

DX (Group) plc

Company registration number: 08696699

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COMPANIES HOUSE

GROWING INVESTING DELIVERING

Annual Report and Accounts 2019

**Established in 1975,
DX is a market leader
in the delivery of mail,
parcels, pallets and
freight of irregular
dimension and weight.**

OUR PURPOSE

"Collect it, trunk it, deliver it,
prove it, bill it."

DX's approach is straightforward.
We seek to provide an excellent,
market-leading service at great value
to our customers. Our goal is to
deliver exactly to our customers'
requirements, whether via a next-day,
scheduled or tracked, secure
service and providing
assurance through proof
of delivery.

OUR PEOPLE

Key to what we do at DX is our
people. We look to be fair and
straight in all our dealings with
shareholders, customers and
suppliers and between ourselves,
striving to get better at what
we do each and every day.

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Read more at
www.dxdelivery.com

Highlights

FINANCIAL HIGHLIGHTS

Revenue

£322.5m

(2018: £299.5m)

EBITDA

£3.3m

(2018: £(4.9)m)

Adjusted LBT¹
£(0.2)m

(2018: £(11.8)m)

Reported LBT

£(1.7)m

(2018: £(19.9)m)

Adjusted LPS¹
(0.2)p

(2018: (5.1)p)

Reported LPS

(0.4)p

(2018: (8.1)p)

Net Debt¹
£1.3m

(2018: £1.1m)

Cash Inflow/(Outflow) from
Operating Activities
£3.2m

(2018: £(12.0)m)

OPERATIONAL HIGHLIGHTS

- > Structural reorganisation into two divisions, DX Freight and DX Express underpinned operational improvements
- > Devolution of accountability to general and regional managers has reinvigorated the business
- > Revitalised sales and commercial teams delivered strong new business wins, underpinned by new commercially realistic pricing policies
- > Focus on customer service levels and operational efficiency delivered gains
- > DX Exchange annuity income attrition slowed to 5% (2018: 10%) following significant service improvements
- > A three-year investment programme to upgrade IT, property and operational systems has commenced
- > DX is well-positioned to make further progress over the new financial year

¹ See notes 3 and 32 for details of alternative performance measures ("APMs") used, including reconciliations of APMs to IFRS reported measures

At a Glance

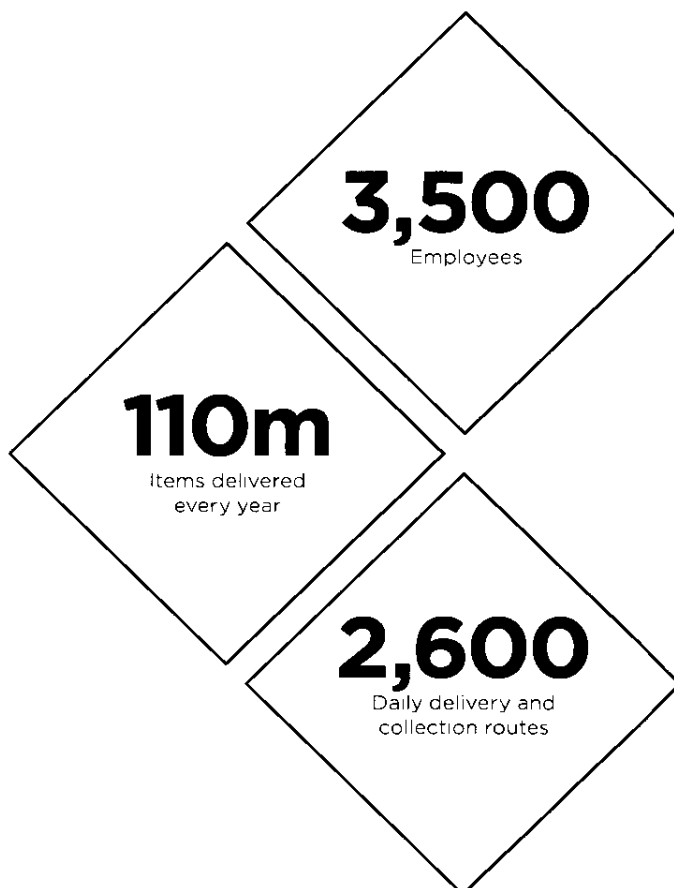
WE DELIVER COMPETITIVE ADVANTAGE

WHO WE ARE

DX is a well-established provider of a wide range of delivery services, including parcel freight, secure, courier and logistics services.

WHAT WE DO


DX provides a wide range of specialist delivery services to both business and residential addresses across the UK and Ireland. The Group operates through two divisions, DX Freight and DX Express.



OUR DIVISIONS


DX FREIGHT

Specialists in the delivery of larger and heavier items, including those with irregular dimensions and weight ("IDW"), to business and residential addresses nationwide.

 Read more on **page 4**

DX EXPRESS

Specialists in the express delivery of time sensitive, mission critical and high value items for B2B and B2C customers.

 Read more on **page 6**

Revenue
£322.5m

DX FREIGHT	DX EXPRESS
◆ DX 1-Man 30%	◆ DX Courier 19%
◆ DX Logistics 14%	◆ DX Secure 16%
◆ DX 2-Man 5%	◆ DX Exchange 15%
	◆ DX Mail 1%

DX KEY LOCATIONS



DX Freight

SPECIALISTS IN PARCEL FREIGHT

DX Freight has the capability to handle a wide range of parcel freight, including those with irregular dimensions 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 Freight has made great strides this year in almost halving the losses, significantly improving customer service including improvements in operational efficiency.”

Paul Ibbetson, Divisional Managing Director,
DX Freight

SERVICES

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.

CUSTOMERS

"We love the relationship we have with people across the company at DX; from the senior management team, our account manager, to customer services and people within the depot. We rarely experience issues and when we do, DX contact us first."

Tenneco, Automotive Manufacturer & Supplier

29

DX Freight locations
and 7 co-located

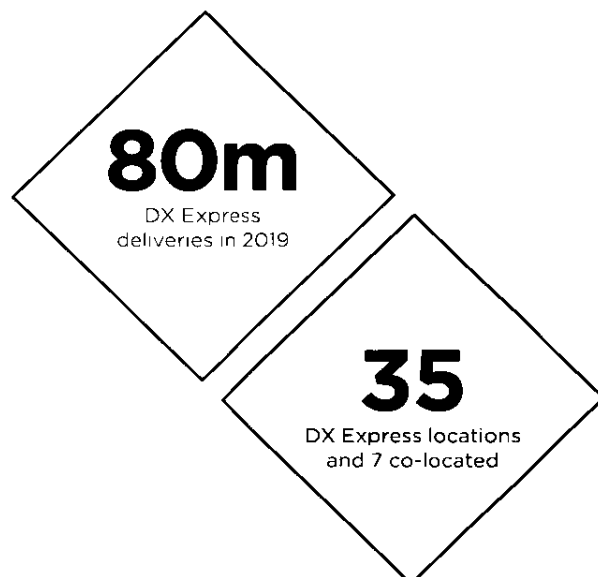
£158.6m

Revenue

DX Express

SPECIALISTS IN SECURE DELIVERY

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



SERVICES

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 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

CUSTOMERS

"When you are liaising with other businesses, communication is key. DX Exchange has always been a highly respected method of posting documents. It's reliable and reputable, so it was a natural choice for us to subscribe and use the DX."

Newhall Solicitors



"Serving new customers and slowing the rate of attrition at DX Exchange have been key highlights for DX Express this year."

**Martin Illidge, Divisional Managing Director,
DX Express**

Chairman's Statement

THE FIRST FULL YEAR OF TURNAROUND

We are pleased to report encouraging results, slightly ahead of market expectations for our first full financial year of turnaround.

RONALD SERIES

Executive Chairman

Eighteen months on since announcing our detailed turnaround plans with last year's interim results in March 2018, the Group's financial performance has significantly improved. DX has moved back to positive EBITDA with £3.3 million against last year's EBITDA loss of £4.9 million, an £8.2 million improvement, and revenue is up 8% year-on-year to £322.5 million (2018: £299.5 million). Operating cash flow was substantially better at £3.2 million (2018: £12.0 million outflow). Net debt of £1.3 million at the year end (2018: £11 million) is better than we originally projected, and is after capital investment of £3.5 million.

These improvements have been driven by the substantial changes we made across the Group as we restructured and reorganised the operations and introduced initiatives to reinvigorate the business. DX remains well-positioned to deliver further progress over the new financial year, notwithstanding current political uncertainties, and we continue to be confident of meeting both the short and long-term goals we have set ourselves.

Delivering our Objectives

We have made significant progress in improving the operational performance of the business over the past year, and this has led to higher levels of productivity and better customer service. The new sales and commercial structure has yielded strong new business wins and a healthy pipeline of opportunities. Importantly, we have secured new business at commercially sensible rates.

In May 2019, we were informed that our re-tender for the contract with HMPO, which was based on commercially realistic terms, had not been successful and, accordingly, after 14 years of providing an excellent service, the contract will expire in January 2020 after a transition period.

Despite this disappointing outcome, we have maintained our guidance on existing market expectations for the financial year to 30 June 2020, demonstrating the progress that we are making elsewhere in the business.

A key element of the turnaround plan is investment, and during the year we invested £3.5 million in IT systems, operational infrastructure and operating sites. Over the next two years, we are increasing this investment with a further £10 million budgeted to refresh systems, extend the footprint of the business with new sites, and improve operational capability with sortation mechanisation. This will be funded from existing financial resources.

Overall, the structural changes we made in 2018 to refocus the Group into two divisions, DX Express and DX Freight, and the organisational changes we implemented to strengthen management, and the sales and commercial teams, are now bearing fruit, as our financial results demonstrate.

Financial Performance

Revenue for the year to 30 June 2019 increased by 8% to £322.5 million (2018: £299.5 million), and the Group returned to positive EBITDA of £3.3 million (2018: loss of £4.9 million). This significant turnaround mainly reflected the substantial improvement in the performance of the DX Freight division, where the EBITDA loss reduced by 45%, helped by growth in DX 1-Man and DX 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 produced a better-than-expected outcome.

Unlike the prior financial year, there were no exceptional items in the financial year under review (2018: £5.7 million, excluding associated finance and tax costs).

The loss before tax decreased markedly to £1.7 million (2018: loss of £19.9 million after exceptional items), as did the statutory loss

after taxation, which reduced to £2.5 million (2018: loss of £19.5 million), a turnaround of £17.0 million year-on-year.

Total equity at 30 June 2019 was £23.6 million (2018: £24.9 million), which reflected the loss for the year reported above and other movements in equity totalling £1.2 million.

The Group closed the year with net debt significantly better than forecast at £1.3 million (2018: £1.1 million). This was helped by improved working capital management and was after £3.4 million cash outflow from capital expenditure.

Dividend Policy

With the Group still in turnaround, the Board has no immediate plans to restore the dividend. However, it is our intention to reinstate payments when appropriate.

Employees

It has been a year of great progress and our teams across the Group have worked hard to drive the business forward. On behalf of the Board I would like to thank everyone for their contribution, and we look forward to another year of progress in 2020.

Outlook

The Board believes that the Group remains well-positioned to make further progress with the next stage of its turnaround strategy. The priorities for the coming year are to build on the momentum we have achieved to date and to step up our level of investment in systems, sites and operational improvements.

We remain focused on new business and have a healthy pipeline of opportunities. Trading since the start of the new financial year has been in line with management's expectations and we expect to make further progress this year towards our goal of restoring the business to longer-term sustainable profitability.

Ronald Series
Executive Chairman

Our Investment Case

HIGHLY EXPERIENCED MANAGEMENT WITH PROVEN TRACK RECORD

DX is led by CEO Lloyd Dunn, who has 40 years' experience in the parcels and freight industry, which includes founding and turning around businesses

A MAJOR PROGRAMME OF INVESTMENT HAS BEEN LAUNCHED TO SUPPORT GROWTH INITIATIVES

A CLEAR STRATEGY IS IN PLACE TO TURN THE BUSINESS AROUND

DX has been restructured and reorganised to place general and regional managers at the heart of the turnaround strategy

Additional talent has been brought into the business

A new sales and commercial strategy is in place

Service levels have been enhanced

Operational efficiency is a focus

THE NEW DIVISIONS, DX FREIGHT AND DX EXPRESS, HAVE CLEARLY IDENTIFIED GOALS

DX Freight objectives:

Better utilisation of network capacity

Develop leading position in regional parcels and freight (DPA) freight

DX Express objectives:

Reimburse DX Exchange in order to reduce attrition

Better utilisation of secure network to offset attrition at DX Exchange

Expand next day tracked courier service targeting on B2B business

DX'S PERFORMANCE HAS SIGNIFICANTLY IMPROVED SINCE THE LAUNCH OF THE TURNAROUND PLAN

THE GROUP'S BALANCE SHEET IS STRONG AND CASH GENERATION HAS IMPROVED

Chief Executive Officer's Review

THE TURNAROUND IS GAINING MOMENTUM

Since joining the business in mid-October 2017, the new team has made significant strides with the turnaround plan announced in March 2018, but there is still much to do.

LLOYD DUNN

Chief Executive Officer

The organisational and management changes we made a year ago centred on establishing local responsibility and accountability at depot and service centre level and investing in the sales and commercial functions. These changes are working very well and have helped to deliver a healthy level of new business and growth in revenue. In securing new business, we have focused on increasing our B2B activity and on agreeing appropriate commercial rates to utilise the capacity within our delivery network.

A key goal for the financial year was returning the Group to positive EBITDA and we are pleased to have achieved this milestone. We are now building momentum and have a firm foundation for the next stage of the turnaround. We are planning for significant capital investment over the next two years, which will help to underpin DX's return to long-term, sustainable profitable growth.

The performance of each division is detailed below.

DX Freight

DX Freight comprises the following three services

- > **DX 1-Man:** national and international, next-day delivery services, specialising in irregular dimensions and weight ("IDW") items, which are generally unsuitable for fully automated sortation systems. Alongside this are services for the regular parcels market;

- > **DX 2-Man:** home delivery services for large items, weighing up to 150kg; and
- > **DX Logistics:** comprehensive logistics solutions, including warehouse management and the operation of customer-livered vehicles and uniformed personnel.

There was a substantial improvement in the division's performance over the year, with last year's EBITDA loss reduced by 45% to £7.8 million (2018: loss of £14.2 million) on revenue 15% higher at £158.6 million (2018: £137.8 million). The revenue increase of £20.8 million was generated by growth across all activities, with DX 1-Man revenue up by £12.4 million, DX Logistics revenue up by £7.6 million and DX 2-Man revenue up by £0.8 million.

These encouraging results were helped by our investment in sales and commercial resources, and by new pricing policies, designed to secure new business at the right rates as we improve utilisation of DX Freight's network.

