20 October 2017
AIM: DX.

DX (Group) plc
(“DX” or “the Company” or “the Group”)
Mail, parcels and logistics operator

Preliminary Results
for the year ended 30 June 2017

KEY POINTS

FINANCIAL

- Revenue of £291.9m (2016: £287.9m)
- EBITDA[1] of £7.2m (2016: £18.0m)
- Adjusted[2] profit before tax and exceptional items of £nil (2016: £11.5m)
- Exceptional (non-recurring) items of £80.7m (2016: £92.1 million) – includes goodwill impairment of £72.4m (2016: £88.4m) and other one-off items relating principally to property dilapidation provisions, restructuring and professional costs, and senior management departures
- Reported loss before tax of £82.3m (2016: £82.7m)
- Adjusted[2] EPS of 0.1p (2016: 4.9p) / Reported loss per share of 40.3p (2016: LPS of 42.1p)
- Debt (net of cash) at 30 June 2017 of £19.1m (2016: £9.8m)
- New financing agreement – see below

[1] *Earnings before interest, depreciation, amortisation and exceptional items*

[2] *Adjusted profit before tax and adjusted EPS exclude amortisation of ‘other intangibles’ and exceptional items.*

OPERATIONAL

- Focus on addressing operational and financial underperformance with a wide-ranging review of the Group’s operations
- Attrition at DX Exchange declined year-on-year and was within expected levels
- Overall new business was 20% higher year-on-year
    - major new contracts signed with Avon and IKEA[3]
- Successfully retained contract with the Home Office
- Industry wide shortage of CPC-qualified drivers remains a pressure
    - mitigating initiatives continue

[3] *Additional IKEA revenue was won in the year and a major new contract was signed in September 2017*

POST PERIOD

- New leadership team appointed – Ron Series as Chairman and Lloyd Dunn as CEO
    - Russell Black and Paul Goodson join as Non-executive Directors
    - all Board changes take effect from 19 October 2017
- New financing provides for a fundraising of £24 million (gross) via secured Loan Notes, with conversion rights, subject to shareholder approval
    - supported by investors, including Gatemore Capital and Hargreave Hale, and the new leadership team
    - net proceeds will be used to address a working capital shortfall, capital expenditure and restructuring costs
- Firm foundations are in place for the Group’s turnaround

Bob Holt, outgoing Chairman of DX, commented:

"The year to 30 June 2017 and the first few months of the new financial year have been an especially challenging period for the Group, and DX's full year results, and current trading, reflect this.

"However, the Company's prospects have been significantly transformed, with the appointment today of a new leadership team, headed by Ron Series as Chairman and Lloyd Dunn as CEO, and a major new financing agreement. This agreement, which raises £24m of new funds, is supported both by our major institutional shareholders, including Gatemore Capital and Hargreave Hale, and by DX's new Board Directors.

"I am confident that the new team will ably drive the turnaround of the business, and a recovery in its financial performance."

Ron Series, newly-appointed Chairman of DX, said:

"I am delighted to be joining DX today as Chairman together with Lloyd Dunn as CEO, and Russell Black and Paul Goodson as Non-executive Directors.

"The new team has significant experience, both of the industry and of business turnaround situations, and we are taking a positive and determined approach to DX's turnaround. We will be undertaking a thorough review of all the Company's operations to enable us to make clear and sensible decisions about recovery initiatives and to formulate a comprehensive new improvement plan.

"As might be expected, trading in the new financial year has been affected by the challenges in the business. We anticipate providing a further update on first half trading in early 2018, and expect to be in a position to comment more fully on our turnaround plans with the Company's interim results."

Enquiries

DX (Group) plc Ron Series, Chairman Lloyd Dunn, CEO	T: 020 3178 6378 (today)
Zeus Capital (Financial Adviser and Nominated Adviser to DX) Nick How, Giles Balleny (Corporate Finance) Dominic King (Corporate Broking)	T: 020 3829 5000
KTZ Communications Katie Tzouliadis Irene Bermont-Penn Emma Pearson	T: 020 3178 6378

CHAIRMAN'S STATEMENT

INTRODUCTION

The year under review to 30 June 2017 and the first few months of the new financial year have been an especially challenging period for the Group, as we have previously highlighted.

Since the beginning of the calendar year, the Group has been addressing operational and financial underperformance, and also initiated a wide-ranging review of the Group's operations. As well as focusing on internal measures to strengthen the business, which included the appointment of a number of senior executives, the review also had an external element. As we announced at the end of March with our interim results, we entered into discussions with John Menzies plc ("John Menzies") about a potential combination of DX with its Distribution division, reaching outline terms for a possible agreement.

While these discussions were a primary focus, we continued to move forward with operational initiatives and, after the financial year end, in mid-July, we took the strategic decision to reorganise the business to create two separate divisions, DX Express and DX Freight, and, effectively no longer pursue the 'OneDX' strategy. Simplifying the Group's structure like this allows us to both drive service improvements and control costs more efficiently. At the same time, Chief Executive, Petar Cvetkovic, and Finance Director, Daljit Basi, stepped down from the Board, and we appointed an interim Chief Financial Officer.

