supporting our employees to plan for their financial future.

We encourage an interest in activities at all levels and seek to receive and consider the views of employees across a wide range of matters. This aim is promoted through local, regional and Company-wide initiatives. These initiatives ensure two-way communication and employee involvement, and include access to the Operating Board to report and discuss any issues. Regular news bulletins are distributed throughout the Company and a bi-annual newspaper is produced with a mixture of business and employee news. Senior management also attend regular calls, meetings and conferences to ensure cohesive engagement throughout the Company, and to raise awareness of the financial and economic factors affecting the Company's performance.

Environmental matters

We continue to focus on how the Company can reduce its carbon footprint and make a positive contribution to the global issue of carbon emissions.

The Company adheres to the environmental standards developed by the International Organisation for Standardisation ("ISO"), the independent, non-governmental, standard-setting organisation. Its ISO 14001 Standard assists companies and organisations to manage their environmental responsibilities and our ISO14001 certification is now well-established, and underpins our approach to environmental improvement. We also use a robust environmental reporting protocol, the Greenhouse Gas Protocol ("GHG Protocol"), which enables us to measure our greenhouse gas emissions to consistent standards year-on-year.

We use GHG Protocol's Scope 2 Guidance when we measure emissions from purchased or acquired electricity, and other types of energy, and are pleased to report a 10% decrease in CO_2 emissions in 2019.

	2018	**2019**	**% Change**
CO_2 emissions (tonnes)	30,529	**27,338**	**-10%**

The consumption of diesel by our commercial fleet represents our most significant carbon output by far, with diesel-related emissions accounting for 79% of our carbon footprint. The majority of this is associated with our Freight Division, which operates its own delivery and trunking fleet. The Express Division makes greater use of third party couriers and subcontractors, and, as a consequence, activity for this Division is not captured within the context of Scope 2.

During the year, we modified our vehicle fleet mix, moving towards a greater number of 7.5 tonne vehicles. This has resulted in a higher load capacity per fleet vehicle and reduced our reliance on smaller vehicles. We have also continued to deploy our telemetry programme on vehicles, which improves overall fleet efficiency, in particular through better vehicle routing.

We have also introduced courses in energy awareness and driver efficiency this year as part of our Safety Academy training. This initiative focuses on the small steps and actions that can be taken to reduce our carbon footprint. We are continuing to seek ways to develop our training programmes so that we make further progress.

When opening new sites or upgrading our existing facilities, we typically adopt low carbon solutions, such as LED lighting, proximity sensors and efficient heating systems. In addition, our Company Car Policy now includes extensive options around plug-in and hybrid vehicles, which are proving to be increasingly popular with our drivers. We will continue to review technology and electrification opportunities as an integral part of our commitment to reduce our carbon footprint.

Principal risks and uncertainties

The Board recognises that the risks faced by the Company change and it regularly assesses risks in order to manage and mitigate any impact.

The Board has identified the following risks as the primary risks to the Company's successful performance:

RISK	*IMPACT*	*MITIGATION*
MARKET RISK		
LETTER AND PARCEL VOLUMES IN THE UK	The market for letters is in structural decline which in particular affects the DX Exchange service. If the decline of letter volumes in the UK is at a faster rate than forecast or the growth in parcel volumes is lower than DX forecasts (or DX fails to maintain or increase its share of the parcel markets in which it operates), there may be a material adverse effect on DX's operations and future financial condition. Risks from a hard Brexit relate to the potential impact on our customers' business and general business confidence although revenue derived from goods moving from the UK to Ireland is less than 1% of total Company revenue.	DX seeks to win business in new sectors and develop new services, recognising the general move to digital and electronic alternatives.
PRICE RISK		
THE PARCEL MARKET IN WHICH DX OPERATES IS HIGHLY COMPETITIVE	The parcels market is highly competitive and DX may be adversely affected by aggressive pricing strategies.	DX seeks to provide high levels of customer service at prices that offer customers best value. It also seeks to maintain strong relationships with major customers and develop new service attributes, such as real time delivery vehicle tracking, in response to customer needs.
OPERATIONAL RISKS		
IT SYSTEMS ARE CRITICAL TO DX'S BUSINESS OPERATIONS	Any material failure in DX's IT applications, systems, certain key suppliers and infrastructure may lead to operational and systems disruptions with an adverse effect on DX's operations, financial condition and future prospects. While its software is being updated, DX's operational effectiveness could be impaired if its existing bespoke software failed.	DX has a business continuity plan in the event of IT systems failure and further investment is being made to enhance capability. Further protections are in place to defend DX's systems against attacks. These protections are to a level acceptable to government departments. Prior to new systems going live, DX conducts significant testing in non-live environments.
CONFIDENTIAL AND SENSITIVE ITEMS	DX Express collects, sorts and delivers a range of confidential and sensitive letters and parcels for a variety of customers, including government departments, local authorities and examination boards. If confidential consignments were to be misplaced the reputation and brand of DX may be adversely affected. If a high-profile incident of this nature arose existing or potential customers may be unwilling to use DX for the delivery of confidential or sensitive items.	All DX Express staff are fully vetted. All parcels processed through our secure network are tracked from end to end.

