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NEW TEAM NEW PLAN NEW DX

DX (Group) plc

Company registration number: 08696699

Annual Report and Accounts 2018

DX GROUP WHO WE ARE

Established in 1975, DX (Group) plc provides a range of delivery services, including parcel freight, secure, courier and logistics, to customers across the UK and Ireland.

Our customer base is diverse, covering a wide range of sectors and industries, and we organise our activities through two divisions, DX Freight and DX Express.

DX IN NUMBERS

100m

items delivered
every year

71

depots and service centres
across the UK and Ireland

2,500

daily delivery and
collection routes

3,300

employees

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HIGHLIGHTS FOR THE YEAR

FINANCIAL HIGHLIGHTS

Revenue	EBITDA ¹ (Loss)/Profit	Adjusted ² LBT	Reported LBT
£299.5m (2017: £291.9m)	£(4.9)m (2017: £7.2m)	£(11.8)m (2017: £nil)	£(19.9)m (2017: £(82.3)m)
Adjusted ² (LPS)/EPS	Reported LPS	Debt (net of cash)	Cash Outflow (From Operating Activities)
(5.1)p (2017: 0.1p)	(8.1)p (2017: (40.3)p)	£1.1m (2017: £19.1m)	£(12.0)m (2017: (£2.0)m)

See summary table in the Financial Review section for reconciliations of alternative performance measures used throughout this Report and Accounts, as detailed in note 3 to the Accounts

1 Earnings before interest, depreciation, amortisation, exceptional items and share-based payments charge

2 Adjusted loss before tax and adjusted LPS/EPS exclude amortisation of acquired intangibles, exceptional items and share-based payments charge

OPERATIONAL HIGHLIGHTS

- > New Board appointed in October 2017
- > Business turnaround strategy is underway, after a comprehensive review of operations
 - early benefits already apparent
- > Group re-organised into two divisions, DX Freight and DX Express, ending 'OneDX' strategy
 - initial focus of turnaround initiatives is on loss-making DX Freight
- > General and regional management across each division is at the heart of the turnaround strategy
 - increased responsibility and accountability
 - new appointments, including sales people, have strengthened the teams
- > Three-year investment programme in core IT and management systems started
- > Group's balance sheet has been substantially strengthened
 - including new equity to support growth initiatives
- > DX is well positioned to make further progress over the new financial year

DX FREIGHT

SPECIALISTS IN PARCEL FREIGHT

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

- > DX 1-Man offers a national and international delivery service mainly to business customers. It is one of only a few operators with capability in the IDW market, where items are generally unsuitable for fully automated sortation systems.
- > DX 2-Man focuses on larger and/or heavier goods, weighing up to 150kg, and mainly delivers to residential addresses, with the service including delivery to a customer's room of choice.
- > DX Logistics provides a comprehensive logistics solution, including warehouse management and operation of customer-liveried vehicles and uniformed personnel.

SERVICES

DX 1-MAN

- > Pouches
- > Parcels
- > Freight
- > Pallets
- > Carriage forward

DX 2-MAN

- > Two man delivery
- > White glove service
- > 'Wet fit'
- > Room of choice
- > Light assembly
- > Removal of goods

DX INTERNATIONAL

- > Air and sea express
- > European road

DX LOGISTICS

- > Transport solutions
eg. fleet management
- > Contract warehousing
- > Specialist handling

CUSTOMERS

"A competitive price may get you through the front door, but it is exceptional customer service that keeps you there. The customer service and account management we receive is first class."

Numatic International, makers of the popular Henry vacuum cleaner

"Some of the things DX has done for us to rectify any problems have gone well beyond the call of duty. The DX team are honest, truthful and reliable."

Hellermann Tyton,
UK electrical manufacturer

DX EXPRESS

SPECIALISTS IN SECURE DELIVERY

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

- > DX Exchange is a private members business-to-business mail and parcel delivery network that primarily caters for the legal, financial and public sectors. It operates c 3,500 exchanges across the UK and Ireland.
- > DX Secure is a market-leading service offering secure delivery to private addresses. The service includes the delivery of passports and bank cards.
- > DX Courier is a next-day, fully-tracked delivery service aimed at the business-to-business market.

The pharmaceutical market is an important sector for DX, and the Group has established significant positions within the optical and pharmacy sub-sectors. This includes a strong presence in the area of tracked specimens, for example-delivering medical samples via the DX Exchange network from hospitals to laboratories. In 2018, DX was delighted to be recognised as a Good Distribution Practice Compliant Partner having achieved a Wholesale Distribution Authorisation (H) License from the Medicines and Healthcare Regulatory Authority.

SERVICES

DX EXCHANGE

- > Document Exchange
- > Tracked mail
- > Mailshots
- > Tracked specimen

DX MAIL

- > Downstream access mail

DX COURIER

- > Tracked signature
- > Adhoc collections

DX SECURE

- > Mandatory signature
- > DX2Home
- > SecureDX
- > Secure posted
- > Disguised mail

CUSTOMERS

DX COURIER

“DX gives our members all the benefits of a secure, tracked service at a competitive price.”

National Pharmacy Association

DX EXCHANGE

“We have used DX for many years. Knowing that our mail is delivered efficiently and reliably is as important to me as the cost savings we achieve using the service.”

Essex County Council

CHAIRMAN'S STATEMENT

TURNAROUND STRATEGY NOW UNDERWAY

INTRODUCTION

The year to 30 June 2018 has been one of significant change for DX with a new leadership team put in place to drive a turnaround plan. As announced in March 2018 in the interim results, a clear strategy is now underway, after a detailed review of the Group's operations

RONALD SERIES

Executive Chairman

Following the completion of a restructuring of the balance sheet in May 2018, DX is also on a stronger financial footing, which better supports the new Board's objectives of restoring the business to long-term, sustainable growth in revenue and profitability

We have made a good start to our turnaround plan and have made some important early steps forward. Results for the financial year are better than we expected, with revenue slightly ahead at £299.5 million and the underlying EBITDA loss smaller than anticipated at £4.9 million. Debt (net of cash) at the year end is also better than we expected at £11 million, helped by improved working capital management.

We remain encouraged about prospects for continuing progress over the new financial year, and retain our confidence in meeting both the short and long-term goals we have set ourselves.

New Leadership Team

A new Board of Directors was appointed in October 2017 with the support of the Group's major shareholders. Lloyd Dunn became Chief Executive Officer, Russell Black and Paul Goodson were appointed as Non-executive Directors and I joined as Executive Chairman. In April 2018, David Mulligan was appointed as Chief Financial Officer, completing the new Board. Ian Gray, who was appointed as a Non-executive Director on 1 July 2017, remains in his role and has provided important continuity to the Board during this period of significant change.

New Structure

At the start of the financial year in July 2017, the Group was re-organised into two separate divisions: DX Express and DX Freight, thereby ending the 'OneDX' strategy. Later, following a key decision to commence a 'standalone' turnaround strategy under a new Board, after discussions with John Menzies plc about a combination with its Distribution division were concluded, we completed a wholesale review of the Group's organisational structure. Subsequently we made further organisational changes to strengthen management, sales and commercial teams in the two divisions.

This revised structure supports the new Board's devolved approach to the way the business is run. As we have previously highlighted, we believe that this devolved approach is fundamental to the success of the turnaround plan.

Each division is focused on building a market proposition that is valued by customers and based on delivering great service at a competitive price. DX Freight specialises in delivering irregular dimensions and weight ("IDW") items, a growing part of the freight market, and provides bespoke logistics services on an 'open book' basis. DX Express delivers tracked delivery services that offers customers a market-leading level of security and tracking through its own network.

Turnaround Strategy in Place

As announced in the Group's interim results, our plan is aimed at restoring the Group to sustainable and profitable growth within three years. At the core of our plan is a change in leadership style, operational strategy and culture that will help to reinvigorate the business and enable us to build on our existing market positions.

We have placed our depots and service centres at the heart of DX and have devolved accountability to our general and regional managers, giving them greater authority over, and responsibility for, their operations. This approach underpins our initiatives to improve sales, customer service processes and operations.

Over the course of 2018, we also made a number of new senior level appointments across our commercial, operations and sales functions at DX Freight and DX Express. These personnel changes are now complete and we are seeing the benefits in both customer service levels and business performance.

Our turnaround activity in the year has been primarily focused on DX Freight, given its loss-making position, however, we see significant scope to improve sales and efficiencies across both divisions. We are pleased with progress achieved so far, and further details are provided in the Chief Executive Officer's Review.

The turnaround of the Group's performance is an incremental process, and we intend to progress steadily and sensibly, with further measures to be implemented in line with our overall plan.

Strengthened Balance Sheet

In May 2018, the Group's balance sheet was strengthened significantly when we completed a cancellation of the Group's £24.0 million outstanding loan notes and replaced these with new Ordinary Shares in DX, and also raised £4.8 million (gross) of funding through a placing and subscription of new shares. These transactions have substantially strengthened DX's balance sheet, improving the equity base of the Group by £28.5 million and providing additional capital to fund working capital requirements and assist with growth initiatives. These initiatives include expanding the sales teams, adding new depots, enhancing the Group's IT capabilities and developing the DX Express networks.

Financial Performance

The Group's revenue for the year to 30 June 2018 increased to £299.5 million (2017: £291.9 million). As expected, the Group made a loss, with earnings before interest, taxation, depreciation, amortisation, exceptional items and share-based payments charge ("EBITDA") showing a loss of £4.9 million (2017: profit of £7.2 million). The overall loss for the year reflected a number of factors, including a reduction in volumes at DX Express, a weaker performance at DX 1-Man and operational inefficiencies. Volume attrition at the DX Exchange operation was in line with expected levels. These factors are being addressed by the turnaround plan and there are already early signs of the improvements gaining traction.

Exceptional items in the year, excluding associated finance and tax costs, amounted to £5.7 million (2017: £80.7 million), and principally comprised a non-cash item of £5.3 million, which related to the impairment of certain IT systems.

The loss before tax after exceptional items was £19.9 million (2017: loss of £82.3 million). The statutory loss after taxation was £19.5 million (2017: loss of £81.1 million).

Total equity at 30 June 2018 was £24.9 million (2017: £16.0 million), which reflects both the loss for the year and the fundraising and loan note settlement, reported above.

Net debt at 30 June 2018 was £1.1 million (2017: £19.1 million), helped by the balance sheet restructuring and improved working capital management.

Further details of the Group's financial performance are provided in the Financial Review.

Dividend Policy

In February 2017, the previous Board took the decision to suspend the payment of dividends for the foreseeable future, in light of the Group's financial performance and increased level of debt at that point in time. As the Group is still at an early stage in the turnaround plan, the new Board has no plans to restore the dividend, however, this policy will be kept under review and it is the Board's intention to restore payments when appropriate.

Employees and Shareholders

We appreciate the support shown by our employees in what was a challenging year for the business, and, on behalf of the Board, I would like to thank them for their hard work and commitment during the year. We are also pleased to take this opportunity to thank our shareholders for their support and to welcome new shareholders to the Group.

Outlook

The Board believes that the Group remains well positioned to make further progress with its turnaround strategy over the new financial year. We expect to see more of the benefits of the initiatives in place to come through and have a clear focus on the targets we wish to achieve. Trading since the start of the new financial year has been encouraging and we anticipate continuing good momentum towards restoring profitability.

Ronald Serles

Executive Chairman

The new Leadership Team

CHIEF EXECUTIVE OFFICER'S REVIEW

AN ENCOURAGING START TO DX'S TURNAROUND

INTRODUCTION

I am pleased with the progress we have made since the new Board was appointed to lead DX's turnaround in mid-October 2017. While the Group's overall financial results for the year do not yet reflect the benefits of our work, we are seeing encouraging signs of business improvement

As we reported in the Group's interim results, we completed a detailed review of DX's operations, using this as the basis to develop our turnaround strategy. Our plans mark a clear break from the previous 'OneDX' strategy and are aimed at both addressing the challenges and developing the opportunities at each of our two divisions, DX Express and DX Freight

We have completed some major groundwork in establishing new organisational structures across the Group since coming into the business. At the heart of these organisational changes is the principle of responsibility and accountability at depots and service centres, giving our general managers and regional directors greater authority and decision-making powers. We have re-organised both divisions into a larger number of smaller regions, which supports this devolved approach and enables our people to drive performance in their respective regions more effectively

We have also made a number of new appointments to the divisional management teams of DX Freight and DX Express, drawing on existing talent within the business as well as recruiting new staff from outside the Group. We have strengthened both divisions' commercial teams, and this, together with other initiatives, will help to ensure that we can compete more effectively in the marketplace and act with greater agility and responsiveness

A new Executive Operating Board ("Operating Board") has been created, which comprises the two divisional Managing Directors, the Chief Financial Officer, the Human Resources and IT Directors and myself. The Operating Board is responsible for the delivery of the turnaround strategy and reviewing day-to-day operational and financial performance

To support all these initiatives, we have instigated a three-year investment programme in our core IT and management systems. The programme aims to align our systems to our new structure, improve data flows and enhance our ability to deliver great customer service

The performance of each division is detailed below. As the Group was substantially re-organised during the financial year, the EBITDA for the prior year is not given

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

LLOYD DUNN

Chief Executive Officer

- > **DX Logistics:** comprehensive logistics solutions, including warehouse management and the operation of customer-livered vehicles and uniformed personnel

The division's performance for the year was in line with management expectations. Revenue was £137.8 million (2017: £121.4 million) and the EBITDA loss was £14.2 million. The revenue increase of £16.4 million largely reflected growth in DX Logistics of £17.9 million, with DX 1-Man contributing growth of £0.4 million, offset by a decrease in revenue of £1.9 million from DX 2-Man and international services

The initial focus of our turnaround activity has been on DX Freight, given the division's severe underperformance. As previously reported, we have a clear vision for developing its potential and I am pleased to report that the changes we have made are already generating positive results and we expect to see momentum develop

We have re-organised the division from three to six regions, under the direction of Paul Ibbetson who has been brought into DX Freight as Managing Director. We have also re-organised DX 2-Man, bringing it in to the DX Logistics business, which will manage its operations

We have rebuilt the sales team, aligning it to the local depot and regional structure, and the new team is now securing a good level of new business, which also helps to utilise capacity within the

existing fleet. We have also concentrated on moving the balance of the division's activity towards B2B business, which better suits our fleet makeup.