Negotiations with the Board of John Menzies ended in mid-August, when the DX Board concluded that it would be unable to agree suitable terms, and that it was in the best interest of shareholders to proceed with business transformation on a stand-alone basis. At that point, we also reported that the Group was in advanced discussions with Ron Series, regarding his possible appointment as Chairman, and with three other potential new directors.

On 9 October, we were delighted to announce the appointment of Lloyd Dunn as Chief Executive Officer, and I am very pleased to confirm today that Lloyd is joining the Board, together with Ron Series, who assumes the role as Chairman and Russell Black and Paul Goodson who both join as Non-executive Directors. As planned, Non-executive Director, Paul Murray, and I are retiring from the Group, with Ian Gray remaining as a Non-executive Director. All these Board changes take immediate effect. This is an outstanding new leadership team for DX and they will be supported by our very capable senior management team.

I am also delighted to announce today that, subject to Shareholder approval, we have finalised the £24.0 million (gross) fundraising, also reported on 9 October. The fundraising will be effected via the issuance of secured Loan Notes, with conversion rights, primarily to existing institutional investors and the Group's new Directors. It places the Group in a very good position to proceed with its stand-alone strategy. Further details on the fundraising are provided in the Financial Review.

While navigating the last few months has not been easy for the Group, I am leaving DX with a team that I am confident will build strong foundations for DX's future growth and successful turnaround.

FINANCIAL RESULTS

Revenue for the year to 30 June 2017 was £291.9 million (2016: £287.9 million), with the 1.4% revenue increase largely reflecting strong growth in logistics and a twelve month contribution, of £4.7 million, from The Legal Post (Scotland) Limited ("Legal Post") and First Post Limited ("First Post") (2016: £0.5 million), acquired in May 2016, offset by a decline in other revenues, principally DX Exchange.

As we previously reported, the Group's profitability for the year was severely impacted by a number of factors. These included pricing pressures and margin deterioration from an adverse change in revenue mix, with higher margin operations underperforming. The effect of this was magnified by the relatively fixed cost nature of certain networks. The Group also experienced operational difficulties relating to a major site integration programme. As a result, earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA") reduced to £7.2 million (2016: £18.0 million) and the underlying

results from operating activities decreased to £1.1 million (2016: £11.9 million) after depreciation and amortisation of software and development costs, which totalled £6.1 million (2016: £6.1 million).

The Group has incurred £80.7 million of exceptional items (2016: £92.1 million), with the majority of this being an impairment charge of £72.4 million, following a review of goodwill, in accordance with the requirements of IAS 36, 'Impairment of assets' (2016: £88.4 million).

Adjusted earnings per share, which excludes amortisation of intangibles and exceptional items, was 0.1p (2016: 4.9p). Reported loss per share was 40.3p (2016: loss per share of 42.1p).

There was a cash outflow from operating activities in the year of £2.0 million (2016: inflow of £10.7 million), and capital expenditure amounted to £4.4 million (2016: £6.5 million). Debt (net of cash) at 30 June 2017 was £19.1 million (2016: £9.8 million), reflecting the reduction in EBITDA as well as certain exceptional items.

DIVIDENDS

As announced on 7 February 2017, the 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. This policy will be kept under review.

REVIEW OF OPERATIONS

The trading environment remained tough over the year, with a number of our operations experiencing greater competitive pressures. The shortage of CPC-qualified drivers for heavy goods vehicles, highlighted previously, continues to be an industry-wide problem. The mitigating steps we have taken, including the adoption of new, smaller, 3.5 tonne custom-built vehicles, have helped to ease this pressure, although we are continuing to look at additional measures to tackle the problem.

One of the priorities over the year was DX Exchange, which generates higher margin revenues. While this unique activity is in a structural decline, nonetheless, it remains an important resource for customers, and we renewed our focus on customer service levels.

We have also reinforced DX Secure's market-leading credentials as a highly secure delivery service, gaining the Cyber Essentials Plus certification as well as retaining ISO27001 Information Security certification. As previously reported, we were very pleased to renew our contract with the Home Office for secure delivery services and remain focused on growing this area of our business.

Our logistics operation continued to grow strongly and is well-placed for growth as a mid-sized operator in the sector. Our ability to add additional services, together with our network of distribution centres, enables us to differentiate our offering to customers and gives us extra leverage.

The level of new business secured over the year was 20% up on last year, which was encouraging. However, there were service performance issues which held back some of our operations. Going forward, with the strengthened team and renewed operational and strategic focus, we expect to ensure consistency in service performance as well as to continue to drive new business.

Parcels & Freight

Parcels & Freight comprises three core services: DX 1-Man, specialising in irregular dimension and weight ("IDW") items; DX Courier, providing next day parcel services mostly for the B2B market; and DX 2-Man, offering a B2C home delivery solution for heavier and bulkier items.

Revenues from parcels and freight activities were steady year-on-year at £160.3 million (2016: £159.3 million) and accounted for 55% of overall income. While there was an overall good level of new business secured over the year, both from new and existing customers, the operations experienced service issues and some aggressive tactical market pricing, which resulted in the loss of some business. Our DX 1-Man and DX Courier services, in particular, were affected by this, and revenues across each activity decreased slightly. However, DX 2-Man revenues grew strongly, driven by additional business from existing customers and strong new business flow through from the prior year, although this market remains competitive.