Strategic report

DRIVER CERTIFICATE OF PROFESSIONAL COMPETENCE ("CPC")	The DX network requires the use of 7.5 tonne vehicles which must be driven by CPC-qualified drivers. A shortage of such drivers would impact the ability of DX to operate its network and this could have a material adverse effect on DX's results of operations, financial condition and prospects.	DX is engaged upon a project to attract more CPC drivers, and has a number of initiatives underway.
DELIVERY OF TURNAROUND PLAN	DX is committed to delivering a turnaround plan (as announced in March 2018) to return the Company to sustainable profitability. If core parts of this plan are not successfully delivered it would put a strain on DX's financing arrangements which could result in liquidity risk and the need to raise additional funds.	DX has invested in an experienced management and operational team to deliver the turnaround plan and tracks and reports regularly against key initiatives.
LIQUIDITY RISK		
CERTAIN DX CONSULTANTS AND AGENCY WORKERS COULD BE DEEMED TO BE EMPLOYEES OF DX	DX uses a large number of consultants, individual sub-contractors and agency workers. In the event of any legal claim as to worker status, DX could be liable for increased costs (such as National Insurance contributions) and liabilities (such as employee rights), which could have an adverse effect on its financial condition.	DX puts appropriate contractual and operational arrangements in place. DX continues to monitor cases to ensure that it maintains compliance with legislation.
COMPLIANCE RISK		
STANDARDS AND REGULATORY COMPLIANCE	DX holds several standards and regulatory accreditations including ISO27001 Information Security Management and Cyber Essentials Plus. Maintenance of these standards is required to be able to provide services to public sector bodies and other key markets. If DX were to lose these accreditations it would put major contracts at risk and jeopardise existing and future revenues.	DX trains staff in accordance with these standards and performs internal assessments to ensure the required processes and standards are maintained. DX is also subject to external audits of our compliance to these standards.
	Fleet compliance is central to meeting our operator licence obligations, which allows DX to operate its delivery and trunking fleet. Loss of operator licences would significantly impact DX's ability to operate.	Regular maintenance and inspection of vehicles and audit of compliance with regulations.
	The safety of our employees, agency labour and suppliers is of paramount importance. Compliance with regulations and development of a positive health and safety culture is key to achieving this. There is a risk of serious injury or fatality if safe practices are not adhered to.	Regular risk reviews of operations, a dedicated team of safety professionals, and targeted training seeks to engage employees to work safely and avoid injury.

By order of the board

David Mulligan
Director

16 October 2019

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2019.

Principal activity

The company's principal activity is the provision of delivery solutions, including parcel freight, secure, courier and logistics services.

Results and dividends

Earnings for the year before interest, tax, depreciation, amortisation exceptional items and share-based payments charge were a loss of £1.3 million (2018: £8.8 million loss).

The profit for the financial year after taxation was £61.9 million (2018: £17.9 million), after an exceptional net credit of £63.4 million (2018: £27.2 million credit) relating to the reversal of previously impaired group loans.

The company declared a dividend of £63.3m during the year (2018: £nil).

Brexit

The Directors have discussed the implications of Brexit and keeps developments under review. It has assessed the potential Brexit scenarios on existing contracts, workforce, supply chain and on the regulatory environment. We believe Brexit risks have a more indirect impact on the Company rather than direct for the following reasons.

- The Company (including its subsidiary undertaking) is predominantly a UK based delivery network;
- Freight and parcels moving between the Company's operations in the UK and its subsidiary in the Republic of Ireland could be disrupted but this represents about 1% of the combined revenue;
- We have considered the knock-on impact to highways of vehicle delays at UK ports, and are satisfied that this will have little impact on our collection, delivery and trunking activities;
- Our supply chain is not reliant upon time-sensitive or critical imports;
- DX does employ foreign-national employees but these tend to be long-serving (and not seasonal) so the short-term risks of changes is not considered high;
- Our standard terms of trade allow for some cost pressures such as fuel to be passed onto our customers;
- The imposition of tariffs may affect the cost of procuring certain goods, such as vehicles, but we expect any such increases would be reflected in the prices charged to our customers and we believe we are not at any specific disadvantage compared with our competitors; and
- The risk to the wider economy from the general level of uncertainty is more likely to have an impact on our customers. This could result in lower volumes and revenue and could prolong the turnaround of the business.