DX Logistics and DX 2-Man services, which are now led by a single management team, performed better than expected. During the course of the year, we introduced new capabilities at DX 2-Man, including "wet-fit" services. This helped to secure new contracts involving the delivery and installation of white goods.

An important goal in the turnaround plan for the division is improving DX 1-Man's operational efficiency, and we are pleased with the progress that was made over the year. There were a number of factors that contributed to the improvement. First, an increase in the proportion of deliveries made to B2B customers, which rose from around 50% 18 months ago to around 73% at 30 June 2019. These types of deliveries are better suited to DX Freight's fleet of predominantly 7.5 tonne vehicles. The second factor in the improvement was an increase in hub and trunking productivity, which led to better delivery performance and enhanced customer service. Thirdly, we invested in 160 new 7.5 tonne vehicles, which went into service in the last quarter of the financial year. The new vehicles are helping to boost both delivery performance and the overall productivity of the fleet.

Alongside these operational improvements, we have invested in IT infrastructure and in new handheld technology. We also added to our site network, opening a new site at Maidstone in March 2019 and re-opening the previously moth-balled sites at Cannock and Pucklechurch. We plan to open a new site in Ipswich later in 2019 to extend the division's reach and support further growth. In addition, we are installing mechanisation at our hub in Willenhall as well as in other regional sites, which will drive further improvements in productivity and increase capacity over the new financial year.

DX Express

DX Express comprises the following four services:

- > **DX Exchange:** a private members' B2B mail and parcel delivery network, comprising c 3,500 exchanges across the UK and Ireland, operating primarily in the legal, financial and public sectors;
- > **DX Secure:** a market-leading secure B2C delivery service;
- > **DX Courier:** a next-day, fully tracked, B2B delivery service, primarily to branch networks, high streets, industrial areas and government premises, and
- > **DX Mail:** a low-cost, second-class mail alternative, primarily operating in finance and insurance.

As expected, the division generated reduced EBITDA of £26.9 million (2018: £29.3 million) on slightly higher revenue of £163.9 million (2018: £161.7 million). The £2.2 million increase in revenue reflected an improved year-on-year contribution from DX Courier services of £6.9 million. The revenue contribution from DX Exchange reduced by £2.5 million (2018: reduction of £6.0 million), which was better than expected, and revenue at DX Secure and DX Mail decreased by £2.2 million. Overall customer service levels were maintained at a high level.

We improved customer service levels at DX Exchange to enhance its positioning as an exclusive members' network and created a dedicated management team to lead the operation and drive innovation. This helped to halve the rate of attrition in annuity income to 5% for the year (2018: 10% attrition). The planned separation of DX Exchange deliveries into its own network is progressing steadily, with around 40% of DX Exchange deliveries now on dedicated routes.

As announced in May 2019, the division was not successful in its re-tender for the secure delivery contract for HMPO and therefore the current contract with HMPO is expected to expire at the end of January 2020.

During the year, we extended the division's geographical footprint, opening a new site in Northampton in May 2019, and relocated our service sites at Bridgend and Shrewsbury to new premises to allow for future growth and expansion.

The investment in the division's sales and commercial teams is gathering momentum and is being supported by our programme to consolidate legacy IT systems and to develop new services. In particular, we are launching an "Estimated Time of Arrival" service offering, which should go live in the first half of the new financial year. This will help the division, and especially the DX Secure activities, to compete against similar offerings in the market.

Central Overheads

Central overheads were £15.8 million (2018: £20.0 million), which reflects the full year benefit of the structural changes we made in the previous year and lower spending across all overhead categories. We exercised particularly tight cost control in the first year of the turnaround as we assessed priorities. We expect these costs will rise in the coming year as we particularly invest in IT resources and increase spending in order to deliver the system changes that are now planned.

Summary

We are pleased with the significant progress that has been made over the past year in returning the business to positive EBITDA and setting the foundations for further success as the turnaround continues.

Our people are at the heart of everything we do and what we have achieved this year. I would like to thank everyone personally for their hard work and achievements this year. Well done, and I look forward to making further progress as a team over the coming 12 months.

Lloyd Dunn

Chief Executive Officer

£163.9m

DX Express Revenue

£158.6m

DX Freight Revenue

Strategic Objectives

The turnaround plan we announced in March 2018 had seven key elements to move the business back to long-term sustainable profit and positive cash generation. The progress against these strategic objectives in the past year has been encouraging with the step change in operational performance driving the significant improvement in financial performance.

Strategic objective	Detailed objectives
NEW ORGANISATIONAL STRUCTURE	<ul style="list-style-type: none"> > Create two divisions; DX Freight and DX Express > Create greater number of smaller regions in each division > Dedicated team for DX Exchange > DX 2-Man and DX Logistics managed by single team
LOCAL RESPONSIBILITY AND ACCOUNTABILITY	<ul style="list-style-type: none"> > Local General Managers supported by Sales and Operations Managers > Link reward to performance
INVESTMENT IN SALES AND COMMERCIAL CAPABILITIES	<ul style="list-style-type: none"> > Recruit additional sales resources > Divisional commercial teams to approve all new business > Grow volumes to better utilise network capacity > Increase B2B mix in DX Freight
PLANNED INVESTMENT IN IT SYSTEMS AND NETWORK IMPROVEMENTS	<ul style="list-style-type: none"> > Improve commercial and sales tools > Improve quality of management information > Develop functionality of operational systems > Renew IT infrastructure
EXTENDING THE FOOTPRINT OF THE BUSINESS THROUGH NEW SITES	<ul style="list-style-type: none"> > Develop network to open up market opportunities and reduce stem mileage
IMPROVING OPERATIONAL EFFICIENCY	<ul style="list-style-type: none"> > Move balance of fleet in DX Freight to 7.5 tonne vehicles > Improve hub and delivery productivity > Develop network capacity at DX Express through increased use of transit vans > Create DX Exchange delivery network to improve customer service
STRENGTHENING THE BALANCE SHEET	<ul style="list-style-type: none"> > Debt for equity refinancing > Return business to sustainable level of profitability

Progress during 2019

- > New structure put in place in 2018 now maturing
- > DX Exchange revitalised with attrition rate halved from 10% to 5%

Objectives for 2020

- > No further changes planned

- > Continued to strengthen management team
- > Incentives now in place based on local and Group performance

- > Continue to strengthen and develop management team

- > New sales and commercial structure now in place with sales resources aligned to each depot and service centre
- > Strong sales growth, particularly DX 1-Man and DX Logistics at DX Freight and DX Courier at DX Express
- > DX Freight's B2B revenue mix is increasing, leading to improved efficiency of fleet
- > DX Express introduced simplified pricing structure

- > Further increase mix of B2B in DX Freight
- > Address potential contractual and commercial changes under "no-deal" Brexit
- > Launch Estimated Time of Arrival functionality at DX Express

- > £1.0 million invested in IT infrastructure and systems
- > New handheld devices introduced in DX Freight
- > Further £1.0 million invested in operational improvements including in new cages and basic sorting mechanisation

- > Plan £2 million of investment in IT systems and new handheld devices for DX Express

- > £1.4 million invested in new sites and improvements to existing sites
- > DX Freight reopened sites at Cannock and Pucklechurch
- > New sites opened for DX Freight at Maidstone and in DX Express at Northampton
- > DX Express Bridgend and Shrewsbury service centres relocated to new premises

- > New DX Freight depot planned for Ipswich
- > Further new site openings targeted as business grows

- > 160 new 7.5 tonne vehicles delivered during year
- > Changes to hub and trunking has driven improved levels of customer service
- > Delivery and hub productivity increased
- > 40% of DX Exchange deliveries now on dedicated route

- > Further investment in basic sorting mechanisation to further improve levels of productivity and customer service
- > Further develop DX Exchange routes as appropriate

- > Refinancing completed in May 2018
- > Strong working capital management
- > Delivered market expectations and progressed towards longer-term sustainable profitability
- > No exceptional costs this year

- > Further progress towards longer-term sustainable profitability through growth in EBITDA

Financial Review

STRENGTHENED BALANCE SHEET UNDERPINS TURNAROUND

Revenue of £322.5 million is 8% ahead of prior year, and mainly reflects strong growth in DX 1-Man, DX Logistics and DX Courier, partly offset by the expected reduction in revenue at DX Exchange as well as reduced volumes for DX Secure.

DAVID MULLIGAN

Chief Financial Officer

Earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA") for the year to 30 June 2019 was £3.3 million (2018: loss of £4.9 million). The loss before tax was £1.7 million (2018: £19.9 million loss).

The return to positive EBITDA was achieved by a combination of revenue growth along with a relative saving on the cost base, in particular in the DX Freight division, whilst the DX Express division benefited from its hard work in reducing the rate of attrition in DX Exchange.

Underlying operating profit was £0.2 million (2018: £10.9 million loss).

Net debt at 30 June 2019 was £1.3 million (2018: £1.1 million), which was better than market forecasts. Operating cash flow was substantially better at £3.2 million (2018: £12.0 million outflow) and the cash outflow from capital expenditure was £3.4 million (2018: £1.8 million).

	2019 Total £m	2018 Trading £m	2018 Exceptional £m	2018 Total £m
Revenue	322.5	299.5	-	299.5
Earnings before interest, tax, depreciation and amortisation ("EBITDA")¹	3.3	(4.9)	-	(4.9)
Depreciation	(2.2)	(2.9)	-	(2.9)
Amortisation of software and development costs	(0.9)	(3.1)	-	(3.1)
Underlying operating profit/(loss)¹	0.2	(10.9)	-	(10.9)
Amortisation of acquired intangibles	(0.3)	(0.3)	-	(0.3)
Share-based payments charge	(1.2)	(0.2)	-	(0.2)
Exceptional items	-	-	(5.7)	(5.7)
Reported loss from operating activities	(1.3)	(11.4)	(5.7)	(17.1)
Finance costs	(0.4)	(0.9)	(1.9)	(2.8)
Loss before tax	(1.7)	(12.3)	(7.6)	(19.9)
Tax	(0.8)	(0.5)	0.9	0.4
Loss for the year	(2.5)	(12.8)	(6.7)	(19.5)
Other comprehensive expense	-	-	-	-
Total comprehensive expense for the year	(2.5)	(12.8)	(6.7)	(19.5)
LPS – adjusted (pence) ¹	(0.2)			(5.1)
– basic (pence)	(0.4)	(5.3)	(2.8)	(8.1)

Revenue by Segment

A breakdown of Group revenue is shown below and further commentary on each division's performance is provided in the Chairman's Statement and the Chief Executive Officer's Review.

	2019 £m	2018 £m	Change %
DX Express	163.9	161.7	+1%
DX Freight	158.6	137.8	+15%
Revenue	322.5	299.5	+8%

¹ See notes 3 and 32 for details of alternative performance measures ("APMs") used, including reconciliations of these APMs to IFRS reported measures

Exceptional Items

After a total of £6.7 million of exceptional restructuring costs and impairment charges in 2018, there were no exceptional items in 2019.

	2019 £m	2018 £m
Impairment charges	-	5.3
Senior management departures	-	0.9
Restructuring, professional costs and other	-	0.4
Profit on disposal of freehold properties	-	(0.9)
Exceptional items (operating) - net	-	5.7
Finance costs	-	1.9
Tax	-	(0.9)
Total exceptional items	-	6.7

Cash Flow

	2019 £m	2018 £m
Net cash profit/(loss) - note 26	3.3	(6.0)
Net change in working capital	(0.2)	(4.4)
Interest paid	(0.4)	(1.5)
Tax received/(paid) - net	0.5	(0.1)
Net cash from operating activities	3.2	(12.0)

Cash flow from operating activities was £3.2 million, a £15.2 million improvement from the prior year. This was primarily a result of improved EBITDA and there being no exceptional items in the year.

Working capital increased modestly by £0.2 million in the year, impacted by a reduction in deferred income from the reduction in DX Exchange revenue, albeit at a reduced amount compared to prior years. Other working capital movements were largely growth-related, whilst DX maintained its excellent performance on debtor days at 25 days (2018: 25 days).

Interest paid saw a decrease from the prior year following new financing secured in May 2018, whilst there was a tax rebate of £1.1 million in the current year more than offsetting the £0.6 million tax payments for the Group's Irish operations.

Net Assets

Net assets decreased by £1.3 million, reflecting the loss for the year excluding the share-based payments charge.

	2019 £m	2018 £m
Non-current assets	43.0	43.2
Current assets		
excluding cash	43.2	43.0
Cash	1.8	2.0
Invoice discounting facility	(3.1)	(3.1)
Current liabilities		
excluding debt	(56.3)	(56.7)
Non-current liabilities		
excluding debt	(5.0)	(3.6)
Deferred debt issue costs	-	0.1
Net assets	23.6	24.9

Net Debt

Net debt at 30 June 2019 was better than expected at £1.3 million (2018: £1.1 million), the small year-on-year increase was a result of the loss for the year.

The Group's only borrowing is a £20.0 million (2018: £25.0 million) invoice discounting facility. Drawings on the invoice discounting facility at 30 June 2019 were £3.1 million (2018: £3.1 million).

	2019 £m	2018 £m
Cash and cash equivalents	(1.8)	(2.0)
Invoice discounting facility	3.1	3.1
Net debt¹	1.3	1.1

¹ See notes 3 and 32 for details of APMs used, including reconciliations of these APMs to IFRS reported measures.

Capital Expenditure

Capital expenditure for the year was £3.5 million (2018: £1.8 million), higher than the low levels in the prior year as the Board reassessed and re-prioritised all capital expenditure projects. Capital expenditure consisted principally of investment in IT equipment, operational equipment and property improvements, including the fit-out of the new sites opened in the year as referred to in the Chief Executive Officer's Review.

	2019 £m	2018 £m
IT hardware and development costs	1.0	0.2
Property costs	1.5	0.8
Operations and service development	1.0	0.8
Total capex	3.5	1.8

Financial Review continued

Earnings per Share

Adjusted loss per share, which excludes amortisation of acquired intangibles and share-based payments charge, was 0.2p (2018 5.1p).

	2019 £m	2018 £m
Loss from operating activities before exceptional items	(1.3)	(11.4)
Add back/(deduct)		
- Amortisation of acquired intangibles	0.3	0.3
- Share-based payments charge	1.2	0.2
- Finance costs	(0.4)	(0.9)
Adjusted loss before tax	(0.2)	(11.8)
Tax	(0.8)	(0.7)
Adjusted loss after tax	(1.0)	(12.5)
Adjusted loss per share (pence)	(0.2)	(5.1)
Basic loss per share (pence)	(0.4)	(8.1)

Dividends

In line with previous guidance, the Board will not be recommending the payment of a dividend for this financial year.