We are continuing to focus on operational improvements and on initiatives to improve the customer experience.

Mail & Packets
Mail & Packets encompasses our DX Exchange service, a B2B mail service providing customers with extended collection and delivery times, as well as DX Secure, which provides market-leading levels of security and DX Mail, a low cost mail service offering Downstream access for smaller volume users.

Mail & Packets generated revenue of £113.4 million (2016: £113.8 million) and accounted for 39% of the Group's total income. This result included a first full year's contribution from Legal Post and First Post, although revenue of £4.7 million was slightly behind expectations. The shortfall was largely in First Post activities, which provides a Downstream access mail service in Scotland. DX Exchange, which generates the largest and most profitable revenue contribution across this segment, continued to suffer from volume erosion. As previously reported, we expect volumes to continue to decline, driven by the impact of digitalisation. Nonetheless, the service remains valued by customers across its core sectors of legal, financial, government and healthcare.

The integration of the assets of Legal Post and First Post with the Group's existing operations in Scotland was halted by an Initial Enforcement Order served by the Competition & Markets Authority ("CMA") in early July 2016, after the CMA instigated a review into the acquisition. However, the businesses have since been fully integrated following a lifting of this order in September 2016.

Towards the end of November 2016, we were delighted to report that DX had successfully retained its contract with the Home Office covering secure delivery services for Her Majesty's Passport Office ("HMPO"), UK Visas and Immigration, National Crime Agency and General Register Office. The contract is for an initial two years and may be extended by up to two years. The contract helped to underpin DX Secure's revenues for the year, which showed a small increase compared to the prior year.

Logistics
DX Logistics offers a full outsourcing service to companies seeking to outsource their vehicle fleet operations and can draw on its wider operations to add further services.

Revenue from logistics services increased by 23% to £18.2 million (2016: £14.8 million) and accounted for 6% of the Group's total revenues. The strong revenue growth reflected a number of major contract wins, including with Avon UK, signed in February 2017, as well as continuing expansion of our successful relationship with IKEA Limited ("IKEA"). At the end of September 2017, we announced that we had agreed a major new contract with IKEA, which takes the total value of our work with this retailer to approximately £19 million on an annualised basis.

We expect Logistics to continue to grow strongly as we capitalise on DX's position between the larger third party operators and the smaller players in the sector.

BUSINESS REORGANISATION

After the year end, in July 2017, we took the decision to reorganise the business and created two divisions, DX Express and DX Freight.

The move to create two distinct divisions brings a number of advantages and also preserves future strategic options. Importantly, it immediately enables us to manage costs more flexibly and to drive new operational and sales initiatives more easily. We expect this to directly benefit service levels and customer experience.

Under the new structure, the DX Express division consists of DX Exchange, DX Secure, DX Courier and DX Mail services while the Group's DX Logistics, DX 1-Man and DX 2-Man services now form the DX Freight division. Whilst the Annual Report and Accounts for the year ended 30 June 2017 have not been prepared on a divisionalised basis, the table below shows a pro forma EBITDA contribution (unaudited) by division based on management estimates.

	Express £m	Freight £m	plc £m	Group £m
Revenue	170.5	121.4	-	**291.9**
Costs	(143.0)	(139.7)	(2.0)	**(284.7)**
EBITDA	**27.5**	**(18.3)**	**(2.0)**	**7.2**

It is recognised that the turnaround of the DX Freight division is the key challenge facing the business. The experience that the new Board brings will be instrumental in achieving this turnaround.

As previously announced on 1 March 2017, we are not proceeding with plans for a major new hub in Essington in the West Midlands after our planning appeal and presentation of revised plans were declined.

THE BOARD AND LEADERSHIP TEAM

On 9 October, we were very pleased to announce that Lloyd Dunn had been appointed as Chief Executive Officer although in a non-Board capacity for an interim period before joining the Board. In addition, on that date we confirmed that I would be handing over the role of Chairman to Ron Series, and that Russell Black and Paul Goodson would be joining the Board as Non-executive Directors. As previously mentioned, these Board changes are immediately effective.

SUMMARY AND OUTLOOK

The year's results and trading at the beginning of the new financial year have been affected by both external and internal challenges. However, the Group's prospects have been significantly transformed by the appointment of the new leadership team, headed by Ron Series as Chairman and Lloyd Dunn as CEO, and by the major new fundraising we have agreed. I am confident that the new team will ably drive the turnaround of the business.

The new Board will be undertaking a thorough review of all the Group's operations and expects to provide an update on first half trading in early 2018 and to comment more fully on turnaround plans and expectations with the publication of the Group's interim results.

BOB HOLT
CHAIRMAN

FINANCIAL REVIEW

SUMMARY

Revenue of £291.9 million is 1.4% ahead of prior year's result, largely due to strong growth in Logistics as well as a full year's revenue contribution from Legal Post and First Post, acquired in May 2016. These increases were partly offset by the anticipated decline in DX Exchange revenue along with pricing pressures impacting other services, in particular the 1-Man service. A major new logistics contract was secured with Avon worth in excess of £10 million per annum, with the contract coming fully on stream at the end of March 2017. Its benefits will therefore be more fully felt in the new financial year.

Underlying results from operating activities was £1.1 million (2016: £11.9 million profit). This is stated before exceptional items of £80.7 million, including a non-cash item of £74.4 million, mostly relating to the impairment of goodwill.