Going concern

The Company has prepared trading and cash flow forecasts for a period of three years, which have been reviewed and approved by the Directors. The Company also has in place a £20.0 million invoice discounting facility provided by BNP Paribas Commercial Finance, with £3.1 million drawn down at year end.

On the basis of these forecasts and the invoice discounting facility, and after a detailed review of trading, financial position and cash flow models, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Share capital

Details of the company's share capital are shown in note 16 to the financial statements.

Directors' report

Directors

The directors at the end of the financial year were as follows:
Lloyd Dunn
David Mulligan
Paul Ibbetson
Martin Illidge
Michael Sherry
Kerensa Leatherland

There were no changes subsequent to the year end.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:
(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to s487 of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore KPMG LLP will continue in office.

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors' report

Directors' and officers' insurance and indemnities

The Company maintains appropriate directors' and officers' liability insurance for the benefit of the directors.

Approved by the board of directors on 16 October 2019 and signed on its behalf by:

David Mulligan
Director

Registered in England and Wales No. 05026914

Independent auditor's report
to the members of DX Network Services Limited

Opinion

We have audited the financial statements of DX Network Services Limited ("the company") for the year ended 30 June 2019 which comprise the Balance Sheet, the Profit and Loss account and other Comprehensive Income, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of DX Network Services Limited

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD
18 October 2019

Profit and loss account and other comprehensive income for the year ended 30 June 2019

	Notes	2019 £m	2018 £m
Revenue	5	**310.5**	**288.4**
Operating costs:			
Before exceptional items and share-based payments charge		(315.1)	(303.3)
Exceptional items (net)	4	63.4	27.2
Share-based payments charge		(0.3)	(0.2)
Operating costs	2	**(252.0)**	**(276.3)**
Operating profit		**58.5**	**12.1**
Interest receivable and similar income	6	4.4	5.5
Interest payable and similar expenses	6	(0.6)	(1.3)
Profit before tax		**62.3**	**16.3**
Tax	7	(0.4)	1.6
Profit for the year		**61.9**	**17.9**
Other comprehensive income		-	-
Total comprehensive income for the year		**61.9**	**17.9**

All results are derived from continuing operations.

The notes on pages 15 to 32 form part of these financial statements.

Balance sheet
as at 30 June 2019

	Notes	2019 £m	2018 £m
Non-current assets:			
Intangible assets	8	3.5	4.1
Property, plant and equipment	9	9.7	8.9
Investments	10	27.3	27.6
Deferred tax assets	15	2.3	2.6
Total non-current assets		**42.8**	**43.2**
Current assets:			
Debtors	11	42.8	42.3
Cash and cash equivalents		1.3	1.5
Total current assets		**44.1**	**43.8**
Current liabilities:			
Creditors: amounts falling due within one year	12	(58.5)	(58.7)
Provisions	14	(1.0)	(1.3)
Total current liabilities		**(59.5)**	**(60.0)**
Net current liabilities		**(15.4)**	**(16.2)**
Total assets less current liabilities		**27.4**	**27.0**
Non-current liabilities:			
Creditors: amounts falling due after more than one year	13	(3.5)	(3.4)
Provisions	14	(5.0)	(3.6)
Total non-current liabilities		**(8.5)**	**(7.0)**
Net assets		**18.9**	**20.0**
Capital and reserves:			
Share capital	16	1.0	1.0
Profit and loss account		17.9	19.0
Shareholder's funds		**18.9**	**20.0**

The financial statements of DX Network Services Limited, registered number 05026914, were approved and authorised for issue by the board of directors on 16 October 2019 and signed on its behalf by:

David Mulligan
Director

The notes on pages 15 to 32 form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2019

	Share capital £m	Profit and loss account £m	Total £m
At 30 June 2017	1.0	0.9	1.9
Profit for the year	-	17.9	17.9
Other comprehensive income	-	-	-
Share-based payment transactions	-	0.2	0.2
At 30 June 2018	**1.0**	**19.0**	**20.0**
Profit for the year	-	61.9	61.9
Other comprehensive income	-	-	-
Dividends paid	-	(63.3)	(63.3)
Share-based payment transactions	-	0.3	0.3
At 30 June 2019	**1.0**	**17.9**	**18.9**

The notes on pages 15 to 32 form part of these financial statements.