David Mulligan

Chief Financial Officer

£3.3m
EBITDA

Key Performance Indicators

DX uses key performance indicators (“KPIs”) to assess the development and underlying business performance of the Group. These KPIs are reviewed periodically to ensure they remain appropriate and meaningful measures of the Group’s performance.

Revenue

£322.5m

(2018: £299.5m)

Group EBITDA¹**£3.3m**

(2018: £(4.9)m)

DX Freight EBITDA¹**£(7.8)m**

(2018: £(14.2)m)

DX Express EBITDA¹**£26.9m**

(2018: £29.3m)

Central Overheads

£15.8m

(2018: £20.0m)

Net Debt¹**£1.3m**

(2018: £1.3m)

Cash Inflow/(Outflow)
from Operating Activities**£3.2m**

(2018: (£12.0)m)

¹ See notes 3 and 32 for details of APMs used, including reconciliations of APMs to IFRS reported measures

Corporate Responsibility

CONTINUED PROGRESS IN OUR CSR PROGRAMMES

Environment

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

The Group 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 manage their environmental responsibilities and our ISO 14001 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 CO₂ emissions in 2019. The reduction is reflected both in overall consumption and as a performance indicator against revenue.

Since 2014, when we started to measure this in a consistent manner, we have achieved a 29% reduction in the amount of CO₂ generated.

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 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.

Health and Safety

The health and safety of our employees is critical, and we are strongly committed to ensuring that the working environment is as risk-free as possible. We are pleased to report that whilst the number of accidents recorded under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulation ("RIDDOR") in 2019 compared to the previous year was unchanged, the type of RIDDOR accidents has improved, with fewer injuries of a more serious nature. Of the 42 RIDDOR accidents reported over the year, 86% were attributed to "over 7 day" injuries rather than more serious major injuries, demonstrating an improving risk profile for DX. Injuries from poor manual handling technique remain the clear challenge within our industry, and the majority of our RIDDOR-related accidents resulted from back strains.

	2017	2018	% Change	2019	% Change
RIDDOR accidents	38	42	+11%	42	-

We are continuing to enhance our DX Safety Management System, which is designed to engage on positive risk management solutions as well as policing compliance. We deploy a safety strategy that sets out a clear standard and we train new managers and employees across the business, providing simple processes and techniques aimed at reducing and eliminating risk and promoting safety.

The DX Safety Academy, our bespoke e-learning solution, is proving to be an effective method of engaging with employees on our key risk areas, and it delivers simple and concise messages on how to work safely and avoid injury. The Safety Academy is now used across the business as our principal method of improving awareness about risks in our industry. We also use targeted behavioural campaigns aimed at focusing on challenging unsafe acts in our key risk areas and promoting the idea that all employees can make a difference.

We also undertake regular risk reviews of our operations. These highlight improvement opportunities, and we have a dedicated team of safety professionals to support the business in this endeavour.

We remain confident that our approach to safety, which combines simple standards, robust training and regular reviews, ensures that we are focused on ways to improve our safety performance and reduce workplace risks for all of our employees in a sustainable and measurable way.

Road Safety

Reflecting the nature of the Group's business, we use the UK road network as an integral part of our operations and therefore view driving as a key element of DX's daily routine, whether it is commercial driving, company car or grey-fleet driving. Substantial mileage is covered most days of the week by the Group as a whole. This presents potential risk, with driving reportedly the most dangerous work activity that most people do, and the number of vehicles using the UK road network is currently at its highest level ever recorded. We also take into account that this risk is compounded by the high number of on-road foot workers, such as maintenance workers, postal workers and vehicle breakdown technicians, who use the roads daily.

Over the year, we readdressed this key area and have implemented a Road-Risk

Management Policy. The Policy provides guidance for DX drivers in identifying and evaluating potential risks, and implementing solutions to reduce the risk to its lowest level possible.

We are committed to the highest standards of road safety and hold a Road-Risk Management Seminar (formally Transport Management Board), which consists of the Executive Team, Regional Directors, General Managers and Operating Centre licence holders. The Board meets on a regular basis to discuss fleet management, road safety, current legislation and any future legislation changes. We work with The Royal Society for the Prevention of Accidents ("ROSPA") to deliver training and qualifications to all of our drivers. In addition, we are working closely with the Fleet Transport Associating to deliver all our Driver Certificate of Professional Competence ("CPC") training across the business.

Between May and June 2019, we took delivery of 160 new 7.5 tonne vehicles as part of our fleet replacement programme. The new vehicles are fitted with the latest technology including forward-facing camera systems. These have already been shown to help reduce incidents and improve safety by promoting high driving standards and identifying areas in which more work is required, for instance with refresher training and driving assessments.

The new vehicles are also fitted with the latest automobile braking technology, Version 2 Emergency Brake Assist, which ensures that a safe distance is maintained with a vehicle in front. If necessary the technology will automatically initiate braking should the set distance be breached. The system reduces rear-end incidents, enhances overall driving performance and improves fuel efficiency. The vehicles are also fitted with the latest Euro 6 fuel-efficient engines to further increase fuel efficiency.

Our telemetry system allows us to review driver behaviour at Group, Region, Service Centre, and Driver levels. We use this to carry out in-depth risk analysis, allowing us to reward good driving technique and identify where driving standards may be lacking, and we implement driving assessments and additional on-road driver training accordingly.

Our continued focus remains driver safety and competence through both CPC and Driver Assessors, who are qualified

through ROSPA. Investment in management training covering areas such as transport regulations and fleet management ensures Operator Licence ("O Licence") compliance and a pipeline of talent for these critical areas.

Our Employees

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 Group.

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 Group-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 Group 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 Group, and to raise awareness of the financial and economic factors affecting the Group's performance.

Principal Risks and Uncertainties

The Board recognises that the risks faced by the Group 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 Group'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 between the UK and Ireland is only approximately 1% of total Group 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 Risk		
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.
Operational Risk		
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.

Risk	Impact	Mitigation
Operational Risk		
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 under way.
Compliance Risk		
STANDARDS AND REGULATORY COMPLIANCE	DX holds several standards and regulatory accreditations including ISO 27001 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 O Licence obligations, which allows DX to operate its delivery and trunking fleet. Loss of O 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.
Operational Risk		
DELIVERY OF TURNAROUND PLAN	DX is committed to delivering a turnaround plan (as announced in March 2018) to return the Group 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.

By order of the Board



Ronald Series
Executive Chairman
23 September 2019

Board of Directors

STRONG LEADERSHIP

RONALD SERIES¹

Executive Chairman

On 19 October 2017 Ron joined DX as Executive Chairman. He has previously held executive and non-executive positions with a number of companies with international operations in transport, logistics, shipping, real estate and information technology. Included among them are Tuffnells Parcels Express Limited where he was chairman during its turnaround in 2002 to 2005. Ron is currently chairman of Braemar Shipping Services plc, where he chairs the nominations committee.

LLOYD DUNN

Chief Executive Officer

On 9 October 2017 Lloyd joined DX as Chief Executive Officer; he joined the Board on 19 October 2017. Lloyd has been in transport for 39 years. In 1985, he joined Russell Black as a founding member of Nightfreight. In 2002, he joined Tuffnells, and he became Managing Director in 2003 and CEO in 2005. He led the company during its turnaround leading to its sale for £135 million in 2015.

DAVID MULLIGAN

Chief Financial Officer

David has over 20 years of experience in senior financial positions in a number of listed companies, and joined DX in April 2018. He was most recently CFO at Hornby plc, where he was involved in delivering the restructuring and turnaround of the business. The major part of his career was at Morgan Sindall Group plc, the construction and regeneration group, which he joined in 1997. He became CFO in 2004, a position he held until his departure in 2013. David qualified as a chartered accountant with Ernst & Young in 1995.

RUSSELL BLACK^{1,2}

Non-executive Director

On 19 October 2017 Russell joined DX as a Non-executive Director. Russell has over 40 years of experience in the transport industry. He was founder and CEO of Nightfreight from 1984 to 2002, during which time it was listed on the London Stock Exchange.

PAUL GOODSON^{2,3}

Non-executive Director

On 19 October 2017 Paul joined DX as a Non-executive Director. Paul was previously executive chairman of Great Bear Distribution, a leading independent third party logistics business, which he successfully sold to Culina to create a £400 million group. Paul spent 13 years with Barclays Private Equity.

IAN GRAY³

Non-executive Director

Ian joined DX as a Non-executive Director as of 1 July 2017. Over the past 30 years, Ian has been advising companies on business transformation and strategy development. Ian has provided high-level counsel to UK companies across a range of industry sectors, including distribution, retail, manufacturing and pharmacies. He is currently chairman of Atlantic Holdings Limited, a world-leading media production company, and a non-executive director at Clancy Group Limited, one of the largest privately owned construction firms in the UK.

1 Nomination Committee
2 Remuneration Committee
3 Audit & Risk Committee

Chairman's Introduction to Corporate Governance

Dear Shareholder,

I am pleased to introduce the Group's corporate governance report. One of my key tasks is to ensure the Group maintains high standards of corporate governance and to review the corporate governance structures, including the various Board committees, to ensure they continue to be appropriate to the size and complexity of the Group as the business evolves.

As Executive Chairman, I lead the Board of Directors and have primary responsibility to provide the necessary leadership, input and guidance to the Company and the Board in restoring the business to a level of sustainable profitability that creates long-term shareholder value. I also have responsibility for steering the Board agenda to ensure it focuses on the important operational and financial matters, and for ensuring the Executive Team is delivering on the turnaround strategy we have laid out to restore the business to long-term sustainable growth and profitability in line with our turnaround plans.

The current Board has the appropriate blend of skills, capabilities and experience to deal with the challenges faced by the business. Industry knowledge, supported by financial and turnaround experience, is particularly important for the Company at this time and the Board has a depth of experience in these areas.

The Board continues to adopt the Quoted Companies Alliance corporate governance code (the "QCA Code"). As a Board we believe that by complying with the QCA Code the Group has an appropriate level of governance for its current stage in the turnaround, as well as providing a suitable framework in the medium to long term. The QCA Code supports the Group's approach to managing risks and transparent communications with stakeholders. Where appropriate, this corporate governance statement and report have been prepared to comment on the application of the QCA Code's ten principles and to address the disclosure requirements recommended by it. A detailed explanation of how the Group has addressed the QCA's ten principles is available on the website at www.dxdelivery.com/investor/about-dx/#corporate-governance.

In keeping the corporate governance structures under review during the year we have continued to recognise the importance of the Audit & Risk, Remuneration and Nomination committees and reviewed the terms of reference for each committee, which are published on our website. We have also reviewed the list of matters specifically reserved for decision by the full Board. Overall, this structure will ensure proper independent scrutiny and challenge and support the delivery of the turnaround strategy.

During the year the Group's corporate governance arrangements were unchanged with the structure and members of the Board and committees remaining the same. We have adopted a new Internal Audit Charter which is discussed in the Audit & Risk Committee Report.

Principle 7 of the QCA Code recommends that an assessment of the Board effectiveness is undertaken regularly. A formal assessment by questionnaire of the Board's effectiveness was undertaken in August 2019, led by Paul Goodson. The results were discussed by the Board in September 2019 and any recommendations to be enacted in the coming months.

The key recommendations from the assessment included: the Chairman to ensure that all Directors are given the opportunity to request items for inclusion on the agenda as appropriate; the Chairman to ensure the meetings are suitably timetabled to allow sufficient time to debate and discuss all matters; Non-executive Directors to meet once a year without the Executive Directors present; the Chairman to ensure the Board agenda evolves to include more discussion of strategic issues as the operational and financial turnaround of the business becomes more established; and to increase the use of appropriate KPIs to help focus the Board's review of operational issues.

David Mulligan is currently Company Secretary as well as CFO. An individual has been identified to take on David's company secretarial responsibilities and is undertaking the necessary training to take on this role. It is the Board's intention to make this change during the coming year.

Ronald Series
Executive Chairman

Governance Report

The Board is responsible for ensuring the highest standards of corporate governance and for promoting the long-term success of DX.

The Board

The roles of the Executive Chairman and Chief Executive Officer are separate with each having clearly defined duties and responsibilities.

The Executive Chairman provides leadership to the Board. He is responsible for chairing the Board meetings and for setting the agenda for the Board meetings (in consultation with the Chief Executive Officer) and ensuring that the Board has sufficient time to discuss issues on the agenda, especially those relating to strategy. The Executive Chairman is also responsible for ensuring that the Directors receive all of the necessary information and reports. He is also responsible for ensuring the market and regulators are kept apprised in a timely manner of any material events and developments, and along with the Chief Executive Officer that the appropriate standards of corporate governance are effectively communicated and adhered to throughout the business.

The Chief Executive Officer is responsible for leadership of the DX management and its employees on a day-to-day basis. In conjunction with the Operating Board, the Chief Executive Officer is responsible for the execution of the turnaround strategy approved by the Board in March 2018 and the implementation of Board decisions.

During the financial year, the composition of the Board has been unchanged. As of the date of this Annual Report, the Board comprised the Executive Chairman (Ronald Series), two Executive Directors (Lloyd Dunn and David Mulligan) and three Non-executive Directors (Ian Gray, Paul Goodson and Russell Black).

Details of each Director's background and experience can be found on pages 22 to 23. The Board's mix of skills and business experience is important to the Company at this stage of its turnaround and ensures an informed review and debate of performance and strategy. Each Director is responsible for keeping their skills up to date and relevant to being a director of a listed company.

Given the Company is only just beginning the second full year of its turnaround, the Board continues to have strict control over key areas of expenditure. For example the threshold for approving capital expenditure by the full Board is £50,000 and the approval of all senior appointments with a base salary above £100,000 is reserved to the Remuneration Committee. This helps to ensure a high level of diligence in key capital and people decisions.

Independence

The actions and decisions of all the Non-executive Directors who served during the year and up to the date of this report are considered by the Board to be independent in both character and judgement. The three Non-executive Directors provide a balance between the Executive and independent Directors.

Role of the Board

The Board meets regularly to review the progress of DX's turnaround strategy with the aim of restoring the Company to long-term growth and profitability. Directors are supplied with a comprehensive Board pack before all Board meetings, which includes the agenda, previous minutes, detailed financial information and all other supporting papers necessary to have a fully informed discussion. The Board ensures that the necessary changes are being affected and investment being made to achieve DX's strategic priorities.

A full copy of the schedule of matters reserved for the Board is available on www.dxdelivery.com.

Day-to-day operational and financial management is delegated to DX's Operating Board. The Operating Board meets bi-monthly and provides the Board with detailed monthly reports.

Governance Report continued

Operation of the Board

The Board meets regularly and there were eight scheduled Board meetings during the financial year. Any specific actions arising during meetings agreed by the Board are followed up and reviewed at subsequent Board meetings to ensure their completion. The Board also keeps in close contact between formal meetings and will conduct ad hoc meetings as required. If a Director is unable to attend a Board meeting, the Chairman will canvass his views in advance and ensure that the Director is promptly advised of the outcome of the matters under discussion.