Service levels across the division have improved and we are increasing productivity at both our hub operation and delivery fleet. Improved hub productivity is being supported by investment in both simple mechanisation and in-depot facilities, where we are increasing efficiency by, for example, additional spend on new stillages (long metal cages), which allows the teams to better handle longer items. We are also changing the balance of our fleet towards more 7.5 tonne vehicles, which are better suited to the type of freight we deliver for our customers. We have also committed additional resources to weight auditing and pricing processes.

At the end of the financial year, we re-opened the Group's depots at Cannock, in Staffordshire, and Pucklechurch, in South Gloucestershire, strengthening the division's activities in those local areas, and we are continuing to look carefully at other opportunities to expand the network to support DX Freight's growth.

DX Express

DX Express comprises the following four services:

- > **DX Exchange:** a private members' B2B mail and parcel delivery network, of 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.

The division generally performed as expected over the year. Revenue decreased to £161.7 million (2017: £170.5 million) and EBITDA was £29.3 million. The £8.8 million reduction in revenue mainly reflected the expected attrition at DX Exchange, where revenues contracted by £6.0 million, which was in line with management forecasts. The balance of the reduction was across the Secure, Courier and Mail services, although slightly less than expected. Overall service levels were maintained at a good level.

Our contract with Her Majesty's Passport Office ("HMPO") has been recently extended through to October 2019. It is expected that the contract will be retendered during the coming year, at which point the Group will submit its proposal.

We have re-organised the division to create five regions, up from three previously, and have promoted Martin Illidge to the role of DX Express Managing Director. He is supported by newly-appointed Operations and Sales Directors. We have also strengthened the management team at DX Exchange and have given Kevin Galligan, previously Managing Director of the DX's Irish business, overall responsibility for the whole of the DX Exchange operation.

Other major operational changes made in the year included aligning the sales team with each service centre and region. The division now has 29 dedicated service centre sales managers to focus on the local market, which will help to drive sales over the coming year.

We have also taken the decision to reinforce DX Exchange as an exclusive members' network and are driving customer service improvements and innovation. We are currently assessing the network requirements to deliver this, which we expect to roll out over the next 18 months. While attrition remains a structural issue at DX Exchange, we believe that our new measures will yield benefits.

Summary

I would like to take this opportunity to thank all our staff for the tremendous dedication and hard work that has been put into the business over the past year. I have every confidence that together we will continue to make positive steps towards our goal of improving the Group's performance and restoring DX to a path of long-term, sustainable profitable growth.

Lloyd Dunn

Chief Executive Officer

“DX has been reinvigorated and strengthened. We are confident of further progress.”

FINANCIAL REVIEW

STRONGER BALANCE SHEET FIRMER FOUNDATION

INTRODUCTION

Revenue of £299.5 million is 2.6% ahead of prior year, and mainly reflects strong growth in DX Logistics, partly offset by the expected reduction in revenue at DX Exchange as well as pricing pressures at DX 1-Man and operational inefficiencies

DAVID MULLIGAN

Chief Financial Officer

Underlying results from operating activities was a loss of £10.9 million (2017 £11 million profit). This is stated before exceptional items of £5.7 million, including a non-cash item of £5.3 million, relating to the impairment of certain IT systems

Debt (net of cash) at 30 June 2018 was £11 million (2017 £191 million). Operating cash flow was £12.0 million outflow (2017 £2.0 million outflow) and capital expenditure was £1.8 million (2017 £4.4 million)

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 Chief Executive Officer's Review

	2018 Trading £m	2018 Exceptional £m	2018 Total £m	2017 Total £m
Revenue	299.5	-	299.5	291.9
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	(4.9)	-	(4.9)	7.2
Depreciation	(2.9)	-	(2.9)	(2.9)
Amortisation of software and development costs	(3.1)	-	(3.1)	(3.2)
Underlying results from operating activities	(10.9)	-	(10.9)	11
Amortisation of acquired intangibles	(0.3)	-	(0.3)	(1.6)
Share-based payments charge	(0.2)	-	(0.2)	-
Exceptional items	-	(5.7)	(5.7)	(80.7)
Reported results from operating activities	(11.4)	(5.7)	(17.1)	(81.2)
Finance costs	(0.9)	(1.9)	(2.8)	(0.9)
Share of results from associate	-	-	-	(0.2)
Loss before tax	(12.3)	(7.6)	(19.9)	(82.3)
Tax	(0.5)	0.9	0.4	1.2
Loss for the year	(12.8)	(6.7)	(19.5)	(81.1)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the year	(12.8)	(6.7)	(19.5)	(81.1)
(LPS)/EPS – adjusted (pence) ¹			(5.1)	0.1
– basic (pence)	(5.3)	(2.8)	(8.1)	(40.3)

¹ Adjusted (LPS)/EPS excludes amortisation of acquired intangibles, exceptional items and share-based payments charge

EBITDA

Earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA") for the year to 30 June 2018 was a £4.9 million loss (2017 £7.2 million profit)

The loss mainly reflected the impact of volume attrition at DX Exchange, which has a largely fixed cost base, as well as decreased volumes at DX Express, a reduction in average prices at 1-Man and higher costs

Exceptional Items

Exceptional items for the year totalled £6.7 million (2017 £79.7 million) and are summarised below

The largest exceptional charge comprised a non-cash item of £5.3 million relating to the impairment of certain development assets, principally those relating to the merging of IT systems as part of the 'OneDX' integration programme, which have been stopped or reworked following the commencement of the turnaround plan

Approximately £0.9 million of costs were incurred as a result of senior management departures

Restructuring, professional costs and other, includes certain one-off costs in the first half of the year largely relating to the turnaround

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

During the year the Group issued convertible Loan Notes, which were subsequently cancelled and transferred to equity (see note 22 for further details). Finance costs of £1.9 million includes interest payments of £1.1 million and £0.8 million of non-cash finance costs. The £0.8 million non-cash finance costs includes a Loan Note cancellation adjustment of £0.7 million in accordance with IAS 32 for the early cancellation of convertible instruments

Tax of £0.9 million represents the respective tax impact of exceptional items

	2018 £m	2017 £m
Impairment charges	5.3	74.4
Senior management departures	0.9	1.0
Restructuring, professional costs and other	0.4	2.6
Property dilapidations provision	-	2.8
CMA investigation	-	0.6
Additional auto enrolment costs	-	0.3
Profit on disposal of freehold properties	(0.9)	-
VAT refund	-	(1.0)
Exceptional items (operating) – net	5.7	80.7
Finance costs	1.9	-
Tax	(0.9)	(1.0)
Total exceptional items	6.7	79.7

Cash Flow

	2018 £m	2017 £m
Net cash (loss)/profit (note 26)	(6.0)	0.7
Net change in working capital	(4.4)	(0.7)
Interest paid	(1.5)	(0.6)
Tax paid	(0.1)	(1.4)
Net cash from operating activities	(12.0)	(2.0)

Cash outflow from operating activities (after tax) of £12.0 million resulted primarily from lower EBITDA. There was also a £4.4 million increase in working capital in the year, largely as a result of a reduction in payables. Payables were reduced following the payment of certain exceptional costs accrued in the prior year, along with some other timing adjustments. DX maintained its excellent performance on debtor days at 25 days (2017: 25 days)

Net Assets

Net assets increased by £8.9 million following new equity raised in the year, partly offset by the loss incurred, including an impairment charge against intangible assets reflected in non-current assets

	2018 £m	2017 £m
Non-current assets	43.2	52.1
Current assets		
excluding cash	43.0	48.6
Net cash	2.0	2.0
Invoice discounting facility	(3.1)	(15.3)
Current liabilities		
excluding debt	(56.7)	(59.7)
Non-current liabilities		
excluding debt	(3.6)	(6.3)
Term loan	-	(5.8)
Deferred debt issue costs	0.1	0.4
Net assets	24.9	16.0

Debt (Net of Cash)

Debt (net of cash) at 30 June 2018 stood at £11 million (2017: £19.1 million), with the year-on-year reduction a result of new funding received in the year, partly offset by losses incurred

During the year, on 29 September 2017, the Group completed a sale and leaseback of five freehold properties for an aggregate cash consideration of £4.5 million. At the same time, the Group entered into an unsecured loan agreement with GCM Partners II, a fund controlled by DX's major shareholder, Gatmore Capital Management LLP ("Gatmore"), for a loan to the Group of £2.0 million. The proceeds from the property sales and loan were used to repay the £5.8 million bank term loan in full.

In addition, on 9 October 2017, the Group reached an agreement on legally binding heads of terms for a £24.0 million (gross) fundraising through the issue of convertible Loan Notes, principally to existing institutional investors and the Group's new Directors. The Loan Notes were issued in two tranches, Tranche 1 of £16.3 million in October 2017, and the remaining £7.7 million in December 2017. The aggregate issue of Loan Notes included the refinancing of the £2.0 million unsecured term loan from Gatmore as noted above.

On 22 May 2018, the shareholders approved the early cancellation of the above Loan Notes (£23.7 million of the £24.0 million total) and issue of new Ordinary Shares of DX in replacement, along with a further £4.8 million new equity issuance, taking the total gross receipts (before costs) to £28.5 million. The net funds raised are being used to meet the Group's near-term funding requirements, working capital requirements, as well as capital expenditure and restructuring costs. Further details of the Loan Notes and new equity are included in notes 19 and 22 to the financial statements.

FINANCIAL REVIEW CONTINUED

On 22 December 2017, the Group agreed a new £25.0 million invoice discounting facility, an evergreen facility with a minimum term of two years through to December 2019. Interest is at a rate of LIBOR plus 1.95%, along with a £0.2 million per annum fixed charge. Drawings on the invoice discounting facility at 30 June 2018 were £3.1 million (2017: £15.3 million), a net reduction in utilisation of £12.2 million from prior year.

	2018 £m	2017 £m
Term loan	-	5.8
Cash and cash equivalents	(2.0)	(2.0)
Invoice discounting facility	3.1	15.3
Debt (net of cash)	1.1	19.1

Capital Expenditure

Capital expenditure decreased from prior year as a result of a reduction in activity while the new Board reassessed all capital expenditure projects.

	2018 £m	2017 £m
IT hardware and development costs	0.2	1.3
Property costs	0.8	1.4
Operations	0.7	0.7
Service development	0.1	1.0
Total capex	1.8	4.4

Earnings Per Share

Adjusted earnings/(loss) per share, which excludes amortisation of acquired intangibles, share-based payments charges and exceptional items, was (5.1)p (2017: 0.1p).

Dividends

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

	2018 £m	2017 £m
Results from operating activities before exceptional items	(11.4)	(0.5)
Add back/(deduct)		
- Amortisation of intangibles	0.3	1.6
- Share-based payments charge	0.2	-
- Finance costs	(0.9)	(0.9)
- Share of results from associates	-	(0.2)
Adjusted (loss)/profit before tax	(11.8)	-
Tax	(0.7)	0.2
Adjusted (loss)/profit after tax	(12.5)	0.2
Adjusted (loss)/earnings per share (pence)	(5.1)	0.1
Basic loss per share (pence)	(5.3)	(0.6)

David Mulligan
Chief Financial Officer

“Our newly strengthened balance sheet underpins our turnaround initiatives.”

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**£299.5m**

(2017: £291.9m)

EBITDA**£(4.9)m**

(2017: £7.2m)

Reported LPS**(8.1)p**

(2017: (40.3)p)

Adjusted (LPS)/EPS**(5.1)p**

(2017: 0.1p)

**Cash outflow (from
operating activities)****£(12.0)m**

(2017: (£2.0)m)

**Debt
(net of cash)****£1.1m**

(2017: £19.1m)

See summary table in the Financial Review section for reconciliations of alternative performance measures used throughout this Report and Accounts, as detailed in note 3 to the Accounts

CORPORATE RESPONSIBILITY

CSR COMMITMENT CONTINUES TO MATURE

Our commitment to Corporate Social Responsibility ("CSR") continues to mature.