During the year, the Group paid dividends of £3.0 million (2016: £10.0 million). Debt (net of cash) at 30 June 2017 was £19.1 million (2016: £9.8 million). Operating cash flow was £2.0 million outflow (2016: £10.7 million inflow) and capital expenditure was £4.4 million (2016: £6.5 million).

	2017 £m Trading	**2017 £m Exceptional**	**2017 £m Total**	2016 £m Total
Revenue	291.9	-	291.9	287.9
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	7.2	-	7.2	18.0
Depreciation	(2.9)	-	(2.9)	(3.0)
Amortisation of software and development costs	(3.2)	-	(3.2)	(3.1)
Underlying results from operating activities	1.1	-	1.1	11.9
Amortisation of other intangible assets	(1.6)	-	(1.6)	(2.1)
Exceptional items	-	(80.7)	(80.7)	(92.1)
Reported results from operating activities	(0.5)	(80.7)	(81.2)	(82.3)
Net finance costs	(0.9)	-	(0.9)	(0.5)
Share of results from associate	(0.2)	-	(0.2)	0.1
Loss before tax	(1.6)	(80.7)	(82.3)	(82.7)
Tax	0.2	1.0	1.2	(1.7)
Loss for the year	(1.4)	(79.7)	(81.1)	(84.4)
Foreign currency translation differences	-	-	-	(0.1)
Total comprehensive expense for the year	(1.4)	(79.7)	(81.1)	(84.5)
EPS - adjusted (pence)[1]	0.1			4.9
- basic (pence)	(0.6)	(39.7)	(40.3)	(42.1)

1 Adjusted EPS excludes amortisation of other intangible assets

REVENUE BY SEGMENT

A breakdown of Group revenue is shown below and a review of each segment's performance is provided in the Chairman's Statement:

	2017 £m	2016 £m
Parcels and freight	160.3	159.3
Mail and packets	113.4	113.8
Logistics	18.2	14.8
Revenue	291.9	287.9

EBITDA

Earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA") for the year to 30 June 2017 was £7.2 million (2016: £18.0 million).

As previously noted, a number of the operations experienced significant competitive pressures.

A significant cost pressure for DX is from driver resourcing issues. This continues to drive a two-fold impact on DX's cost base, with more expensive agency drivers being used, as well as smaller, less efficient transit vans in place of goods vehicles. In addition, further costs of £0.6 million were incurred relating to the co-location of five sites into one at Swanley, which had a knock-on impact on service levels.

The decline in DX Exchange revenues materially impacted profitability, since the service is supported by a largely fixed cost base. While we continue to expect volume erosion, reflecting the continuing trend towards digitalisation, we are seeking ways to minimise it and to improve service.

Profit was also adversely affected by pricing pressures, aggressive tactical market pricing from competitors, and some operations experiencing service issues.

EXCEPTIONAL ITEMS

Exceptional items for the year totalled £80.7 million (2016: £92.1 million) and are summarised below.

The largest exceptional charge comprised a non-cash item of £72.4 million which followed a review of goodwill, in accordance with the requirements of IAS 36 'Impairment of assets'. The 'value-in-use' method used in the review supported a carrying value of £30.0 million and therefore an impairment of £72.4 million was recognised. See note 6 to the financial statements for further details.

Impairment charges also include a £2.0 million impairment charge to the Group's non-controlling interest in associate Gnewt Cargo Limited ("Gnewt"). This followed a period of challenging trading for Gnewt and subsequent to the year end on 31 August 2017 the Group disposed of its interest in Gnewt for £1.

Restructuring, professional costs and other, includes transaction fees relating to the proposed reverse takeover of the Distribution division of John Menzies plc and refinancing costs.

Property dilapidation provisions have been made for dilapidation costs in respect of leasehold properties that we have vacated or where there is a possible exit within two years.

Costs incurred as a result of senior management departures amounted to £1.0 million.

As previously reported, in July 2016 the Competition & Markets Authority ("CMA") commenced a review of the acquisitions of Legal Post and First Post, serving an Initial Enforcement Order at the same time, which halted our integration process. This order was revoked in September allowing us to recommence the integration process. The Group incurred £0.6m of costs in the period as a result of this process.

One-off additional auto enrolment costs are in relation to the underpayment of contributions in the financial years 30 June 2014 to 30 June 2016.

Prior to the end of the financial year, the Group was notified of a VAT refund arising from a long standing dispute with HMRC in respect of VAT paid on professional fees. Amounts of £1.0 million were received subsequent to the year end.

	2017	2016
	£m	£m
Impairment charges	74.4	88.4
Property dilapidations provision	2.8	-
Restructuring, professional costs and other	2.6	-
Senior management departures	1.0	-
CMA investigation	0.6	-
Additional auto enrolment costs	0.3	-
VAT refund	(1.0)	-
Planning and acquisition costs on proposed hub	-	3.3
Share-based payments accelerated charge	-	0.4
Exceptional items (net)	80.7	92.1

CASH FLOW

	2017	2016
	£m	£m
Net cash profit (note 10)	0.7	14.6
Net change in working capital	(0.7)	0.1
Interest paid	(0.6)	(0.4)
Tax paid	(1.4)	(3.6)
Net cash from operating activities	(2.0)	10.7

Cash outflow from operating activities (after tax) of £2.0 million resulted from lower EBITDA and exceptional items. However, DX maintained its excellent performance on debtor days which at 28 days remains very strong. There was a £0.7 million worsening in working capital where an increase in payables was offset by an increase in receivables and a reduction in deferred income as the DX Exchange subscriptions declined.