Attendance	Scheduled Board meetings	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Ronald Series	8/8	n/a	n/a	1/1
Lloyd Dunn	8/8	n/a	n/a	n/a
David Mulligan	8/8	n/a	n/a	n/a
Ian Gray	8/8	6/6	n/a	n/a
Paul Goodson	7/8	6/6	3/3	n/a
Russell Black	8/8	n/a	3/3	1/1

Each Director receives induction training on appointment including visits to principal sites and meetings with operational management, and all Directors have access to independent legal advice on request.

All Directors act in what they consider to be the best interests of the Company consistent with their statutory duties.

The business at each scheduled Board meeting includes regular reports from the Chief Executive Officer and the Chief Financial Officer covering business performance, markets and competition, health and safety and investor and analyst updates, as well as progress against strategic objectives and capital expenditure projects. The Board also considers reports from functional heads from across the business. Board meetings are frequently held at different Group locations in order to review local operations.

Board Committees

The Board has delegated certain responsibilities to the Nomination Committee, the Audit & Risk Committee and the Remuneration Committee. Each Committee operates according to its own terms of reference (available at <https://www.dxdelivery.com/investor/about-dx> in the publications tab)

Audit & Risk Committee

The Audit & Risk Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of DX is properly measured, ensuring the integrity of the financial statements, and reporting and reviewing reports from DX's auditor relating to DX accounting and internal controls, in all cases having due regard to the interests of shareholders. Further information on the Committee is set out in the relevant report on page 28.

Remuneration Committee

The Remuneration Committee determines remuneration for the Executive Directors and senior managers in the Group. Further information on the work of the Committee is set out in the Directors' Remuneration Report on pages 29 to 32.

Nomination Committee

The members of the Nomination Committee are Ronald Series (Executive Chairman) and Russell Black (Non-executive Director). The Nomination Committee recommends the appointment of Directors and is responsible for succession planning. The committee met once during the year.

Investor Relations

DX places a great deal of importance on communication with all shareholders. There is regular dialogue with individual institutional shareholders throughout the year and formal presentations after the interim and preliminary results. In particular, during the year to 30 June 2019, presentations were made to institutional investors in relation to progress with the turnaround plan.

The 2019 Annual General Meeting ("AGM") will be held on 28 November 2019 at 11am. The notice of the meeting is enclosed. It is also available to download from www.dxdelivery.com.

The Board encourages dialogue between the Directors and investors, and the Directors are available at each AGM to hear the views of all shareholders and to answer any questions about the business generally and about the resolutions proposed.

The principal methods of communication with private investors remain the Annual Report and Accounts, the interim statements and DX's website (www.dxdelivery.com). The website, which includes a DX Investor Centre, is viewed as an efficient and cost-effective way to communicate widely with all shareholders, and DX's financial reports, publications and press releases can be viewed here together with corporate governance information, key dates in the financial year, and news about DX, its services and issues affecting the industry.

The Board also received shareholder feedback from finnCap (DX's Nominated Adviser and Broker) during the course of the year.

Culture

Critical to delivery of the turnaround plan is ensuring we have the right culture in the business. At the heart of the plan is local responsibility and accountability for the performance of each depot and service centre, and a commitment to deliver the changes to the business to return it to longer-term, sustainable profitability. The Board and senior management help to support and reinforce this culture through their own personal behaviour and commitment, by being highly visible in the business, by making timely and informed decisions and by adopting an attitude of continuous improvement.

Internal Controls and Risk Management

DX has in place a system of internal financial controls commensurate with its current size and activities.

The Board has overall responsibility for DX's system of internal control to safeguard the Company's assets and shareholders' interests. The risk management process and systems of internal controls are designed to identify the main risks that the Group faces in delivering its strategy and turnaround plan, and ensure that appropriate policies and procedures are in place to minimise these risks to the Group, including the establishment of appropriate business continuity planning arrangements. The Company maintains a risk management register which is reviewed and discussed every six months with the Operating Board and the Chairman of the Audit & Risk Committee.

The Board has reviewed the effectiveness of the system of internal control for the year ended 30 June 2019 and up to the date of the signing of the Annual Report and Accounts. The Board will continue to develop and implement internal control procedures appropriate to DX's activities and scale.

The Board recognises that an essential part of its responsibility is the effective safeguarding of assets, the proper recognition of liabilities and the accurate reporting of results. The Group has a comprehensive system for regular reporting to the Board. This includes monthly management accounts, functional reports and an annual planning and budgeting system. The financial reporting system compares results against budget and against the prior year, and the Board reviews its forecasts for the financial year on a regular basis.

The Board has established a formal policy of authorisation setting out matters which require its approval, and certain authorities which are delegated to the Executive Directors and members of the Operating Board.

Strategy

A description of the Group's turnaround strategy can be found in the section on Strategic Objectives on pages 12 to 13. An overview of the business model for DX Express and DX Freight is on pages 4 to 7.

Audit & Risk Committee Report

Dear Shareholder,

Committee Composition

The Audit & Risk Committee is formed of two independent Non-executive Directors, chaired by Ian Gray, with the other member being Paul Goodson. The Committee met on six occasions during the year. The Board is confident that the collective experience of the Audit & Risk Committee members enables them to act as an effective Committee. Attendance at meetings of the Audit & Risk Committee by non-members is by invitation and at the discretion of the Audit Committee. The Chief Financial Officer and the KPMG LLP audit engagement partner (DX's external auditor) will normally be invited to attend meetings of the Audit Committee.

Committee Role and Responsibilities

The main duties of the Audit Committee are set out in its terms of reference, which are available on the publications tab at <https://www.dxdelivery.com/investor/about-dx/>.

The Committee met six times during the year, and discussions included the following key items:

- > adoption of the QCA Code;
- > review of 2018 Annual Report;
- > financial reporting (including IFRS 16 and Making Tax Digital);
- > simplification of the Group structure;
- > internal Audit Charter;
- > whistleblowing policy;
- > reappointment of external auditor;
- > review of the Group risk register;
- > committee governance;
- > health and safety;
- > implication of Brexit for the Group, and
- > external audit plan and strategy for 2019 Annual Report.

Internal Audit

The Group's internal audit function is overseen by and reports independently to the Committee. During the year the Committee has approved an updated Internal Audit Charter, providing that team with the authorisation to conduct a certain scope of work and the necessary independence to operate effectively. The scope of internal audit's coverage is based upon their Group-wide risk assessment and in the year has included a series of service centre audits with targeted reviews of DX Secure.

Whistleblowing

The Audit & Risk Committee is responsible for investigating any matters raised under the Company's Whistleblowing Policy. A small number of matters were considered by the Committee, none of which required any external legal advice, which is available when appropriate.

External Auditor

To ensure the auditor's independence and objectivity, the Committee annually reviews DX's relationship with the auditor. Following the review in 2019, DX concluded that it has an objective and professional relationship with KPMG LLP and that there are sufficient controls and processes in place to ensure the required level of independence. In addition, the auditor is required to review and confirm its independence to the Audit Committee on a regular basis.

Having reviewed the auditor's independence and performance, the Audit & Risk Committee is recommending that KPMG LLP be reappointed as DX's auditor at the next AGM.

Audit Process

KPMG LLP prepares an audit plan which sets out the scope of and approach to the audit, significant risks and other areas to be targeted. This plan is reviewed and agreed in advance by the Audit & Risk Committee. Following their review, the auditor presents its findings to the Audit & Risk Committee for discussion.

Non-Audit Services

KPMG LLP undertakes tax accounting services for the Company and may also be employed where, as a result of its position as auditor, it either must, or is best placed to, perform the work in question. A policy is in place in relation to the provision of non-audit services by the auditor to ensure that there is adequate protection of its independence and objectivity.

Ian Gray

Chairman of the Audit & Risk Committee

Directors' Remuneration Report

(including the Remuneration Committee Report)

Dear Shareholder,

Chairman's Annual Statement

DX's approach to remuneration aligns the interest of the Executive Directors to the shareholders. To incentivise the Executive Directors to deliver the turnaround of the business we offer them a basic salary that is fair, reasonable and affordable for a company in this situation but also incentivisation which rewards the Executive Directors based on achieving the turnaround through the Performance Share Plan introduced in December 2017.

Report from the Remuneration Committee

The Board has delegated certain responsibilities for Executive Directors' remuneration to the Remuneration Committee.

The Remuneration Committee is chaired by Paul Goodson, with Russell Black being its other member. Any other attendees are at the invitation of the Committee Chairman only and may include the Executive Chairman. The Remuneration Committee meets according to DX's requirements. There were three meetings held in the financial year. The Remuneration Committee determines the remuneration packages for the Executive Chairman, the Executive Directors and senior managers and any major remuneration plans or policies for the Group. This includes implementation of the Group's share incentive plans. The Committee's role is to ensure that the principles of the Company's remuneration policy are aligned with the business strategy and promote long-term shareholder value.

Full terms of reference for the Committee are available on www.dxdelivery.com

The Committee also receives advice and assistance when required from FIT Remuneration Consultants LLP, its external remuneration adviser.

The main items of business considered by the Remuneration Committee during the financial year included

- > review of remuneration strategy and policy;
- > awards to senior managers under the Performance Share Plan 2017; and
- > salary for Executive Directors and other senior managers.

Since their appointment to the Board in the prior year, there have been no changes to the Executive Chairman's, Chief Executive Officer's or Chief Financial Officer's remuneration.

Executive Directors' Service Contracts and Termination Policy

Executive Directors hold a service agreement with an indefinite term and a fixed maximum termination period of 12 months for the Executive Chairman and CEO, and six months for the CFO. Any payments in respect of termination reflect base salary only and do not include annual bonus. The Company's policy on the setting of notice periods under the Executive Directors' service agreements is considered to be in line with external market trends and is reviewed by role to protect the Company's knowledge and operations.

The base annual salaries for the Executive Directors for the year to 30 June 2020 will be as follows

	2020 £000	2019 £000	% change
Ronald Series (Executive Chairman)	200	240	(17%)
Lloyd Dunn (Chief Executive Officer)	300	300	-
David Mulligan (Chief Financial Officer)	200	200	-

Each of the Executive Directors is eligible to participate in a discretionary annual bonus scheme, should one be put in place for any given year, with the potential to receive bonus payments up to a maximum of 100% of salary in the case of the Executive Chairman and Chief Executive Officer and 50% of salary for the Chief Financial Officer. Any bonus payments are at the discretion of the Board and subject to such conditions, including EBITDA and KPI targets, as the Board may determine. No scheme was in place in respect of this financial year so no bonuses will be paid to the Executive Directors. Only the Remuneration Committee can authorise executive termination payments.

Directors' Remuneration Report

(including the Remuneration Committee Report) continued

Non-Executive Directors

Non-executive Directors have letters of appointment each with a term of three years (subject to re-election at the AGM) and a fixed maximum termination period of three months.

The base annual fees for the Non-executive Directors for the year to 30 June 2020 will be as follows:

	2020 £000	2019 £000	% change
Ian Gray	42	42	-
Russell Black	42	42	-
Paul Goodson	42	42	-

Pay for all other employees is based upon external market rates, job role, internal comparators and business impact. Both DX's financial and operational performance and each person's personal performance are also taken into account when setting salaries.

Directors' Shareholdings

The Directors who held office at 30 June 2019 had the following interests, including Persons Closely Associated ("PCA"), in the shares of the Company (excluding any entitlements that may become due under the Performance Share Plan 2017 or Restricted Share Awards outlined below):

	Ordinary Shares 30 June 2019
Lloyd Dunn	61,432,081
David Mulligan	2,352,941
Russell Black	2,215,882
Ronald Series	1,745,294
Paul Goodson	1,700,000
Ian Gray	600,000

During the year Paul Goodson purchased 200,000 Ordinary Shares (14 December 2018) and Russell Black purchased 214,000 Ordinary Shares (15 April 2019). In addition, the Russell Black Charitable Trust, a PCA of Russell Black, purchased 71,000 Ordinary Shares (15 April 2019).

Total Single Figure of Remuneration for Directors

The table below sets out a single figure for the total remuneration received by each Director for the year ended 30 June 2019 and the prior year.

	Year ended 30 June 2019						Year ended 30 June 2018
	Basic salary and fees £000	Allowances £000	Benefits £000	Pension contributions £000	Bonus £000	Total £000	Total £000
Ronald Series (appointed 19 October 2017)	240	10	2	24	-	276	191
Lloyd Dunn (appointed 9 October 2017)	300	20	2	-	-	322	234
David Mulligan (appointed 9 April 2018)	200	30	-	-	-	230	53
Russell Black (appointed 19 October 2017)	42	-	3	-	-	45	29
Paul Goodson (appointed 19 October 2017)	42	-	2	-	-	44	29
Ian Gray ¹	42	-	-	-	-	42	141
Peter Cvetkovic (resigned 14 July 2017)	-	-	-	-	-	-	42
Paul Murray (resigned 19 October 2017)	-	-	-	-	-	-	20
Total	866	60	9	24	-	959	739

¹ During the year ended 30 June 2018 Ian Gray received £99,000 for the provision of consultancy services outside the scope of his role as Non-executive Director and prior to his appointment to the Audit & Risk Committee. This amount is included in the above table.

There was no bonus potential for the years ended 30 June 2018 or 30 June 2019.

Executive Directors' External Appointments

Ronald Series is chairman at Braemar Shipping Services plc. No other Executive Director has an external appointment.

Relative Importance of Spend on Pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends and retained profit

	2019 £m	2018 £m	Change £m
Staff costs	£95.0	£86.6	£8.4
Dividends	£nil	£nil	-
(Loss)/profit before tax	£(1.7)	£(12.3)	£10.6

1 Excludes exceptional items

Share Plans

Performance Share Plan 2017 ("PSP")

The PSP has been designed to provide an appropriate incentive for the management team at DX to deliver a turnaround in the Company; the initial awards ("Recovery Awards") were made during the year to 30 June 2018. The PSP is established as a share plan under which awards of shares, the vesting of which is subject to performance conditions, can be made to selected employees of the Company, including the Executive Chairman and the Executive Directors

The award is made in one of two forms: a nil or nominal cost option, where a participant can decide when to exercise his/her award over Ordinary Shares in the Company during a limited period of time after it has vested; or a conditional award, where a participant will receive free shares on the vesting of their award. No awards will be granted after the tenth anniversary of the 15 December 2017 General Meeting.

Participants will bear the obligation for the payment of Employers' National Insurance Contributions when the awards are exercised. As a result the numbers of shares awarded were further "grossed up" by c.16.7% to compensate the holders of awards for this transfer of liability.

The total number of shares over which all awards (including compensatory awards in respect of the transfer of Employers' NICs) are granted will not exceed 15% of the issued share capital of the Company from time to time (and as further diluted by the awards under the PSP).

