2 October 2018
AIM: DX.

DX (Group) plc
("DX" or "the Group" or "the Company")
A leading provider of delivery solutions,
including parcel freight, secure, courier and logistics services

Preliminary Results for the year to 30 June 2018

Key Points

Summary

- Year of significant change with a fundamental business turnaround commenced under a new leadership team
- Encouraging signs of business and financial improvement have started to come through

Financial

- Revenue of £299.5m (2017: £291.9m) – slightly ahead of market expectations
- EBITDA[1] loss of £4.9m (2017: profit of £7.2m) – smaller than market expectations
- Exceptional (non-recurring) items of £5.7m (2017: £80.7m) – principally related to non-cash impairment charges to intangible assets
- Loss before tax after exceptional items of £19.9m (2017: loss of £82.3m)
- Loss after tax of £19.5m (2017: loss of £81.1m)
- Loss per share 8.1p (2017: 40.3p)
- Balance sheet significantly strengthened – following equity fundraising and redemption of loan notes
- Net debt at 30 June 2018 of £1.1m (2017: £19.1m) – ahead of market expectations

[1] *Earnings before interest, depreciation, amortisation, exceptional items and share-based payments charge.*

Operational

- New Board appointed in October 2017
- 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
- DX Freight – revenue of £137.8m and EBITDA loss of £14.2m
    - significant growth in Logistics business
- DX Express – revenue of £161.7m and EBITDA profit of £29.3m
    - DX Exchange attrition was in line with expectations
- Group remains well positioned to make further progress with its turnaround strategy and trading since the start of the new financial year has been encouraging

Ron Series, Chairman, commented:

"*This year has been one of significant change for DX. The Company is now on the road to recovery, as our turnaround initiatives start to gain traction.*

"The Group's performance is slightly ahead of market expectations, with revenue modestly ahead and the underlying loss lower than we anticipated. This reflects the growth in our Logistics business and the initial benefits of our turnaround plan.

"We are encouraged by 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."

Enquiries:

DX (Group) plc Ron Series, Chairman Lloyd Dunn, Chief Executive Officer David Mulligan, Chief Financial Officer	T: 020 3178 6378 (c/o KTZ Communications)
finnCap (Nominated Adviser to DX) Matt Goode/Simon Hicks/Hannah Boros (Corporate Finance) Andrew Burdis/Camille Gochez (Corporate Broking)	T: 020 7220 0500
KTZ Communications Katie Tzouliadis Emma Pearson	T: 020 3178 6378

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

CHAIRMAN'S STATEMENT

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. 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 £1.1 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 SERIES
EXECUTIVE CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REVIEW

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
DX Logistics	Comprehensive logistics solutions, including warehouse management and the operation of customer-liveried 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.4,000 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

FINANCIAL REVIEW

SUMMARY

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.

Underlying results from operating activities was a loss of £10.9 million (2017: £1.1 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 £1.1 million (2017: £19.1 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).

	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)**	1.1
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

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 £m	**2017 £m**
DX Express	**161.7**	170.5
DX Freight	**137.8**	121.4
Revenue	**299.5**	**291.9**

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 10 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 11)	**(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 £1.1 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, Gatemore Capital Management LLP ("Gatemore"), 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 Gatemore 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 8 and 10.

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).

	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)

DIVIDENDS

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

DAVID MULLIGAN
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2018

	Notes	2018 Trading £m	2018 Exceptional items £m	2018 Total £m	2017 Total £m
Revenue		**299.5**	**-**	**299.5**	291.9
Operating costs	5	**(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	6	**-**	**(5.3)**	**(5.3)**	(74.4)
Other exceptional items (income)	6	**-**	**0.9**	**0.9**	1.0
Other exceptional items (expenses)	6	**-**	**(1.3)**	**(1.3)**	(7.3)
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 associates		**-**	**-**	**-**	(0.2)
Loss before tax		**(12.3)**	**(7.6)**	**(19.9)**	**(82.3)**
Tax (expense)/credit	7	**(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)	9	**(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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	2018 £m	2017 £m
Non-current assets			
Property, plant and equipment		**8.9**	12.0
Intangible assets and goodwill		**31.7**	38.7
Investments in associates		**-**	-
Deferred tax assets		**2.6**	1.4
Total non-current assets		**43.2**	52.1
Current assets			
Assets held for sale		**-**	3.5
Trade and other receivables		**41.9**	43.3
Current tax receivable		**1.1**	1.8
Cash and cash equivalents		**2.0**	2.0
Total current assets		**45.0**	50.6
Total assets		**88.2**	**102.7**
Equity			
Share capital	8	**5.7**	2.0
Share premium		**25.2**	-
Translation reserve		**-**	-
Retained earnings		**(6.0)**	14.0
Total equity		**24.9**	16.0
Non-current liabilities			
Loans and borrowings	10	**-**	4.8
Provisions		**3.6**	6.3
Total non-current liabilities		**3.6**	11.1
Current liabilities			
Current tax payable		**0.1**	-
Loans and borrowings	10	**3.0**	15.9
Trade and other payables		**36.5**	40.1
Deferred income		**18.8**	19.6
Provisions		**1.3**	-
Total current liabilities		**59.7**	75.6
Total liabilities		**63.3**	**86.7**
Total equity and liabilities		**88.2**	**102.7**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2018