NET ASSETS

Net assets decreased by £84.1 million largely as a result of the recognition of the impairment charge against goodwill reflected in non-current assets.

	2017	2016
	£m	£m
Non-current assets	52.1	133.9
Current assets excluding cash	48.6	39.1
Net cash	2.0	4.3
Invoice discounting facility	(15.3)	-
Revolving credit facility	-	(6.5)
Current liabilities excluding debt	(59.7)	(60.1)
Non-current liabilities excluding debt	(6.3)	(3.2)
Term loan	(5.8)	(7.6)
Deferred loan issue costs	0.4	0.2
Net assets	16.0	100.1

DEBT (NET OF CASH)

Debt (net of cash) at 30 June 2017 stood at £19.1 million (2016: £9.8 million) as a result of lower EBITDA and exceptional items.

During the year, refinancing terms to 30 September 2018 were agreed, including replacing the revolving credit facility with an invoice discounting facility. The Group expects to extend the term of the invoice discounting facility in the new financial year.

As previously reported, subsequent to the year end, 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 Gatemore Capital Management LLP ("Gatemore"), for a loan to the Group of £2.0 million. The proceeds from the sales and loan were used to repay the £5.8 million bank term loan in full.

In addition, as announced 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 secured Loan Notes, with conditional conversion rights, principally to existing institutional investors and the Group's new Directors.

The Loan Notes are being issued in two tranches: Tranche 1 of £16.3 million will be issued to Gatemore and the new Directors today. The issue of Tranche 2 of £7.7 million is conditional upon agreeing an inter-creditor agree,emt with the bank, which the Directors are confident of receiving, and on DX shareholder approval of the conditional conversion rights, which will be sought as soon as reasonably practicable and, in any case, by no later than 31 December 2017.

The Loan Notes will have a term of 36 months. Subject to shareholder approval, the conditional conversion rights attaching to the Loan Notes will be crystallised and the convertible Loan Notes would be capable of conversion into ordinary shares of DX, at 10 pence per new DX share.

The aggregate issue of Loan Notes includes the refinancing of the £2.0 million unsecured term loan from Gatemore as noted above. The net funds raised will be used to meet the Group's near term material funding requirements, addressing a working capital shortfall, as well as capital expenditure and restructuring costs. The Loan Notes are not to be used for acquisitions or any other material capital item.

	2017	2016
	£m	£m
Term loan	5.8	7.6
Cash and cash equivalents	(2.0)	(4.3)
Invoice discounting facility	15.3	-
Revolving credit facility	-	6.5
Debt (net of cash)	19.1	9.8

CAPITAL EXPENDITURE

We have continued to invest in the business although, in light of reduced profits, capital expenditure was lower than in the prior year.

	2017	2016
	£m	£m
IT hardware and development costs	1.3	3.2
Property costs	1.4	1.6
Operations	0.7	1.2
Service development	1.0	0.5
Total capex	4.4	6.5

TAXATION

The effective tax rate for the year (on the results before exceptional items) was less than the prevailing 19.75% (pro rata) UK corporation tax rate. This reflects the impact of capital allowances from the long term capital investment programme and is because some of the profit derived in the year is from DX's operations in Ireland and therefore bears a lower rate of corporation tax.

EARNINGS PER SHARE

Adjusted earnings per share, which excludes amortisation of intangibles and exceptional items, was 0.1p (2016: 4.9p).

	2017	2016
	£m	£m
Results from operating activities before exceptional items	(0.5)	9.8
Add back/(deduct):		
- Amortisation of intangibles	1.6	2.1
- Finance costs	(0.9)	(0.5)
- Share of results from associates	(0.2)	0.1
Adjusted profit before tax	-	11.5
Tax charge	0.2	(1.7)
Adjusted profit after tax	0.2	9.8
Adjusted earnings per share (pence)	0.1	4.9
Basic earnings per share (pence)	(0.6)	3.8

DIVIDENDS

In light of current trading and, in line with our statement in our trading update on 7 February 2017, the Board will not be recommending the payment of dividends for the foreseeable future. However, this policy will be kept under review as appropriate.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2017