The awards shall be subject to a Share Price performance measure as follows.

3-4-5 Year Share Price target	% of Recovery Award that vests
Less than 12.5p	0%
12.5p	25%
Between 12.5p and 40p	Pro-rata on straight-line basis between 25% and 100%
40p	100%

The Share Price target will be tested at each of the third, fourth and fifth anniversaries of the commencement of the PSP in December 2017, and on each occasion the Share Price measurement is to be based on the 30-day average share price prior to the test date. Achievement of a Share Price measurement on a later test date which is greater than the achieved measurement on a previous test date will result in additional vesting of the award in accordance with the above table

In addition to the Share Price targets stated above, the awards may be subject to such other terms as the Remuneration Committee may specify, including Performance Conditions and/or Holding Periods before allowing any vesting of awards on any occasion. Awards for which the Share Price target is attained at any test date will vest 12 months later (being the fourth, fifth and sixth anniversaries of the award date) provided that the participant is still a Director or employee in the Group at that time.

An award in the form of an option will normally remain exercisable until the tenth anniversary of the date of grant. All dealings in shares to be acquired from the PSP shall only be by arrangement with the Company's nominated broker. An award will lapse upon a participant leaving the employment of the Group, subject to normal good leaver provisions. In the event of a change of control of the Company, all awards may vest early to the extent that the performance conditions have, in the opinion of the Remuneration Committee, been satisfied at that time.

The Company retains a power to reduce the potential vesting of unvested awards (including to zero) (often referred to as "malus") or to recoup the value of previously vested awards from a participant within three years of the date of vesting if it considers it appropriate to do so (often referred to as "clawback").

Directors' Remuneration Report

(Including the Remuneration Committee Report) continued

Share Plans continued

Restricted Share Awards

Restricted Share Awards were made to Russell Black and Paul Goodson on 21 December 2017. Such awards are not linked to performance and will have the following key features:

- > the proposed awards to each individual represent awards over 0.12% of current issued share capital;
- > such awards will reflect the transfer of Employers' National Insurance Contributions, and the numbers of Shares will be further "grossed up" by s. 16.7% to compensate the holders of the awards for this transfer of liability;
- > the share awards will vest after three years, subject to continued service as a Director;
- > good leaver and change of control provisions similar to those for PSP awards will apply; and
- > the awards made will be counted towards the overall 15% of issued share capital from time to time available for awards.

PSP and Restricted Awards outstanding

At 30 June 2019, outstanding awards to Directors under the PSP and Restricted Awards were as follows

PSP Awards	30 June 2019	30 June 2018
Ronald Series	23,370,626	23,370,626
Lloyd Dunn	43,402,592	43,402,592
David Mulligan	5,721,784	5,721,784
Restricted Awards	30 June 2019	30 June 2018
Russell Black	834,665	834,665
Paul Goodson	834,665	834,665

See note 28 to the Accounts for details of the total number of outstanding awards under the schemes.

Paul Goodson

Chairman of the Remuneration Committee

Directors' Report

The names and biographical details of the Directors currently serving on the Board are set out on pages 22 to 23.

The Company's approach to the appointment and replacement of Directors is governed by its Articles (together with the relevant legislation) and takes into consideration any recommendations of the QCA Code.

The Company's Articles require that all Directors should be subject to election by shareholders at the first AGM following their appointment and that one-third of the Directors (or the number nearest to but not less than one-third) retire by rotation at each AGM, with each Director also being subject to re-election at intervals of not more than three years. The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any Director so appointed by the Board holds office only until the next AGM and may then offer himself/herself for election by the shareholders. Ronald Series along with Lloyd Dunn will offer themselves for re-election at the 2019 AGM.

The powers of the Directors are determined by the Articles, the Companies Act 2006 and other relevant legislation. At the 2018 AGM, the Directors were authorised to issue and allot shares, to disapply the statutory pre-emption rights and the authority to buy back shares. This authority remains in place until the conclusion of the 2019 AGM. It will be proposed at the 2019 AGM that the Directors will be granted a new authority to allot shares, to disapply the statutory pre-emption rights and the authority to buy back shares. The Company may by ordinary resolution declare dividends not exceeding the amount recommended by the Board.

Results and Dividends

The results for the year ended 30 June 2019 are shown on page 40. The Group's loss for the year after tax was £2.5 million. As previously announced, no dividend will be payable for the foreseeable future. This policy remains under review.

Principal Activities, Risks and Review of the Business

The Group's continuing activities are the provision of delivery solutions, including parcel freight, secure, courier and logistics services in the UK and Ireland. The principal activity of the Company is that of a holding company.

The Strategic Report set out on pages 1 to 21 provides a fair review of the Group's business for the year ended 30 June 2019. It also explains the objectives and turnaround strategy of the Group, its progress against those objectives, its competition and the markets in which it operates, the principal risks and uncertainties it faces, the Group's financial position, key performance indicators and likely future developments of the business.

The Group's activities expose it to a variety of financial risks. Notes 3 and 27 to the Accounts describe the Group's exposure to such risks, including the policies in place for financial risk management.

The Board has 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 DX rather than direct for the following reasons.

- > DX is predominantly a UK based delivery network;
- > Freight and parcels moving between the Group's operations in the UK and the Republic of Ireland could be disrupted but this represents about 1% of the Group's 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 Group has prepared trading and cash flow forecasts for a period of three years, which have been reviewed and approved by the Board. The Group 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. Interest is charged at LIBOR plus 1.95%, along with a £0.2 million annual fixed charge.

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 Group and Company have 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 annual financial statements.

Directors' Report continued

Corporate Governance

The Board is fully committed to high standards of corporate governance. Details relating to the Company's compliance and non-compliance with the QCA Code for the financial year and a description of the Company's management and reporting structure are given in the Corporate Governance and Directors' Remuneration Reports on pages 24 to 32.

Anti-Bribery and Corruption

DX takes a zero-tolerance approach to bribery and corruption and has a formal anti-bribery and corruption policy in place. Training is provided to set the clear expectation that employees must act professionally and with integrity in all business dealings and they are required to complete the gift register.

Whistleblowing

DX has whistleblowing procedures under which employees are encouraged to inform the Executive Team or any Director of any concerns they may have that the practices of DX or individuals are wrongful or contravene any applicable laws or regulations. This approach is supported by an externally managed confidential whistleblowing phone line to ensure an open and ethical culture for the benefit of our employees, customers and other business partners.

Modern Slavery

DX's modern slavery transparency statement for the current financial year can be found on www.dxdelivery.com. DX also has in place a supplier code of conduct requiring all suppliers and business partners to adhere to the Modern Slavery Act 2015 and to conduct business in accordance with the standards of conduct acceptable to DX.

Corporate Responsibility

Information on corporate responsibility matters is set out on pages 18 to 19. These include disclosures on DX's environmental policies (including details of the Group's greenhouse gas emissions as required to be disclosed under the Companies Act 2006) and health and safety policies. Further details can also be found on the DX website, www.dxdelivery.com.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that adjustments or training are provided as appropriate. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Notifiable Interests

The Company has been notified of direct and indirect interests in voting rights equal to or exceeding 3% of the Ordinary Share capital of the Company as set out in the table below.

Shareholder	20 September 2019	
	Percentage holding	Number of shares
Gatemoor Capital Management LLP	35.63%	204,378,538
Hargreave Hale Limited	18.97%	108,816,900
Lloyd Dunn	10.71%	61,432,081
Ruffer LLP	5.23%	29,999,900
River and Mercantile	4.00%	22,941,832

Per shareholder register as at 20 September 2019.

Share Capital

Details of the Company's share capital are set out in note 19 to the financial statements. The Company's issued share capital consists of 573,681,792 Ordinary Shares with a nominal value of £0.01 each. All shares rank equally and are fully paid. No person holds shares carrying special rights with regard to the control of the Company. Each share carries the right to one vote at general meetings of the Company and no right to fixed income. The Company has no treasury shares.

Directors' Interests

The number of Ordinary Shares of the Company in which the Directors are beneficially interested and their dealings in the shares of the Company during the financial year are set out in the Directors' Remuneration Report on page 30.

Paul Goodson, Non-executive Director, purchased a total of 400,000 ordinary shares of 1p each on 2 July 2019, and a further 100,000 ordinary shares on 3 July 2019. No other Director had any dealings in the shares of the Company between 30 June 2019 and the date of this report.

Director Indemnities and Insurance

In accordance with the Companies Act 2006 and the Company's Articles, the Company has purchased Directors' and Officers' liability insurance which remains in place at the date of this report. The Company reviews its insurance policies on an annual basis in order to satisfy itself that its level of cover remains adequate.

Amendment to Company's Articles

The Company may alter its Articles by special resolution passed at a general meeting.

Donations

A total of £5,233 of charitable donations were made in the year ended 30 June 2019 (2018: £nil).

No payments were made to any political parties (2018: £nil).

Disclosure of Information to Auditor

Each of the persons who were Directors of the Company at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and estimates that are reasonable, relevant and reliable;
- > state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- > assess the Group and parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

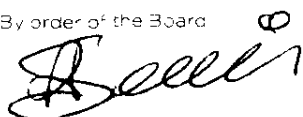
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose, with reasonable accuracy at any time, the financial position of the parent Company and enable them to ensure that its financial statements comply 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board



Ronald Serles
Executive Chairman
23 September 2019

Independent Auditor's Report

to the members of DX (Group) plc

1 Our opinion is unmodified

We have audited the financial statements of DX (Group) Plc ("the Company") for the year ended 30 June 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, and the related notes, including the accounting policies in note 3.



In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2019 and of the Group's loss for the year then ended;
- > the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- > the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- > the financial statements 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 Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality:	£1.0 million (2018: £1.0 million)
Group financial statements as a whole	0.31% (2018: 0.33%) of revenue
Coverage	100% (2018: 100%) of revenue
Key audit matters vs 2018	
Recurring risks	<div>DX Freight Goodwill valuation </div> <div>Parent Company Investment Valuation </div>

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Recoverability of DX Freight goodwill	Forecast-based valuation:	Our procedures included:
<p>Group £10 million (2018: £10 million);</p> <p><i>Refer to page 28 (Audit & Risk Committee Report), page 48 (accounting policy) and page 58 (financial disclosures).</i></p>	<p>Goodwill in the Group is significant and at risk of recoverability due to the competitive market. DX Freight has a history of poor performance and has only just completed year one of the new business plan which did not immediately result in a positive return. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.</p>	<ul style="list-style-type: none"> > Historical comparisons: Evaluating the track record of assumptions used versus actual results in order to assess the historical accuracy of the Group's forecasting process; > Benchmarking assumptions: Comparing key inputs, such as the short term revenue growth rate and discount rate to external data such as market and competitor information; > Sensitivity analysis: Performing a sensitivity analysis by changing various key inputs and performing a breakeven analysis on the assumptions above; > Comparing valuations: Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows; and > Assessing transparency: Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

	The risk	Our response
Recoverability of parent Company's investment in subsidiaries Parent: £30 million; (2018: £30 million) <i>Refer to page 28 (Audit & Risk Committee Report), page 48 (accounting policy) and page 59 (financial disclosures).</i>	Low risk, high value: The carrying amount of the parent Company's investments in subsidiaries represents 94% (2018: 94%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included: <ul style="list-style-type: none"> > Test of detail: Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. > Assessing subsidiary audits: Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1,000,000 (2018: £1,000,000), determined with reference to a benchmark of revenue (of which it represents 0.31% (2018: 0.33%)). We consider total revenue to be the most appropriate benchmark as loss before tax cannot be used without making significant adjustments and revenue is expected to provide a more stable measure year on year. Materiality for the parent Company financial statements as a whole was set at £900,000 (2018: £900,000), determined with reference to total assets of which it represents 2.8% (2018: determined with reference to total assets of which it represents 2.8%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £50,000 (2018: £50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Revenue
£322.5 million
(2018: £299.5 million)

Group Materiality
£1.0 million
(2018: £1.0 million)

£1 million
Whole financial statements materiality
(2018: £1.0 million)

£950,000
Range of materiality at 3 components (£950,000 to £350,000)
(2018: £950,000 to £338,000)

£50,000
Misstatements reported to the audit committee (2018: £50,000)

Of the Group's 15 (2018: 15) reporting components, we subjected 3 (2018: 3) to full scope audits for group purposes. The components within the scope of our work accounted for the following percentages of the Group's results:

Group revenue – 100%
Group loss before tax – 100%
Group total assets – 100%

Independent Auditor's Report

to the members of DX (Group) plc continued

3 Our application of materiality and an overview of the scope of our audit continued

Group revenue **Group total assets** **Group loss before tax**

100%
(2018 100%)

100%
(2018 100%)

100%
(2018 100%)

Full scope for Group audit purposes 2019

Full scope for Group audit purposes 2018

The Group audit team approved the following component materialities, having regard to the mix of size and risk profile of the Group across the components.

DX Group (parent Company) – £900,000 (2018: £900,000)

DX Network Services – £950,000 (2018: £950,000)

DX Network Services Ireland – £350,000 (2018: £338,000)

The components not subject to full scope audits contained only balances that eliminated on consolidation, or balances not material to the financial statements. The parent Company was audited separately to the materiality level noted above. The work on the 2 reporting components (2018: 2) and the audit of the parent Company was performed by the Group team.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group'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 their 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").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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 Group or the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- > The continued availability of the invoice discounting facility;
- > The impact of significant customer losses leading to lower cash inflows,
- > The impact of Brexit on the Group's results

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer confidence, which could result in a rapid reduction of available financial resources.

Based on this work, 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.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information:

- > 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.

