



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 2019

SUBSTANTIAL PROGRESS ACHIEVED IN FIRST FULL FINANCIAL YEAR OF TURNAROUND

Key Points

Financial

	FY 2019	FY 2018	Change
Revenue	£322.5	£299.5m	+ £23.0m
EBITDA ¹	£3.3m	£(4.9)m	+£8.2m
Underlying operating profit/(loss) ¹	£0.2m	£(10.9)m	+£11.1m
Reported loss from operating activities	£(1.3)m	£(11.4)m	+£10.1m
(Loss) before tax	£(1.7)m	£(19.9)m	+£18.2m
(Loss) per share – basic	(0.4)p	(8.1)p	+7.7p
Net debt ¹	£1.3m	£1.1m	+£0.2m
Cash flow from operating activities	£3.2m	£(12.0)m	+£15.2m

- Revenue increase was driven by a significantly improved contribution from DX Freight
- Move to positive EBITDA¹ and underlying operating profit mainly reflected turnaround progress at DX Freight where losses decreased by 45%
- Operating cash flow was substantially better at £3.2 million (2018: £12.0 million outflow)
- Net debt¹ at year end was significantly better than market expectations at £1.3 million (30 June 2018: £1.1 million, 31 December 2018: £3.5 million)
- Significant increase in capital expenditure to £3.5 million (2018: £1.8 million) – invested in property, IT and operational equipment

Operational

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

1 The Group uses alternative performance measures ("APMs") to measure performance. See notes 1 and 11 for details of APMs used, including reconciliations of these APMs to IFRS reported measures.

Ron Series, Chairman, commented:

“This year has been one of significant change for DX as our turnaround initiatives gained traction, and we are pleased to be reporting results that are slightly ahead of market expectations. These encouraging results were helped in particular by a significant turnaround in the performance at DX Freight, and a better outcome at DX Exchange, where we have slowed attrition rates.

“The Company is well on the road to recovery, and we are now planning for significant capital investment over the next two years, which will help to underpin DX’s return to long term, sustainable profitable growth.

“DX is well-positioned to make further progress over the new financial year and we remain confident in meeting the short and long term goals we have set ourselves.”

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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

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

Eighteen months on since announcing our detailed turnaround plans with last year's interim results in March 2018, the Group's financial performance has significantly improved. DX has moved back to positive EBITDA with £3.3 million against last year's EBITDA loss of £4.9 million, an £8.2 million improvement, and revenue is up 8% year-on-year to £322.5 million (2018: £299.5 million). Operating cash flow was substantially better at £3.2 million (2018: £12.0 million outflow). Net debt of £1.3 million at the year-end (2018: £1.1 million) is better than we originally projected, and is after capital investment of £3.5 million.

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

DELIVERING OUR OBJECTIVES

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

In May 2019, we were informed that our re-tender for the contract with HMPO, which was based on commercially realistic terms, had not been successful and, accordingly, after 14 years of providing an excellent service, the contract will expire in January 2020 after a transition period. Despite this disappointing outcome, we have maintained our guidance on existing market expectations for the financial year to 30 June 2020, demonstrating the progress that we are making elsewhere in the business.

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

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

FINANCIAL PERFORMANCE

Revenue for the year to 30 June 2019 increased by 8% to £322.5 million (2018: £299.5 million), and the Group returned to positive EBITDA of £3.3 million (2018: loss of £4.9 million). This significant turnaround mainly reflected the substantial improvement in the performance of the DX Freight division, where the EBITDA loss reduced by 45%, helped by growth in DX 1-Man and DX Logistics activities. The ongoing turnaround of this division remains a core focus. The DX Express division contributed positively and the actions we have taken to address attrition in annuity income at DX Exchange have produced a better-than-expected outcome.

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

The loss before tax decreased markedly to £1.7 million (2018: loss of £19.9 million after exceptional items), as did the statutory loss after taxation, which reduced to £2.5 million (2018: loss of £19.5 million), a turnaround of £17.0 million year-on-year.