Road Safety

DX is committed to the highest standards of road safety and holds a Transport Management Board ("TMB") which consists of senior management and Operating Centre licence holders. The TMB meets on a regular basis to discuss and review road safety, current legislation and any future legislative changes. We work with The Royal Society for the Prevention of Accidents to deliver training and qualifications to our driver trainers. In addition, we are working closely with the Fleet Transport Association to deliver all our Driver Certificate of Professional Competence ("CPC") training across the business.

We are continuing to roll out new initiatives and technology and are completing the installation of state-of-the-art cameras in our 7.5 tonne and new 5 tonne vehicles in the freight operation. These cameras have already shown they help to reduce incidents and improve safety by identifying high driving standards as well as areas in which more work, including refresher training and driving assessments are required.

Additionally, a full review of our current telemetry reporting system is underway with the immediate aim of implementing a full telemetry system across the whole commercial fleet. This will provide management with the opportunity to track our vehicles and trailers, thereby improving utilisation yet at the same time improving fuel usage and reducing CO₂ emissions. The system will also allow the opportunity to identify driver trends through an on-line reporting

system and therefore allow us to implement driving assessments and retraining where appropriate.

DX understands that the number of vehicles using the UK road network is currently at its highest level ever recorded with vehicle numbers expected to rise and as such presents itself as a risky environment in which to operate. DX, like many other organisations, uses the UK road network as an integral part of their operation and therefore views driving as a key element of DX's daily routine, be that commercial driving, company car or grey-fleet driving with substantial mileage being covered most days of the week by the Group as a whole. This presents a high-risk scenario for our employees as driving is reportedly the most dangerous work activity that most people do. We also take in to account that this risk is vastly 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. To that end DX has readdressed this key area with a view of reducing (where reasonably practical) this risk by implementing a Road-Risk Management Policy. This Policy provides guidance and support to all drivers of DX through the identification of potential risks, evaluating those risks and implementing solutions to reduce the risk to its lowest level possible.

To ensure compliance with current legislation in respect of driving licensing and with industry best practise being a minimum of a six-monthly check,

DX has been operating an on-line driving licensing reporting system which gives real time data on driving licence details for every commercial and company car driver across the business. The analysis helps to initiate driving assessments and refresher on-road training as required.

Working closely with our Sub-Contractors, DX has an in-depth Sub-Contractor engagement, which reviews vehicles, standards, driver compliance, vehicle and driver documentation at the start of the contract and every quarter thereafter. This ensures standards are maintained across the business in direct support of DX.

Health and Safety

We report with great sadness the death of two employees in road traffic accidents this year. Our thoughts and condolences are with their families, friends and work colleagues.

While we endeavour to set high standards of safety, one of our workers also suffered a serious injury in an accident at one of our sites, and this has resulted in further changes to our working practices, in consultation with the Health and Safety Executive ("HSE").

We want to ensure that we operate to the highest standards of care and remain committed to making further changes to reduce the risk of accidents or injuries or other adverse events that might affect the well-being of our people.

Since the launch of DX's three-year Safety Strategy in 2016, the overall

Accidents	2016	2017	% Change	2018	% Change
RIDDOR accidents	56	38	-32%	42	+11%
Lost Time (days)	1,089	570	-48%	683	+20%

number of accidents reported has increased but there has been a c 25% reduction in more serious accidents as illustrated in the table on page 14, which shows Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR") accidents. The nature of RIDDOR accidents has also changed, with the vast majority of reporting relating to 'over 7 day' injuries rather than to major injuries. As the Lost Time data shows, there has been a considerable reduction in lost days in the three-year period.

Since the launch of our Safety Strategy, we have also introduced a new customer-centric approach to safety management. On a practical level this has resulted in new accident reporting processes, new risk assessment and review processes, new safety handbooks, a new DX Safety Standard and a new Managers Safety Awareness Training Programme.

The major project in 2018 involved the creation of a bespoke e-learning platform which we call our Safety Academy. This involved the creation of bespoke interactive media files focusing on our top 16 higher risk activities which enables us to engage and educate employees to reduce risks of injuries. As the new Safety Academy becomes embedded in the business in the next financial year, we hope to see further reductions in serious accidents and lost time and much higher levels of engagement.

Environment

DX continue to focus on areas where we can make a positive impact, orientated towards the reduction of our carbon footprint. Our approach to continual improvement is underpinned through our Environmental Management System ("EMS") which maintains accredited

certification to ISO14001 2016. DX continue to deploy an annual environmental reporting campaign designed to ensure a mature and accurate reporting framework to enable us to target improvements against our Scope 1 and 2 Carbon Footprint.

As a logistics business our impact is heavily orientated towards the fuel that we use for our commercial vehicles which represents almost 80% of the total impact. Consequently, a small increase or reduction in fuel consumption will always make a big difference to our overall impact.

We are currently reviewing the fleet mix, and moving towards more economical 7.5 tonne vehicles with higher load capacity which will remove a quantity of 5 tonne and 3.5 tonne variants, this will have a net reduction impact on our fleet holdings. We are replacing 141 x 7.5 tonne vehicles with more economical Euro 6 engines which will have a positive impact on our CO₂ and NO_x outputs across the Fleet. We are now moving to a 'Whole Fleet' telemetry strategy over and above our MAN Fleet. Our Work Related Road Risk strategy has gathered significant traction (see below). Exploration of the electrification of elements of courier van fleet is also advancing. We continue our technology journey in order to optimise our delivery network to gain operational efficiencies and drive out 'non-value' added mileage to further reduce costs and minimise our fleet-related carbon footprint.

Electricity consumption represents a smaller but important component of our impact and consequently as we open new logistics sites we actively seek to make use of low carbon solutions in our design and fit out to reduce electricity consumption.

Carbon Footprint Components

- Electricity consumed
- Gas consumed
- Commercial vehicles
- Company cars

In the 2018 financial year our absolute carbon footprint has increased slightly, though in the context of our change in business model towards separate divisions, which has resulted in the opening of a number of new depots and growth in the customer base, for example, with an increase in the number of dedicated logistics sites, this absolute increase was expected and is balanced against business improvements and growth.

CO₂ Emissions (tonnes)

	2016	2017	% Change	2018	% Change
CO ₂ emissions (tonnes)	32,346	29,146	-10%	30,529	+5%

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
<p>LETTER AND PARCEL VOLUMES IN THE UK</p> <p>Market Risk</p>	<p>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. Low levels of economic growth may also affect the business of DX, including customers adopting cheaper service options for the transmission of letters and parcels.</p>	<p>DX seeks to win business in new sectors and develop new services, recognising the general move to digital and electronic alternatives.</p>
<p>THE PARCEL MARKET IN WHICH DX OPERATES IS HIGHLY COMPETITIVE</p> <p>Price Risk</p>	<p>The parcels market is highly competitive and DX may be adversely affected by aggressive pricing strategies.</p>	<p>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.</p>
<p>IT SYSTEMS ARE CRITICAL TO DX'S BUSINESS OPERATIONS</p> <p>Operational Risk</p>	<p>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.</p>	<p>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.</p>
<p>CONFIDENTIAL AND SENSITIVE ITEMS</p> <p>Operational Risk</p>	<p>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.</p>	<p>All DX Express staff are fully vetted. All parcels processed through our secure network are tracked from end-to-end.</p>

RISK**IMPACT****MITIGATION****DRIVER CERTIFICATE
OF PROFESSIONAL
COMPETENCE ("CPC")****Operational Risk**

The DX network requires the use of 7.5 tonne vehicles which must be driven by CPC-qualified drivers. A shortage of such drivers would impact the ability of DX to operate its network and this could have a material adverse effect on DX's results of operations, financial condition and prospects.

DX is engaged upon a project to attract more CPC drivers, and has a number of initiatives underway.

**CERTAIN DX
CONSULTANTS AND
AGENCY WORKERS
COULD BE DEEMED TO
BE EMPLOYEES OF DX****Liquidity Risk**

DX uses a large number of consultants, individual sub-contractors and agency workers. In the event of any legal claim as to worker status, DX could be liable for increased costs (such as National Insurance contributions) and liabilities (such as employee rights), which could have an adverse effect on its financial condition.

DX puts appropriate contractual and operational arrangements in place.

DX continues to monitor cases to ensure that it maintains compliance with legislation.

**STANDARDS AND
REGULATORY
COMPLIANCE****Compliance Risk**

DX holds several standards and regulatory accreditations including ISO27001 Information Security Management and Cyber Essentials Plus. Maintenance of these standards is required to be able to provide services to public sector bodies and other key markets. If DX were to lose these accreditations it would put major contracts at risk and jeopardise existing and future revenues.

DX trains staff in accordance with these standards and performs internal assessments to ensure the required processes and standards are maintained. DX is also subject to external audits of our compliance to these standards.

**DELIVERY OF
TURNAROUND PLAN****Operational Risk**

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
2 October 2018

BOARD OF DIRECTORS

STRONG LEADERSHIP

RONALD SERIES²

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 2002-2005. Ron is currently the Senior Independent Director at Clipper Logistics plc, where he has been a non-executive director since its IPO in May 2014 and he sits on the audit committee, remuneration committee and nominations committee.

LLOYD DUNN

Chief Executive Officer

On 9 October 2017 Lloyd joined DX as Chief Executive Officer and 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 became Managing Director in 2003 and CEO in 2005. He led the company during its turnaround leading to a 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^{2,3}

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 at an initial capital value of £48 million.

PAUL GOODSON^{1,3}

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 Barclay Private Equity, during which time he was involved in the purchase and sale of Nightfreight.

IAN GRAY¹

Non-executive Director

Ian joined DX as a Non-executive Director as of 1 July 2017. Over the past 20 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 and food production. He is currently chairman of Avicenna Holdings Limited, the UK's largest independent pharmacy support group, and of Atlantic Holdings Limited, a world-leading media production company.

1 Audit & Risk Committee
2 Nomination Committee
3 Remuneration Committee

CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

The Board has refreshed its corporate governance structures and adopted the QCA code

Dear Shareholder,

Principles of Corporate Governance

One of my key tasks following my appointment as Executive Chairman in October 2017 was to undertake a review of the corporate governance structures of the business, including the various Board Committees, to ensure they are appropriate to the size and complexity of the DX business. In conjunction with this review and in line with the changing requirements of being an AIM listed company, as a Board we have formally adopted the Quoted Companies Alliance corporate governance code (the "QCA Code") and, 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.

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 are 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.

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.

The decision to formally adopt the QCA Code was only recently made but the Company's corporate governance structures have been based for some time on an approach which seeks to comply with the Code. In reviewing the corporate governance structures during the year we have reinforced the importance of the Audit & Risk, Remuneration and Nomination Committees and refreshed the terms of reference for each committee, which are published on our website. We have also reviewed and updated 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.

Principle 7 of the QCA Code recommends that an assessment of the Board effectiveness is undertaken regularly. Given the changes to the Board in October 2017 and its focus on the delivery of the turnaround plan, a formal assessment of the Board's effectiveness was not undertaken during the year but will be completed at some point in the coming year.

As a result of senior management changes in the year, David Mulligan is currently Company Secretary as well as Chief Financial Officer. It is the Board's intention to separate these responsibilities during the coming year.

Given the Company is at the early stage of its turnaround, the Board has taken the opportunity to take a much tighter control over key areas of expenditure. For example the threshold for approving capital expenditure by the full Board has been lowered to £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 at this stage in the Company's recovery.

I believe 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 I am reassured by the Board's depth of experience in these areas.

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 underwent significant change. On 9 October 2017 Lloyd Dunn was appointed as Chief Executive Officer and subsequently appointed to the Board on 19 October 2017. Also on 19 October 2017 Ronald Series joined DX as Executive Chairman along with Paul Goodson and Russell Black as Non-executive Directors. On the same date Bob Holt (Chairman) and Paul Murray (Non-executive Director) retired from the Board. On 9 April 2018 David Mulligan was appointed as Chief Financial Officer. James Hayward served as Interim Chief Financial Officer from 14 July 2017 to 9 April 2018. This role was not a Board appointment but James attended monthly Board meetings. Ian Gray served throughout the year as a Non-executive Director. As of the date of this Annual Report, the Board comprised the Executive Chairman, two Executive Directors and three Non-executive Directors.

Details of each Director's background and experience can be found on pages 18 to 19. 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.

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.