		2017			2016
	Notes	Trading £m	Exceptional items £m	Total £m	Total £m
Revenue		**291.9**	**-**	**291.9**	**287.9**
Operating costs	5	**(292.4)**	**(80.7)**	**(373.1)**	(370.2)
Results from operating activities		**(0.5)**	**(80.7)**	**(81.2)**	**(82.3)**
Analysis of results from operating activities					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		**7.2**	**-**	**7.2**	18.0
Depreciation		**(2.9)**	**-**	**(2.9)**	(3.0)
Amortisation of software and development costs		**(3.2)**	**-**	**(3.2)**	(3.1)
Amortisation of other intangibles		**(1.6)**	**-**	**(1.6)**	(2.1)
Impairment	6	**-**	**(74.4)**	**(74.4)**	(88.4)
Other exceptional items (income)	6	**-**	**1.0**	**1.0**	-
Other exceptional items (expenses)	6	**-**	**(7.3)**	**(7.3)**	(3.7)
Results from operating activities		**(0.5)**	**(80.7)**	**(81.2)**	**(82.3)**
Net finance costs		**(0.9)**	**-**	**(0.9)**	(0.5)
Share of results from associates		**(0.2)**	**-**	**(0.2)**	0.1
Loss before tax		**(1.6)**	**(80.7)**	**(82.3)**	**(82.7)**
Tax expense	7	**0.2**	**1.0**	**1.2**	(1.7)
Loss for the year		**(1.4)**	**(79.7)**	**(81.1)**	**(84.4)**
Other comprehensive expense not subsequently reclassified					
Foreign currency translation differences		**-**	**-**	**-**	(0.1)
Total comprehensive expense for the year		**(1.4)**	**(79.7)**	**(81.1)**	**(84.5)**
Earnings/(loss) per share (pence):					
Basic (and diluted)	8	**(0.6)**	**(39.7)**	**(40.3)**	(42.1)
Adjusted earnings per share				**0.1**	4.9

Adjusted earnings per share is calculated after excluding exceptional items and the amortisation of other intangibles.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Notes	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment		**12.0**	17.3
Intangible assets and goodwill		**38.7**	113.3
Investments in associates		**-**	2.0
Deferred tax assets		**1.4**	1.3
Total non-current assets		**52.1**	133.9
Current assets			
Assets held for sale		**3.5**	-
Trade and other receivables		**43.3**	39.1
Current tax receivable		**1.8**	-
Cash and cash equivalents		**2.0**	4.3
Total current assets		**50.6**	43.4
Total assets		**102.7**	**177.3**
Equity			
Share capital		**2.0**	2.0
Share premium		**-**	-
Translation reserve		**-**	-
Retained earnings		**14.0**	98.1
Total equity		**16.0**	100.1
Non-current liabilities			
Loans and borrowings	9	**4.8**	6.2
Provisions		**6.3**	3.2
Total non-current liabilities		**11.1**	9.4
Current liabilities			
Current tax liabilities		**-**	0.7
Loans and borrowings	9	**15.9**	7.7
Trade and other payables		**40.1**	36.6
Deferred income		**19.6**	22.8
Total current liabilities		**75.6**	67.8
Total liabilities		**86.7**	**77.2**
Total equity and liabilities		**102.7**	**177.3**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 July 2015	2.0	181.4	0.1	10.7	194.2
Loss for the year	-	-	-	(84.4)	(84.4)
Other comprehensive expense	-	-	(0.1)	-	(0.1)
Share premium cancellation	-	(181.4)	-	181.4	-
Dividends	-	-	-	(10.0)	(10.0)
Share-based payment transactions	-	-	-	0.4	0.4
At 30 June 2016	**2.0**	**-**	**-**	**98.1**	**100.1**
Loss for the year	-	-	-	(81.1)	(81.1)
Other comprehensive expense	-	-	-	-	-
Dividends	-	-	-	(3.0)	(3.0)
At 30 June 2017	**2.0**	**-**	**-**	**14.0**	**16.0**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Notes	2017 £m	2016 £m
Cash generated from operations	10	**-**	**14.7**
- Interest paid		**(0.6)**	(0.4)
- Tax paid		**(1.4)**	(3.6)
Net cash (used in)/generated from operating activities		**(2.0)**	**10.7**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**0.9**	0.8
Acquisition of property, plant and equipment		**(1.8)**	(2.3)
Software and development expenditure		**(2.6)**	(4.2)
Acquisitions of Legal Post and First Post		**(0.3)**	(3.1)
Net cash used in investing activities		**(3.8)**	**(8.8)**
Net (decrease)/increase in cash before financing activities		**(5.8)**	**1.9**
Cash flows from financing activities			
Movement on revolving credit facility		**(6.5)**	6.5
Movement on invoice discounting facility		**15.3**	-
Repayment of bank borrowings		**(1.8)**	(1.2)
Equity dividends paid		**(3.0)**	(10.0)
Loan issue costs paid		**(0.5)**	-
Net cash generated from/(used in) financing activities		**3.5**	**(4.7)**
Net decrease in cash and cash equivalents		**(2.3)**	**(2.8)**
Cash and cash equivalents at beginning of period		**4.3**	7.0
Effect of exchange rate fluctuations on cash held		**-**	0.1
Cash and cash equivalents at end of period		**2.0**	**4.3**

NOTES TO THE FINANCIAL INFORMATION

1 Basis of preparation

This unaudited preliminary consolidated financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS) and the IFRS Interpretation Committee (IFRIC) interpretations as endorsed by the European Union (EU). The accounting policies applied in these condensed financial statements are the same as those set out in the annual report and accounts for the year ended 30 June 2016.

The company's statutory accounts have been audited for the year ended 30th June 2017 and though the audit opinion was unmodified the auditor drew attention to a material uncertainty related to going concern. This material uncertainty was in relation to the need for shareholder approval of the convertibility of the tranche 2 Loan Notes (see Chairman's statement) as a condition precedent for their issue.