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

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

DIVIDEND POLICY

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

EMPLOYEES

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

AGM

The Company's 2019 Annual General Meeting will be held on 28 November 2019 at 11.00am at finnCap, 60 New Broad Street, London EC2M 1JJ.

OUTLOOK

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

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

RONALD SERIES

EXECUTIVE CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REVIEW

INTRODUCTION

Since joining the business in mid-October 2017, the new team has made significant strides with the turnaround plan announced in March 2018, but there is still much to do. The organisational and management changes we made a year ago centred on establishing local responsibility and accountability at depot and service centre level and investing in the sales and commercial functions. These changes are working very well and have helped to deliver a healthy level of new business and growth in revenue. In securing new business, we have focused on increasing our B2B activity and on agreeing appropriate commercial rates to utilise the capacity within our delivery network.

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

The performance of each division is detailed below.

DX FREIGHT

DX Freight comprises the following three services:

- | | |
|--------------|--|
| DX 1-Man | National and international, next-day delivery services, specialising in irregular dimensions and weight ("IDW") items, which are generally unsuitable for fully automated sortation systems. Alongside this are services for the regular parcels market; |
| DX 2-Man | Home delivery services for large items, weighing up to 150kg; and |
| DX Logistics | Comprehensive logistics solutions, including warehouse management and the operation of customer-liveried vehicles and uniformed personnel. |

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

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

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

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

invested in 160 new 7.5 tonne vehicles, which went into service in the last quarter of the financial year. The new vehicles are helping to boost both delivery performance and the overall productivity of the fleet.

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

DX EXPRESS

DX Express comprises the following four services:

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

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

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

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

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

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

CENTRAL OVERHEADS

Central overheads were £15.8 million (2018: £20.0 million), which reflects the full year benefit of the structural changes we made in the previous year and lower spending across all overhead categories. We exercised

particularly tight cost control in the first year of the turnaround as we assessed priorities. We expect these costs will rise in the coming year as we particularly invest in IT resources and increase spending in order to deliver the system changes that are now planned.

SUMMARY

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

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

LLOYD DUNN

CHIEF EXECUTIVE OFFICER

FINANCIAL REVIEW

SUMMARY

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

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

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

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

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

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

1 See notes 1 and 11 for details of alternative performance measures (“APMs”) used, including reconciliations of these APMs to IFRS reported measures.

REVENUE BY SEGMENT

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

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

EXCEPTIONAL ITEMS

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

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

CASH FLOW

	2019	2018
	£m	£m
Net cash profit/(loss) – note 10)	3.3	(6.0)
Net change in working capital	(0.2)	(4.4)
Interest paid	(0.4)	(1.5)
Tax received/(paid) – net	0.5	(0.1)
Net cash from operating activities	3.2	(12.0)

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

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

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

NET ASSETS

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

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

NET DEBT

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

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

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

¹ See notes 1 and 11 for details of APMs used, including reconciliations of these APMs to IFRS reported measures.

CAPITAL EXPENDITURE

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

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

EARNINGS PER SHARE

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

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

DIVIDENDS

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

DAVID MULLIGAN
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	2019	2018		
		Total £m	Trading £m	Exceptional items £m	Total £m
Revenue	4	322.5	299.5	-	299.5
Operating costs	6	(323.8)	(310.9)	(5.7)	(316.6)
Loss from operating activities		(1.3)	(11.4)	(5.7)	(17.1)
Analysis of loss from operating activities					
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		3.3	(4.9)	-	(4.9)
Depreciation		(2.2)	(2.9)	-	(2.9)
Amortisation of software and development costs		(0.9)	(3.1)	-	(3.1)
Amortisation of acquired intangibles		(0.3)	(0.3)	-	(0.3)
Share-based payments charge		(1.2)	(0.2)	-	(0.2)
Impairment	7	-	-	(5.3)	(5.3)
Other exceptional items (income)	7	-	-	0.9	0.9
Other exceptional items (expenses)	7	-	-	(1.3)	(1.3)
Loss from operating activities		(1.3)	(11.4)	(5.7)	(17.1)
Finance costs		(0.4)	(0.9)	(1.9)	(2.8)
Loss before tax		(1.7)	(12.3)	(7.6)	(19.9)
Tax (expense)/credit		(0.8)	(0.5)	0.9	0.4
Loss for the year		(2.5)	(12.8)	(6.7)	(19.5)
Other comprehensive expense not subsequently reclassified					
Other comprehensive expense		-	-	-	-
Total comprehensive expense for the year		(2.5)	(12.8)	(6.7)	(19.5)
Loss per share (pence):					
Basic (and diluted)	8	(0.4)	(5.3)	(2.8)	(8.1)
Adjusted	8	(0.2)			(5.1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 June 2019**