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 July 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**
Loss for the year	-	-	-	(19.5)	**(19.5)**
Other comprehensive expense	-	-	-	-	**-**
Issue of shares	3.7	25.6	-	-	**29.3**
Share issue expenses	-	(0.4)	-	-	**(0.4)**
Loan Note cancellation adjustment	-	-	-	(0.7)	**(0.7)**
Share-based payment transactions	-	-	-	0.2	**0.2**
At 30 June 2018	**5.7**	**25.2**	**-**	**(6.0)**	**24.9**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2018

	Notes	2018 £m	2017 £m
Cash (used in)/generated from operations	11	**(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		**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		**(5.8)**	(1.8)
Issue of Loan Notes (subsequently cancelled and replaced with equity)		**24.0**	-
Issue of Share Capital		**4.5**	-
Costs of issue of Share Capital, Loan Notes and refinancing		**(1.2)**	(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 period		**2.0**	**2.0**

NOTES TO THE FINANCIAL INFORMATION

1 Basis of preparation

This 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 financial information set out above does not constitute the company's statutory consolidated accounts for the years ended 30 June 2018 or 2017 but is derived from those accounts. Statutory consolidated accounts for 2017 have been delivered to the registrar of companies, and those for 2018 will be delivered in due course. The auditor has reported on those accounts; the report for 2018 was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The report for 2017 was (i) unqualified and (ii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. However, it did contain a reference to a material uncertainty related to going concern without qualifying their report.

2 Significant accounting policies

The accounting policies applied in these condensed financial statements are consistent with those set out in the annual report and accounts for the year ended 30 June 2017.

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
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. The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. 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.

(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; 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.

4 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.

5 Operating costs

	2018 £m	2017 £m
Other external charges	**195.1**	190.8
Employee benefit expense	**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 activities	**310.9**	292.4
Exceptional items (see note 6)	**5.7**	80.7
Total operating costs	**316.6**	**373.1**

6 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 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.

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 10). £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.

7 Tax credit/(expense)

(a) Analysis of charge in year

	2018	**2017**
	£m	**£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 6)	**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 charges 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 2017 has been calculated based on these rates.

8 Share capital

	2018 £m	**2017 £m**
Ordinary Shares of £0.01 each – allotted, called up and fully paid	**5.7**	**2.0**

On 23 May 2018 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 10 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.

9 Earnings per share

Basic earnings 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).

10 Loans and borrowings

Third party

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

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

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 8.

11 Cash (used in)/generated from operating activities

	2018 £m	2017 £m
Cash flows from operating activities		
Loss for the period	**(19.5)**	(81.1)
Adjustments for:		
- Exceptional impairment charges	**5.3**	74.4
- Depreciation	**2.9**	2.9
- Amortisation of intangible assets	**3.4**	4.8
- Finance costs	**2.8**	0.9
- Tax credit	**(0.4)**	(1.2)
- 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**
Changes in:		
- Trade and other receivables	**1.4**	(4.1)
- Trade and other payables	**(3.6)**	3.6
- Deferred income	**(0.8)**	(3.2)
- Provisions	**(1.4)**	3.0
Net change in working capital	**(4.4)**	**(0.7)**
Cash (used in)/generated from operations	**(10.4)**	**-**

12 Annual General Meeting

The Company's 2018 Annual General Meeting will be held at finnCap, 60 New Broad Street, London EC2M 1JJ on 4 December 2018 at 11 a.m.