6 We have nothing to report on the other 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the parent Company 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.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 35, the directors are responsible for: the preparation of the financial statements including 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 Group and parent 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 Group or the parent 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

8 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

Arlington Business Park

Reading

RG7 4SD

23 September 2019

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019	2018		
		Total £m	Trading £m	Exceptional items £m	Total £m
Revenue	5	322.5	299.5	–	299.5
Operating costs	7	(323.8)	(310.9)	(5.7)	(316.6)
Loss from operating activities		(1.3)	(11.4)	(5.7)	(17.1)
Analysis of loss from operating activities					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		3.3	(4.9)	–	(4.9)
Depreciation		(2.2)	(2.9)	–	(2.9)
Amortisation of software and development costs		(0.9)	(3.1)	–	(3.1)
Amortisation of acquired intangibles		(0.3)	(0.3)	–	(0.3)
Share-based payments charge		(1.2)	(0.2)	–	(0.2)
Impairment	10	–	–	(5.3)	(5.3)
Other exceptional items (income)	10	–	–	0.9	0.9
Other exceptional items (expenses)	10	–	–	(1.3)	(1.3)
Loss from operating activities		(1.3)	(11.4)	(5.7)	(17.1)
Finance costs	11	(0.4)	(0.9)	(1.9)	(2.8)
Loss before tax		(1.7)	(12.3)	(7.6)	(19.9)
Tax (expense)/credit	12	(0.8)	(0.5)	0.9	0.4
Loss for the year		(2.5)	(12.8)	(6.7)	(19.5)
Other comprehensive expense not subsequently reclassified					
Other comprehensive expense		–	–	–	–
Total comprehensive expense for the year		(2.5)	(12.8)	(6.7)	(19.5)
Loss per share (pence):					
Basic (and diluted)	21	(0.4)	(5.3)	(2.8)	(8.1)
Adjusted	21	(0.2)			(5.1)

The notes on pages 47 to 67 form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment	14	9.7	8.9
Intangible assets and goodwill	15	31.0	31.7
Deferred tax assets	24	2.3	2.6
Total non-current assets		43.0	43.2
Current assets			
Trade and other receivables	17	43.1	41.9
Current tax receivable		0.1	1.1
Cash and cash equivalents	18	1.8	2.0
Total current assets		45.0	45.0
Total assets		88.0	88.2
Equity			
Share capital	19	5.7	5.7
Share premium	20	25.2	25.2
Translation reserve	20	-	-
Retained earnings	20	(7.3)	(6.0)
Total equity		23.6	24.9
Non-current liabilities			
Provisions	23	5.0	3.6
Total non-current liabilities		5.0	3.6
Current liabilities			
Current tax payable		-	0.1
Loans and borrowings	22	3.1	3.0
Trade and other payables	25	38.1	36.5
Deferred income		17.2	18.8
Provisions	23	1.0	1.3
Total current liabilities		59.4	59.7
Total liabilities		64.4	63.3
Total equity and liabilities		88.0	88.2

The financial statements were approved by the Board of Directors on 23 September 2019 and signed on its behalf by:

Ronald Series
Chairman

David Mulligan
Chief Financial Officer

The notes on pages 47 to 67 form part of these financial statements

Company registered number 08696699

Company Statement of Financial Position

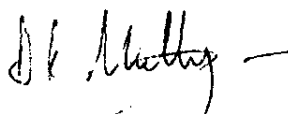
as at 30 June 2019

	2018 £m	2019 £m	2018 £m
Non-current assets			
Investments	16	30.0	30.0
Total non-current assets		30.0	30.0
Current assets			
Trade and other receivables	1.8	1.8	1.8
Total current assets		1.8	1.8
Total assets		31.8	31.8
Equity			
Share capital	19	5.7	5.7
Share premium	20	25.2	25.2
Retained earnings	20	0.8	0.6
Total equity		31.7	31.5
Current liabilities			
Current tax payable		0.1	0.2
Trade and other payables	25	-	0.1
Total current liabilities		0.1	0.3
Total liabilities		0.1	0.3
Total equity and liabilities		31.8	31.8

The financial statements were approved by the Board of Directors on 23 September 2019 and signed on its behalf by



Ronald Serles
Chairman



David Mulligan
Chief Financial Officer

The notes on pages 47 to 67 form part of these financial statements

Company registered number 08696699

Consolidated Statement of Changes in Equity

for the year ended 30 June 2019

Notes	Share capital £m	Share premium £m	Transaction reserve £m	Retained earnings £m	Total £m
At 1 July 2017	2.0	-	-	14.0	16.0
Total comprehensive expense for the year					
Loss for the year	-	-	-	(19.5)	(19.5)
Other comprehensive expense	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(19.5)	(19.5)
Transactions with owners of the Company, recognised directly in equity					
Issue of shares	3.7	25.6	-	-	29.3
Share issue expenses	-	(0.4)	-	-	(0.4)
Loan Note cancellation adjustment	-	-	-	(0.7)	(0.7)
Share-based payment transactions	-	-	-	0.2	0.2
Total transactions with owners of the Company	3.7	25.2	-	(0.5)	28.4
At 30 June 2018	5.7	25.2	-	(6.0)	24.9
Total comprehensive expense for the year					
Loss for the year	-	-	-	(2.5)	(2.5)
Other comprehensive expense	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(2.5)	(2.5)
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions	28	-	-	1.2	1.2
Total transactions with owners of the Company	-	-	-	1.2	1.2
At 30 June 2019	5.7	25.2	-	(7.3)	23.6

The notes on pages 47 to 67 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 30 June 2019

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 July 2017		2.0	–	2.4	4.4
Total comprehensive expense for the year					
Loss for the year		–	–	(1.1)	(1.1)
Total comprehensive expense for the year		–	–	(1.1)	(1.1)
Transactions with owners of the Company, recognised directly in equity					
Issue of shares		3.7	25.6	–	29.3
Share issue expenses		–	(0.4)	–	(0.4)
Loan Note cancellation adjustment		–	–	(0.7)	(0.7)
Total transactions with owners of the Company		3.7	25.2	(0.7)	28.2
At 30 June 2018		5.7	25.2	0.6	31.5
Total comprehensive expense for the year					
Loss for the year	13	–	–	(1.0)	(1.0)
Total comprehensive expense for the year		–	–	(1.0)	(1.0)
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions	28	–	–	1.2	1.2
Total transactions with owners of the Company		–	–	1.2	1.2
At 30 June 2019		5.7	25.2	0.8	31.7

The notes on pages 47 to 67 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Notes	2019 £m	2018 £m
Cash generated from/(used in) operations	26	3.1	(10.4)
Interest paid		(0.4)	(1.5)
Tax received/(paid)		0.5	(0.1)
Net cash generated from/(used in) operating activities		3.2	(12.0)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	4.5
Acquisition of property, plant and equipment		(2.9)	(1.6)
Software and development expenditure		(0.5)	(0.2)
Net cash (used in)/generated from investing activities		(3.4)	2.7
Net decrease in cash before financing activities		(0.2)	(9.3)
Cash flows from financing activities			
Movement on invoice discounting facility		-	(12.2)
Repayment of bank borrowings		-	(5.8)
Issue of Loan Notes (subsequently cancelled and replaced with equity)		-	24.0
Issue of Share Capital		-	4.5
Costs of issue of Share Capital, Loan Notes and refinancing		-	(1.2)
Net cash generated from financing activities		-	9.3
Net movement in cash and cash equivalents		(0.2)	-
Cash and cash equivalents at beginning of year		2.0	2.0
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at end of year	18	1.8	2.0

The notes on pages 47 to 67 form part of these financial statements.

Company Statement of Cash Flows

for the year ended 30 June 2019

	Notes	2019 £m	2018 £m
Cash used in operations	26	-	(1.6)
Interest paid		-	(1.1)
Net cash used in operating activities		-	(2.7)
Cash flows from investing activities			
Investing activities		-	-
Net cash used in investing activities		-	-
Net decrease in cash before financing activities		-	(2.7)
Cash flows from financing activities			
Repayment of bank borrowings		-	(5.8)
Issue of Loan Notes (subsequently cancelled and replaced with equity)		-	24.0
Issue of Share Capital		-	4.5
Costs of issue of Share Capital, Loan Notes and refinancing		-	(1.0)
Repayment of amounts owed to subsidiary undertakings		-	(19.0)
Net cash generated from financing activities		-	2.7
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year	18	-	-

The notes on pages 47 to 67 form part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2019

1 Reporting entity

The principal activity of DX (Group) plc ("the Company") and its subsidiaries (together, "the Group" or "DX") is the provision of delivery solutions, including parcel freight, secure, courier and logistics services. The Company is incorporated and domiciled in the United Kingdom. The address of its registered office is: Ditton Park, Riding Court Road, Datchet, Slough, SL3 9GL. The registered number of the Company is 08696699.

2 Basis of preparation

Statement of compliance

The consolidated and Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("Adopted IFRSs"). The parent Company financial information is shown separately from the consolidated financial information.

The consolidated financial statements were authorised for issue by the Board of Directors on 23 September 2019.

Judgements and estimates

The preparation of financial information to conform with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual amounts ultimately may differ from those estimates. Further details on judgements and estimates are disclosed in note 3.

Going concern

Notwithstanding net current liabilities of £14.4 million as at 30 June 2019 and a loss for the year then ended of £2.5 million, 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, £17.2 million (2018: £18.8 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 Group 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 22 for further information on the Group's borrowing facilities.

Consequently, the directors are confident that the Group and 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.

3 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.

The financial statements have been prepared under the historical cost convention.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The Group 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 shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and other items which are not expected to recur. Details of the APMs used by the Group along with reconciliations to the respective IFRS reported measures are shown in note 32.

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

Basis of consolidation

The financial information comprises a consolidation of the financial information of DX (Group) plc and all its subsidiaries. The financial year ends of all entities in the Group are coterminous.

Subsidiaries are entities over which the Group has control, which is when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Notes to the Financial Statements

for the year ended 30 June 2019 continued

3 Significant accounting policies continued

Basis of consolidation continued

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated except to the extent they provide evidence of impairment of the asset transferred.

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.

Foreign currency translation

Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial information is presented in sterling, which is the functional and presentation currency of the Company and all of the subsidiaries based in the United Kingdom. The functional currency of the Group's Irish subsidiary is the euro.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

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.

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, machinery and other equipment	10-33%

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each statement of financial position date.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group'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 tested annually for impairment and 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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. When there is a change to the composition of the cash-generating units within the Group, goodwill is re-allocated within the cash-generating units affected.

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

Assets that have an indefinite life, such as goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the income statement 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.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established using an expected credit loss approach where provision calculations are based on historic credit losses. This approach is applied to all trade and other receivables 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 carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within other external charges. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs in the income statement.

The introduction of the expected credit loss approach is a change to the accounting policy compared to the prior year, in accordance with IFRS 9. However, the majority of the provision for impairment at 30 June 2019 relates to specific provisions, the policy for which is unchanged from the prior year. The impact from the change in accounting policy is less than £0.1 million for both the current year and if applied retrospectively to the prior year. Accordingly, adopting an IFRS 9 transition approach was not applicable.

Other receivables are non-interest-bearing and are recognised initially at fair value and subsequently at amortised cost.

Cash and cash equivalents

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

Interest paid is treated as an operating cash flow.

Trade and other payables

Trade payables are obligations to pay for goods and services which have been acquired in the commercial operations of the Group. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. For property leases, the land and building elements are treated separately to determine the appropriate lease classification.

Assets leased under operating leases are not recorded in the statement of financial position. Rental payments are charged directly to the statement of comprehensive income on a straight-line basis.

Notes to the Financial Statements

for the year ended 30 June 2019 continued

3 Significant accounting policies continued

Provisions

A provision is recognised if, as a result of a past event, the Group 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.

Taxation

The tax expense for the year 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.

Current taxation

Current tax is the expected tax payable on the taxable income for the year, 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.

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 Group operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable for the year. Differences between contributions payable for the year and contributions actually paid are shown as amounts either payable or receivable in the statement of financial position.

Share-based payment transactions

The fair value on the grant date of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, 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 fair value on the grant date of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Exceptional items

The Group treats certain items which are considered to be one-off and not representative of the underlying trading of the Group 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 Group'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 Group 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 consolidated financial information, are considered to relate to:

Critical accounting estimate: Impairment of goodwill

The Group determines whether goodwill is 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 is allocated. 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 at 30 June 2019 and 2018 was £30.0 million. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in note 15.

Financial risk factors

The Group's activities expose it to a variety of financial risks: 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

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, which 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.

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 manage 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.

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.

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents, and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 19 and 20 and the statement of changes in equity. In order to maintain or adjust the capital structure, the Group may issue new shares, raise new borrowings or sell assets to reduce debt. The Group's capital is not restricted.

4 New accounting standards

New accounting standards adopted by the Group

The Group 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 instruments from loans and receivables 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 Group 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 and disclosures, neither standard has had a material effect on the Group's financial statements, as described in notes 3, 5 and 17. The Group has applied the cumulative effect method for IFRS 15, therefore comparative periods have not been restated, and are presented as previously reported. The group has applied the practical expedient where incremental costs of obtaining a contract have been recognised as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

Notes to the Financial Statements

for the year ended 30 June 2019 continued

4 New accounting standards continued

New accounting standards in issue but not yet effective

IFRS 16 'Leases' is in issue but not yet effective and has not been adopted early by the Group. IFRS 16 is effective for years beginning on or after 1 January 2019, therefore is effective for the Group for the year ending 30 June 2020. IFRS 16 removes the distinction between operating and finance leases. The adoption of IFRS 16 will result in the recognition on the balance sheet of assets and liabilities relating to leases which are currently being accounted for as operating leases. In addition, there will be an increase in both finance costs and depreciation and a reduction in other operating costs. A right of use asset and a corresponding liability will be recognised for all leases except for short-term leases and leases of low value assets.

Right of use assets comprise property, motor vehicles and equipment. The Group has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short leases. Such leases will continue to be recognised on a straight-line basis.

The Group has elected for the asset equals liabilities transition approach.

Adoption of IFRS 16 will result in a significant impact on the statement of financial position of the Group. From our preliminary assessment, right of use assets of approximately £67 million and lease liabilities of approximately £71 million will be recognised, whilst onerous lease provisions of approximately £1 million and accruals (for lease incentives) of approximately £3 million will be derecognised.

Profit before tax is expected to increase due to the depreciation expense and finance charge being lower than the lease expense they replace. The actual impact will depend on changes to the lease portfolio throughout the transition year. Rounded to the nearest £1 million, it is estimated that £16 million of costs previously recognised as lease costs under IAS 17 will be replaced with an increased depreciation expense and finance charge of approximately £12 million and £3 million respectively. The net impact to Group cash flows will be £nil.

5 Revenue

In the following table, revenue is disaggregated by service. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 6).

	2019 £m	2018 £m
DX Express:		
- DX Courier	62.3	55.4
- DX Secure	50.7	52.7
- DX Exchange	47.6	50.1
- DX Mail	3.3	3.5
Total DX Express	163.9	161.7
DX Freight:		
- DX 1-Man	98.6	86.2
- DX Logistics	43.7	36.1
- DX 2-Man	16.3	15.5
Total DX Freight	158.6	137.8
Total revenue	322.5	299.5

Revenue is recognised at a point in time for all services with the exception of DX Exchange which is recognised over time. Further details are given in note 3.

Revenue-related assets are shown in note 17 as trade receivables and accrued income. Deferred income shown on the statement of financial position is the only respective liability and will be recognised as revenue within 12 months. Accrued income represents amounts for which the performance obligations have been satisfied but not billed at the reporting date.