GOVERNANCE REPORT CONTINUED

Role of the Board continued

The key responsibilities of the Board (as set out in the schedule of matters reserved for the Board) were reviewed during the year and are

- > setting the Company's strategic aims,
- > ensuring the necessary financial and human resources are in place to enable delivery of the strategy,
- > setting DX's values and standards, long-term objectives, commercial strategy and strategic direction,
- > overall leadership and management of DX,
- > review and approval of DX's annual operating and capital expenditure budgets,
- > approval of any extension of DX's activities into new business or geographic areas,
- > changes to the Group's financial, capital or corporate structure,
- > approval of the financial statements, Annual Report and Accounts, material contracts and contracts not in the ordinary course of business,
- > approval of dividend objective and dividend payments,
- > ensuring sound management and maintenance of an appropriate system of internal control and risk management,
- > approval of major investments or capital projects,
- > approval of material contracts,
- > oversight of DX's operations and compliance,
- > decisions to cease to operate or dispose of any material part of DX's business,
- > communications with shareholders and the market,
- > Board membership and composition of Board Committees,
- > corporate governance and remuneration policy (including employee benefits),
- > approval of the delegated levels of authority,
- > review of the Company's overall corporate governance arrangements,
- > approval of key operating policies,
- > appointment of the Company's principal professional advisors, and
- > any decision likely to have a material impact on DX from any perspective, including, but not limited to, financial, operational, strategic or reputational

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

Operation of the Board

The Board meets monthly and there were 12 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 Committee	Remuneration Committee	Nomination Committee
Ronald Series	10/10	n/a	n/a	1/1
Lloyd Dunn	10/10	n/a	n/a	n/a
David Mulligan	3/3	n/a	n/a	n/a
Ian Gray	12/12	5/5	n/a	n/a
Paul Goodson	10/10	5/5	5/5	n/a
Russell Black	9/10	n/a	5/5	1/1
Bob Holt	2/2	1/1	n/a	n/a
Paul Murray	2/2	1/1	n/a	n/a

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 Chief Financial Officer covering business performance, markets and competition, health and safety, 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 on www.dxdelivery.com)

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. The Remuneration Committee determines remuneration for the Executive Directors and senior managers in the Group. The Nomination Committee recommends the appointment of Directors and is responsible for succession planning. Further information on each Committee is set out in the relevant report on the following pages

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 2018, presentations were made to institutional investors in relation to the placing and subscription of new equity.

The 2018 Annual General Meeting ("AGM") will be held on 4 December 2018 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.

AUDIT & RISK COMMITTEE REPORT

The membership of the Audit & Risk Committee changed during the financial year. Bob Holt and Paul Murray attended a single Audit Committee during the year prior to their retirement from the Board. Subsequently, the Audit & Risk Committee was formed of two independent Non-executive Directors, Ian Gray and Paul Goodson and met on a further five occasions. 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. The Chairman of the Audit Committee meets regularly with the Chief Financial Officer and the external auditor.

The main duties of the Audit Committee are set out in its terms of reference, which were reviewed and updated during the course of the year, and include the following:

- > to monitor the integrity of the financial statements of the Group, including its annual and half-year reports and any other formal announcement relating to DX's financial performance;
- > to review and report to the Board on any significant financial reporting issues, developments and judgements contained in financial statements, having regard to matters communicated to it by the auditor;
- > to review and challenge where necessary:
 - the consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across the Group;
 - whether DX has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - the clarity and completeness of disclosure in the financial reports; and
 - all material information presented with the financial statements;
- > to keep under annual review the adequacy and effectiveness of DX's internal financial controls and internal control and risk management systems;
- > to review and approve the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess DX's performance, business model and strategy;
- > to review the adequacy of DX's compliance, whistleblowing, controls for the prevention of bribery and procedures for detecting fraud;
- > to regularly assess the need for an internal audit function;
- > to consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment and removal of DX's external auditor;
- > to oversee the relationship with the external auditor, including recommendations on their remuneration, approval of their terms of engagement, annual assessment of their independence and objectivity taking into account relevant UK professional and regulatory requirements, and the relationship with the auditor as a whole, including the provision of any non-audit services;
- > to meet regularly with the external auditor and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit; and
- > to review and approve the audit plan and review the findings of the audit.

During the year to 30 June 2018, the Audit Committee reviewed and endorsed the 2017 Annual Report and Accounts ahead of their approval by the Board and reviewed and commented on the Company's risk register and mitigation procedures.

Financial Reporting Council Letter

During the course of the year the Company received a letter from the Financial Reporting Council ("FRC") confirming they completed a review and investigation into the Company's Annual Report and Accounts for the year ended 30 June 2017. The FRC has been authorised and appointed under the Companies Act 2006 to be responsible for reviewing and investigating the Annual Report and Accounts of public companies listed in the UK and certain other UK companies. As a listed company under the Companies Act 2006, the Company is therefore in this category for selection. Their review was based solely on the Annual Report and Accounts and does not benefit from the FRC having detailed knowledge of the Group or an understanding of the underlying transactions entered into. The FRC noted a small number of matters which could benefit users of the accounts by making improvements to existing disclosures. These have been reflected in this Annual Report and Accounts where considered applicable.

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, which took external legal advice when appropriate.

External Auditor

To ensure the auditor's independence and objectivity, the Audit Committee annually reviews DX's relationship with the auditor. Following the review in 2018, 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 prepare 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.

NOMINATION COMMITTEE REPORT

The members of the Nomination Committee are Ronald Series (Executive Chairman) and Russell Black (Non-executive Director). The Committee met on a single occasion during the year. The Committee meets according to DX's requirements.

The responsibilities of the Committee are set out in its terms of reference and include:

- > reviewing the structure and composition of the Board (including the skills, knowledge, experience and diversity);
- > recommendations to the Board with regard to any changes and new appointments taking into account the challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future;
- > requiring that any proposed Director discloses any other business interests that may result in a conflict of interest and reports any future business interests that could result in a conflict of interest;
- > succession planning for both Executive and Non-executive Directors, and in particular for the key roles of Chairman, Chief Executive Officer and the senior management team;
- > the reappointment of any Non-executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of knowledge, skills and experience required;
- > the re-election of Directors by shareholders under the annual re-election provisions of the QCA Code or the retirement by rotation provisions in DX's Articles of Association ("Articles");
- > ensuring that on appointment to the Board, Non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Board Committee service and involvement outside Board meetings, and
- > membership of the Audit and Risk, Remuneration, Nomination and any other Board Committees.

DIRECTORS' REMUNERATION REPORT

(including the Remuneration Committee Report)

Dear Shareholder,

Chairman's Annual Statement

DX's approach to remuneration has changed during the course of the past year. To align the interest of the Executive Directors to the shareholders and to incentivise them 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 a new 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 was refreshed during the financial year, and is now chaired by Paul Goodson. Russell Black is 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 five 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 from FIT Remuneration Consultants LLP, its external remuneration adviser.

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

- > remuneration strategy and policy,
- > the Performance Share Plan 2017, and
- > salary for Executive Directors and other senior managers.

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

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 2019 will be as follows:

	2019 £000	2018 £000	% change
Ronald Series (Executive Chairman) ¹	240	240	-
Lloyd Dunn (Chief Executive Officer) ²	300	300	-
David Mulligan (Chief Financial Officer) ³	200	200	-

¹ Annual salary to be pro rata from appointment on 19 October 2017.

² Annual salary to be pro rata from appointment on 9 October 2017.

³ Annual salary to be pro rata from appointment on 9 April 2018.

DIRECTORS' REMUNERATION REPORT CONTINUED

(including the Remuneration Committee Report)

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 2019 will be as follows

	2019 £000	2018 £000	% change
Ian Gray	42	42	–
Russell Black ¹	42	42	–
Paul Goodson ¹	42	42	–

¹ Annual fee to be pro rata from appointment on 19 October 2017

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 2018 had the following interests, including family interests, in the shares of the Company (excluding any entitlements that may become due under the Performance Share Plan 2017 outlined below)

	Ordinary Shares 30 June 2018
Lloyd Dunn	61,432,081
David Mulligan	2,352,941
Russell Black	1,930,882
Ronald Series	1,745,294
Paul Goodson	1,500,000
Ian Gray	600,000

During the year Ronald Series purchased 330,000 Ordinary Shares (13 June 2018) and Ian Gray purchased 600,000 Ordinary Shares (250,000 on 3 January 2018 and 350,000 on 22 May 2018). In addition, Lloyd Dunn, David Mulligan, Russell Black, Ronald Series and Paul Goodson acquired Ordinary Shares as part of the cancellation of the Loan Notes and new equity issuance on 23 May 2018. See note 19 to the financial statements for details.

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 2018 and the prior year

	Year ended 30 June 2018				Year ended 30 June 2017			
	Basic salary, allowances and fees £000	Pension contributions £000	Bonus £000	Total salary and pension contributions £000	Basic salary, allowances and fees £000	Pension contributions £000	Bonus £000	Total salary and pension contributions £000
Ronald Series (appointed 19 October 2017)	174	17	-	191	-	-	-	-
Lloyd Dunn (appointed 9 October 2017)	234	-	-	234	-	-	-	-
David Mulligan (appointed 9 April 2018)	53	-	-	53	-	-	-	-
Russell Black (appointed 19 October 2017)	29	-	-	29	-	-	-	-
Paul Goodson (appointed 19 October 2017)	29	-	-	29	-	-	-	-
Ian Gray (appointed 1 July 2017) ¹	141	-	-	141	-	-	-	-
Peter Cvetkovic (resigned 14 July 2017)	42	-	-	42	352	-	-	352
Paul Murray (resigned 19 October 2017)	20	-	-	20	40	-	-	40
Ian Pain (resigned 31 October 2016)	-	-	-	-	320	-	-	320
Daljit Basi ²	-	-	-	-	122	11	-	133
Bob Holt ³	-	-	-	-	90	-	-	90
Total	722	17	-	739	924	11	-	935

1 Ian Gray received £99,000 for the provision of consultancy services outside the scope of his role as Non-executive Director. This amount is included in the above table.

2 Amounts for period when Executive Director between 21 September 2016 and 14 July 2017.

3 Bob Holt retired from the Board on 19 October 2017 and waived any fees in respect of the period from 1 July 2017 up to the date of his retirement.

The table below sets out the maximum bonus potential (100% of base salary) for each Director for the year ended 30 June 2017. There was no bonus potential for the year ended 30 June 2018.

	Maximum bonus potential ¹ £000
Peter Cvetkovic	500
Ian Pain	-
Daljit Basi	175
Bob Holt	n/a
Paul Murray	n/a

1 The Company's overall performance in the financial year to 30 June 2017 failed to reach the necessary triggers and, as a result, no annual cash bonus is being paid.

Executive Directors' External Appointments

Ronald Series is senior independent director at Clipper 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.

	2018 £m	2017 £m	Change £m
Staff costs	£86.6	£79.7	£6.9
Dividends	£nil	£3.0	£(3.0)
(Loss)/profit before tax ¹	£(12.3)	£(1.6)	£(10.7)

1 Excludes exceptional items.

DIRECTORS' REMUNERATION REPORT CONTINUED

(including the Remuneration Committee Report)

Share Plans

Performance Share Plan 2017 ("PSP")

The PSP has been designed following consultation with the Company's largest shareholders, and the initial awards made during the year to 30 June 2018 under the PSP ("Recovery Awards") are designed to provide an appropriate incentive for the new management team at DX to deliver a turnaround in the Company. 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 options, 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 will be 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:

Third, fourth and fifth 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 making of the 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 award in accordance with the above table.

In addition to the Share Price targets stated above, the overall financial performance must be satisfactory to allow 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 Company's 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 Company's 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')

Restricted Share Awards to Russell Black and Paul Goodson

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 c.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 2018, outstanding awards to Directors under the PSP and Restricted Awards were as follows:

PSP Awards	Award date	Vesting date	Market price at award date	Awarded during year	At 30 June 2018
Ronald Series	Dec 2017	Dec 2021	8.38p	8,169,000	8,169,000
	May 2018	Dec 2021	9.31p	15,201,626	15,201,626
Lloyd Dunn	Dec 2017	Dec 2021	8.38p	15,171,000	15,171,000
	May 2018	Dec 2021	9.31p	28,231,592	28,231,592
David Mulligan	May 2018	Dec 2021	9.31p	5,721,784	5,721,784
Restricted Awards					
Russell Black	Dec 2017	Dec 2021	8.38p	291,750	291,750
	May 2018	Dec 2021	9.31p	542,915	542,915
Paul Goodson	Dec 2017	Dec 2021	8.38p	291,750	291,750
	May 2018	Dec 2021	9.31p	542,915	542,915

Value Creation Plan ("VCP")

The Group's Value Creation Plan ("VCP") was for the benefit of senior executives, including the Executive Directors. Under the VCP, 128 A Ordinary Shares and 1,000 B Ordinary Shares in DX (VCP) Limited (a subsidiary of the Company) were issued in 2014 to the Executive Directors and the six other members of the Executive Team at the time. As a result of the cessation of participation in the VCP, these A Ordinary Share and B Ordinary Shares were transferred back to the Company and participants no longer hold any shares in DX (VCP) Limited.

The Company has also established an employee benefit trust which holds eight A Ordinary Shares in the VCP. As the VCP has not met the requisite financial targets, all obligations under this trust have now ceased.

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 18 to 19

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. David Mulligan will offer himself for election and Ronald Series along with Ian Gray will offer themselves for re-election at the 2018 AGM.