	Notes	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment		9.7	8.9
Intangible assets and goodwill		31.0	31.7
Deferred tax assets		2.3	2.6
Total non-current assets		43.0	43.2
Current assets			
Trade and other receivables		43.1	41.9
Current tax receivable		0.1	1.1
Cash and cash equivalents		1.8	2.0
Total current assets		45.0	45.0
Total assets		88.0	88.2
Equity			
Share capital		5.7	5.7
Share premium		25.2	25.2
Translation reserve		-	-
Retained earnings		(7.3)	(6.0)
Total equity		23.6	24.9
Non-current liabilities			
Provisions		5.0	3.6
Total non-current liabilities		5.0	3.6
Current liabilities			
Current tax payable		-	0.1
Loans and borrowings	9	3.1	3.0
Trade and other payables		38.1	36.5
Deferred income		17.2	18.8
Provisions		1.0	1.3
Total current liabilities		59.4	59.7
Total liabilities		64.4	63.3
Total equity and liabilities		88.0	88.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**For the year ended 30 June 2019**

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 July 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
Loss for the year	-	-	-	(2.5)	(2.5)
Other comprehensive expense	-	-	-	-	-
Share-based payment transactions	-	-	-	1.2	1.2
At 30 June 2019	5.7	25.2	-	(7.3)	23.6

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2019 £m	2018 £m
Cash generated from/(used in) operations	10	3.1	(10.4)
- Interest paid		(0.4)	(1.5)
- Tax received/(paid)		0.5	(0.1)
Net cash generated from/(used in) operating activities		3.2	(12.0)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	4.5
Acquisition of property, plant and equipment		(2.9)	(1.6)
Software and development expenditure		(0.5)	(0.2)
Net cash (used in)/generated from investing activities		(3.4)	2.7
Net decrease in cash before financing activities		(0.2)	(9.3)
Cash flows from financing activities			
Movement on invoice discounting facility		-	(12.2)
Repayment of bank borrowings		-	(5.8)
Issue of Loan Notes (subsequently cancelled and replaced with equity)		-	24.0
Issue of Share Capital		-	4.5
Costs of issue of Share Capital, Loan Notes and refinancing		-	(1.2)
Net cash generated from financing activities		-	9.3
Net movement in cash and cash equivalents		(0.2)	-
Cash and cash equivalents at beginning of year		2.0	2.0
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at end of period		1.8	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 Interpretations 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 2019 or 2018 but is derived from those accounts. Statutory consolidated accounts for 2018 have been delivered to the registrar of companies, and those for 2019 will be delivered in due course. The auditor has reported on those accounts; the reports for 2018 and 2019 were (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 Group use alternative performance measures ("APMs") to measure performance. These APMs are applied consistently from one period to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and other items which are not expected to recur. Details of the APMs used by the Group along with reconciliations to the respective IFRS reported measures are shown in note 11.

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 2018, except as noted in note 3 below for new standards adopted.