6 Segment information

	2019				
	DX Express £m	DX Freight £m	Central £m	Exceptional items £m	Total £m
Revenue	163.9	158.6	-	-	322.5
Costs before overheads	(129.5)	(161.7)	-	-	(291.2)
Profit/(loss) before overheads	34.4	(3.1)	-	-	31.3
Overheads	(7.5)	(4.7)	(15.8)	-	(28.0)
EBITDA	26.9	(7.8)	(15.8)	-	3.3
Depreciation and amortisation	-	-	(3.4)	-	(3.4)
Share-based payments charge	-	-	(1.2)	-	(1.2)
Exceptional items	-	-	-	-	-
Profit/(loss) from operating activities	26.9	(7.8)	(20.4)	-	(1.3)
Finance costs	-	-	(0.4)	-	(0.4)
Profit/(loss) before tax	26.9	(7.8)	(20.8)	-	(1.7)
Tax (expense)/credit	-	-	(0.8)	-	(0.8)
Profit/(loss) for the year	26.9	(7.8)	(21.6)	-	(2.5)

	2018				
	DX Express £m	DX Freight £m	Central £m	Exceptional items £m	Total £m
Revenue	161.7	137.8	-	-	299.5
Costs before overheads	(124.1)	(148.6)	-	-	(272.7)
Profit/(loss) before overheads	37.6	(10.8)	-	-	26.8
Overheads	(8.3)	(3.4)	(20.0)	-	(31.7)
EBITDA	29.3	(14.2)	(20.0)	-	(4.9)
Depreciation and amortisation	-	-	(6.3)	-	(6.3)
Share-based payments charge	-	-	(0.2)	-	(0.2)
Exceptional items	-	-	-	(5.7)	(5.7)
Profit/(loss) from operating activities	29.3	(14.2)	(26.5)	(5.7)	(17.1)
Finance costs	-	-	(0.9)	(1.9)	(2.8)
Profit/(loss) before tax	29.3	(14.2)	(27.4)	(7.6)	(19.9)
Tax (expense)/credit	-	-	(0.5)	0.9	0.4
Profit/(loss) for the year	29.3	(14.2)	(27.9)	(6.7)	(19.5)

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 continued

7 Operating costs

	2019 £m	2018 £m
Other external charges	200.7	195.1
Employee benefit expense (see note 9)	95.0	86.6
Depreciation of property, plant and equipment	2.2	2.9
Amortisation of intangible assets	1.2	3.4
Profit on sale of property, plant and equipment	-	(0.6)
Operating lease rentals	24.7	23.9
Impairment charges	-	5.3
Total operating costs	323.8	316.6
Trading	323.8	310.9
Exceptional items (see note 10)	-	5.7
Total operating costs	323.8	316.6

Amounts charged by the Group's auditor are as follows:

	2019 £000	2018 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	95	88
Fees payable to the Company's auditor and its associates for other services to the Group: The audit of the Company's subsidiaries pursuant to legislation	80	80
Total audit fees	175	168
Other services		
- tax services	44	147
- other	-	14
Total non-audit fees	44	161
Total fees	219	329

Fees payable to KPMG LLP and their associates for non-audit services to the Company are disclosed on a consolidated basis and therefore no separate disclosure for DX (Group) plc on an individual basis is required.

8 Directors' emoluments

Total remuneration

	2019 £000	2018 £000
Emoluments	959	739

Amounts accrued under money purchase pension schemes

	2019 £000	2018 £000
Pension benefits	24	17

Highest-paid director

	2019 £000	2018 £000
Emoluments	322	234

See the Directors' Remuneration Report sections titled Total Single Figure of Remuneration for Directors and Share Plans (which form part of these financial statements), and note 31 for further details of Directors' emoluments, including transactions with Directors.

9 Employees

Employee benefit expense

	2019 £m	2018 £m
Wages and salaries	84.8	78.6
Social security costs	7.2	6.6
Other pension costs	1.8	1.2
Share-based payment transactions	1.2	0.2
	95.0	86.6

Average number of persons employed (including Executive Directors)

	2019 Number	2018 Number
	3,521	3,264

10 Exceptional items

The following items are considered exceptional as per the Group's accounting policies disclosed in note 3:

	2019 £m	2018 £m
Impairment charges	-	5.3
Senior management departures	-	0.9
Restructuring, professional costs and other	-	0.4
Profit on sale of freehold properties	-	(0.9)
Exceptional items included in loss from operating activities	-	5.7
Finance costs	-	1.9
Tax	-	(0.9)
Total exceptional items	-	6.7

Impairment charges

Following the decision to reorganise the business and to create two divisions, DX Express and DX Freight, and the start of the implementation of the turnaround plan under the new leadership team, some projects that were progressing as part of the previous "OneDX" integration programme were 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 in the prior year of £0.9 million represent amounts due to former members of the senior management team following their departure from the 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 Group 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.

Finance costs

During the prior year the Group issued convertible Loan Notes which were subsequently cancelled and transferred to equity. £1.9 million total cost includes interest paid of £1.1 million and £0.8 million non-cash finance costs. The £0.8 million non-cash finance costs include a Loan Note cancellation adjustment of £0.7 million in accordance with IAS 32 for the early cancellation of convertible instruments.

Tax

These amounts represent the respective tax impact from exceptional items in the prior year.

Notes to the Financial Statements

for the year ended 30 June 2019 continued

11 Finance costs

	2019 £m	2018 £m
Finance costs		
Interest on bank loans and other	0.3	0.5
Amortisation of financing costs	0.1	0.4
Loan Notes finance costs (see note 10)	-	1.9
	0.4	2.8
Trading	0.4	0.9
Exceptional items (see note 10)	-	1.9
	0.4	2.8

12 Tax credit/(expense)

Analysis of charge in year

	2019 £m	2018 £m
Current tax		
United Kingdom corporation tax		
Current year	-	-
Adjustments in respect of prior periods	0.1	(0.3)
Total United Kingdom corporation tax	0.1	(0.3)
Overseas taxation	(0.6)	(0.5)
Total current tax	(0.5)	(0.8)
Deferred tax		
Current year	(0.4)	1.2
Adjustments in respect of prior periods	0.1	-
Changes in tax rates	-	-
Total deferred tax	(0.3)	1.2
Total tax	(0.8)	0.4
Trading	(0.8)	(0.5)
Exceptional items (see note 10)	-	0.9
Total tax	(0.8)	0.4

Factors affecting the tax expense for year

The tax expense for the year differs from the expected 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
Loss before tax	(1.7)	(19.9)
Loss before tax at the standard rate of UK corporation tax of 19% (2018: 19%)	0.3	3.8
Factors affecting charge for year:		
- UK taxable losses unrecognised	(1.1)	(2.7)
- Impairment charges not deductible for tax purposes	-	(1.0)
- Impairment charges, impact on deferred tax	-	0.9
- Other exceptional items not deductible for tax purposes	-	(0.2)
- Adjustments in respect of prior years	0.2	(0.3)
- Effect of different tax rates	0.2	0.2
- Other	(0.4)	(0.3)
Tax (expense)/credit	(0.8)	0.4

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 Group's future current tax charge accordingly. The deferred tax asset at 30 June 2019 has been calculated based on these rates.

13 Loss attributable to the Company

The loss for the year includes a loss of £1.0 million (2018: £1.1 million loss) attributable to the Company, after a share-based payments charge of £1.2 million (2018: £nil) and an exceptional charge of £nil (2018: £1.9 million).

14 Property, plant and equipment

	Freehold land and buildings £m	Short leasehold land and buildings £m	Plant and equipment £m	Total £m
Cost				
At 1 July 2017	5.5	17.4	37.4	60.3
Additions	-	1.1	0.5	1.6
Disposals	-	(10.4)	(17.3)	(27.7)
Re-allocation adjustment	-	0.7	-	0.7
At 30 June 2018	5.5	8.8	20.6	34.9
At 1 July 2018	5.5	8.8	20.6	34.9
Additions	-	1.6	1.4	3.0
Disposals	-	-	-	-
At 30 June 2019	5.5	10.4	22.0	37.9
Depreciation				
At 1 July 2017	2.5	13.2	32.6	48.3
Charge for the year	0.1	0.8	2.0	2.9
Disposals	-	(10.1)	(17.3)	(27.4)
Re-allocation adjustment	0.1	0.5	1.6	2.2
At 30 June 2018	2.7	4.4	18.9	26.0
At 1 July 2018	2.7	4.4	18.9	26.0
Charge for the year	0.1	0.8	1.3	2.2
Disposals	-	-	-	-
At 30 June 2019	2.8	5.2	20.2	28.2
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

The cost of land not being depreciated is £0.6 million (2018: £0.6 million).

In the prior year following a detailed review of property, plant and equipment, and software and development costs in intangible assets, it was identified that certain amounts were incorrectly categorised. Accordingly, re-allocation adjustments were made to property, plant and equipment and in intangible assets (also see note 15). The net impact to net book value was a transfer of £1.5 million from property, plant and equipment to intangible assets per note 15.

Notes to the Financial Statements

for the year ended 30 June 2019 continued

15 Intangible assets and goodwill

	Acquired intangibles					Total £m
	Goodwill £m	Software and development costs £m	Customer relationships £m	Trademarks and domain names £m	Outstanding orders £m	
Cost						
At 1 July 2017	191.5	34.0	9.1	1.0	0.4	236.0
Additions	-	0.2	-	-	-	0.2
Disposals	-	(11.3)	-	-	-	(11.3)
Re-allocation adjustment	-	(0.7)	-	-	-	(0.7)
At 30 June 2018	191.5	22.2	9.1	1.0	0.4	224.2
At 1 July 2018	191.5	22.2	9.1	1.0	0.4	224.2
Additions	-	0.5	-	-	-	0.5
Disposals	-	(0.1)	-	(1.0)	(0.4)	(1.5)
At 30 June 2019	191.5	22.6	9.1	-	-	223.2
Amortisation (including impairment)						
At 1 July 2017	161.5	26.2	8.2	1.0	0.4	197.3
Charge for the year	-	3.1	0.3	-	-	3.4
Impairment	-	5.3	-	-	-	5.3
Disposals	-	(11.3)	-	-	-	(11.3)
Re-allocation adjustment	-	(2.2)	-	-	-	(2.2)
At 30 June 2018	161.5	21.1	8.5	1.0	0.4	192.5
At 1 July 2018	161.5	21.1	8.5	1.0	0.4	192.5
Charge for the year	-	0.9	0.3	-	-	1.2
Disposals	-	(0.1)	-	(1.0)	(0.4)	(1.5)
At 30 June 2019	161.5	21.9	8.8	-	-	192.2
Net book value						
At 30 June 2019	30.0	0.7	0.3	-	-	31.0
At 30 June 2018	30.0	1.1	0.6	-	-	31.7

As disclosed in note 14, in the prior year re-allocation adjustments were made to intangible assets and property, plant and equipment where it was identified that certain amounts were incorrectly categorised. Accordingly, a transfer of £1.5 million net book value was made from property, plant and equipment per note 14 to intangible assets.

Management has identified two cash-generating units within the Group, DX Express and DX Freight. Goodwill has an indefinite useful life and each cash-generating unit is subject to annual impairment testing. The £30.0 million (2018: £30.0 million) recoverable amount of the goodwill in the Group has been calculated with reference to its value in use. The key assumptions used in this calculation are shown below (the assumptions are consistent across all cash-generating units).

	2019	2018
Impairment charge recognised	£nil	£nil
Period on which management-approved forecasts are based	Three years	Three years
Growth rate applied beyond approved forecast period	2.0%	1.5%
Maximum discount rate for each cash-generating unit	12.0%	12.0%

The cash flow projections are based on the budget 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 and expected developments, using estimated growth rates not exceeding the long-term growth rate stated above.

Forecasts assume that there is a continued decline in the DX Exchange market and the loss of the HMPO contract in January 2020, but this is expected to be more than offset by growth in parcels and in particular the ongoing turnaround of the DX Freight division, which assumes a short term growth rate of 9%. In the longer term the Directors consider that the appropriate growth rate to use is that issued by the Institute for Fiscal Studies for the UK economy as a whole. 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. The key judgement is the DX Freight short-term growth rate, in which a 40% decrease in projected growth would result in an impairment to the goodwill.

16 Investments

Company	Shares in Group companies £m	Loans to Group companies £m	Total £m
Cost			
At 1 July 2017	0.1	216.7	216.8
Additions	-	-	-
Disposals	-	-	-
At 30 June 2018	0.1	216.7	216.8
At 1 July 2018	0.1	216.7	216.8
Additions	30.0	-	30.0
Repayments	-	(30.0)	(30.0)
At 30 June 2019	30.1	186.7	216.8
Provisions			
At 1 July 2017	0.1	186.7	186.8
Impairment	-	-	-
At 30 June 2018	0.1	186.7	186.8
At 1 July 2018	0.1	186.7	186.8
Impairment	-	-	-
At 30 June 2019	0.1	186.7	186.8
Net book value			
At 30 June 2019	30.0	-	30.0
At 30 June 2018	-	30.0	30.0

The carrying value of £30.0 million (2018: £30.0 million) of investments and loans to Group companies has been reviewed with reference to its value in use, applying the same assumptions used for the value in use of the Group's goodwill shown in note 15.

During the year the company structure of the Group was rearranged. The Company acquired DX Services Limited from DX Holdings Limited for £30.0 million, a vertical transfer within the Group structure. This represented the carrying value of the investment and as such the Company applied book value accounting under IAS 27 for the acquisition. The acquisition was settled via intra-Group balances, resulting in the repayment of £30.0 million loans due from Group companies.

At 30 June 2019 DX (Group) plc owned, directly or indirectly, 100% of each class of issued shares of the following companies. All directly and indirectly owned companies form part of the consolidated results.

	Principal activity
Directly owned:	
DX (VCP) Limited (*)	Intermediate holding company
DX Services Limited (*)	Intermediate holding company
Indirectly owned:	
DX Network Services Limited	Mail services
DX Network Services Ireland Limited (registered and operates in the Republic of Ireland)	Mail services
DX Holdings Limited (*)	Intermediate holding company
DX Secure Mail Limited (*)	Intermediate holding company
DX McBride Limited (*)	Intermediate holding company
Ewenny Limited (*)	Intermediate holding company
QYJ Limited (*)	Intermediate holding company
DX (EBT Trustees) Limited	Dormant
DX Business Direct Limited	Dormant
DX Electronic Services Limited	Dormant
Special Mail Services Limited	Dormant

The above companies are registered and operate in England and Wales unless otherwise stated.

The registered office of all of the above companies is the same as that of the Company, with the exception of DX Network Services Ireland Limited which has a registered office of Unit 6B, Northern Cross Business Park, Finglas, Dublin 11.

DX (Group) plc has provided the necessary guarantees under section 479A of the Companies Act 2006 entitling the subsidiaries indicated in the above table by '(*)' to an audit exemption for the year ended 30 June 2019.