The powers of the Directors are determined by the Articles, the Companies Act 2006 and other relevant legislation. At the 2017 AGM, the Directors were authorised to issue and allot shares and to disapply the statutory pre-emption rights. This authority remains in place until the conclusion of the 2018 AGM. It will be proposed at the 2018 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 2018 are shown on page 40. The Group's loss for the year after tax was £19.5 million. As announced in February 2017, no dividend will be payable for the foreseeable future. This policy will remain under review.

Principal Activities, Risks and Review of the Business

The Group's continuing activities are the provision of parcels, freight, mail 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 17 provides a fair review of the Group's business for the year ended 30 June 2018. It also explains the objectives and turnaround strategy of the Group, 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 Board continues to monitor its operations as a result of the UK's referendum to leave the European Union ('Brexit'). It is not expected that Brexit will have either a material impact on operations or financial performance.

Risk Management and Internal Control

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' investments. The risk management process and systems of internal controls are designed to identify the main risks that the Group is exposed to, 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 2018 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 and an annual planning and budgeting system. The financial reporting system compares against budget and prior year, and the Board reviews its financial year forecasts on a monthly 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.

Going Concern

On 22 December 2017 the Group entered into a £25.0 million invoice discounting facility provided by BNP Paribas Commercial Finance, with £3.1 million drawn down at year end. The facility is in place until at least 22 December 2019 with an interest rate of LIBOR plus 1.95%, and a £0.2 million annual fixed charge.

The Group has prepared trading and cash flow forecasts for a period of three years, which have been reviewed and approved by the Board. 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.

Further details regarding the adoption of the going concern basis can be found in the basis of preparation of accounts in note 2 to the financial statements.

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 20 to 31.

Anti-Bribery And Corruption

DX takes a zero-tolerance approach to bribery and corruption and has a formal anti-corruption and bribery 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. DX has also introduced a new externally-managed confidential whistleblowing hotline to ensure an open and ethical culture for the benefit of our employees, customers and other business partners.

Modern Slavery

DX has issued a modern slavery transparency statement for the current financial year which can be found on www.dxdelivery.com. DX has also introduced 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 are set out on pages 14 to 15. 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.

Our Employees

DX aims to create a culture where employees of all backgrounds and experience feel appreciated and valued. This is underpinned by the culturally diverse workforce employed by the Group, which reflects the local populations in the areas where DX operates. In all cases the Group fulfils its legal obligations under the Equality Act 2010 including Gender Pay Gap reporting.

DX strives to surpass its legal obligations through the implementation of its policies and programmes for recruitment, career development and promotion, which are based solely on the ability and performance of the individual and aligned to the needs of the Group.

Our continued focus remains driver safety and competence through the Certificate of Professional Competence but also through Driver Assessors who are qualified through ROSPA (The Royal Society for the Prevention of Accidents). Investment in management training covering areas such as transport regulations and fleet management ensures operator licence compliance and a pipeline of talent for these critical areas.

Apprenticeship programmes are available to our employees that focus on enhancing skill sets within their current and potential future roles, thereby supporting them to develop their career at DX. These include customer service, warehouse, driver and management apprenticeships. Our induction programme also ensures our employees understand our full product range and our 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 to support employee welfare and wellbeing, including healthcare plans and gym discounts. 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.

The Group encourages an active interest in activities at all levels and seeks to receive and consider the views of employees across a wide range of matters. This aim is achieved through local, regional and Group-wide initiatives. These initiatives ensure two-way communication and employee involvement, including access to the Operating Board to report and discuss any issues arising. Regular news bulletins are distributed throughout the Group and a quarterly 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.

DIRECTORS' REPORT CONTINUED

Labour Turnover

Labour turnover is reported at Group level, showing voluntary leavers during the last financial year. Voluntary leavers over the 12 months since July 2017 have increased to 27.8% compared to 24.0% in the previous 12-month period.

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	28 September 2018	
	Percentage holding	Number of Shares
Gatemoor Capital Management LLP	35.63%	204,378,538
Hargreave Hale Limited	19.01%	109,036,875
Lloyd Dunn	10.71%	61,432,081
Ruffer LLP	6.29%	36,105,981
River and Mercantile	3.63%	20,839,694

Per shareholder register as at 28 September 2018

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 27.

No Directors had any dealings in the shares of the Company between 30 June 2018 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

No charitable donations were made in the year ended 30 June 2018 (2017: £1,000).

No payments were made to any political parties (2017: £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 auditors are aware of that information.

Statement of Directors' Responsibilities

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

The Company has chosen to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report. An indication of likely future developments may be found in the Strategic Report

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by 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

Each of the current Directors, whose names and functions are listed on pages 18 to 19 of the Annual Report confirms that, to the best of their knowledge

- > the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss/profit of the Group;
- > the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- > there is no relevant audit information of which the Company's auditor is unaware, and
- > they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

By order of the Board



Ronald Series
Executive Chairman
2 October 2018

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 2018 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 2018 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 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.

Materiality:		£1 million (2017:£1 million)
Group financial statements as a whole		0.33% (2017: 0.34%) of revenue
Coverage		100% (2017: 100%) of revenue
Risks of material misstatement vs 2017		
Recurring risks	Goodwill valuation	⊖
	Parent Company investment valuation	⊖
Reduced risk	Going concern	✓

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

Key audit matters are those matters that, in our professional judgement, 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 Group goodwill Group: £30 million (2017: £30 million); <i>Refer to page 24 (Audit & Risk Committee Report), page 49 (accounting policy) and page 59 (financial disclosures)</i>	Forecast-based valuation: Goodwill in the Group is significant and at risk of recoverability due to the competitive market. The Group has a history of poor performance and only recently implemented a new business plan which does 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.	Our procedures included: > 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 long term 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.
Recoverability of Parent Company's investment in subsidiaries Parent: £30 million (2017: £30 million); <i>Refer to page 24 (Audit & Risk Committee Report), page 49 (accounting policy) and page 60 (financial disclosures)</i>	High Value Investment: The carrying amount of the Parent Company's investments in subsidiaries represents 94%(2017: 99%) 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: > 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, and > 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.

We continue to perform procedures over going concern. However, following the successful £24 million issue of loan notes and subsequent conversion to equity, a further placing of £4.8 million of new shares, £4.5 million of cash received from the sale and leaseback of 5 properties and a new £25 million invoice discounting facility until December 2019 we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of DX (Group) plc

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 (2017: £1,000,000), determined with reference to a benchmark of revenue (of which it represents 0.33% (2017: 0.34%)). 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 (2017: £950,000), determined with reference to total assets of which it represents 2.8% (2017: determined with reference to total assets of which it represents 3%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £50,000 (2017: £50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

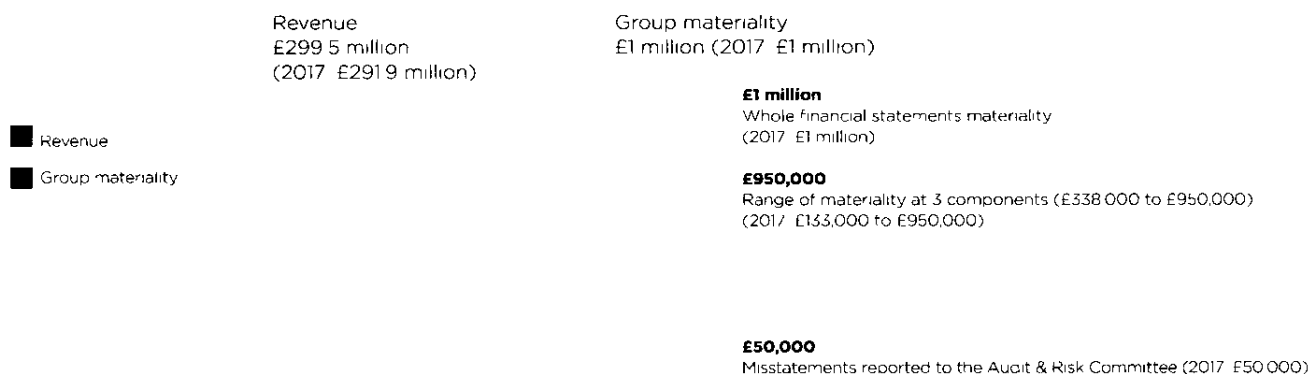
Of the Group's 15 (2017: 15) reporting components, we subjected 3 (2017: 12) to full scope audits for Group purposes. The components within the scope of our work accounted for the following percentages of the Group's results:

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

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 (2017: £950,000)
DX Network Services – £950,000 (2017: £950,000)
DX Network Services Ireland – £338,000 (2017: £272,000)

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 (2017: 12) and the audit of the Parent Company was performed by the Group team.



4 We have nothing to report on going concern

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 12 months from the date of approval of the financial statements. We have nothing to report in these respects.

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 on, 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

Theale

Reading

RG7 4SD

2 October 2018

Company registered number 08696699

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Notes	2018		2017	
		Trading £m	Exceptional items £m	Total £m	Total £m
Revenue	5	299.5	–	299.5	291.9
Operating costs	6	(310.9)	(5.7)	(316.6)	(373.1)
Results from operating activities		(11.4)	(5.7)	(17.1)	(81.2)
Analysis of results from operating activities					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		(4.9)	–	(4.9)	7.2
Depreciation		(2.9)	–	(2.9)	(2.9)
Amortisation of software and development costs		(3.1)	–	(3.1)	(3.2)
Amortisation of acquired intangibles		(0.3)	–	(0.3)	(1.6)
Share-based payments charge		(0.2)	–	(0.2)	–
Impairment	9	–	(5.3)	(5.3)	(74.4)
Other exceptional items (income)	9	–	0.9	0.9	1.0
Other exceptional items (expenses)	9	–	(1.3)	(1.3)	(7.3)
Results from operating activities		(11.4)	(5.7)	(17.1)	(81.2)
Finance costs	10	(0.9)	(1.9)	(2.8)	(0.9)
Share of results from associates		–	–	–	(0.2)
Loss before tax		(12.3)	(7.6)	(19.9)	(82.3)
Tax (expense)/credit	11	(0.5)	0.9	0.4	1.2
Loss for the year		(12.8)	(6.7)	(19.5)	(81.1)
Other comprehensive expense not subsequently reclassified					
Other comprehensive expense		–	–	–	–
Total comprehensive expense for the year		(12.8)	(6.7)	(19.5)	(81.1)
Earnings/(loss) per share (pence):					
Basic (and diluted)	21	(5.3)	(2.8)	(8.1)	(40.3)
Adjusted				(5.1)	0.1

Adjusted earnings/(loss) per share is calculated after excluding

- > amortisation of acquired intangibles,
- > exceptional items, and
- > share-based payments charge

The notes on pages 47 to 70 form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	2018 £m	2017 £m
Non-current assets			
Property, plant and equipment	13	8.9	12.0
Intangible assets and goodwill	14	31.7	38.7
Investments in associates	16	-	-
Deferred tax assets	24	2.6	1.4
Total non-current assets		43.2	52.1
Current assets			
Assets held for sale	13	-	3.5
Trade and other receivables	17	41.9	43.3
Current tax receivable		1.1	1.8
Cash and cash equivalents	18	2.0	2.0
Total current assets		45.0	50.6
Total assets		88.2	102.7
Equity			
Share capital	19	5.7	2.0
Share premium	20	25.2	-
Translation reserve	20	-	-
Retained earnings	20	(6.0)	14.0
Total equity		24.9	16.0
Non-current liabilities			
Loans and borrowings	22	-	4.8
Provisions	23	3.6	6.3
Total non-current liabilities		3.6	11.1
Current liabilities			
Current tax payable		0.1	-
Loans and borrowings	22	3.0	15.9
Trade and other payables	25	36.5	40.1
Deferred income		18.8	19.6
Provisions	23	1.3	-
Total current liabilities		59.7	75.6
Total liabilities		63.3	86.7
Total equity and liabilities		88.2	102.7

The financial statements were approved by the Board of Directors on 2 October 2018 and signed on its behalf by



Ronald Series
Chairman



David Mulligan
Chief Financial Officer

The notes on pages 47 to 70 form part of these financial statements

Company registered number 08696699

COMPANY STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	2018 €m	2017 €m
Non-current assets			
Investments	15	30.0	30.0
Total non-current assets		30.0	30.0
Current assets			
Trade and other receivables	17	1.8	0.3
Total current assets		1.8	0.3
Total assets		31.8	30.3
Equity			
Share capital	19	5.7	2.0
Share premium	20	25.2	-
Retained earnings	20	0.6	2.4
Total equity		31.5	4.4
Non-current liabilities			
Loans and borrowings	22	-	5.2
Trade and other payables	25	-	19.0
Total non-current liabilities		-	24.2
Current liabilities			
Current tax payable		0.2	1.1
Loans and borrowings	22	-	0.6
Trade and other payables	25	0.1	-
Total current liabilities		0.3	1.7
Total liabilities		0.3	25.9
Total equity and liabilities		31.8	30.3