This preliminary consolidated financial information does not constitute statutory consolidated financial statements for the year ended 30 June 2017 as defined in section 434 of the Companies Act 2006. The 2017 financial statements for DX (Group) plc have yet to be filed with the registrar of companies, they will be filed with the Registrar in due course.

2 Principal accounting policies

The accounting policies applied in these condensed financial statements are the same as those set out in the annual report and accounts for the year ended 30 June 2016.

Critical accounting estimates and assumptions

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*: The Group tests annually whether goodwill has suffered any impairment. In assessing impairment, the majority of goodwill has been allocated to the cash-generating unit which is the Group. The remaining goodwill of £2.4m relates to the Legal Post and First Post acquisitions, which is allocated to a separate CGU. The recoverable amount of the 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 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.

(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.

3 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
- IFRS 16 'Leases' – new standard for lease accounting

The Group is currently assessing the impact of adopting IFRS 16, which will result in the recognition of assets and liabilities relating to leases which are currently being accounted for as operating leases, to have a material impact on the consolidated results and financial position of the Group. The implementation of the other new standards is not expected to have a material impact:

- 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. The Group does not expect IFRS 15 to have a significant impact on the total revenue recognised for customer contracts
- IFRS 9 will result in changes to the measurement and disclosure of financial instruments, and introduces a new expected loss impairment model. The Group does not currently expect adoption of the standard to have a significant impact on its consolidated results or financial position, but it will result in increased disclosures.

4 Segment information

	2017 £m	**2016 £m**
Revenue:		
Parcels and freight	**160.3**	159.3
Mail and packets	**113.4**	113.8
Logistics	**18.2**	14.8
Total revenue	**291.9**	**287.9**
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**7.2**	18.0
Depreciation and amortisation	**(7.7)**	(8.2)
Exceptional items	**(80.7)**	(92.1)
Results from operating activities	**(81.2)**	**(82.3)**
Finance charges (net)	**(0.9)**	(0.5)
Share of profits from associates	**(0.2)**	0.1
Loss before tax	**(82.3)**	**(82.7)**

The Board of Directors is considered to be the chief operating decision maker ("the CODM"). Due to the integrated nature of the operations the CODM considers there to be only one operating unit and reviews profitability, assets and liabilities on a Group basis. The CODM also considers there to be only one material geographical segment, being the United Kingdom and the Republic of Ireland.

5 Operating costs

	2017 £m	2016 £m
Other external charges	**190.8**	181.7
Employee benefit expense	**79.7**	74.7
Depreciation of property, plant and equipment	**2.9**	3.0
Amortisation of intangible assets	**4.8**	5.2
Profit on sale of property, plant and equipment	**(0.2)**	(0.1)
Operating lease rentals	**21.1**	17.4
Other operating income	**(0.4)**	(0.1)
Impairment charges	**74.4**	88.4
Total operating costs	**373.1**	**370.2**
Trading activities	**292.4**	278.1
Exceptional items (see note 6)	**80.7**	92.1
Total operating costs	**373.1**	**370.2**

6 Exceptional items

	2017 £m	2016 £m
Impairment charges	**74.4**	88.4
Property dilapidations provision	**2.8**	-
Restructuring, professional costs and other	**2.6**	-
Senior management departures	**1.0**	-
CMA investigation	**0.6**	-
Additional auto enrolment costs	**0.3**	-
VAT refund	**(1.0)**	-
Planning and acquisition costs on proposed hub	**-**	3.3
Share-based payments accelerated charge	**-**	0.4
	80.7	**92.1**

Impairment charges

During the year management reviewed the carrying value of the Group's goodwill and concluded that an impairment charge of £72.4 million was required (2016: £88.4 million). This charge followed the continued challenging industry conditions and decline in profits since the prior year which suggested a further indicator of impairment. The recoverable amount of goodwill (in both the current and prior year) is calculated with reference to its value in use based on future cash flow projections.

In addition, management concluded that the Group's non-controlling interest in associate Gnewt Cargo Limited ("Gnewt") should be fully impaired following a period of challenging trading for Gnewt, representing a £2.0 million impairment charge. Subsequent to the year end on 31 August 2017 the Group disposed of its interest in Gnewt for £1.

Property dilapidations provision

Provisions have been made for dilapidation costs in respect of leasehold properties that we have vacated or where there is a possible exit within two years. This represents a change in methodology of the provision estimate from a general provision in the prior year to specific provisions in the current year.

Restructuring, professional costs and other

Professional fees of £1.1 million were incurred relating to the proposed reverse takeover of John

Menzies Distribution Limited ("MDL") that was announced on 31 March 2017. As previously reported on 14 August 2017 discussions with MDL were terminated.

Costs of £1.3 million were incurred as a result of restructuring and professional costs relating to the refinancing of the Group.

£0.2 million of other costs were incurred in respect of external legal fees.

Senior management departures
Amounts of £1.0 million represent payments to former members of the Executive Team following their departure from the Group.

CMA investigation
As previously reported, in July 2016 the Competition & Markets Authority ("CMA") commenced a review of the acquisitions of Legal Post and First Post, serving an Initial Enforcement Order at the same time, which halted our integration process. This order was revoked in September allowing us to recommence the integration process. The Group incurred £0.6m of costs in the period as a result of this process.