Notes to the Financial Statements

for the year ended 30 June 2019 continued

17 Trade and other receivables

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade receivables	25.4	24.1	-	-
Other receivables	0.7	0.4	-	-
Prepayments	10.2	10.5	-	-
Accrued income	6.8	6.9	-	-
Amounts owed by subsidiary undertakings	-	-	1.8	1.8
	43.1	41.9	1.8	1.8

Trade receivables are shown net of a provision for impairment losses of £0.6 million (2018: £0.5 million). The movement in the allowance for impairment losses was as follows:

	2019 £m	2018 £m
At 1 July	0.5	0.5
Impairment losses recognised	0.3	0.3
Amounts written off as irrecoverable	(0.2)	(0.3)
At 30 June	0.6	0.5

Comparative amounts for 2018 represent the allowance for impairment losses under IAS 39. There was no adjustment required on the initial application of IFRS 9.

Impairment losses are recorded against trade receivables unless it is considered that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

The ageing of trade receivables at the statement of financial position date net of the provision for impairment losses was as follows.

	2019 £m	2018 £m
Current	23.9	22.9
Past due 1-30 days	1.1	0.9
Past due 31-90 days	0.2	0.2
Past due more than 90 days	0.2	0.1
	25.4	24.1

18 Cash and cash equivalents

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Cash and cash equivalents	1.8	2.0	-	-

19 Share capital

Allotted, called up and fully paid

Group and Company	Number (000)	£000
Ordinary Shares of £0.01 each	573,682	5,737

There was no change to the Group's share capital during the year so the numbers above are for the years 30 June 2018 and 30 June 2019.

20 Share premium and reserves

Group	Share premium £m	Translation reserve £m	Retained earnings £m
At 1 July 2017	-	-	14.0
Loss for the year	-	-	(19.5)
Issue of shares	25.5	-	-
Share issue expenses	(0.3)	-	-
Loan Note cancellation adjustment	-	-	(0.7)
Share-based payment transactions	-	-	0.2
At 30 June 2018	25.2	-	(6.0)
At 1 July 2018	25.2	-	(6.0)
Loss for the year	-	-	(2.2)
Share-based payment transactions	-	-	1.2
At 30 June 2019	25.2	-	(7.0)

Company	Share premium £m	Retained earnings £m
At 1 July 2017	-	2.4
Loss for the year	-	(1.1)
Issue of shares	25.5	-
Share issue expenses	(0.3)	-
Loan Note cancellation adjustment	-	(0.7)
At 30 June 2018	25.2	0.6
At 1 July 2018	25.2	0.6
Loss for the year	-	(1.0)
Share-based payment transactions	-	1.2
At 30 June 2019	25.2	0.8

21 Earnings per share

The calculation of basic loss per share at 30 June 2019 is based on the loss after tax for the year and the weighted average number of shares in issue.

Adjusted loss per share is calculated based on the loss after tax, adjusted for certain non-cash charges and other items which are not expected to recur. Adjusted loss per share represents an alternative performance measure. Further details about the use of alternative performance measures are detailed in notes 3 and 32.

Diluted loss per share is calculated based on the weighted average number of shares in issue, adjusted for any potentially dilutive share options issued under the Group's share option programmes.

	2019 £m	2018 £m
Loss for the year	(2.5)	(19.5)
Adjusted for:		
- Amortisation of acquired intangibles	0.3	0.3
- Exceptional items	-	6.7
- Share-based payments charge	1.2	0.2
Adjusted loss for the year	(1.0)	(12.3)

	2019 Number (million)	2018 Number (million)
Weighted average number of Ordinary Shares in issue	573.7	239.4
Potentially dilutive share options	0.7	-
Weighted average number of diluted Ordinary Shares	574.4	239.4

	2019 p	2018 p
Basic loss per share	(0.4)	(8.1)
Diluted loss per share	(0.4)	(8.1)
Adjusted loss per share	(0.2)	(5.1)

Notes to the Financial Statements

for the year ended 30 June 2019 continued

22 Loans and borrowings

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Invoice discounting facility	3.1	3.1	-	-
Deferred debt issue costs	-	(0.1)	-	-
	3.1	3.0	-	-

The Group's only borrowing is a £20.0 million 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).

Amounts due under the invoice discounting facility are secured by means of a charge over trade receivables of DX Network Services Limited.

23 Provisions

	Property dilapidat on costs £m	Other provisions £m	Total £m
At 1 July 2017	4.3	2.0	6.3
Charged to income statement	0.3	0.9	1.2
Utilised	(1.0)	(1.6)	(2.6)
At 30 June 2018	3.6	1.3	4.9
At 1 July 2018	3.6	1.3	4.9
(Credited)/charged to income statement	(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
Current		1.0	1.3
Non-current		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.

24 Deferred tax assets

	Group £m	Company £m
At 1 July 2017	1.4	-
Credited to the income statement	1.2	-
At 30 June 2018	2.6	-
At 1 July 2018	2.6	-
Charged to the income statement	(0.3)	-
At 30 June 2019	2.3	-

The deferred tax asset is made up as follows:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Intangible assets	(0.1)	(0.1)	-	-
Accelerated capital allowances	2.2	2.5	-	-
Other timing differences	0.2	0.2	-	-
	2.3	2.6	-	-

The unrecognised deferred tax assets of the Group at 30 June 2019 total £5.7 million (2018: £4.2 million), consisting of unused tax losses. There are no unrecognised deferred tax assets for the Company at 30 June 2019 (2018: £nil).

25 Trade and other payables

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade payables	17.4	14.8	-	-
Social security and other taxes	6.1	5.1	-	-
Other payables	1.0	1.1	-	-
Accruals	13.6	15.5	-	0.1
	38.1	36.5	-	0.1

26 Reconciliation of the loss for the year to cash generated from/(used in) operations

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Cash flows from operating activities				
Loss for the year	(2.5)	(19.5)	(1.0)	(1.1)
Adjustments for:				
- Exceptional impairment charges	-	5.3	-	-
- Depreciation	2.2	2.9	-	-
- Amortisation of intangible assets	1.2	3.4	-	-
- Net finance costs	0.4	2.8	-	1.2
- Tax expense/(credit)	0.8	(0.4)	-	0.2
- Gain on sale of property, plant and equipment	-	(0.7)	-	-
- Equity-settled share-based payment transactions	1.2	0.2	1.2	-
Net cash profit/(loss)	3.3	(6.0)	0.2	0.3
Changes in:				
- Trade and other receivables	(1.2)	1.4	-	(0.4)
- Trade and other payables	1.5	(3.6)	(0.2)	(1.5)
- Deferred income	(1.6)	(0.8)	-	-
- Provisions	1.1	(1.4)	-	-
Net change in working capital	(0.2)	(4.4)	(0.2)	(1.9)
Cash generated from/(used in) operations	3.1	(10.4)	-	(1.6)

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for the year ended 30 June 2019 continued

27 Financial instruments

Short-term receivables and payables have been excluded from the following disclosures.

Interest rate profile

The Group has no long-term financial liabilities

Fair values

Financial instruments utilised by the Group during the years ended 30 June 2018 and 30 June 2019, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows

Current assets and liabilities

Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short-term in nature and accordingly their fair values approximate to their book values.

Borrowings and cash

The carrying values of cash and short-term borrowings approximate to their fair values because of the short-term maturity of these instruments

The financial instruments held by the Group do not, either individually or as a class, create potentially significant exposure to the market, credit, liquidity or cash flow interest rate risk.

Fair values of financial assets and liabilities

The fair value of all financial assets and liabilities is considered to be equal to the carrying values of these items due to their short-term nature. Cash is held with counterparties with a Moody's credit rating between baa1 and baa3.

£0.9 million (2018: £0.9 million) of net financial assets and liabilities at the statement of financial position date were denominated in euros. All other net financial assets and liabilities were denominated in sterling. A 10% strengthening of sterling against the euro at 30 June 2019 would have reduced equity and profit by £0.1 million (2018: £0.1 million).

A 1% increase or reduction in the interest rate applicable to the Group's borrowings would have had a £nil (2018: £0.1 million) impact on the profit for the year

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The maximum exposure to credit risk is the amount of the receivables balance.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. In the prior year, the Group received amounts in the form of new equity issuance (£28.5 million gross receipts). This followed detailed cash flow forecasting, against which the Group remains ahead of forecasts, and thus the Directors believe that the Group is able to meet its obligations as they fall due

28 Employee benefits

Pension commitments

The Group operates defined contribution pension schemes for all qualifying employees. The assets of the schemes are in managed funds and are therefore held separately from the assets of the Group.

The total cost charged to income of £1.8 million (2018: £1.2 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

Contributions amounting to £0.4 million (2018: £0.3 million) were payable to the schemes at 30 June 2019 and are included in trade and other payables.

Share-based payments

At 30 June 2019 the Group had the following share-based payment arrangements:

Performance Share Plan 2017 ("PSP") and Restricted Share Awards

In the prior year the Group established two equity-settled share option programmes that entitle key management to purchase shares in the Group at £0.01 on vested options. The programmes consist of Recovery Awards under the PSP as well as Restricted Share Awards.

The vesting conditions of the Recovery Awards are share price targets along with continued employment. Share price targets of 12.5 pence and of 40 pence result in 25% and 100% respectively of the Recovery Awards to vest, and a pro-rata straight-line basis between 12.5 pence and 40 pence accordingly.

The share price targets will be tested at each of the third, fourth and fifth anniversaries of the making of the Recovery Awards, and on each occasion the share price measurement is to be based on the 30-day average share price prior to the test date. Achievement of a share price measurement on a later test date which is greater than the achieved measurement on a previous test date will result in additional vesting of the Recovery Award in accordance with the share price targets.

In addition to the share price targets stated above, the Remuneration Committee must be satisfied with overall financial performance to allow any vesting of Recovery Awards on any occasion. Recovery Awards for which the share price target is attained at any test date will vest 12 months later (being the fourth, fifth and sixth anniversaries of the award date) provided that the participant is still a director or employee in the Group at that time.

The vesting condition of the Restricted Share Awards is continued service as a Director for three years from the issue date.

Measurement of fair values

The fair values of the PSP are measured using the Monte Carlo basis of valuation. Expected volatility is based on the historic volatility of the DX Group and the AIM market of the London Stock Exchange measured over the contractual period of the options.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans issued in the current and prior year were as follows:

	1 April 2019	28 January 2019	25 July 2018	25 May 2018	21 December 2017
Recovery Awards					
Options issued	1,900,000	350,000	14,580,063	56,598,570	27,340,000
Fair value at grant	7.3p	5.0p	5.0p	4.9p	4.0p
Share price at grant date	12.3p	9.0p	9.5p	9.3p	8.4p
Exercise price	1.0p	1.0p	1.0p	1.0p	1.0p
Expected volatility	50%	50%	50%	50%	50%
Expected term	3.2 years	3.5 years	3.9 years	4.1 years	4.5 years
Expected dividend yield	0%	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	0.7%	0.9%	0.9%	0.9%	0.7%
Restricted Share Awards					
				25 May 2018	21 December 2017
Options issued				1,085,830	583,500
Fair value at grant				9.3p	8.4p
Share price at grant date				9.3p	8.4p
Exercise price				1.0p	1.0p
Expected volatility				n/a	n/a
Expected term				2.6 years	3 years
Expected dividend yield				0%	0%
Risk-free interest rate (based on government bonds)				n/a	n/a

The number and weighted average exercise price of options under the PSP and Restricted Share Awards are as follows:

	2019		2018	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Granted during the year	1.0p	16,830,063	1.0p	85,607,900
Lapsed/opted out during the year	1.0p	(1,450,000)	-	-
Outstanding at the end of the year	1.0p	100,987,963	1.0p	85,607,900
Exercisable at the end of the year	-	-	-	-

The total expense recognised for the year and the total liabilities recognised at the end of the year arising from share-based payments are as follows:

	2019 £m	2018 £m
Total employee benefit expense recognised for share-based payments	1.2	0.2

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for the year ended 30 June 2019 continued

29 Commitments

Capital

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

Operating leases

At the statement of financial position date the Group had the following future minimum lease payments under non-cancellable operating leases

	Group	
	2019 £m	2018 £m
Land and buildings:		
Within one year	10.0	9.2
Between two and five years	26.5	23.6
After five years	13.4	15.0
	49.9	47.8
Other operating leases:		
Within one year	7.8	6.8
Between two and five years	16.0	8.9
After five years	1.6	0.1
	25.4	15.8

Operating leases typically consist of leases for premises, vehicles and equipment to support operations and to help service the Group'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.

30 Contingencies

No provision for contingencies has been made.

31 Related parties

The following transactions were carried out with connected parties:

Key management personnel

Key management comprises the Executive Directors, the Non-executive Directors and members of the Operating Board. The key management compensation is as follows:

	2019 £000	2018 £000
Salaries, fees and other short-term employee benefits	1,520	2,072
Pension contributions	79	72
Compensation for loss of office	-	300
	1,599	2,444

Included in the above table are the following amounts relating to the year to 30 June 2018:

- > £99,000 received by Ian Gray for the provision of consultancy services outside the scope of his role as Non-executive Director and prior to his appointment to the Audit & Risk Committee;
- > £32,000 paid to Ronald Series for consultancy services prior to joining the Board; and
- > £12,000 paid to The Chimneys Investment Company Limited. Lloyd Dunn, Chief Executive Officer, is a director and shareholder of The Chimneys Investment Company Limited. Lloyd provided consultancy services to the Group prior to joining the Board

Sales and purchases of goods and services

There are no related party transactions relating to the sales and purchases of goods and services to disclose.

32 Alternative performance measures ("APMs")

The Group uses APMs to measure performance. These APMs are applied consistently from one year to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and other items which are not expected to recur. The measures used are industry standard and allow the shareholders to compare performance with industry peers. The Group presents EBITDA, adjusted loss before tax ("adjusted LBT"), adjusted loss per share ("adjusted LPS") and underlying operating profit/(loss), which are calculated as the statutory measures stated before amortisation of acquired intangibles, exceptional items and share-based payments charge, including related tax where applicable. The Group also presents net debt, calculated as gross debt before debt issue costs and net of cash. The reconciliations between these APMs and the IFRS reported measures are shown in the locations detailed below:

APM	IFRS reported measure	Location of reconciliation
EBITDA	Profit/(loss) from operating activities	Note 6
Adjusted LBT	Loss before tax	See below
Adjusted LPS	Loss per share	Note 21
Underlying operating profit/(loss)	Profit/(loss) from operating activities	Financial Review
Net debt	Debt	Financial Review

The reconciliation of the adjusted loss before tax APM to the IFRS reported measure of loss before tax is shown below:

	2019 £000	2018 £000
Reported loss before tax	(1.7)	(19.9)
Adjusted for:		
- Amortisation of acquired intangibles	0.3	0.3
- Exceptional items	-	7.6
- Share-based payments charge	1.2	0.2
Adjusted loss before tax	(0.2)	(11.8)

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