



DX (Group) plc  
Annual Report and Accounts 2015



DELIVERED  
EXACTLY™

# WHO WE ARE

DX is a leading independent parcel, mail and logistics services company operating throughout the UK and Ireland.

DX offers quality service, high security and an unrivalled range of services, providing proven next day and 2-Man deliveries to business and residential addresses nationwide.

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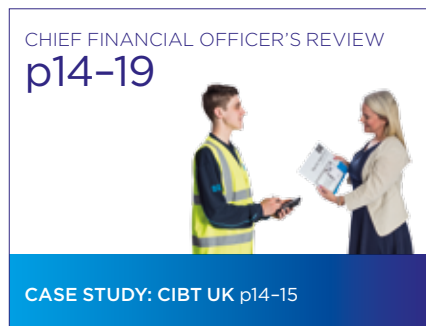
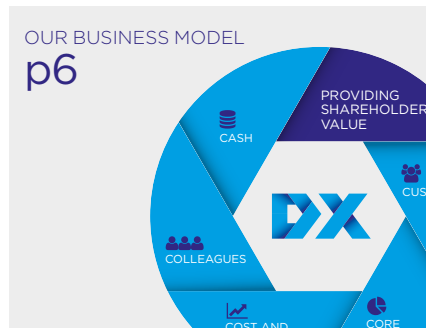
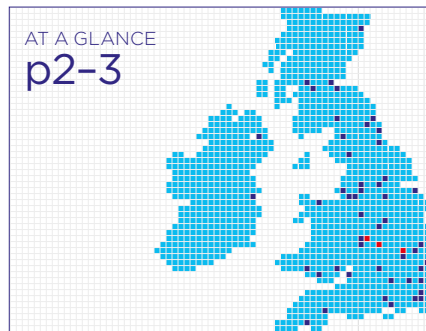
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## HIGHLIGHTS

DX made progress in the execution of its OneDX integration and development plan whilst maintaining strong service delivery.



### £297.5m

(2014: £304.2m)

ONGOING REVENUE

### £33.7m

(2014: £33.7m)

UNDERLYING EBITDA

### £26.7m

(2014: £27.7m)

ADJUSTED PBT

### £1.8m

(2014: £12.2m)

NET DEBT

### 10.9p

(2014: 10.7p)

ADJUSTED EARNINGS PER SHARE

### 6.0p

(2014: 2.0p<sup>1</sup>)

DIVIDEND PER SHARE

### FINANCIAL

- Revenues from ongoing activities of £297.5m (2014: £304.2m)
  - progress with new customer wins offsetting programme to exit commercially unattractive contracts
- Underlying EBITDA steady at £33.7m (2014: £33.7m)
- Adjusted PBT of £26.7m (2014: £27.7m) / Statutory PBT of £24.8m (2014: loss of £55.7m)
- Strong cash generation from operating activities of £27.7m (2014: £23.8m)
- Significant capital expenditure of £9.9m (2014: £8.7m) – to support OneDX programme
- Net debt reduced to £1.8m at year end (2014: £12.2m)
- Adjusted EPS of 10.9p (2014: 10.7p) / Statutory EPS of 9.9p (2014: loss of 70.2p)
- Proposed final dividend of 4p, taking the total for the year to 6p (2014: 2.0p<sup>1</sup>)

### OPERATIONAL

- Continued progress with OneDX programme
  - all trading entities integrated under one company structure
  - operational management brought under a single reporting structure
  - one brand and sales proposition
  - key functions centralised, including sales, operations, customer services, finance, HR and IT
  - ongoing network consolidation and development
- Acquisition of certain assets from City Link (in administration) and purchase of a 49.8% shareholding in Gnewt Cargo, a zero-emissions logistics company
- Ongoing IT investment to enhance service levels
- Proposed development of a major new hub – 44-acre site in the West Midlands acquired, subject to planning consent
- Board confident of strategy to deliver long-term growth

<sup>1</sup> Full year equivalent of 6p per share in 2014.



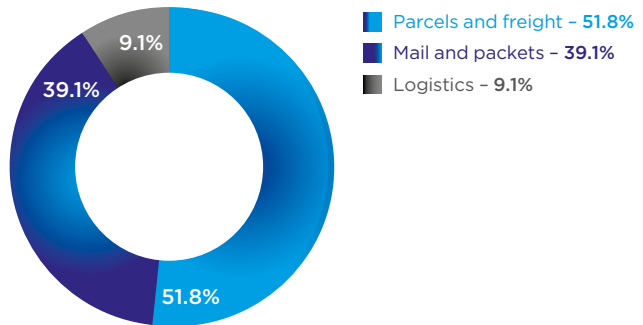
FOR MORE INFORMATION SEE  
CHIEF FINANCIAL OFFICER'S  
REVIEW p14-19

STRATEGIC REPORT

# AT A GLANCE

DX offers a broad range of delivery services to fit almost any business need. We take a partnership approach with our customers enabling us to develop products and solutions that offer real competitive advantage.

## REVENUE BREAKDOWN %



## PARCELS AND FREIGHT

### SERVICES

#### DX 1-MAN

Next-day delivery of large and awkward items up to 6m long, unsuitable for standard parcel carriers.

- Range of freight from parcels to pallets with access to international destinations
- Pre-9.30am, pre-12pm and end-of-day delivery options
- Specialist handling equipment on board to protect customer items
- Approximately two-thirds of deliveries are for the B2B market but the expansion in online shopping trends is significantly increasing the B2C market

#### DX COURIER

A fully tracked next day courier service, specialising in the delivery of packets, parcels and pouches to business locations.

- Primarily to branch networks, high streets, industrial areas and government premises
- Pre-9am, pre-12pm and end-of-day delivery options
- Specialist deliveries for pharmaceutical, optical, retail and gambling sectors

#### DX 2-MAN

Residential delivery of large items, weighing up to 150kg.

- Web booking tool which allows the delivery date and room of choice to be selected at point of order
- Email, text and call centre pre-advice and booking systems
- Additional options include premium service, assembly and wet fits for white goods



## MAIL AND PACKETS

### SERVICES

#### DX EXCHANGE

Private members' B2B mail and parcel delivery network.

- Over 4,200 exchanges across the UK and Ireland containing over 18,000 customer boxes
- Primarily in legal, financial and public sectors, also used as a site-to-site internal mail network
- Additional tracked mail services and tracked specimen deliveries for the health sector
- eDX allows users to send and share encrypted digital documents and emails

#### DX SECURE

- Secure courier delivery with 100% audit trail
- Pre-1pm, end-of-day and three-day delivery options
- Photographic and GPS evidence of delivery, with signature capture
- Online system to track items and book redeliveries

#### DX MAIL

- Low cost, second class mail alternative
- Downstream access for small and large volume users
- Online ordering system
- Primarily for finance, insurance, optical and retail sectors



**70+**

OVER 70 LOCATIONS ACROSS THE UK AND IRELAND

**2,800+**

OVER 2,800 VEHICLES IN OUR FLEET

**98.5%**

ON TIME COLLECTION/DELIVERY SLA

 **LOGISTICS**

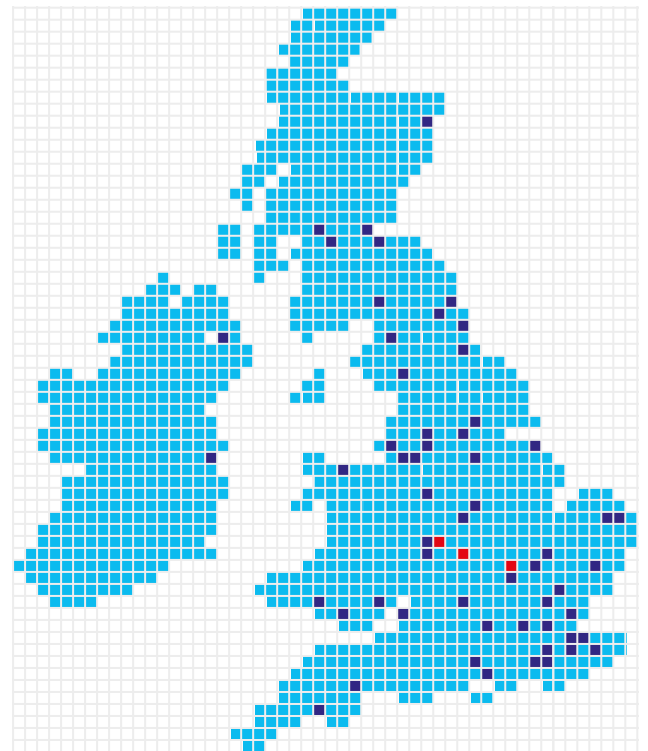
**SERVICES**



**DX LOGISTICS**

- Provides the full range of delivery solutions from basic warehousing, stock management (including pick and pack) and delivery
- Bespoke and flexible delivery operations
- Provision of customer-liveried vehicles and uniformed personnel
  - Full fleet management solutions
  - Integration with customers' business operations

**DX KEY LOCATIONS**

LOCATIONS IN THE UK AND IRELAND



LOCATIONS KEY  
 Service centres  
 Hubs



STRATEGIC REPORT

# CHAIRMAN'S STATEMENT

Financial results show a satisfactory performance whilst the OneDX integration and development plan is implemented.