1 Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

Basis of accounting
DX Network Services Limited (the "Company") is a private company incorporated and domiciled in England and Wales.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The Company's ultimate parent undertaking, DX (Group) plc, includes the Company in its consolidated financial statements. The consolidated financial statements of DX (Group) plc are prepared in accordance with International Financial Reporting Standards (as adopted by the EU) and are available to the public and may be obtained from Ditton Park, Riding Court Road, Datchet, Slough, SL3 9GL.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with the ultimate parent Company and wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

1 Significant accounting policies (continued)

Measurement convention
The financial statements are prepared on the historical cost basis.

The financial information is presented in sterling and, unless otherwise stated, has been rounded to the nearest £0.1 million.

Going concern
Notwithstanding net current liabilities of £15.4 million as at 30 June 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. Of the net liabilities, £15.6 million of deferred income included in current liabilities represents an obligation to deliver a service but not a cash liability.

The directors have prepared cash flow forecasts for a period of more than 24 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through its invoice discounting facility with a rolling three month notice period, to meet its liabilities as they fall due for that period. While the invoice discounting facility is cancellable by either party on a three month notice period, the directors are confident that it will remain available throughout the forecast period. See note 12 for further information on the Company's borrowing facilities.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Property, plant and equipment
Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at the following annual rates in order to write off each asset on a systematic basis:

Land	Nil
Freehold buildings	2 – 2.5%
Short leasehold properties	4 – 20%
Plant and machinery	10 – 33%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Investments
Shares in, and loans to, other group companies are valued at cost less any provision for impairment.

1 Significant accounting policies (continued)

Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Other intangible assets

Other intangible assets are stated at historic purchase cost less accumulated amortisation. Cost includes the original purchase price of the asset and the costs attributable to implementing the expenditure for its intended use. Third party and internal development costs are capitalised when the relevant criteria are met.

Amortisation is provided at the following annual rates in order to write off each asset on a systematic basis.

Goodwill	Nil
Software and development costs	20 – 33%
Acquired intangibles	20 – 50%

Impairment of non-financial assets

Non-financial assets that have an indefinite life, such as goodwill, are not subject to amortisation and are tested annually for impairment. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the profit and loss account when the asset's carrying value exceeds its recoverable amount. Its recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("the CODM"). The CODM, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board of Directors.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

(a) Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

(b) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1 Significant accounting policies (continued)

(c) Loans and borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

(d) Trade and other creditors
Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Impairment of financial assets (including trade and other debtors)
The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, where provision calculations are based on historic credit losses. This approach is applied unless there are specific circumstances indicating the necessity for a specific provision. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments are considered indicators that a specific provision is required. The introduction of the ECL approach is a change to the accounting policy compared to the prior year, in accordance with IFRS 9.

Provisions
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Revenue
Revenue represents the value of sales, apportioned over the period to which it relates after excluding trade discounts, value added tax and similar sales-related taxes.

DX Exchange subscription income, which is invoiced in advance, is deferred and recognised as revenue over the period of time in which the related performance obligation is satisfied. Deferred subscription income is included in the statement of financial position as deferred income within current liabilities.

Revenue in respect of all other services (DX 1-Man, DX 2-Man, DX Logistics, DX Courier, DX Secure and DX Mail) is recognised at a point in time, on delivery of the service to which it relates, thus satisfying the respective performance obligation.

1 Significant accounting policies (continued)

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or in equity. In this case the tax is also recognised directly in other comprehensive income or in equity.

(a) Current taxation

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred taxation

Deferred tax is recognised using the statement of financial position liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that the temporary differences and brought-forward taxable losses can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current assets against current liabilities and it is the intention to settle these on a net basis.

Pension costs

The Company is a member of a group defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either creditors or debtors in the balance sheet.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in shareholder's funds, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1 Significant accounting policies (continued)

Leases
Assets leased under operating leases are not recorded in the balance sheet. Rental payments are charged directly to the profit and loss account on a straight-line basis.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the year end. All translation differences are dealt with in the profit and loss account.

Exceptional items
The Company treats certain items which are considered to be one-off and not representative of the underlying trading of the Company as exceptional in nature.

The Directors apply judgement in assessing the particular items, which by virtue of their scale and nature should be classified as exceptional items. The directors consider that separate disclosure of these items is relevant to an understanding of the Company's financial performance.

Critical accounting estimates and assumptions
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes certain estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are considered to relate to:

Critical accounting estimate: Impairment of goodwill and investments
The Company determines whether goodwill or investments are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and investments are allocated. The investments have been allocated to the cash-generating unit which is the DX Group as a whole, as they all relate to intra-Group investments and balances. The goodwill amount of £2.4 million relates to the acquisitions of the trade and assets of Legal Post (Scotland) Limited and First Post Limited in May 2016, which is allocated to a separate cash-generating unit, DX Express. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill and investments at 30 June 2019 and 2018 were £2.4 million and £23.3 million respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill and investments are allocated are provided in notes 8 and 10.