Critical accounting estimates and assumptions

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

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

Critical accounting estimate: Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

New accounting standards adopted by the Group

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' from 1 July 2018. IFRS 9 results in changes to the measurement of financial instruments from loans and receivables to amortised cost, and introduces a new impairment model of the expected loss. Under IFRS 15 revenue is recognised when the customer obtains control of goods and services transferred by the Group and the related performance obligations have been satisfied. This differs from the current standard which considers when risks and rewards of goods and services are transferred as opposed to control of these goods and services per IFRS 15. Whilst there have been changes to accounting policies and disclosures, neither standard has had a material effect on the Group's financial statements. The Group has applied the cumulative effect method for IFRS 15, therefore comparative periods have not been restated, and are presented as previously reported. The group has applied the practical expedient where incremental costs of obtaining a contract have been recognised as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

New accounting standards in issue but not yet effective

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

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

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

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

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

4 Revenue

In the following table, revenue is disaggregated by service. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 5):

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

Revenue is recognised at a point in time for all services with the exception of DX Exchange which is recognised over time.

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

5 Segment information

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

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

The Board of Directors is considered to be the chief operating decision-maker (“the CODM”). The CODM considers there to be two separate reporting segments, DX Express and DX Freight. The profitability of these two divisions is reviewed and managed separately, with the exception of certain overheads which are integrated across the two divisions. EBITDA of the two divisions above is shown before any allocation of these central overheads between DX Express and DX Freight. Central overheads comprise costs relating to finance, legal, HR, property, internal audit, IT, procurement and administrative activities which cannot be specifically allocated to an individual division.

The CODM considers that assets and liabilities are reviewed on a Group basis therefore no segment information is provided for these balances. The CODM considers there to be only one material geographical segment, being the British Isles.

6 Operating costs		
	2019	2018
	£m	£m
Other external charges	200.7	195.1
Employee benefit expense	95.0	86.6
Depreciation of property, plant and equipment	2.2	2.9
Amortisation of intangible assets	1.2	3.4
Profit on sale of property, plant and equipment	-	(0.6)
Operating lease rentals	24.7	23.9
Impairment charges	-	5.3
Total operating costs	323.8	316.6
Trading	323.8	310.9
Exceptional items (see note 7)	-	5.7
Total operating costs	323.8	316.6
7 Exceptional items		
	2019	2018
	£m	£m
Impairment charges	-	5.3
Senior management departures	-	0.9
Restructuring, professional costs and other	-	0.4
Profit on sale of freehold properties	-	(0.9)
Exceptional items included in loss from operating activities	-	5.7
Finance costs	-	1.9
Tax	-	(0.9)
Total exceptional items	-	6.7

The Group did not incur any exceptional items in the year (2018: £6.7 million). Further details of prior year exceptional items are set out in the annual report and accounts for the year ended 30 June 2018.

8 Earnings per share

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

Adjusted loss per share is calculated based on the loss after tax, adjusted for certain non-cash charges and other items which are not expected to recur. Adjusted loss per share represents an alternative performance measure. Further details about the use of alternative performance measures are detailed in notes 1 and 11.

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

	2019	2018
	£m	£m
Loss for the year	(2.5)	(19.5)
Adjusted for:		
- Amortisation of acquired intangibles	0.3	0.3
- Exceptional items	-	6.7
- Share-based payments charge	1.2	0.2
Adjusted loss for the year	(1.0)	(12.3)
	2019	2018
	Number	Number
Weighted average number of Ordinary Shares in issue	573.7	239.4
Potentially dilutive share options	0.7	-
Weighted average number of diluted Ordinary Shares	574.4	239.4
	2019	2018
	p	p
Basic loss per share	(0.4)	(8.1)
Diluted loss per share	(0.4)	(8.1)
Adjusted loss per share	(0.2)	(5.1)

9 Loans and borrowings

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

The Group's only borrowing is a £20.0 million invoice discounting facility. The facility is a rolling facility with three months' notice on each side. The available balance is based on 90% of the outstanding trade receivables, adjusted to exclude amounts billed in advance and old debt. The amount drawn on the invoice discounting facility at 30 June 2019 was £3.1 million (2018: £3.1 million).

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

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

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

11 Alternative performance measures (“APMs”)

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

APM	IFRS reported measure	Location of reconciliation
EBITDA	Profit/(loss) from operating activities	Note 5
Adjusted LBT	Loss before tax	See below
Adjusted LPS	Loss per share	Note 8
Underlying operating profit/(loss)	Profit/(loss) from operating activities	Financial review
Net debt	Debt	Financial review

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

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