**BOB HOLT | CHAIRMAN**

I am pleased to report DX's trading results for the year to 30 June 2015.

In a difficult trading environment, the group's financial results show a satisfactory performance. Revenues from ongoing activities totalled £297.5 million for the year (2014: £304.2 million from ongoing activities and £7.8 million from activities ceased during 2014). The 2% net decline in ongoing revenue masks progress with new customer wins, which largely offset our contract review programme, where we have reviewed and exited from business not providing acceptable returns.

Earnings before interest, tax, depreciation and amortisation ('EBITDA') from ongoing activities of £33.7 million was consistent with the prior year (2014: £33.7 million from ongoing activities and £0.7 million from ceased activities). Cash generation remained strong and DX closed the year with net debt of £1.8 million (2014: £12.2 million), an 85% reduction in net debt against the corresponding date last year. The group's strong cash flows support our significant investment plans for the business as well as our progressive dividend objective.

It should be noted that the comparative results for the prior year include eight months when DX was under private equity ownership and only four months as an AIM-quoted company with a recapitalised balance sheet.

### DIVIDEND

The Board is pleased to propose the payment of a final dividend of 4p per share (2014: 2p per share). This, together with the interim dividend of 2p per share, paid on 27 March 2015, takes the total dividend for the year to 6p per share (2014: 2p per share in respect of the four month period post AIM admission).

The final dividend, which is subject to shareholder approval, will be paid on 16 November 2015 to shareholders on the register on 9 October 2015.

### A BUSINESS IN TRANSITION

As previously stated, DX is a business in transition as we execute our OneDX integration and development plan. Under this major initiative, we are putting in place solid foundations for future growth. Our OneDX plan is bringing all our operations together onto a single enhanced operating platform, with the latest technology driving systems and processes throughout the business. This far-reaching programme includes the phased implementation of a new routing and scheduling system across our operations and the rationalisation and development of our site network. Our goal is to deliver strong customer service benefits and generate efficiencies.

We made steady progress over the year in the execution of our OneDX programme.

Our plans to develop a major new UK distribution hub took a significant step forward in May when we announced the proposed purchase of a 44-acre site in the West Midlands. As we reported, the site purchase is conditional on planning consent and we estimate net capital expenditure of approximately £35 million for the project, comprising the site acquisition, development and fit-out costs less proceeds from the sale of existing freeholds.

Our OneDX strategy remains a key focus for the group and we anticipate similar levels of capital expenditure in the new financial year, as well as additional investment for the proposed new hub.

We will continue to lay the foundations to support DX's long-term success, whilst also continuing to manage DX Exchange, our bespoke secure document handling business which is exposed to e-substitution.

## OUR PEOPLE

Our colleagues have shown tremendous dedication and commitment to our customers and to the group and their hard work and passion helps to drive the company's success. On behalf of the Board, I would like to acknowledge everyone's contribution and to thank all our colleagues whose efforts are greatly appreciated.

## OUTLOOK

We are establishing firm foundations for DX's long-term growth under our OneDX programme and this will remain a major focus over the new financial year. As we move through the programme, we expect to see efficiency gains as well as capacity and service benefits. At the same time, we are working on initiatives to enhance the services we provide our customers. Our aim is to expand within those areas where we have strong differentiation, including highly secure deliveries, 2-Man and larger, heavier, more awkward to handle consignments (irregular dimension and weight ('IDW') items).

We remain confident of further progress as we continue to deliver on the group's corporate strategy.

**BOB HOLT**  
CHAIRMAN

## OUR KEY STRENGTHS

### CUSTOMER CARE

Customer service remains our priority and we continually aim to meet and exceed our customers' expectations.

In particular, our leadership team seeks to develop close customer relationships so that we can respond and adapt to changing customer needs.

### HIGH SECURITY

We specialise in the delivery of high value items, including passports, jewellery, bank cards and medical supplies. This service is carried out by our stringently vetted personnel and our secure trunking vehicles have been fitted with tracking devices and other security innovations.

### PROVEN NEXT DAY AND TIME-SENSITIVE DELIVERIES

We provide next day delivery of any item large or small, from an important document to a bicycle. We have a 98.5% on time collection and delivery SLA.

### RANGE OF SERVICES

We offer the UK's most comprehensive range of services. These span the delivery of next day mail, Downstream access mail services, secure tracked parcels, the delivery of larger items (irregular dimension and weight) and heavier items requiring a 2-Man delivery.

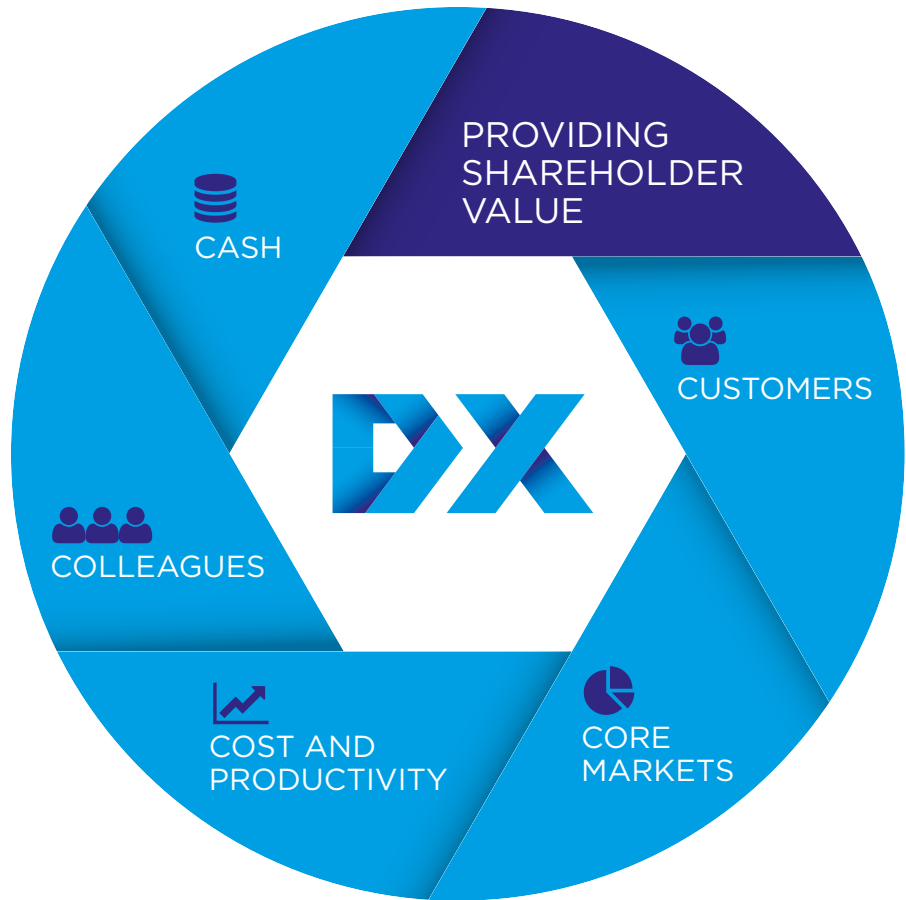
### INVESTMENT AND INNOVATION

We are investing in the business for sustainable long-term growth. Our high level of capital investment, particularly in IT and our network, will enable us to improve the customer experience and build market advantage.

STRATEGIC REPORT

# OUR BUSINESS MODEL AND THE 'FIVE Cs'

DX provides parcel, mail and logistics services underpinned by a strong focus on customer service. The company's breadth of offering is unrivalled and it specialises in deliveries which are time-sensitive, valuable or heavier and/or more awkward to handle (irregular dimension and weight items). Customers are predominantly B2B.



DX operates from more than 70 locations and operates over 2,800 vehicles, comprising some 2,300 collection and delivery vehicles and 500 hub and trunking vehicles.