1 Significant accounting policies (continued)

Financial risk factors
The Company's activities expose it to a variety of financial risks and are dealt with on a Group-wide basis. These financial risks include market risk (principally interest rate risk), credit risk and liquidity risk. The policy for each of the above risks is described in more detail below.

(a) Market risk
The Group finances its operations through a mixture of equity capital and bank borrowings. The Group's interest rate risk arises from its borrowings which are issued at variable rates, therefore expose the Group to cash flow interest rate risk. As the Group only has short term borrowings, it is able to minimise its exposure to cash flow interest risk by managing levels of debt on a daily basis.

The Group is exposed to a negligible element of foreign exchange risk, with only a limited number of supplies from abroad and the majority of sales made in the UK.

(b) Credit risk
The Group's principal current assets are cash deposits, cash and accounts receivable. The credit risk associated with cash is limited. The principal credit risk arises from non-recovery of trade receivables. In order to maintain credit risk, limits are set for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

(c) Liquidity risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short-term flexibility is achieved by the use of an invoice discounting facility.

New accounting standards
The Company has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 July 2018. IFRS 9 results in changes to the measurement of financial assets to amortised cost, and introduces a new impairment model of the expected loss. Under IFRS 15 revenue is recognised when the customer obtains control of goods and services transferred by the Company and the related performance obligations have been satisfied. This differs from the current standard which considers when risks and rewards of goods and services are transferred as opposed to control of these goods and services per IFRS 15. Whilst there have been changes to accounting policies, neither standard has had a material effect on the Company's financial statements.

2 Operating costs

	2019 £m	2018 £m
Other external charges	196.3	190.5
Staff costs – see note 3	91.4	84.3
Depreciation	2.2	2.8
Amortisation	1.1	3.3
Profit on sale of property, plant and equipment	-	(0.6)
Operating lease rentals	24.4	23.6
Impairment charges – see note 4	-	5.3
Reversal of previously impaired group loans – see note 4	(63.4)	(32.9)
Total operating costs	**252.0**	**276.3**
Excluding exceptional items and share-based payments charge	315.1	303.3
Exceptional items	(63.4)	(27.2)
Share-based payments charge	0.3	0.2
Total operating costs	**252.0**	**276.3**

An analysis of exceptional items is given in note 4.

The table below sets out the total remuneration received by the Directors of the company for the current and prior year:

	2019 £m	2018 £m
Remuneration	1.1	1.4
Contributions paid to defined contribution schemes	0.1	-
Total remuneration	**1.2**	**1.4**

The above includes £0.6 million (2018: £0.3 million) paid by the ultimate parent company for those Directors who are also Directors of the ultimate parent company. The highest paid director received total remuneration of £0.3 million (2018: £0.4 million).

Auditor's remuneration for the audit of the statutory financial statements amounted to £64,000 (2018: £64,000).

3 Staff costs

	2019 £m	2018 £m
Wages and salaries	82.4	76.5
Social security costs	7.0	6.4
Other pension costs	1.7	1.2
Share-based payment transactions	0.3	0.2
	91.4	**84.3**

The average number of persons employed for the year to 30 June 2019 was 3,476 (2018: 3,222).

4 Exceptional items

	2019 £m	2018 £m
Impairment charges	-	5.3
Senior management departures	-	0.9
Restructuring, professional costs and other	-	0.4
Reversal of previously impaired group loans	(63.4)	(32.9)
Profit on sale of freehold properties	-	(0.9)
Net exceptional (credit)/charge	**(63.4)**	**(27.2)**

Reversal of previously impaired group loans
During the year, group loans that had previously been impaired were repaid. Accordingly, the impairment of £63.4 million of these previously impaired group loans was reversed (2018: £32.9 million credit).

Impairment charges
Following the decision to reorganise the business and to create two divisions, DX Express and DX Freight, and having started to implement a turnaround plan under the new leadership team, some projects that were progressing as part of the previous "OneDX" integration programme have been stopped or reworked. As a result of this reassessment certain development assets were found to be impaired, principally those relating to the merging of IT systems as part of the "OneDX" integration programme. Following this review, an impairment charge of £5.3 million was made in the prior year.

Senior management departures
Amounts of £0.9 million in the prior year represent amounts due to former members of the senior management team following their departure from the DX Group.

Restructuring, professional costs and other
One-off costs of £0.4 million were incurred in the prior year relating largely to the turnaround plan.