The financial statements were approved by the Board of Directors on 2 October 2018 and signed on its behalf by



Ronald Series
Chairman



David Mulligan
Chief Financial Officer

The notes on pages 47 to 70 form part of these financial statements

Company registered number 08696699

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Notes	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 July 2016		2.0	-	-	98.1	100.1
Total comprehensive expense for the year						
Loss for the year		-	-	-	(81.1)	(81.1)
Other comprehensive expense		-	-	-	-	-
Total comprehensive expense for the year		-	-	-	(81.1)	(81.1)
Transactions with owners of the Company, recognised directly in equity						
Dividends		-	-	-	(3.0)	(3.0)
Total transactions with owners of the Company		-	-	-	(3.0)	(3.0)
At 30 June 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	9	-	-	-	(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

The notes on pages 47 to 70 form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 July 2016		2.0	-	81.2	83.2
Total comprehensive expense for the year					
Loss for the year		-	-	(75.8)	(75.8)
Total comprehensive expense for the year		-	-	(75.8)	(75.8)
Transactions with owners of the Company, recognised directly in equity					
Dividends		-	-	(3.0)	(3.0)
Total transactions with owners of the Company		-	-	(3.0)	(3.0)
At 30 June 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	9	-	-	(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

The notes on pages 47 to 70 form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Notes	2018 £m	2017 £m
Cash (used in)/generated from operations	26	(10.4)	-
Interest paid		(1.5)	(0.6)
Tax paid		(0.1)	(1.4)
Net cash used in operating activities		(12.0)	(2.0)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	13	4.5	0.9
Acquisition of property, plant and equipment		(1.6)	(1.8)
Software and development expenditure		(0.2)	(2.6)
Acquisitions of Legal Post and First Post		-	(0.3)
Net cash generated from/(used in) investing activities		2.7	(3.8)
Net decrease in cash before financing activities		(9.3)	(5.8)
Cash flows from financing activities			
Repayment of revolving credit facility		-	(6.5)
Movement on invoice discounting facility		(12.2)	15.3
Repayment of bank borrowings	22	(5.8)	(1.8)
Issue of Loan Notes (subsequently cancelled and replaced with equity)	22	24.0	-
Issue of Share Capital	22	4.5	-
Costs of issue of Share Capital, Loan Notes and refinancing		(1.2)	(0.5)
Equity dividends paid		-	(3.0)
Net cash generated from financing activities		9.3	3.5
Net decrease in cash and cash equivalents		-	(2.3)
Cash and cash equivalents at beginning of year		2.0	4.3
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at end of year	18	2.0	2.0

The notes on pages 47 to 70 form part of these financial statements

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Notes	2018 £m	2017 £m
Cash (used in)/generated from operations	26	(1.6)	11.6
Interest paid		(1.1)	(0.2)
Tax paid		-	-
Net cash (used in)/generated from operating activities		(2.7)	11.4
Cash flows from investing activities			
Investing activities		-	-
Net cash used in investing activities		-	-
Net (decrease)/increase in cash before financing activities		(2.7)	11.4
Cash flows from financing activities			
Repayment of revolving credit facility		-	(6.5)
Repayment of bank borrowings	22	(5.8)	(1.8)
Issue of Loan Notes (subsequently cancelled and replaced with equity)	22	24.0	-
Issue of Share Capital		4.5	-
Costs of issue of Share Capital, Loan Notes and refinancing		(1.0)	(0.1)
Repayment of amounts owed to subsidiary undertakings		(19.0)	-
Equity dividends paid		-	(3.0)
Net cash generated from/(used in) financing activities		2.7	(11.4)
Net (decrease)/increase 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 70 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

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 separate to the consolidated financial information.

The consolidated financial statements were authorised for issue by the Board of Directors on 2 October 2018.

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 revenues 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 the relevant accounting policies per note 3.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 6 to 7, the Chief Executive Officer's Review on pages 8 to 9, the Financial Review on pages 10 to 12, and the Directors' Report on pages 32 to 35. These statements describe the financial position of the Group, its cash flows, liquidity position and borrowing facilities, the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk. As at 30 June 2018 the Group had net current liabilities of £14.7 million (2017: £25.0 million) and had a loss before tax of £19.9 million (2017: £82.3 million) for the year then ended. Of the net current liabilities, £18.8 million (2017: £19.6 million) of deferred income included in current liabilities represents an obligation to deliver a service but not a cash liability. In addition, there is significant availability in the Group's £25.0 million invoice discounting facility.

During the year, the Group's financial position has been significantly strengthened following receipts (before costs) of £28.5 million in the form of Loan Notes (subsequently cancelled and replaced with equity) and new equity issuance in the year. Following a review of cash flow forecasts, the Directors believe that the Group is able to meet its obligations as they fall due, including adequate headroom to cushion against downside operational risks and one-off costs whilst the Group carries out its turnaround, thus the going concern basis of preparation remains appropriate.

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 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 items which are not expected to recur. The Group presents EBITDA, adjusted LBT, adjusted (LPS)/EPS, underlying results from operating activities, 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. Reconciliations between these APMs and statutory reported measures are shown in the strategic review.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

3 Significant accounting policies continued

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 all entities over which the Group has control over the entity, 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.

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

(a) 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.

(b) 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 invoiced in advance is deferred and recognised as revenue on a straight-line basis over the period in which the related service is provided. 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 on delivery of the service to which it relates, based on agreed rates.

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.

Assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year

On initial classification as held for sale, non-current assets are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

Intangible assets**(a) 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 reallocated within the cash-generating units affected.

(b) Other intangible assets

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

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

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

(c) 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.

Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for under the equity method and are recognised initially at cost. Goodwill on acquisitions is tested annually for impairment and carried at cost less accumulated impairment.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

3 Significant accounting policies continued

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 when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation and default or significant delinquency in payments are considered indicators that the trade receivable may be impaired.

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 other external charges in the income statement.

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.

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.

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.

(a) 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.

(b) Deferred taxation

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences 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 in the year. Differences between contributions payable in 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 grant-date fair value 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 grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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:

(a) Carrying value of goodwill

In July 2017 the Board took the decision to re-organise the Group into two separate divisions, DX Express and DX Freight. Accordingly, the £30.0 million carrying value of goodwill in the Group was re-allocated between the two divisions, £20.0 million and £10.0 million to DX Express and DX Freight respectively. Further details on this reallocation are disclosed in note 14. The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy with detailed disclosure in note 14. The recoverable amount of goodwill is measured as the higher of its fair value less costs to sell and value in use. Value in use calculations require the estimation of future cash flows to be derived from the Group's cash-generating units and to select an appropriate discount rate in order to calculate their present value. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the goodwill.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

3 Significant accounting policies continued

(b) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. The amount of the provision requires estimation of the extent and timing of probable outflows of resources and to select an appropriate discount rate in order to calculate their present value. The estimation of the timing and value of underlying projected outflows of resources and the selection of appropriate discount rates involves management judgement. These judgements are informed with reference to contractual obligations, historical data and specifically identified factors.

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.

(a) Market risk

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

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

(b) Credit risk

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

(c) Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short-term flexibility is achieved by the use of an invoice discounting facility. The maturity of borrowings is set out in note 22.

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 standards and interpretations not yet adopted

The following new standards and amendments are in issue but not yet effective and have not been adopted early by the Group:

- > IFRS 9 "Financial instruments" – new standard for financial instruments accounting,
- > IFRS 15 "Revenue from contracts with customers" – new standard for revenue recognition, and
- > IFRS 16 "Leases" – new standard for lease accounting.

IFRS 9 is effective for years beginning on or after 1 January 2018, therefore will be effective for the Group for the year ending 30 June 2019. IFRS 9 will result in changes to the measurement and disclosures of financial instruments, and introduces a new expected loss impairment model. The Group has completed a review of the impact of IFRS 9 and has concluded that the adoption of the standard will not have a material impact on its consolidated results or financial position.

IFRS 15 is effective for years beginning on or after 1 January 2018, therefore will be effective for the Group for the year ending 30 June 2019. 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. Subscription revenue (which is invoiced in advance) is recognised on a straight-line basis over the period in which the related service is provided, whilst revenue in respect of all other services is recognised on delivery of the service to which it relates. Due to the straightforward nature of the Group's revenue streams, management has concluded that the transfer of risks and rewards of goods and services does not differ from the transfer of control for the Group, and accordingly IFRS 15 will not have a material impact on the total revenue recognised.

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, whilst transition to IFRS 16 will take place for the Group on 30 June 2019. 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, whilst a reduction in other operating costs. A right of use asset and a corresponding liability are recognised for all leases except for short-term leases and leases of low value assets. Whilst the Group intends to transition to IFRS 16 using the cumulative catch up approach, a reliable estimate of the impact on the Group's consolidated results will be affected by certain events or factors which will be refined up until the transition date, including new or terminated leases, discount rates and estimates of lease terms which have break or renewal clauses. As the financial impact is dependent on the circumstances at the time of transition, it is not yet practicable to determine a reliable estimate.

5 Segment information

	2018				2017	
	DX Express £m	DX Freight £m	Central £m	Exceptional Items £m	Total £m	Total £m
Revenue	161.7	137.8	-	-	299.5	291.9
Costs before overheads	(124.1)	(148.6)	-	-	(272.7)	(254.0)
Profit/(loss) before overheads	37.6	(10.8)	-	-	26.8	37.9
Overheads	(8.3)	(3.4)	(20.0)	-	(31.7)	(30.7)
EBITDA	29.3	(14.2)	(20.0)	-	(4.9)	7.2
Depreciation and amortisation	-	-	(6.3)	-	(6.3)	(7.7)
Share-based payments charge	-	-	(0.2)	-	(0.2)	-
Exceptional items	-	-	-	(5.7)	(5.7)	(80.7)
Results from operating activities	29.3	(14.2)	(26.5)	(5.7)	(17.1)	(81.2)
Finance costs	-	-	(0.9)	(1.9)	(2.8)	(0.9)
Share of results from associates	-	-	-	-	-	(0.2)
Profit/(loss) before tax	29.3	(14.2)	(27.4)	(7.6)	(19.9)	(82.3)
Tax (expense)/credit	-	-	(0.5)	0.9	0.4	1.2
Profit/(loss) for the year	29.3	(14.2)	(27.9)	(6.7)	(19.5)	(81.1)

The Board of Directors is considered to be the chief operating decision maker ("the CODM"). In July 2017 the Board took the decision to re-organise the Group into two separate divisions, DX Express and DX Freight, a move away from the integrated nature of the operations under the 'OneDX' strategy. Whilst the CODM considers that assets and liabilities continue to be reviewed on a Group basis, the profitability of these two divisions is now reviewed and managed separately. Given overheads remain largely integrated, the EBITDA of the two divisions above is shown before any allocation of certain 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. Given the re-organisation took place during the current year, the segment information for 30 June 2017 is shown only on a Group basis. The CODM considers there to be only one material geographical segment, being the United Kingdom and the Republic of Ireland.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

6 Operating costs

	2018 £m	2017 £m
Other external charges	195.1	190.8
Employee benefit expense (see note 8)	86.6	79.7
Depreciation of property, plant and equipment	2.9	2.9
Amortisation of intangible assets	3.4	4.8
Profit on sale of property, plant and equipment	(0.6)	(0.2)
Operating lease rentals	23.9	21.1
Other operating income	-	(0.4)
Impairment charges	5.3	74.4
Total operating costs	316.6	373.1
Trading	310.9	292.4
Exceptional items (see note 9)	5.7	80.7
Total operating costs	316.6	373.1

Amounts charged by the Group's auditor are as follows

	2018 £000	2017 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	88	87
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	91
Total audit fees	168	178
Other services		
- tax services	147	80
- other ¹	14	471
Total non-audit fees	161	551
Total fees	329	729

1 Prior year includes due diligence fees of £416,000 accrued for the proposed reverse takeover of the Distribution division of John Menzies plc. As announced on 14 August 2017 discussions with John Menzies plc ended during the year ended 30 June 2018.

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.

7 Directors' emoluments

Total remuneration

	2018 £000	2017 £000
Emoluments	739	935

Amounts accrued under money purchase pension schemes

	2018 £000	2017 £000
Pension benefits	17	11

Highest paid Director

	2018 £000	2017 £000
Emoluments	234	352

Details of transactions with Directors are disclosed in note 31.

8 Employees**Employee benefit expense**

	2018 £m	2017 £m
Wages and salaries	78.6	72.3
Social security costs	6.6	6.3
Other pension costs	1.2	1.1
Share-based payment transactions	0.2	-
	86.6	79.7

Average number of persons employed (including Executive Directors)

	2018 Number	2017 Number
	3,264	3,044

9 Exceptional items

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

	2018 £m	2017 £m
<i>Impairment charges</i>	5.3	74.4
Senior management departures	0.9	1.0
Restructuring, professional costs and other	0.4	2.6
Property dilapidations provision	-	2.8
CMA investigation	-	0.6
Additional auto enrolment costs	-	0.3
Profit on sale of freehold properties	(0.9)	-
VAT refund	-	(1.0)
Exceptional items included in results from operating activities	5.7	80.7
Finance costs	1.9	-
Tax	(0.9)	(1.0)
Total exceptional items	6.7	79.7

Impairment charges

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

The £74.4 million impairment charges in the prior year consisted of £72.4 million impairment to the carrying value of the Group's goodwill and £2.0 million impairment to the Group's non-controlling interest in its associate.