DX creates value through focusing on the 'Five Cs':

### CUSTOMERS

We aim to provide:

- high customer service quality across all our markets
- solutions which offer our customers competitive advantage
- new options to give our customers convenience and flexibility

### COST AND PRODUCTIVITY

We focus on:

- controlling our costs to remain competitive
- improving productivity across the company, focusing on IT, operations, property and finance
- providing our customers with the best value for services they have selected

### CORE MARKETS

We intend to grow our market share in:

- B2B and B2C parcels and mail services, including time-sensitive and critical deliveries
- daily delivery to a defined network of locations closely matching our operational structure for both the B2B and B2C markets
- larger deliveries in the 1-Man and 2-Man irregular dimension and weight markets

### CASH

We target:

- effective cash management
- EBITDA growth
- investment in areas critical to customer service, including training and development, IT, equipment and facilities

### COLLEAGUES

We believe in:

- incentivising our colleagues to deliver superior customer service and rewarding them for a job well done
- attracting new talent and promoting existing talent through training and professional development
- creating a culture which encourages pride in our work



## THE MARKET

DX is investing to capitalise on the changing marketplace.

### PARCELS MARKET

The UK parcels delivery market – consisting of B2B (business-to-business), B2C (business-to-consumer) and C2X (consumer-to-business-or-consumer) – is expected to see volume growth over the medium term, with growth estimated to be in mid-to-low single digit percentages. This volume growth is being driven in particular by the rise in B2C transactions, reflecting the growing popularity of online retailing. The carrier with the largest market share in the UK is estimated to hold 35% by revenue, with the remainder being highly fragmented. DX's market share is estimated at approximately 2% and is well placed to grow.

Within parcels DX has greatest exposure to the B2B segment (67% of total revenues). This segment represents approximately 51%<sup>1</sup> of the UK parcel delivery market and it typically tracks GDP growth.

The B2C segment accounts for approximately 39%<sup>1</sup> of the UK parcel delivery market and has also seen the most intense price competition, particularly in courier deliveries for lighter items. The B2C market as a whole is continuing to evolve and change as consumers continue to embrace online shopping. One feature of that change is the increasing purchase online of larger items, including white and brown goods. 'Click and Collect' services (for goods ordered online but collected from a retailer's store) and collection from an alternative location, such as retail outlets and locker banks, are growing strongly, with some forecasters estimating that collection in stores or from lockers will overtake home delivery. These trends illustrate consumer demand for greater convenience, flexibility and speed which is also driving other innovations such as real-time updates for deliveries.

DX is working closely with its strategic retail and e-tail (selling via the internet) customers to develop solutions and strategies that will help them resolve their delivery issues. The drive for greater transparency over deliveries is intensifying and the company is constantly working hard to improve its service levels, enabling its customers to do so as well. In particular, DX is developing data strategies with customers which will help to achieve greater control over deliveries and in so doing give both the retailer and the consumer a better customer experience. DX has also developed text and email booking systems to keep customers updated on the progress of deliveries. A recent innovation is DX2Me, which enables a customer to see the real time progress of a delivery on a map, together with the estimated time of arrival. DX has further developments in train to drive more innovations in the delivery cycle, from the collection point through to the final delivery, in order to yield further benefits to both DX customers and the end consumer.

DX has a strong offering in both the B2B and B2C markets, with wide range of delivery services backed by high customer service levels. In particular, DX is focusing on building its market share in express deliveries, secure services for valuable items and the movement of heavier, bulkier items (irregular weight and dimension ('IDW') items), including those requiring 2-Man deliveries.

### MAIL MARKET

The structural decline in mail volumes is well-documented, with B2B and B2C mail communication transferring to electronic communication (otherwise known as 'e-substitution'). The rates of decline vary across letter type, for instance transactional items (such as bank statements and utility bills), direct mail, publishing (newspapers and magazines) and social mail (including personal correspondence). The expected rate of decline is some 5% per annum over the foreseeable future.

Overall, the Directors believe that this decline can be offset by increased volumes in the parcels market. DX's bespoke B2B mail service, DX Exchange, is exposed to the e-substitution trend and while continuing attrition is expected, this service remains a highly differentiated offering, providing valuable customer service.

<sup>1</sup> Source: Apex Insights Limited, 2015.

STRATEGIC REPORT

# CHIEF EXECUTIVE OFFICER'S REVIEW

We are building solid foundations for future growth.



PETAR CVETKOVIC | CHIEF EXECUTIVE OFFICER

We have continued to make steady progress with our OneDX programme over the year.

This substantial and ongoing investment across the business supports our aim of providing enhanced delivery solutions to our customers. It is also creating a more efficient operating structure to underpin our offering, based on a market-leading range of services, value and high customer service levels.

The major proportion of our £9.9 million of capital investment in the business over the year was in technology. It included the first phase of the roll-out of a new routing and scheduling system.

Two of DX's three operating networks now use a common software platform as well as uniform handheld scanners. This will enable an enhanced service to our customers and significant efficiencies as it facilitates the switching of shipments between networks. Property is another key area of investment and part of the ongoing optimisation of our site network. Over the year we have continued with our co-location plans, consolidating sites onto better and larger units. The proposed development of a 44-acre site announced in May will significantly accelerate our network development plans.

Our new investment in Gnewt Cargo Limited ('Gnewt'), the emission-free delivery services provider, is progressing well. We are now assisting in the business's expansion outside its existing London base into a second city location, with plans in place for further steady geographic expansion.

Trading conditions in the second half remained challenging and given these tough conditions the performance of the business for the year has been satisfactory. While we added approximately £20 million of new business (on an annualised basis), focusing on customers who value high levels of service, there was a 2.2% reduction in revenues from ongoing activities. This reduction reflected our contract review programme, set in place to ensure that all contracts deliver an acceptable return. We continue to focus on margin enhancement which should come through as we progress our OneDX programme.



MARKET SECTOR | RETAIL AND E-TAIL

## DELIVERING ALL SHAPES AND SIZES FOR WIGGLE

Wiggle is a pioneer in the online sports retail environment and one of the UK's leading providers of bikes, parts and sports equipment across specialities including running, swimming and triathlon.

£154.1m  
REVENUE  
52%

PARCELS AND FREIGHT

£116.4m  
REVENUE  
39%

MAIL AND PACKETS

£27.0m  
REVENUE  
9%

LOGISTICS

#### PARCELS AND FREIGHT

Our activities within the parcels and freight segment comprise three core services, DX 1-Man, DX Courier and DX 2-Man.

**DX 1-Man** specialises in the delivery of irregular dimension and weight ('IDW') items (i.e. those items which are unsuitable for parcel conveyors and instead require mechanical lifting and/or manual handling). In addition, DX 1-Man delivers pouches, parcels and pallets for next day arrival and offers an international network option. Over 63% of deliveries are B2B although the IDW market in B2C is growing significantly, reflecting trends in online shopping.

**DX Courier** provides next day parcel services and is a B2B service. Focused on smaller packets and parcels requiring a single driver, it provides a highly reliable delivery service for branch networks, high street shops and government premises. It has developed a strong presence in several market sectors including pharmaceuticals, optical, retail and gambling.

**DX 2-Man** offers a B2C home delivery solution for heavier and bulkier items, such as furniture. Its services also include furniture assembly, the installation of white goods and 'white glove' delivery to a room of the customer's choice.



DX was selected as Wiggle's primary delivery provider for oversize parcels and high value items requiring a secure network within the UK. Wiggle promises its customers next day delivery on products of all shapes, sizes and values and it is vital that this commitment is met consistently. DX stood out from other logistics providers because of its approach to the customer relationship. From the outset, DX has sought to create a strong partnership with Wiggle's teams and to establish strong lines of communications between the two companies at both operational and management level. Thanks to this joined-up approach, the relationship is effective and DX can play its part in helping to ensure that Wiggle has happy customers.

#### NICHOLAS PINK

Operations & Programme Director at Wiggle

"I would absolutely recommend DX to other retailers who require something more than a bargain basement parcel delivery operation; the service has been thorough, well communicated and dependable."

STRATEGIC REPORT

## CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Parcels and freight revenues for the year decreased by 5.8% to £154.1 million against £163.6 million in the prior year and accounted for 51.8% of DX's total ongoing revenues. The decrease reflects our contract review programme, as previously highlighted, and masks the progress made in new business. We are continuing to focus on expanding our presence within those market sectors where our offering, especially for 1-Man and 2-Man deliveries, is well differentiated. These markets include construction, optical, pharmaceutical, public sector and retail.

### MAIL AND PACKETS

Our activities within mail and packets comprise three core services: DX Exchange, DX Secure and DX Mail. DX Exchange is a private B2B network and this year celebrates its 40th year of operation.