Profit on sale of freehold properties
During the prior year the Company completed the sale of five freehold properties for an aggregate cash consideration of £4.5 million. The profit on sale of these freehold properties (after legal fees and other disposal costs) was £0.9 million.

5 Segment information

	2019 DX Express £m	DX Freight £m	Central £m	Total £m
Revenue	151.9	158.6	-	310.5
Costs before overheads	(123.2)	(161.7)	-	(284.9)
Profit/(loss) before overheads	28.7	(3.1)	-	25.6
Overheads	(6.2)	(4.7)	(16.0)	(26.9)
EBITDA	22.5	(7.8)	(16.0)	(1.3)
Depreciation and amortisation	-	-	(3.3)	(3.3)
Share-based payments charge	-	-	(0.3)	(0.3)
Exceptional items	-	-	63.4	63.4
Operating profit/(loss)	22.5	(7.8)	43.8	58.5
Interest receivable and similar income	-	-	4.4	4.4
Interest payable and similar expenses	-	-	(0.6)	(0.6)
Profit/(loss) before tax	22.5	(7.8)	47.6	62.3
Tax	-	-	(0.4)	(0.4)
Profit/(loss) for the year	22.5	(7.8)	47.2	61.9

	2018 DX Express £m	DX Freight £m	Central £m	Total £m
Revenue	150.6	137.8	-	288.4
Costs before overheads	(117.9)	(148.6)	-	(266.5)
Profit/(loss) before overheads	32.7	(10.8)	-	21.9
Overheads	(7.3)	(3.4)	(20.0)	(30.7)
EBITDA	25.4	(14.2)	(20.0)	(8.8)
Depreciation and amortisation	-	-	(6.1)	(6.1)
Share-based payments charge	-	-	(0.2)	(0.2)
Exceptional items	-	-	27.2	27.2
Operating profit/(loss)	25.4	(14.2)	0.9	12.1
Interest receivable and similar income	-	-	5.5	5.5
Interest payable and similar expenses	-	-	(1.3)	(1.3)
Profit/(loss) before tax	25.4	(14.2)	5.1	16.3
Tax	-	-	1.6	1.6
Profit/(loss) for the year	25.4	(14.2)	6.7	17.9

The Board of Directors is considered to be the chief operating decision-maker ("the CODM"). The CODM considers there to be two separate reporting segments, DX Express and DX Freight. The profitability of these two divisions is reviewed and managed separately, with the exception of certain overheads which are integrated across the two divisions. EBITDA of the two divisions above is shown before any allocation of these central overheads between DX Express and DX Freight. Central overheads comprise costs relating to finance, legal, HR, property, internal audit, IT, procurement and administrative activities which cannot be specifically allocated to an individual division. The CODM considers that assets and liabilities are reviewed on a Group basis therefore no segment information is provided for these balances. The CODM considers there to be only one material geographical segment, being the British Isles.

Notes to the financial statements
for the year ended 30 June 2019

6 Interest

	2019 £m	2018 £m
Interest receivable and similar income:		
Dividend received from subsidiary undertaking	3.5	4.4
Group interest receivable	0.9	1.1
Total interest receivable and similar income	**4.4**	**5.5**
Interest payable and similar expenses:		
Group interest payable	(0.4)	(0.5)
Other	(0.2)	(0.8)
Total interest payable and similar expenses	**(0.6)**	**(1.3)**

In the year ended 30 June 2019 the Company's subsidiary undertaking, DX Network Services Ireland Limited, paid a dividend of €4.0 million (2018: €5.0 million).

7 Tax

(a) Analysis of charge/(credit) in year

	2019 £m	2018 £m
Current tax:		
United Kingdom corporation tax:		
Current year	-	(0.2)
Adjustments in respect of prior periods	0.1	(0.3)
Total current tax	**0.1**	**(0.5)**
Deferred tax:		
Current year	0.3	(1.1)
Adjustments in respect of prior periods	-	-
Total deferred tax	**0.3**	**(1.1)**
Tax charge/(credit)	**0.4**	**(1.6)**

(b) Factors affecting the tax charge/(credit) for year

The tax assessed for the year differs from the amount that would arise using the weighted average rate of corporation tax in the UK for each year. The differences are explained below:

	2019 £m	2018 £m
Profit before tax	62.3	16.3
Profit/(loss) on ordinary activities before tax at the standard rate of UK corporation tax of 19% (2018: 19%)	11.8	3.1
Factors affecting charge for year:		
UK taxable losses unrecognised	0.9	2.4
Reversal of previously impaired group loans	(12.0)	(6.3)
Impairment charges not deductible for tax purposes	-	1.0
Impairment charges impact on deferred tax	-	(0.9)
Other exceptional charges not deductible for tax purposes	-	0.2
Adjustments in respect of prior periods	0.1	(0.3)
Group dividend received	(0.7)	(0.8)
Other	0.3	-
Total charge/(credit)	**0.4**	**(1.6)**

7 Tax (continued)

(c) Factors that may affect future tax charges

The UK corporation tax rate is 19% with effect from 1 April 2017. A reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 30 June 2019 has been calculated based on these rates.