Senior management departures

Amounts of £0.9 million (2017: £1.0 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 first half of the year relating largely to the turnaround plan.

Costs in the prior year included those relating to the refinancing of the Group of £1.3 million, external legal fees of £0.3 million and professional fees of £1.1 million for the proposed reverse takeover of John Menzies Distribution Limited ("MDL"). Discussions with MDL were terminated in the current year.

Property dilapidations provision

Provisions were made in the prior year for dilapidation costs in respect of leasehold properties that had been vacated or where there was a possible exit within two years. This represented a change in methodology of the provision estimate from a general provision previously to specific provisions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

9 Exceptional items continued

CMA investigation

The Group incurred £0.6 million of costs in the prior year as a result of the Competition & Markets Authority ("CMA") review of the Group's acquisitions of Legal Post and First Post. The Initial Enforcement Order served was revoked in September 2016.

Additional auto enrolment costs

Additional auto enrolment costs in the prior year related to the underpayment of contributions in the financial years 30 June 2014 to 30 June 2016.

Profit on sale of freehold properties

During the 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.

VAT refund

In the prior year the Group was notified of a £1.0 million VAT refund arising from a long-standing dispute with HMRC in respect of VAT paid on professional fees. This refund was received from HMRC in the current year.

Finance costs

During the year the Group issued convertible Loan Notes which were subsequently cancelled and transferred to equity (see note 22). £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 includes 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.

10 Finance costs

	2018 £m	2017 £m
Finance costs		
Interest on bank loans and other	0.5	0.6
Amortisation of financing costs	0.4	0.3
Loan Notes finance costs (see note 9)	1.9	-
	2.8	0.9
Trading	0.9	0.9
Exceptional items (see note 9)	1.9	-
	2.8	0.9

11 Tax credit/(expense)**(A) Analysis of charge in year**

	2018 £m	2017 £m
Current tax		
United Kingdom corporation tax		
Current year	-	1.5
Adjustments in respect of prior periods	(0.3)	0.1
Total United Kingdom corporation tax	(0.3)	1.6
Overseas taxation	(0.5)	(0.5)
Total current tax	(0.8)	1.1
Deferred tax		
Current year	1.2	0.5
Adjustments in respect of prior periods	-	(0.3)
Changes in tax rates	-	(0.1)
Total deferred tax	1.2	0.1
Total tax	0.4	1.2
Trading	(0.5)	0.2
Exceptional items (see note 9)	0.9	1.0
Total tax	0.4	1.2

(B) 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.

	2018 £m	2017 £m
Loss before tax	(19.9)	(82.3)
Loss before tax at the standard rate of UK corporation tax of 19% (2017: 19.75%)	3.8	16.3
Factors affecting charge for year		
- UK taxable losses carried forward	(2.7)	-
- Impairment charges not deductible for tax purposes	(1.0)	(14.7)
- Impairment charges impact on deferred tax	0.9	-
- Other exceptional items not deductible for tax purposes	(0.2)	(0.2)
- Adjustments in respect of prior years	(0.3)	(0.2)
- Effect of different tax rates	0.2	(0.1)
- Other	(0.3)	0.1
Tax expense	0.4	1.2

(C) Factors that may affect future tax charges

The UK corporation tax rate is 19% with effect from 1 April 2017. A reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 30 June 2018 has been calculated based on these rates.

12 Loss attributable to the Company

The loss for the year includes a loss of £1.1 million (2017: £75.8 million loss) attributable to the Company after an exceptional charge of £1.9 million (2017: £80.0 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

13 Property, plant and equipment/Assets held for sale

	Freehold land and buildings £m	Short leasehold land and buildings £m	Plant and equipment £m	Vehicles £m	Total £m
Cost					
At 1 July 2016	12.1	16.2	43.9	0.3	72.5
Additions	-	1.2	0.6	-	1.8
Disposals	(1.3)	-	(7.1)	(0.3)	(8.7)
Transferred to assets held for sale	(5.3)	-	-	-	(5.3)
At 30 June 2017	5.5	17.4	37.4	-	60.3
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
Depreciation					
At 1 July 2016	4.7	12.4	37.8	0.3	55.2
Charge for the year	0.2	0.8	1.9	-	2.9
Disposals	(0.6)	-	(7.1)	(0.3)	(8.0)
Transferred to assets held for sale	(1.8)	-	-	-	(1.8)
At 30 June 2017	2.5	13.2	32.6	-	48.3
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
Net book value					
At 30 June 2018	2.8	4.4	1.7	-	8.9
At 30 June 2017	3.0	4.2	4.8	-	12.0

The cost of land not being depreciated is £0.6 million (2017: £2.8 million)

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 have been made to property, plant and equipment and in intangible assets (also see note 14). The net impact was a transfer of £1.5 million net book value from property, plant and equipment to intangible assets per note 14.

In the prior year five freehold properties with a cost of £5.3 million and a carrying value of £3.5 million were put up for sale by the Group. These assets were therefore transferred to held for sale within current assets at 30 June 2017. On 29 September 2017 the Group completed a sale and leaseback of these five freehold properties for an aggregate cash consideration of £4.5 million.

14 Intangible assets and goodwill

	Goodwill £m	Software and development costs £m	Acquired intangibles			Total £m
			Customer relationships £m	Trademarks and domain names £m	Outstand ng orders £m	
Cost						
At 1 July 2016	191.5	32.1	9.1	1.0	0.4	234.1
Additions	-	2.6	-	-	-	2.6
Disposals	-	(0.7)	-	-	-	(0.7)
At 30 June 2017	191.5	34.0	9.1	1.0	0.4	236.0
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
Amortisation						
At 1 July 2016	89.1	23.7	6.8	0.8	0.4	120.8
Charge for the year	-	3.2	1.4	0.2	-	4.8
Impairment	72.4	-	-	-	-	72.4
Disposals	-	(0.7)	-	-	-	(0.7)
At 30 June 2017	161.5	26.2	8.2	1.0	0.4	197.3
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
Net book value						
At 30 June 2018	30.0	1.1	0.6	-	-	31.7
At 30 June 2017	30.0	7.8	0.9	-	-	38.7

As disclosed in note 13, re-allocation adjustments have been 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 has been made from property, plant and equipment per note 13 to intangible assets.

In July 2017 the Board took the decision to re-organise the Group into two separate divisions, DX Express and DX Freight. This represented a change to the composition of the cash-generating units within the Group therefore a reallocation within the cash-generating units affected was required. On re-organisation, management identified there to now be two cash-generating units within the Group, DX Express and DX Freight, and following a relative value approach to re-allocate the goodwill, £20.0 million and £10.0 million was allocated to the two divisions respectively.

Goodwill has an indefinite useful life and each cash-generating unit is subject to annual impairment testing. The £30.0 million (2017: £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).

	2018	2017
Impairment charge recognised (see note 9)	£nil	£72.4m
Period on which management approved forecasts are based	Three years	Two years
Growth rate applied beyond approved forecast period	1.5%	1.5%
Maximum discount rate	12.0%	15.0%

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, expected developments and 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 in line with that experienced in recent years, although this is more than offset by the expected rate of growth in the parcels market, therefore 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. A 1% change in the growth rate or the discount rate would not result in any impairment.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

15 Investments

Company	Shares in Group companies £m	Loans to Group Companies £m	Total £m
Cost			
At 1 July 2016	0.1	210.7	210.8
Additions	-	6.0	6.0
Disposals	-	-	-
At 30 June 2017	0.1	216.7	216.8
At 1 July 2017	0.1	216.7	216.8
Additions	-	-	-
Disposals	-	-	-
At 30 June 2018	0.1	216.7	216.8
Provisions			
At 1 July 2016	0.1	106.7	106.8
Impairment	-	80.0	80.0
At 30 June 2017	0.1	186.7	186.8
At 1 July 2017	0.1	186.7	186.8
Impairment	-	-	-
At 30 June 2018	0.1	186.7	186.8
Net book value			
At 30 June 2018	-	30.0	30.0
At 30 June 2017	-	30.0	30.0

The carrying value of £30.0 million (2017: £30.0 million) of 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 14.

At 30 June 2018 DX (Group) plc owned, directly or indirectly, 100% of each class of issued shares of the following companies, save that in the case of DX (VCP) Limited, in which 9,992 £0.01 Ordinary Shares are held by the DX (Group) plc, whilst the Group Employee Benefit Trust holds the remaining eight Ordinary Shares of £0.01 each. All directly and indirectly owned companies form part of the consolidated results.

	Principal activity
Directly owned:	
DX (VCP) 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 Freight Limited	In Members' Voluntary Liquidation
DX Holdings Limited (*)	Intermediate holding company
DX Secure Mail Limited (*)	Intermediate holding company
DX Services 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, and DX Freight Limited which has a registered office of 15 Canada Square, London, E14 5GL.

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 2018.

During the year ended 30 June 2015 the trade and assets of DX Freight Limited were transferred in entirety to DX Network Services Limited. Further to the completion of the transfer, the resulting non-trading shell company subsidiary had no assets or third-party liabilities and is being liquidated by way of a Members' Voluntary Liquidation. This company is exempt from preparing accounts.

16 Investments in associates

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Gnewt Cargo Limited				
Non-current assets	-	0.2	-	-
Current assets	-	0.7	-	-
Non-current liabilities	-	-	-	-
Current liabilities	-	(0.9)	-	-
Net assets	-	-	-	-
Group's share of net assets	-	-	-	-
Goodwill	-	-	-	-
Carrying amount of investment	-	-	-	-

During the prior year the Group fully impaired its 49.8% interest in Gnewt Cargo Limited ("Gnewt") following a period of challenging trading for Gnewt. On 31 August 2017 the Group disposed of its 49.8% interest in Gnewt for £1.

17 Trade and other receivables

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Trade receivables	24.1	23.5	-	-
Other receivables	0.4	2.6	-	-
Prepayments and accrued income	17.4	17.2	-	-
Amounts owed by subsidiary undertakings	-	-	1.8	0.3
	41.9	43.3	1.8	0.3

18 Cash and cash equivalents

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Cash and cash equivalents	2.0	2.0	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

19 Share capital

Allotted, called up and fully paid – 2017

Group and Company	Number (000)	£000
Ordinary Shares of £0.01 each	200,525	2,005

Allotted, called up and fully paid – 2018

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

On 23 May 2018 a further 373,156,292 Ordinary Shares of £0.01 each were issued and admitted to the AIM. This represents the £24.5 million pertaining to the cancellation of Loan Notes referred to in note 22 along with £4.8 million new equity issuance.

The holders of Ordinary Shares are entitled to receive dividends when declared and are entitled to one vote per share at meetings of the Company.

The following related parties (including key management personnel) were involved in the above equity transactions:

Related party/Key management personnel	Nature of relationship/position	Number of Ordinary Shares	Price (pence)
Gatmore Capital Management LLP	>30% shareholder of the Company	156,578,947	7.4
Ronald Series	Executive Chairman	1,235,294	8.5
Lloyd Dunn	CEO	56,634,304	9.3
David Mulligan	CFO	2,352,941	8.5
Russell Black	Non-executive Director	1,705,882	8.5
Paul Goodson	Non-executive Director	1,500,000	8.5

20 Share premium and reserves

Group	Share premium £m	Translation reserve £m	Retained earnings £m
At 1 July 2016	-	-	98.1
Loss for the year	-	-	(81.1)
Dividends	-	-	(3.0)
At 30 June 2017	-	-	14.0
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)

Company	Share premium £m	Retained earnings £m
At 1 July 2016	-	81.2
Loss for the year	-	(75.8)
Dividends	-	(3.0)
At 30 June 2017	-	2.4
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

21 Earnings per share**Basic loss per share**

The calculation of basic loss per share at 30 June 2018 is based on the loss after exceptional items for the year of £19.5 million (2017: £81.1 million loss) and average number of shares in issue of 239.4 million (2017: 200.5 million) calculated as follows:

	2018		2017	
	Trading £m	Exceptional items £m	Total £m	Total £m
Loss for the year	(12.8)	(6.7)	(19.5)	(81.1)
			2018 Number (000)	2017 Number (000)
Average number of Ordinary Shares at 30 June			239,375	200,525
	2018		2017	
	Trading p	Exceptional items p	Total p	Total p
Loss per share	(5.3)	(2.8)	(8.1)	(40.3)

Diluted earnings per share

There is no dilution of the basic loss per share at 30 June 2018 (2017: no dilution). Dilution is dependent on share price movements therefore there remains the possibility for future dilution.