**DX Exchange** provides a reliable and secure overnight delivery service, using approximately 4,200 exchanges across the UK and Ireland. Customers are predominantly from the legal, financial and healthcare sectors. Each customer is provided with a unique DX reference number and a mailbox at a local exchange, with mail collected after 5.00pm and delivered prior to 9.00am. Customers pay an annual subscription with monthly audits to assess usage levels from which subscription levels are derived.

**DX Secure** was established to deliver bank and credit cards and has a market-leading level of security in the delivery of high value items and important personal documents to residential and business addresses. Security is supported by a rigorous vetting process for employees, suppliers and contractors, and an end-to-end security audit trail for deliveries. Her Majesty's Passport Office ('HMPO') is a major customer as DX Secure has the exclusive contract for the national delivery of all UK passports. More recently, DX Secure has moved into the e-tail market, in the B2C space, where the same level of rigour and high customer service is required.

**DX Mail** is a low cost, second class mail service which offers Downstream access for smaller volume users. DX will collect and sort second class letters from customers, with the final mile delivery provided by our contracted access supplier through Downstream access. This market has been an area of growth for DX over the last few years.

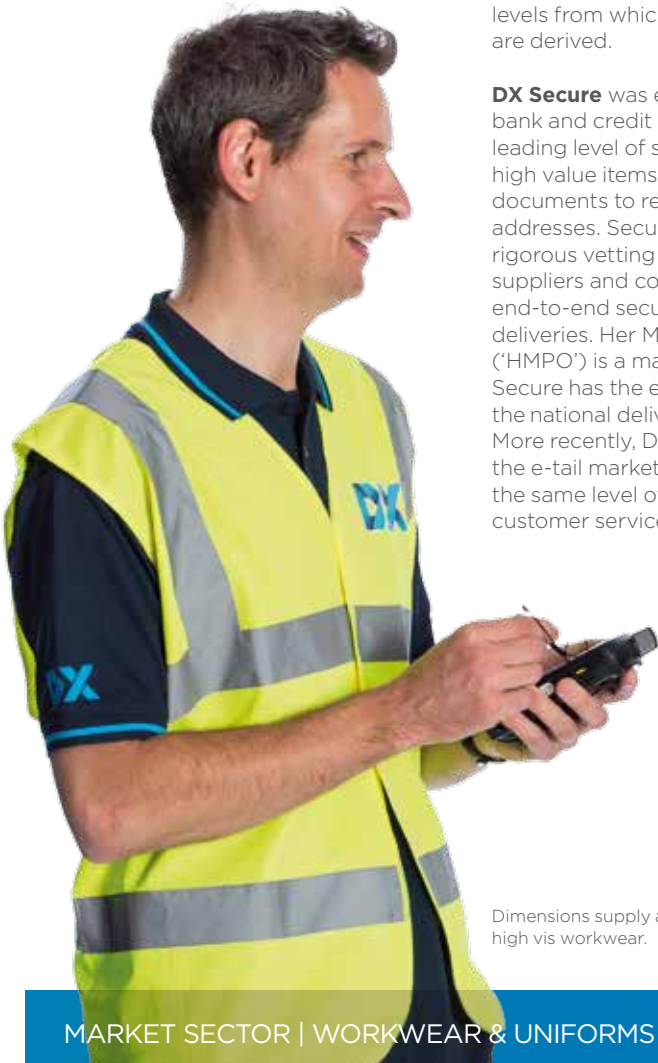
Mail and packets generated a 3.5% increase in ongoing revenues over the year to £116.4 million from £112.5 million in the prior year. (This result excludes revenues from untracked mail and publication activities which were ceased from 30 June 2014). Revenue from this segment represented 39.1% of DX's total ongoing revenues. The rise was driven by good growth from both existing and new DX Secure customers, including increased volumes from HMPO. As previously reported, HMPO also extended our current three year contract for a further year to July 2016. The good growth in DX Secure more than offset the ongoing decline in volumes at DX Exchange. This decline reflects general e-substitution trends and was at the upper end of our expected range for the year. The service remains an important offering and we continue to look for ways to add further value to our customers.

### LOGISTICS

**DX Logistics** provides a full outsource service to those owner operators who wish to outsource their vehicle fleet operations. The focus is on medium-sized contracts with an outsourced fleet size of 10-20 vehicles. A DX bespoke logistics operation for high population density areas can be combined with the DX 1-Man and DX 2-Man networks to provide a cost effective, high service level national distribution solution.

Logistics revenue for the year decreased by 16.4% to £27.0 million from £32.3 million and accounted for 9.1% of group ongoing revenues. However, last year's revenue includes £4.2 million from Business Direct which was sold in December 2013.

Dimensions supply all DX Group high vis workwear.



MARKET SECTOR | WORKWEAR & UNIFORMS

# WORKING IN PARTNERSHIP TO CLOTHE THE UK'S WORKFORCE

MWUK Limited comprises a number of companies including Dimensions and Alexandra. Dimensions is a leading supplier of bespoke corporate clothing and uniforms. Alexandra is one of the largest and best known workwear companies in Britain.

We are pleased to announce a new five year contract with Vaculug, one of our major logistics customers which has benefited from the specialist services provided by the logistics team.

#### ONEDX PROGRAMME

Our OneDX programme, which commenced in 2013, continued steadily this financial year, reaching some notable milestones. One of our principal goals is an optimised and fully integrated site network. To date, as a part of our development plans, we have improved the quality and increased the overall size of our footprint by 285,000 sq ft. This has involved the consolidation of 21 sites into six locations.

The bringing together of facilities provides opportunities for service enhancements and route optimisation. This will drive efficiencies and better vehicle utilisation whilst preparing for savings in our trunking operations. As we continue with the network development plan, we have been working on the identification of a site for a

major new hub and in late May reached agreement for the acquisition of a 44-acre site in the West Midlands. Its purchase is conditional on planning consent and our estimated net capital investment, including the site purchase, is approximately £35 million. The hub is intended to replace DX's current sites at Willenhall and will create substantial additional capacity and significant operational benefits, including increased efficiencies and enhanced customer service levels. Subject to planning consent, our intention is to have the new hub operational by the summer of 2017.

Our network development is supported by significant investment in IT and business infrastructure with the aim of

building a common operating platform across all activities. We have commenced the roll-out of a new leading-edge routing and scheduling system, with further phases to come over the next two years.

We continued to invest in our fleet, introducing double deck trailers for our trunking routes. In addition, we introduced a new, specially designed, 5 tonne vehicle, which is currently exclusive to DX. These vehicles are better suited for the growing B2C market and provide us with a reduced carbon footprint with no loss in carrying capacity compared to the larger vehicles they replace. We have also created a 3.5 tonne version to be introduced later in 2015.

#### COLLEAGUES

Much has been achieved at DX over the year and I would like to record my personal thanks to all our colleagues for their hard work and dedication. In a challenging marketplace we are moving the business forward and continuing to focus on providing outstanding customer service.

#### OUTLOOK

We have a solid strategy supported by a robust balance sheet. Trading conditions continue to be tough but we are well placed to take advantage of any improvement and we have started the year in a positive manner. The Board remains confident of our strategy to deliver long-term growth.

PETAR CVETKOVIC  
CHIEF EXECUTIVE OFFICER  
5 OCTOBER 2015



DX wanted to understand the Dimensions and Alexandra businesses at a granular level – not only in terms of their delivery requirements, but also their wider ambitions, goals, frustrations and strategies.

DX provides Dimensions with its DX Courier B2B service, with a number of different options that include pre-9am, pre-12pm and by-end-of-day delivery. Alexandra normally uses the DX Secure service, with most items delivered within the next working day.

#### STEVE CASSAPI

Logistics Director at MWUK

**“What really sets DX apart from its competitors is its willingness to match our way of working. They listen to our needs, adapt their services accordingly and are very much attuned to what our business is trying to achieve.”**

STRATEGIC REPORT

# STRATEGY

Our primary focus at all times is customer service and improving our customers' experience with us. This focus on our customers underpins our goals and is central to our strategy of developing the business.

We place a great deal of importance on the twin objectives of both delivering a great service to our customers and providing our services at commercially attractive prices. Our aim is to offer customers breadth of choice, quality and value.

At the same time, in order to grow profitably and generate sustainable shareholder value, we are focused on managing the business successfully, driving efficiencies, improving productivity and maintaining a tight control of costs. Our colleagues are also crucial to our success and it is therefore very important for us to invest in training our people and create a culture which promotes pride in what we do.