8 Intangible assets

	Goodwill	Software and development costs	Acquired intangibles: Customer relationships	Acquired intangibles: Trademarks and domain names	Total
	£m	£m	£m	£m	£m
Cost:					
At 1 July 2018	102.5	22.0	1.0	1.0	126.5
Additions	-	0.5	-	-	0.5
Disposals	-	(0.1)	-	-	(0.1)
At 30 June 2019	**102.5**	**22.4**	**1.0**	**1.0**	**126.9**
Amortisation					
At 1 July 2018	100.1	20.9	0.4	1.0	122.4
Charge for the year	-	0.9	0.2	-	1.1
Disposals	-	(0.1)	-	-	(0.1)
At 30 June 2019	**100.1**	**21.7**	**0.6**	**1.0**	**123.4**
Net book value:					
At 30 June 2019	**2.4**	**0.7**	**0.4**	**-**	**3.5**
At 30 June 2018	2.4	1.1	0.6	-	4.1

Goodwill has an indefinite useful life and is subject to annual impairment testing. The goodwill all relates to DX Express (as referred to in note 1). The carrying value of goodwill has been reviewed for impairment with reference to its value in use based on future cash flow projections. The cash flow projections are based on the budget of DX (Group) plc approved by the Board for the forthcoming financial year and subsequent two years. Cash flows beyond these 36 months are extrapolated with reference to historical trends, expected developments, and using estimated growth rates, not exceeding a long-term growth rate of 2.0%. A discount rate of 12.0% has been applied to the future cash flows. Following the review, no impairment charge was required (2018: £nil). There is substantial headroom in the value in use calculations: a 10% change in the growth rate or the discount rate would not result in any impairment.

9 Property, plant and equipment

	Freehold land and buildings £m	Short leasehold land and buildings £m	Plant and machinery £m	Total £m
Cost:				
At 1 July 2018	3.9	8.1	19.9	31.9
Additions	-	1.6	1.4	3.0
At 30 June 2019	**3.9**	**9.7**	**21.3**	**34.9**
Depreciation:				
At 1 July 2018	1.1	3.7	18.2	23.0
Charge for the year	0.1	0.8	1.3	2.2
At 30 June 2019	**1.2**	**4.5**	**19.5**	**25.2**
Net book value:				
At 30 June 2019	**2.7**	**5.2**	**1.8**	**9.7**
At 30 June 2018	2.8	4.4	1.7	8.9

10 Investments

	Shares in subsidiary companies £m	Loans to group companies £m	Total £m
Cost:			
At 1 July 2018	5.1	98.5	103.6
Repayments	-	(63.5)	(63.5)
Disposals	(0.8)	(12.0)	(12.8)
At 30 June 2019	**4.3**	**23.0**	**27.3**
Provisions:			
At 1 July 2018	0.6	75.4	76.0
Reversal of impairment	-	(63.4)	(63.4)
Disposals	(0.6)	(12.0)	(12.6)
At 30 June 2019	-	-	-
Net book value:			
At 30 June 2019	**4.3**	**23.0**	**27.3**
At 30 June 2018	4.5	23.1	27.6

Loans to group companies bear interest at the interest rate payable by the group on its bank borrowings and are repayable no earlier than 30 June 2022.

The carrying value of £27.3 million (2018: £27.6 million) of investments has been reviewed with reference to its value in use, applying the same assumptions used for the value in use of the Company's goodwill shown in note 8. Following the review, no impairment charge was required (2018: £nil).

During the year the Company sold its shares in DX McBride Limited, DX Business Direct Limited and DX Electronic Services Limited to another group company, DX (VCP) Limited, for £0.2 million.

At 30 June 2019 DX Network Services Limited directly owned 100% of each class of issued shares of the following company:

Company Name	Principal activity
DX Network Services Ireland Limited	Mail services

DX Network Services Ireland Limited is registered and operates in the Republic of Ireland. Its registered office is Unit 6B, Northern Cross Business Park, Finglas, Dublin 11.

11 Debtors

	2019 £m	2018 £m
Trade debtors	24.5	23.2
Amounts due from group companies	0.6	-
Group relief receivable from group companies	-	0.3
Other debtors	0.7	0.4
Prepayments and accrued income	16.9	17.3
Corporation tax	0.1	1.1
	42.8	**42.3**

Amounts due from group companies are unsecured, interest free and repayable on demand.