22 Loans and borrowings**(A) Third party**

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Non-current liabilities				
Bank loans	-	5.2	-	5.2
Deferred debt issue costs	-	(0.4)	-	-
	-	4.8	-	5.2
Current liabilities				
Invoice discounting facility	3.1	15.3	-	-
Revolving credit facility	-	-	-	-
Bank loans	-	0.6	-	0.6
Deferred debt issue costs	(0.1)	-	-	-
	3.0	15.9	-	0.6

Amounts due under the invoice discounting facility are secured by means of a charge over trade receivables of subsidiary undertakings within the Group.

(B) Terms and conditions of outstanding loans were as follows:**At 30 June 2017**

	Nominal interest rate	Year of maturity	Face value £m	Carrying amount £m
Bank term loan	LIBOR + 3.50%	2018	5.8	5.8

At 30 June 2018

	Nominal interest rate	Year of maturity	Face value £m	Carrying amount £m
Bank term loan	-	-	-	-

All borrowings are denominated in sterling.

During the year, the Board took steps to significantly strengthen the Group's financial position.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

22 Loans and borrowings continued

The Group entered into an unsecured loan agreement with GCM Partners II LP, a fund controlled by its major shareholder Gatemore Capital Management LLP ("Gatemore"), for a loan to the Group of £2.0 million. Interest on the loan was 10% per annum and repayment of the loan was made later in the year as detailed below. These funds were used to enable the Group to repay its bank term loan in full. There were no early repayment costs incurred by the Group for the repayment of the term loan.

In addition, a £24.0 million fundraising (the "Fundraising") was achieved following the issue of secured Loan Notes with conditional conversion rights, principally to existing institutional investors and the Group's new Directors. The Loan Notes were subscribed for in two tranches. Tranche 1 of £16.3 million was issued on 19 October 2017 and Tranche 2 of £7.7 million was issued on 15 December 2017 following shareholder approval of the conversion rights of the Loan Notes. The aggregate issue of Loan Notes included the repayment of the £2.0 million unsecured term loan from Gatemore as noted above.

These Loan Notes were capable of conversion at 10 pence per new DX share, which represented a premium of approximately 28% to the average closing price of DX Ordinary Shares over the 20 trading days immediately prior to 9 October 2017, the date when the Group entered into a binding agreement with the Loan Note holders for the Fundraising. The Loan Notes had a term of 36 months. Interest on the Loan Notes was at 8.0% per annum, accruing monthly from the date of issue and payable annually in arrears. In addition Tranche 1 Loan Notes incurred an additional 5% premium which was rolled up into the Loan Note principal.

On 22 May 2018 the shareholders approved the early cancellation of £23.7 million of the above Loan Notes and issuance of new Ordinary Shares of DX in replacement, along with the £0.8 million Tranche 1 issuance premium (total £24.5 million), whilst the remaining £0.3 million of outstanding Loan Notes along with £1.1 million of accrued interest was repaid by the Group to Loan Note holders. The £1.1 million interest was paid in cash whilst the £0.3 million Loan Notes was re-subscribed as part of the £4.8 million new equity issuance referred to in note 19.

The following related parties (including key management personnel) were involved in the above transactions:

Related party/Key management personnel	Nature of relationship/position	Loan Notes issued £000	Premium £000	Loan Notes cancelled £000	Interest paid £000
Gatemore Capital Management LLP	>30% shareholder of the Company	11,050	553	(11,603)	547
Ronald Series	Executive Chairman	100	5	(105)	5
Lloyd Dunn	CEO	5,000	250	(5,250)	247
Russell Black	Non-executive Director	100	5	(105)	5
Paul Goodson	Non-executive Director	50	3	(53)	2

1. Following cancellation, the Loan Notes (including the premium) were replaced with equity. Details of the respective equity transactions are shown in note 19.

On 22 December 2017, the Group agreed a new £25.0 million invoice discounting facility, an evergreen facility with a minimum term of two years through to December 2019. Interest is at a rate of LIBOR plus 1.95%, along with a £0.2 million per annum fixed charge. Drawings on the invoice discounting facility at 30 June 2018 were £3.1 million (2017: £15.3 million), a net reduction in utilisation of £12.2 million from prior year.

23 Provisions

	Property dilapidation costs £m	Insurance provision £m	Other provisions £m	Total £m
At 1 July 2016	1.2	1.1	0.9	3.2
Charged to income statement	3.1	1.3	0.7	5.1
Utilised	–	(1.4)	(0.6)	(2.0)
At 30 June 2017	4.3	1.0	1.0	6.3
At 1 July 2017	4.3	1.0	1.0	6.3
Charged to income statement	0.3	–	0.9	1.2
Utilised	(1.0)	(1.0)	(0.6)	(2.6)
At 30 June 2018	3.6	–	1.3	4.9
			2018 £m	2017 £m
Current			1.3	–
Non-current			3.6	6.3
			4.9	6.3

As disclosed in the accounting policies, management uses judgement to determine appropriate provisions to recognise, in particular, for the amounts and timing of outflows.

Provisions are made for dilapidation costs for leased properties (that have been vacated, there is a plan to vacate or where there is a possible exit within two years), motor insurance claims not yet settled, and other provisions including future losses arising from onerous property lease contracts. The provisions are expected to be utilised over the period to June 2030.

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

24 Deferred tax assets

	Group £m	Company £m
At 1 July 2016	1.3	–
Credited to the income statement	0.1	–
At 30 June 2017	1.4	–
At 1 July 2017	1.4	–
Credited to the income statement	1.2	–
At 30 June 2018	2.6	–

The deferred tax asset is made up as follows:

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Intangible assets	(0.1)	(0.1)	–	–
Accelerated capital allowances	2.5	1.3	–	–
Other timing differences	0.2	0.2	–	–
	2.6	1.4	–	–

The unrecognised deferred tax assets of the Group at 30 June 2018 total £4.2 million (2017: £1.1 million), consisting of unused tax losses. There are no unrecognised deferred tax assets for the Company at 30 June 2018 (2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

25 Trade and other payables

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Non-current liabilities				
Amounts owed to subsidiary undertakings	-	-	-	19.0
	-	-	-	19.0
Current liabilities				
Trade payables	14.8	14.1	-	-
Social security and other taxes	5.1	5.5	-	-
Other payables	1.1	2.3	-	-
Accruals	15.5	18.2	0.1	-
	36.5	40.1	0.1	-

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

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Cash flows from operating activities				
Loss for the year	(19.5)	(81.1)	(1.1)	(75.8)
Adjustments for				
- Exceptional impairment charges	5.3	74.4	-	80.0
- Depreciation	2.9	2.9	-	-
- Amortisation of intangible assets	3.4	4.8	-	-
- Net finance costs/(income)	2.8	0.9	1.2	(5.1)
- Tax (credit)/expense	(0.4)	(1.2)	0.2	1.1
- Gain on sale of property, plant and equipment	(0.7)	(0.2)	-	-
- Share of results from associates	-	0.2	-	-
- Equity-settled share-based payment transactions	0.2	-	-	-
Net cash (loss)/profit	(6.0)	0.7	0.3	0.2
Changes in				
- Trade and other receivables	1.4	(4.1)	(0.4)	6.2
- Trade and other payables	(3.6)	3.6	(1.5)	5.2
- Deferred income	(0.8)	(3.2)	-	-
- Provisions	(1.4)	3.0	-	-
Net change in working capital	(4.4)	(0.7)	(1.9)	11.4
Cash (used in)/generated from operations	(10.4)	-	(1.6)	11.6

27 Financial instruments

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

(A) Interest rate profile

The table below shows the levels of fixed and floating third-party financial liabilities

Bank term loan

	2018 £m	2017 £m
Fixed rate	-	-
Floating rate	-	5.8
Total	-	5.8

(B) Fair values

Financial instruments utilised by the Group during the years ended 30 June 2017 and 30 June 2018, 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**Carrying amount and fair value**

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 (2017: £0.5 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 2018 would have reduced equity and profit by £0.1 million (2017: £0.1 million)

A 1% increase or reduction in the interest rate applicable to the Group's borrowings would have had a £0.1 million (2017: £0.2 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

The ageing of trade receivables at the statement of financial position date that were not impaired was as follows:

	2018 £m	2017 £m
Neither past due nor impaired	22.9	21.4
Past due 1-30 days	0.9	1.3
Past due 31-90 days	0.2	0.7
Past due more than 90 days	0.1	0.1
	24.1	23.5

The movement in the provision for bad and doubtful debts in respect of trade and other receivables was as follows:

	Individual provisions £m	Collective provisions £m
At 1 July 2016	-	0.6
Increase in provision	0.3	-
Decrease in provision	-	(0.4)
At 30 June 2017	0.3	0.2
At 1 July 2017	0.3	0.2
Increase in provision	-	0.1
Decrease in provision	-	(0.1)
At 30 June 2018	0.3	0.2

The Group considers that the amounts for which no provision has been made, are still collectable in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, when available

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. As referred to in note 2, the Group received amounts in the form of Loan Notes (subsequently cancelled) and new equity issuance in the year. Gross receipts (before costs) of £28.5 million were received and the Directors believe that the receipt of such amounts will ensure that the Group is able to meet its obligations as they fall due

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

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 £1.2 million (2017: £1.1 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

Contributions amounting to £0.3 million (2017: £0.2 million) were payable to the schemes at 30 June 2018 and are included in creditors.

Share-based payments

At 30 June 2018 the Group had the following share-based payment arrangements:

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

On 21 December 2017 the Group established two equity-settled share option programmes that entitle key management to purchase shares in the Group. The programmes consist of Recovery Awards under the PSP as well as Restricted Share Awards. Options over 27,923,500 Ordinary Shares were issued (27,340,000 Recovery Awards and 583,500 Restricted Share Awards), entitling the holders of vested options to purchase shares at £0.01.

Subsequently, on 25 May 2018, following the issue of 373.2 million new Ordinary Shares in the year (see notes 19 and 22), the absolute number of Ordinary Shares subject to the Recovery Awards and Restricted Share Awards was increased to maintain the participants' relative percentage of the revised total Issued Share Capital (by reference to the percentage of the existing issued Share Capital which the Recovery Award and Restricted Share Award options represented when they were granted on 21 December 2017). The Recovery Awards and Restricted Share Awards were increased to 78,216,786 and 1,669,330 respectively. The vesting conditions for the Recovery Awards were also amended accordingly.

On the same day 5,721,784 Recovery Award options were granted to David Mulligan, CFO, following his appointment to the Board.

The total number of options granted over Ordinary Shares in the year were as follows:

		Number of Ordinary Shares subject to the Awards
Ronald Series	Executive Chairman	23,370,626
Lloyd Dunn	CEO	43,402,592
David Mulligan	CFO	5,721,784
Paul Ibbetson	Managing Director of DX Freight	11,443,568
Paul Goodson	Non-executive Director	834,665
Russell Black	Non-executive Director	834,665

The vesting conditions of the Recovery Awards are share price targets along with continued employment. Share price targets of 12.5 pence 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 conditions of the Restricted Share Awards are just continued service as a Director for three years from the issue date.

Measurement of fair values

The fair values of the PSP were 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 year were as follows:

	Recovery Awards		Restricted Share Awards	
	Issued 21 December 2017	Issued/modified 25 May 2018	Issued 21 December 2017	Modified 25 May 2018
Fair value at grant/modification date	4.0p	4.9p	8.4p	9.3p
Share price at grant date	8.4p	9.3p	8.4p	9.3p
Exercise price	1.0p	1.0p	1.0p	1.0p
Expected volatility	50%	50%	n/a	n/a
Expected term	4.5 years	4.1 years	3 years	2.6 years
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	0.7%	0.9%	n/a	n/a

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

	2018		2017	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Granted during the year	1.0p	85,607,900	-	-
Lapsed/opted out during the year	-	-	-	-
Outstanding at the end of the year	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:

	2018 £m	2017 £m
Total employee benefit expense recognised for share-based payments	0.2	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2018

29 Commitments

Capital

There was no capital expenditure contracted but not provided for (2017: £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	
	2018 £m	2017 £m
Land and buildings:		
Within one year	9.2	8.5
Between two and five years	23.6	22.6
After five years	15.0	17.4
	47.8	48.5
Other operating leases:		
Within one year	6.8	7.7
Between two and five years	8.9	12.6
After five years	0.1	0.3
	15.8	20.6

Operating leases typically consist of leases for premises and vehicles such to operate from and 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 have 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:

	2018 £000	2017 £000
Salaries, fees and other short-term employee benefits	2,072	2,586
Pension contributions	72	84
Compensation for loss of office	300	223
	2,444	2,893

Included in the above table is:

- > £99,000 received by Ian Gray for the provision of consultancy services outside the scope of his role as Non-executive Director.
- > £32,000 paid to Ronald Series for consultancy services in respect of the Loan Note fundraising referred to in Note 22 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 in respect of the Loan Note fundraising referred to in note 22 prior to joining the Board.

Other related party transactions with key management personnel have been disclosed in the relevant note to which they relate. See notes 19, 22 and 28 for further details.

Sales and purchases of goods and services

No related party transactions relating to the sales and purchases of goods and services to disclose.

32 Subsequent events

No subsequent events to disclose.

DX (Group) plc

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