### OUR PRIORITIES: CREATING ONEDX

Putting in place a solid foundation for ongoing growth is central to our growth strategy.

A major task currently under way is the consolidation of our three separate networks and systems onto a single platform and the implementation of a single brand, operating under a unified management structure. This is our OneDX programme and we are part way through this multi-year task. We envisage significant benefits to come as the programme progresses and we streamline, improve and create additional capacity.

Once completed, we will be handling freight, parcels and mail through our networks more efficiently and faster than we do today and will be better positioned to drive enhanced customer service.

The key elements in our OneDX project are:

- A single brand and customer proposition
- Network integration, development and expansion
- Investment in IT - including handheld devices, management information systems and a single leading edge routing and scheduling system

### PRODUCT AND SERVICE DEVELOPMENT

Product and service development underpin our objective to provide solutions that offer our customers high service levels and competitive advantage. Some of the initiatives currently under way include:

- The continued development of our collection point network
- The next phase of our pre-delivery alert system
- 'Green' solutions
- Secure shredding for our DX Exchange customers
- Sunday deliveries during peak November and December months

### TRAINING

We have designed our training programmes, including our flagship 'Delivered Exactly' programme, to ensure that we strive to reach and maintain consistently high standards of customer service levels across the company. We will continue to invest in training programmes to ensure that we deliver market-leading service levels.

## KEY PERFORMANCE INDICATORS

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

### REVENUE FROM ONGOING ACTIVITIES £m

-2.2%

FY15	297.5
FY14	304.2
FY13	292.5

### UNDERLYING EBITDA £m

No change

FY15	33.7
FY14	33.7
FY13	32.9

### CASH GENERATION (FROM OPERATING ACTIVITIES) £m

+£3.9m

FY15	27.7
FY14	23.8

### DEBT REDUCTION - NET DEBT POSITIONS £m

-£10.4m

FY15	1.8
FY14	12.2

### REPORTED EPS (TRADING) p

+4.8p

FY15	9.9
FY14	5.1

### ADJUSTED EPS p

+0.2p

FY15	10.9
FY14	10.7

STRATEGIC REPORT

# CHIEF FINANCIAL OFFICER'S REVIEW

DX continues to generate strong cash flows, supporting our investment programme and dividend objective.



IAN PAIN | CHIEF FINANCIAL OFFICER

**SUMMARY**

DX has delivered a satisfactory result in its first full financial year on AIM. The company has maintained underlying EBITDA on slightly lower revenues and generated strong cash flows, funding both material capital expenditure and a significant reduction in net debt.

With net debt decreased to £1.8 million, DX is in a strong financial position to invest in a proposed major new hub. The new hub will create substantial additional capacity and provide for enhanced

customer service and increased efficiencies. The agreement to purchase the land for the hub is subject to approved planning permission and will be funded through future operating cash flows and new loan facilities.

The shares of DX (Group) plc were admitted to the London Stock Exchange's AIM market on 27 February 2014. The comparative period therefore includes eight months where DX traded as a private equity-backed business, with a much more leveraged capital structure.

Year ended 30 June	2015 £m	2014 £m	Change
Ongoing revenue	297.5	304.2	-2.2%
Revenue from ceased activities	-	7.8	-
<b>Reported revenue</b>	<b>297.5</b>	<b>312.0</b>	<b>-4.6%</b>
<b>Underlying EBITDA</b>	<b>33.7</b>	<b>33.7</b>	<b>0.0%</b>
EBITDA from ceased activities	-	0.7	-
Reported EBITDA	33.7	34.4	-2.0%
Depreciation	(3.4)	(3.1)	-9.7%
Amortisation of software and development costs	(3.1)	(2.6)	-19.2%
<b>Underlying operating profit</b>	<b>27.2</b>	<b>28.7</b>	<b>-5.2%</b>
Amortisation of other intangible assets	(1.9)	(1.6)	-18.8%
<b>Reported results from operating activities</b>	<b>25.3</b>	<b>27.1</b>	<b>-6.6%</b>
Net finance costs	(0.5)	(20.0)	97.5%
<b>Profit before tax</b>	<b>24.8</b>	<b>7.1</b>	<b>249.3%</b>
Tax	(4.9)	(3.1)	-58.1%
<b>Profit for period</b>	<b>19.9</b>	<b>4.0</b>	<b>397.5%</b>
<b>EPS - adjusted (pence)</b>	<b>10.9</b>	<b>10.7</b>	
- basic (pence)	9.9	5.1	



MARKET SECTOR | IDENTITY & TRAVEL DOCUMENTS

# SECURE IDENTITY DOCUMENTS DELIVERED

With more than 50 years' experience, CIBT and its subsidiary, VisaCentral, have become the largest and most well-established travel visa and passport company in the world.



# £297.5m REVENUE

FROM ONGOING ACTIVITIES

# £33.7m UNDERLYING EBITDA

IN LINE WITH PRIOR YEAR

# £1.8m NET DEBT

85% REDUCTION FROM PRIOR YEAR

Ongoing revenue at £297.5 million is 2.2% behind the prior year's result largely as a result of the continued programme of exiting commercially unsustainable long-term contracts, inherited with the acquisition of Nightfreight in 2012. This small decline masks the good progress DX has made in generating new business, particularly in parcels and freight. DX has a strong pipeline of new business opportunities that we will be working to secure in the current financial year.

Following the demise of City Link in December 2014, DX reached an agreement with the Administrator of City Link to acquire certain City Link assets, comprising cages, scanners and certain intellectual property, for a total cash consideration of £1.1 million. We were also able to offer employment to over 60 former City Link employees and a considerable number of contractors and courier owner drivers formerly engaged by City Link.

DX successfully attracted more than £10 million of annualised new business from former City Link customers and on sound commercial terms whilst providing added value services to our new customers. However, City Link's demise and the elimination of its distribution capacity has not led to a hardening of prices in the market.



CIBT UK needs to deliver 350–400 travel documents to customers across the UK every day and turned to DX. CIBT uses our Secure Service – a unique service offering high levels of security, accountability, customer service and flexibility.

DX Secure offers proof of delivery and a full audit trail, where required, as well as a photograph of the address to which an item has been delivered and its time-stamped GPS co-ordinates. CIBT also receives real-time management information and can track the progress of each delivery online.

### SERAN BENTLEY-THOBURN

Global Director – Quality and Compliance for CIBT in the UK

**“Being able to provide our customers with a secure, reliable delivery service is of paramount importance from a reputational as well as financial perspective. DX has transformed our levels of customer service in this area, enabling us to deliver on our promises and saving us thousands of pounds a year in compensation claims.”**

STRATEGIC REPORT

# CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Underlying EBITDA at £33.7 million is flat on last year after adjusting the prior year's result for the profit made by the DX Business Direct operation that was sold in December 2013. EBITDA margin has improved by 0.3% to 11.3% as a result of the contract review programme and successfully managing costs.

Profit from operating activities at £25.3 million is 6.6% lower year-on-year due to an increase in depreciation and amortisation. This reflects the continued investment DX is making and includes improving the IT infrastructure and new operational software and hardware.

As part of the continuing OneDX programme, during the year we transferred all of the assets and operations of our wholly-owned subsidiaries, DX Freight Limited and DX Secure Limited, into DX Network Services Limited. All DX operations in the UK now reside in one wholly-owned operating entity, providing for increased efficiency and reduced cost. Following completion of the transfers, DX Freight Limited and DX Secure Limited became non-trading shell companies with no assets or third party liabilities. Both shell companies will in due course be formally extinguished by way of a Members' Voluntary Liquidation.

Operating cash flow was again strong, enabling us to reduce net debt by 85% to £1.8 million and funding £9.9 million of capital expenditure and the acquisition of a 49.8% shareholding in Gnewt Cargo Limited ('Gnewt'), the emission-free delivery service provider. DX also paid £8.0 million of dividends to DX shareholders during the year.

Adjusted earnings per share were 10.9p, a 0.2p (1.3%) improvement on the prior year. Reported earnings per share were 9.9p (2014: 70.2p loss). For further details see page 19.

## REVENUE

Underlying revenue decreased by 2.2% after adjusting for the two activities that ceased in the year ended 30 June 2014. Including these activities, reported revenue declined by 4.6%.

	2015 £m	2014 £m	Change
Parcels and freight	154.1	163.6	-5.8%
Mail and packets	116.4	112.5	3.5%
Logistics	27.0	28.1	-3.9%
<b>Ongoing revenue</b>	<b>297.5</b>	304.2	-2.2%
<b>Revenue from operations ceased in prior year</b>			
Mail and packets - publications/untracked mail	-	3.6	
Logistics - Business Direct*	-	4.2	
<b>Reported revenue</b>	<b>297.5</b>	312.0	-4.6%

\* The operations of Business Direct were sold with effect from 21 December 2013. Revenues from only six months of trading are therefore included in the year to 30 June 2014.