12 Creditors: amounts falling due within one year

	2019 £m	2018 £m
Trade creditors	17.1	14.5
Amounts owed to group companies	2.6	2.5
Other creditors	6.7	6.0
Accruals	13.4	15.3
Deferred income	15.6	17.4
Invoice discounting facility	3.1	3.0
	58.5	**58.7**

Amounts owed to group companies are unsecured, interest free and repayable on demand.

The Company has a £20.0m invoice discounting facility. The facility is a rolling facility with three months' notice on each side. The available balance is based on 90% of the outstanding trade receivables, adjusted to exclude amounts billed in advance and old debt. The amount drawn on the invoice discounting facility at 30 June 2019 was £3.1 million (2018: £3.1 million). The above amount is shown net of debt issue costs of £nil as at 30 June 2019 (2018: £0.1 million).

13 Creditors: amounts falling due after more than one year

	2019 £m	2018 £m
Loans from group companies	3.5	3.4
	3.5	**3.4**

Loans from group companies bear interest at the interest rate payable by the group on its bank borrowings and are repayable no earlier than 30 June 2022.

14 Provisions

	Property repair costs £m	Other provisions £m	Total £m
At 1 July 2018	3.6	1.3	4.9
(Credit)/charged to profit and loss	(0.2)	1.7	1.5
Utilised	(0.3)	(0.1)	(0.4)
At 30 June 2019	**3.1**	**2.9**	**6.0**

	2019 £m	2018 £m
Amounts falling due within one year	1.0	1.3
Amounts falling due after more than one year	5.0	3.6
	6.0	**4.9**

As disclosed in the accounting policies, in determining provisions management uses judgement with reference to historical data and specifically identified factors, to determine the amount and timing of outflows, and thus the provision required.

The property dilapidation costs provision represents management's judgement, for amounts that could be payable for leased properties that have been vacated, where there is a plan to vacate or where there is a possible exit within two years.

Other provisions include motor insurance claims not yet settled, future losses arising from onerous property lease contracts and management's judgement of settlement costs for ongoing legal matters.

Provisions are expected to be utilised over the period to June 2030.

15 Deferred tax

	£m
At 1 July 2018	2.6
Charged to profit and loss	(0.3)
At 30 June 2019	2.3

Deferred tax is recognised as follows:

	2019 £m	2018 £m
Intangible assets	(0.1)	(0.1)
Depreciation in excess of capital allowances	2.2	2.5
Other timing differences	0.2	0.2
	2.3	**2.6**

The unrecognised deferred tax assets at 30 June 2019 total £4.7 million (2018: £3.0 million), consisting of unused tax losses.

16 Share capital

Allotted, called up and fully paid:

	No (000)	2019 £m	No (000)	2018 £m
Ordinary shares of 1p each	100,000	1.0	100,000	1.0

The Company has one class of ordinary shares which carries no right to fixed income.

17 Financial commitments

Capital
There was no capital expenditure contracted but not provided for (2018: £nil).

Operating leases
At the balance sheet date the Company had the following future minimum lease payments under non-cancellable operating leases

	2019 £m	2018 £m
Within one year	17.7	15.9
Between two and five years	42.5	32.5
After five years	15.0	15.1
	75.2	**63.5**

Operating leases typically consist of leases for premises, vehicles and equipment to support operations and to help service the Company's customers. Leases of land and buildings are usually subject to rent reviews at specified intervals and provide for the lessees to pay all insurance, maintenance and repair costs.

18 Contingencies

No provision for contingencies have been made.

19 Pension arrangements

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are in managed funds, and are therefore held separately from the assets of the Company.

The total cost charged to the profit and loss account of £1.7 million (2018: £1.2 million) represents contributions payable to this scheme by the Company at rates specified in the rules of the scheme.

Contributions amounting to £0.4 million (2018: £0.3 million) were payable to the scheme at 30 June 2019 and are included in creditors.

20 Parent undertaking and controlling party

The Company's parent undertaking is DX Services Limited, a company incorporated in England and Wales whose registered office is at Ditton Park, Riding Court Road, Datchet, Slough, SL3 9GL.

The Company's ultimate parent undertaking and controlling party at 30 June 2019 was DX (Group) plc, a Company incorporated in England and Wales whose registered office is at Ditton Park, Riding Court Road, Datchet, Slough, SL3 9GL.

DX (Group) plc is also both the smallest and the largest group into which the Company's results are consolidated. Copies of the annual report and financial statements of DX (Group) plc may be obtained from the registered office.