Additional auto enrolment costs
Additional auto enrolment costs are in relation to the underpayment of contributions in the financial years 30 June 2014 to 30 June 2016.

VAT refund
Prior to the end of the financial year the Group was notified of a VAT refund arising from a long standing dispute with HMRC in respect of VAT paid on professional fees. Amounts of £1.0 million were received subsequent to the year end.

Planning and acquisition costs on proposed hub
This £3.3 million cost in the prior year included planning and acquisition costs relating to a proposed new hub which were expensed following the decision by the local authority not to approve and grant planning permission.

Share-based payments accelerated charge
This non-cash charge relating to share-based payment arrangements followed the cancellation of the Company Share Option Plan ("CSOP") and Share purchase plan (equity-settled) ("SAYE") in the prior year. The £0.4 million accelerated charge represented the remaining amount of the total grant-date fair value of the share-based payment awards granted to employees not previously recognised as an expense, with a corresponding amount added back in equity. The Value Creation Plan ("VCP") as referred to in the Governance Report remains in operation.

7 Income tax expense

(a) Analysis of charge in year

	2017 £m	2016 £m
Current tax		
United Kingdom corporation tax		
Current year	**1.5**	(1.5)
Adjustments in respect of prior periods	**0.1**	0.2
Total United Kingdom corporation tax	**1.6**	(1.3)
Overseas taxation	**(0.5)**	(0.4)
Total current tax	**1.1**	**(1.7)**
Deferred tax		
Current year	**0.5**	(0.1)
Adjustments in respect of prior periods	**(0.3)**	0.3
Changes in tax rates	**(0.1)**	(0.2)
Total deferred tax	**0.1**	**-**
Tax expense	**1.2**	**(1.7)**
Trading	**0.2**	(1.7)
Exceptional items	**1.0**	-
Tax expense	**1.2**	**(1.7)**

(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:

	2017 £m	2016 £m
Loss before tax	**(82.3)**	(82.7)
Loss before tax at the standard rate of UK corporation tax of 19.75% (2016: 20.0%)	**16.3**	16.5
Factors affecting charge for year:		
Impairment charges not deductible for tax purposes	**(14.7)**	(17.7)
Other exceptional charges not deductible for tax purposes	**(0.2)**	(0.7)
Adjustments in respect of prior years	**(0.2)**	0.1
Effect of different tax rates	**(0.1)**	(0.2)
Other	**0.1**	0.3
Tax expense	**1.2**	**(1.7)**

(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 2017 has been calculated based on these rates.

8 Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 30 June 2017 is based on the loss after exceptional items for the year of £81.1 million (2016: £84.4 million loss) and average number of shares in issue of 200.5 million (2016: 200.5 million).

9 Loans and borrowings

Third party

	2017 £m	2016 £m
Non-current liabilities		
Bank loans	**5.2**	6.4
Deferred loan issue costs	**(0.4)**	(0.2)
	4.8	**6.2**
Current liabilities		
Invoice discounting facility	**15.3**	-
Revolving credit facility	**-**	6.5
Bank loans	**0.6**	1.2
	15.9	**7.7**

10 Cash generated from operating activities

	2017 £m	2016 £m
Cash flows from operating activities		
Loss for the period	**(81.1)**	(84.4)
Adjustments for:		
- Impairment charges	**74.4**	88.4
- Depreciation	**2.9**	3.0
- Amortisation of intangible assets	**4.8**	5.2
- Finance costs	**0.9**	0.5
- Tax (credit)/expense	**(1.2)**	1.7
- Gain on sale of property, plant and equipment	**(0.2)**	(0.1)
- Share of profits from associates	**0.2**	(0.1)
- Equity-settled share-based payment transactions	**-**	0.4
Net cash profit	**0.7**	**14.6**
Changes in:		
- Trade and other receivables	**(4.1)**	(0.3)
- Trade and other payables	**3.6**	1.8
- Deferred income	**(3.2)**	(1.2)
- Provisions	**3.0**	(0.2)
Net change in working capital	**(0.7)**	**0.1**
Cash generated from operations	**-**	**14.7**

11 Financial instruments

Short term debtors and creditors 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

	2017 £m	2016 £m
Fixed rate	**-**	-
Floating rate	**5.8**	7.6
Total	**5.8**	**7.6**

(b) Fair values

Financial instruments utilised by the Group during the years ended 30 June 2016 and 30 June 2017, 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 of A3 and Ba1.

£0.5 million (2016: £1.0 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 2017 would have reduced equity and profit by £0.1 million (2016: £0.1 million).

A 1% increase or reduction in the interest rate applicable to the Group's borrowings would have had a £0.2 million (2016: £0.1 million) impact on the profit for the year.

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

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

	2017 £m	**2016 £m**
Neither past due nor impaired	**21.4**	19.6
Past due 1 - 30 days	**1.3**	1.3
Past due 31 – 90 days	**0.7**	0.3
Past due more than 90 days	**0.1**	-
	23.5	**21.2**

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 2015	**-**	0.5
Increase in provision	**-**	0.1
At 30 June 2016	**-**	0.6
At 1 July 2016	**-**	0.6
Increase in provision	**0.3**	-
Decrease in provision	**-**	(0.4)
At 30 June 2017	**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.