## PARCELS AND FREIGHT

Revenue from parcels and freight declined by 5.8% to £154.1 million which represented 51.8% (2014: 53.8%) of total ongoing revenue. This segment includes the DX 1-Man operation specialising in the next day delivery of irregular dimension and weight ('IDW') freight and DX 2-Man offering a delivery solution for heavier and bulkier items such as furniture and both white and brown goods. DX continued to exit from commercially unsustainable long-term contracts in these sectors inherited with the acquisition of Nightfreight in 2012. This together with the full year impact of the contract review programme from the prior year resulted in a decline in revenue.

DX Courier which provides next day tracked parcel services for the B2B market has experienced strong year-on-year revenue growth, benefiting from new business wins in this and the preceding financial year, particularly in the pharmaceutical sector.

Price competition for parcels and freight remains intense yet DX has continued to win new business supported by consistently good service levels during the year. Further new business wins are a priority for the current year.

### MAIL AND PACKETS

Ongoing revenues from mail and packets increased by £3.9 million or 3.5% on the prior year. This segment includes DX Exchange which provides a valuable and secure overnight service to members across the UK and Ireland. Mail volumes have been declining for a number of years, reflecting the trend towards e-substitution. Volumes declined at the higher end of our forecasts, however this was more than offset by strong growth in DX Secure.

DX Secure provides a market leading level of security in the delivery of urgent, important and valuable items to residential addresses. Growth has been supported by new business wins in the retail sector which continues to provide DX with strong growth opportunities in the B2C market. DX Secure also distributes all UK passports on behalf of Her Majesty's Passport Office and saw increased passport volumes year-on-year, with its current contract with HPMO extended to July 2016.

### LOGISTICS

Ongoing logistics revenue declined by £1.1 million or 3.9% on the prior year following the cessation of a low margin contract. DX can either act as a complete logistics outsource solution or offer a hybrid solution allowing the customer to use their own fleet operations in major cities and the DX 1-Man and 2-Man services in other less densely populated areas.

### EBITDA

Underlying EBITDA for the year to 30 June 2015 of £33.7 million is unchanged on the prior year. The prior year result excludes the £0.7 million of EBITDA contributed by DX Business Direct in 2014, before the business was sold in December 2013.

DX has successfully maintained EBITDA despite a year-on-year decline in revenue. The expected reduction in DX Exchange volumes does not translate to cost reduction since collection and delivery still needs to be made unless an Exchange site closes. DX delivered savings through managing its fixed cost base and gaining efficiencies by delivering parcels through the most optimal network. This was made more challenging due to cost increases arising from a short supply of qualified drivers holding a CPC licence for 7.5 tonne vehicles, following changes in regulation. The shortage of qualified drivers remains a challenge in the industry and DX is investing in training its drivers to gain CPC licenses.

### EXCEPTIONAL ITEMS

There are no exceptional items reported in 2015. Prior year charges relate largely to: the continuing turnaround of DX Freight; charges in relation to the corporate reorganisation in preparation for admission to AIM; and the profit on sale of DX Business Direct.

	2015 £m	2014 £m
Restructuring costs	-	4.7
Impairment charges	-	10.0
Gain on disposal of DX Business Direct	-	(1.1)
<b>Total</b>	<b>-</b>	<b>13.6</b>

### INVESTMENT IN ASSOCIATE

In December 2014 DX acquired a 49.8% shareholding in Gnewt at a cost of £1.9 million. Gnewt is a fast growing zero-emissions delivery service provider. Its fleet of electric zero-emission vehicles operate only in London but DX intends to support the roll-out of Gnewt's services across other UK cities. A profit after tax of £39,000 from this investment is recognised in the statement of comprehensive income.

### CASH FLOW

	2015 £m	2014 £m
Net cash profit	30.4	25.7
Net change in working capital	(2.7)	(1.9)
<b>Cash generated from operating activities (after tax)</b>	<b>27.7</b>	<b>23.8</b>

Cash generated from operating activities (after tax) grew by 16% and represented 82% of EBITDA (2014: 69%) reflecting the continued high level of cash generation by DX. Debtor days improved by 4.3 days on the preceding year to 23.2 days which remains industry leading and partly reflects the move towards collecting more cash by direct debit. Net working capital increased by £2.7 million, largely as a result of a reduction in deferred income as DX Exchange declined.

## STRATEGIC REPORT

# CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

## NET ASSETS

Net assets increased by £12.2 million largely as a result of DX's strong cash generation that increased cash balances by £5.9 million to £7.0 million and reduced debt and borrowings by £4.5 million to £8.8 million.

	2015 £m	2014 £m
Non-current assets	221.1	217.6
Trade and other receivables	38.8	49.2
Cash and cash equivalents	7.0	1.1
Current liabilities excluding debt	(60.7)	(65.7)
Non-current liabilities excluding debt	(3.5)	(7.3)
Term loan and payments in clearing	(8.8)	(13.3)
Deferred loan issue costs	0.3	0.4
<b>Net assets</b>	<b>194.2</b>	<b>182.0</b>

Non-current assets have increased by £3.5 million and include a £1.9 million investment in Gnewt and the £1.1 million purchase of certain assets from the Administrators of City Link. The remaining increase is largely represented by the continued investment in IT infrastructure less amortisation.

Trade and other receivables have fallen by £10.4 million largely due to the excellent performance in reducing debtor days. Last year's balance included £2.5 million deferred consideration from the sale of DX Business Direct which was received in full in the year ended 30 June 2015.

Current liabilities, excluding debt, reduced by £5.0 million to £60.7 million. This reflected a reduction in deferred income due to the reduced annual subscriptions for DX Exchange and an increase in corporation tax and other tax liabilities.

During the year DX resolved litigation with a leasehold property landlord in relation to three sites. DX has acquired the freehold for two of the sites, one of which has subsequently been sold, and terminated the contract for the third, avoiding several years of future rental and dilapidation liabilities. This settlement contributed to a £3.8 million reduction in non-current liabilities.

## NET DEBT

Net debt reduced by 85% against the prior year to £1.8 million as a result of DX's strong cash generation. Net debt at 30 June 2015 was equivalent to only 5% of EBITDA (2014: 35%).

	2015 £m	2014 £m
Term loan	(8.8)	(10.0)
Cash and cash equivalents	7.0	1.1
Payments in clearing	0.0	(3.3)
<b>Net debt</b>	<b>(1.8)</b>	<b>(12.2)</b>

A new senior term loan of £10.0 million was drawn down last year of which £1.2 million was repaid during the year ended 30 June 2015. DX also has access to a £13.0 million Revolving Credit Facility which was not utilised at the year end. Both facilities charge interest at LIBOR plus 2%.

As previously announced, DX is planning to develop a major new hub in the West Midlands. Planning permission on a site has been applied for, with a response anticipated in November 2015. After planning permission is received, DX will complete the acquisition of the freehold site, valued at circa £12.5 million, and commence construction with completion and fit-out targeted for the second quarter of calendar 2017. The transfer of operations to the new facility is expected to be completed over the ensuing 9-12 months. The gross cost of the completed facility is estimated at £38 million, or a net investment of £35 million following the sale of existing freehold sites to be vacated as part of the plan. Funding for the development of the site will be from a combination of future trading cash flows and new bank facilities currently being negotiated.

The new hub will strengthen the customer experience by allowing customers to use all DX services through one channel. It will also consolidate hub and trunking operations and increase operational capacity to accommodate future growth. Management justification for this major capital expenditure is founded on a plan for £4 million per annum of operational savings although we believe there is potential to exceed this figure.

### CAPITAL EXPENDITURE

As in previous years, DX has continued to invest in capital expenditure. More than half of the expenditure was on IT hardware and development costs as the business continues to invest in the operational IT infrastructure under the OneDX programme. The principal benefit of a large part of technology spend is in developing a route planning system to drive greater efficiencies in our collection and delivery routes. During the year the business invested in updating the mail automation machines and acquired assets from City Link as mentioned earlier.

Capital expenditure for the year ended 30 June	2015 £m	2014 £m
IT hardware and development costs	5.4	5.5
Property costs	1.2	2.0
Operations	1.1	0.8
Service development	1.1	0.4
	<b>8.8</b>	8.7
Acquired from City Link Administrators:		
- Intangible assets acquired	1.0	-
- Tangible assets acquired	0.1	-
<b>Total capex</b>	<b>9.9</b>	8.7

### MOVEMENT ON RESERVES

Following a reclassification decision, the reverse acquisition reserve of £280 million has been transferred to the retained earnings reserve during the year.

### TAXATION

The underlying effective tax rate of 19.8% (2014: 43.7%) is below the prevailing UK corporate tax rate of 20.75%. This small difference arises due to the impact of capital allowances from the long-term capital investment programme and because some of the profit derived in the year is from DX's operations in Eire which has a lower rate of corporation tax.

### EARNINGS PER SHARE

Adjusted earnings per share, which excludes amortisation of intangible assets and EBITDA from disposed activities, increased by 1.3% to 10.9p (2014: 10.7p).

	2015 £m	2014 £m
Results from operating activities	25.3	27.1
Less: ceased activities	-	(0.7)
Add: amortisation of intangible assets	1.9	1.6
Interest charge <sup>1</sup>	(0.5)	(0.3)
<b>Profit before tax</b>	<b>26.7</b>	27.7
Tax charge <sup>2</sup>	(4.9)	(6.2)
<b>Adjusted profit after tax</b>	<b>21.8</b>	21.5
<b>Adjusted earnings per share</b>	<b>10.9</b>	10.7

- 2014 notional interest charge assuming the new capital structure was in place the whole year.
- 2014 tax charge calculated at the prevailing tax rates at the time.

### DIVIDENDS

The Board has proposed a final dividend of 4p resulting in a total dividend of 6p (2014: 2p for the four month period post AIM admission). The final dividend is payable on 16 November 2015, to shareholders registered on 9 October 2015, and will have an ex-dividend date of 8 October 2015.

By order of the Board

IAN PAIN  
CHIEF FINANCIAL OFFICER  
5 OCTOBER 2015

STRATEGIC REPORT

# CORPORATE RESPONSIBILITY

DX is committed to corporate social responsibility and has built its policy around the four cornerstones of environmental consultation, treating its colleagues with respect and integrity, being responsible business leaders and giving something back through its support of charities. Whether it is reducing its environmental impact or improving health and safety for its colleagues, DX's commitment to social responsibility runs through everything DX does.

Due to the nature of its business, it is unavoidable that DX has an impact on the environment whilst providing services to its customers. However, DX is continually seeking ways in which to minimise this impact whilst representing the interests of its shareholders and colleagues.

### ENVIRONMENT

DX is always looking for opportunities to reduce its fuel consumption and minimise the resultant emissions. Having completed successful trials, DX is now rolling out 3.5 tonne and 5 tonne delivery vehicles which have greater fuel efficiency than its existing fleet. Additionally these vehicles are smaller, quieter and easier to manoeuvre through residential areas causing less disruption. The new 3.5 tonne vehicle produces 15kg less CO<sub>2</sub> emissions than the current 3.5 tonne equivalent and the 5 tonne vehicle produces 23kg less CO<sub>2</sub> emissions than the 7.5 tonne equivalent (per 100 miles travelled). This demonstrates DX's continued focus on and commitment to reducing carbon emissions.

As part of this commitment, DX acquired a 49.8% shareholding in Gnewt in December 2014. Gnewt operates a fleet of over 100 electric zero-emission vehicles in London, including cargo-cycles and minivans. Gnewt has been independently verified to cut CO<sub>2</sub> emissions per parcel delivered by 62% and its services have won multiple awards, including, most recently, Corporate Environment Winner 2014 at the National Institute of Courier Awards and the Transport Solutions Supplier of the Year 2014 from the Energy Saving Trust's Fleet Hero Awards. DX's strategic intent is to work with Gnewt to expand its zero-emission service offering into more UK cities.



In addition, where economically viable, DX has been following the environmental framework laid down by ISO 14001 for a number of years. This framework promotes the systematic adoption and implementation of a number of environmental management techniques. DX has committed to achieve formal accreditation by June 2016.

During the financial year, DX reached agreement to acquire a brownfield site for the development of its new UK freight hub facility (subject to planning consent). A new hub will provide DX with a unique opportunity to make step changes in both its company culture and its approach to sustainability challenges. The project delivery team has been instructed to seek out every affordable opportunity in the development of the new hub to create a world class environmentally conscious facility that can economically and sustainably adapt and change throughout its whole life cycle. This will mean intelligent and functional design challenges for the team from start to finish. For example, DX plans to retain and harvest rainwater for use in vehicle wash and grey water installations, seek to generate energy on-site (DX has commissioned a solar power yield and capability feasibility assessment for the site) and will use low energy LED lighting throughout. The site will also include a recycling centre that will help generate packaging materials and other products from waste. DX's colleagues will be encouraged to recycle and reuse at work and at home, through the planned communication and education programmes that will be introduced at the new facility.



The site (a disused surface coal mine and former tile works) will be returned to economic and aesthetical use whilst maintaining the rural feel of the open spaces. The development team will have a target of 'zero to land fill' through the construction process and a 'zero earth movement off site' during ground works; limiting earth movements and construction traffic off site.

DX will work closely with local and county council officers and advisers throughout the project to attempt to exceed its obligations in both local community engagement and impact of the site. The finished facility is expected to exceed building and energy guidelines and regulations in terms of sustainable and responsible development. This work has already started with the procurement of responsible contractors and the implementation of sustainable ground reclamation and foundation works.

To maximise the operational and economic benefits of a new UK hub, DX will be undertaking significant investment in its network and service centre infrastructure. This programme will enable a reduction in fleet vehicles and in the number of routes in and out of the UK hub. This will have an obvious positive impact on network efficiency and will support a more sustainable DX operation. DX is engaged with its energy advisers in identifying and delivering opportunities across the UK that reflect its Energy Savings Opportunity Scheme ('ESOS') obligations.

DX's total carbon emissions in the financial year were 35,692 tonnes. This is overwhelmingly made up of emissions from fuel burn. The calculation of these emissions is based on industry measurements (Carbon Trust and Defra). Emissions from transportation activities are internally verified. Note that the CO<sub>2</sub> reported figure for fuel emissions is CO<sub>2</sub> which is emitted from all fuel dependent assets, including all vehicle types and mechanical handling machinery. CO<sub>2</sub> equivalents from service partner operations are not included in the reporting of CO<sub>2</sub> emissions.

	2011/2012	2012/2013	% Change	2013/2014	% Change	2014/2015	% Change
CO <sub>2</sub> emissions (tonnes) <sup>1</sup>	44,585	44,869	+1%	38,259	-15%	35,692	-7%

<sup>1</sup> As detailed in last year's Annual Report, parts of the organisation did not track emissions prior to AIM listing. Emissions are now fully tracked throughout the organisation and to ensure a valid comparison to the prior year, the 2013/2014 emissions number has been revised to include emissions from the parts of the organisation not previously included.

DX's continued focus on carbon emissions has delivered a reduction in the level of CO<sub>2</sub> emitted.

#### HEALTH AND SAFETY

DX has a proactive, risk-based approach to health and safety in that its work colleagues at every level are involved in general and task-based risk assessments. To ensure training and risk assessments are a constant feature, DX issues an annual risk assessment calendar and safety training matrix.

This year DX has focused on undertaking a significant number of site based audits to increase the level of compliance with safe working practices.

A vehicle anti-roll away device has been fitted to 260 trailers in the fleet. This device prevents the vehicle/trailer combination rolling away in the event that the vehicle has not been coupled up correctly thereby reducing the risk of accidents. This device is standard on all new trailers in the fleet.

DX also achieved accreditation to the Fleet Operator Recognition Scheme ('FORS'). This scheme focuses on meeting standards for vehicle safety, emissions and economical operation.

All general managers attend the Institution of Occupational Safety and Health ('IOSH') managing safety course within three months of employment thereby ensuring health and safety responsibilities become part of their everyday working practice.

H&S improvement targets	Target	Actual
Reduction in number of incidents	-10%	-22%

DX has reduced the number of health and safety incidents by 22% against a target reduction of 10%.

There were no enforcement notices issued and no work place fatalities in the financial year.

Where incidents result in colleagues being absent from work due to injury, rehabilitation is offered in conjunction with DX's insurers to speed recovery and return to work.

#### COMMUNITY

DX recognises it has a large workforce and, as a responsible business leader, plays a part in the community. This year DX has continued to work closely with the local community to encourage job opportunities particularly in the event of site changes. Working with Job Centre Plus, DX has also been able to help colleagues find new employment where DX has closed sites. Due to its geographical reach, DX was also able to offer employment to 62 former City Link staff following the closure of City Link in December 2014.

STRATEGIC REPORT

# CORPORATE RESPONSIBILITY CONTINUED



## NIKKI SCOTT, THE FOUNDER OF SCOTT'S LITTLE SOLDIERS HAD THE FOLLOWING TO SAY:

“DX has been an amazing support to Scotty’s Little Soldiers. I want to say a huge thank you to everyone who has got behind the charity because you really have made a difference. Not only have DX fundraised but they have branded lorries (which has raised amazing awareness) and have also sponsored our charity ball and our team kit. DX provide such phenomenal support and I cannot express what a huge difference it makes to the charity.”

Hire a Hero is a charity that supports armed service leavers through the transition into civilian life. It works in partnership with public and private sector organisations to provide a network of support and to signpost service leavers to the most appropriate resources as required. Hire a Hero helps service leavers to make better informed choices as well as connecting them with businesses for potential employment.

In October 2014, DX entered into the Armed Forces Covenant with the Ministry of Defence and is an armed forces friendly employer. DX works in partnership with Hire a Hero to identify the transferable skills of service leavers and to support the transition from military to civilian life. DX meets this commitment by providing placements and meaningful employment opportunities for service leavers. In early 2015 DX linked its website to Hire a Hero, creating more visibility to DX job opportunities than ever before.

DX has continued to increase awareness by supporting Armed Forces Day in Cardiff during June 2015, further demonstrating its commitment to the whole armed forces community.

### CUSTOMER SERVICE

DX has continued to strengthen the quality of its customer service through the implementation of several software and other technical enhancements. Customers of the 2-Man service are now able to confirm bookings by text and have a much quicker and more efficient experience when calling the support team as a result of DX’s new telephone management solution. DX has also launched a new website which enables much quicker and easier contact for customers and tracking visibility.

### CHARITY GIVING

DX’s colleagues are asked to propose and nominate a charity to sponsor. The current charity chosen by colleagues to support is Scotty’s Little Soldiers, a charity dedicated to supporting the children of men and women killed in action while serving with the British Armed Forces. DX encourages its staff to raise funds by holding events throughout the year. Children of families who have suffered the loss of a parent in service will receive both emotional and financial support including the ‘Smiles’ programme which gives children special experiences to enable them to smile again and more practical support for older children, such as fees for driving

lessons and the opportunity to apply for a further education grant. Scotty’s also has a holiday lodge, so that families can take short breaks and enjoy building new memories together. The aim is to buy more lodges and DX will be playing a key role in delivering some or all of the money to enable this in the coming year. DX and its colleagues at all levels undertook a range of fundraising activities from 1 July 2014 to 30 June 2015, generating a combined £60,170 in donations.

In addition, DX Ireland has selected St. Ultans Community Care Project in Cherry Orchard, Dublin 10 as their charity partner for 2015. St. Ultans’ aim is to create equality of opportunity for children in the Cherry Orchard area. The children that St. Ultans support are experiencing severe disadvantage and hardship. They are being denied basic care. St. Ultans approaches education and community care with an integrated and holistic style on one campus. St. Ultans requires ongoing funding to contribute towards the costs of their services and with the support of DX Ireland and other sponsors, they will be able to continue with their high quality programmes.





**COMMENTING ON THE PARTNERSHIP BETWEEN VISION AID OVERSEAS AND DX, ANDY HOLLIDAY, THE CHARITY'S DIRECTOR OF FUNDRAISING AND COMMUNICATIONS, SAID:**

"The support that DX has provided to Vision Aid Overseas over nearly two decades is incredible. We simply wouldn't be the same organisation without their involvement. I would like to thank everyone from DX for such loyal and unwavering support – you are truly helping the world to see."

DX Ireland hosted a family fun day at the St. Ultans Campus in Cherry Orchard on Saturday, 13 June 2015. There was a fun day of sports activities for the children, while also raising funds for their care centre. €4,355 was raised from the event which was matched by DX, bringing the total raised for St. Ultans to €8,710.

Vision Aid Overseas is a UK-based charity dedicated to fighting poverty by transforming access to eye care for people in developing countries. DX has supported Vision Aid Overseas since 1997 by organising a nationwide collection service for second-hand spectacles. DX drivers pick up spectacles from optical practices all over the UK, which are then transported to the charity's office in Crawley. During 18 years of support, DX has delivered over 30 million pairs of spectacles to Vision Aid Overseas and it currently transports in the region of three million pairs per year.

For many years Vision Aid Overseas sent second-hand spectacles overseas to directly support its international programme, but it now works with local suppliers in its partner countries to develop sustainable supply and long-lasting supply chains. However, Vision Aid Overseas continues to collect spectacles

in the UK to raise money through the sale of precious metals and other materials found in spectacle frames. This activity raises a significant portion of the charity's income, and in 2015 it generated £95,000 through DX-supported recycling, 12% of its total income. In addition to its support for the recycling programme, DX also delivers Vision Aid Overseas' fundraising and promotional materials to opticians throughout the UK, free of charge.

For more information about Vision Aid Overseas and DX, please visit [www.visionaidoverseas.org/DX](http://www.visionaidoverseas.org/DX).

Finally, DX also supports its customers and suppliers through donations or gifts to support their chosen charities.

STRATEGIC REPORT

# PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly assesses the risks faced by the group to manage and mitigate any impact. DX recognises that the profile of risk changes constantly. The Board has identified that these are the primary risks to the successful performance of the business.

RISK	IMPACT	MITIGATION
<p><b>LETTER AND PARCEL VOLUMES IN THE UK</b></p> <p>The market for letters is widely expected to decline over the next ten years, offset by an increase in volume in parcels, driven by the dramatic change in consumers' shopping habits.</p>	<p>If the decline of letter volumes in the UK is at a faster rate than forecast or the parcel volume growth rates are lower than DX forecasts (or DX fails to maintain or increase its share of the parcel markets in which it operates) there may be a material adverse effect on DX's operations and future financial condition. Low levels of economic growth may affect the business of DX, including customers adopting cheaper service options for the transmission of letters and parcels.</p>	<p>By seeking to win business in new sectors, developing new services recognising the general move to digital and electronic alternatives and maximising the benefits of the OneDX broad capability.</p>
<p><b>THE PARCEL MARKET IN WHICH DX OPERATES IS HIGHLY COMPETITIVE</b></p>	<p>The parcel market is highly competitive and DX may be adversely affected by aggressive pricing strategies. DX faces risks associated with the expansion of 'click and collect' in the UK parcel market and increasing use of 'pick up drop off' points in high street shops and other locations, leading to a reduction in parcel volume delivered by DX.</p>	<p>By providing high levels of customer service at prices that provide customers with best value, maintaining strong relationships with major customers and developing new services in response to customer needs. Increasing the breadth of markets serviced and the penetration within these markets.</p>
<p><b>OPERATING IN A HIGHLY REGULATED ENVIRONMENT</b></p>	<p>Failure to comply with laws and regulations could result in financial loss through penalties or damages and reputational damage.</p>	<p>DX maintains strong relationships with the regulator and forums. This enables DX to keep abreast of all regulatory and legislative changes and to maintain controls and processes to ensure full compliance.</p>

RISK

IMPACT

MITIGATION

**DX'S IT SYSTEMS ARE CRITICAL TO ITS BUSINESS OPERATIONS**

Any material failure in DX's IT applications, systems and infrastructure may lead to operational and systems disruptions, with an adverse effect on DX's operations, financial condition and future prospects. While its software is being updated, DX's operational effectiveness could be impaired if its existing bespoke software failed.

DX has a business continuity plan in the event of IT systems failure and further investment is being made to improve capability. The majority of systems are backed up off-site in disaster recovery facilities. Further protections are in place to defend against attacks to ensure that the systems cannot be breached. These protections are to a level acceptable to government departments. Significant testing in non-live environments is conducted prior to new systems going live.

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

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

DX puts appropriate contractual and operational arrangements in place. DX continues to monitor cases to ensure it maintains compliance with legislation.

By order of the Board

PETAR CVETKOVIC  
 CHIEF EXECUTIVE OFFICER  
 5 OCTOBER 2015

GOVERNANCE REPORT

# BOARD OF DIRECTORS



**BOB HOLT** <sup>1,2,3</sup>  
NON-EXECUTIVE CHAIRMAN

Bob is chairman of Mears Group PLC, the listed support services group focused on social housing and domiciliary care services, in which capacity he oversaw the company's float on AIM and subsequent listing on the Main Market of the London Stock Exchange. He is also non-executive chairman of energy procurement and management provider Inspired Energy Plc and Totally Plc and is a director of a number of other businesses.



**PETAR CVETKOVIC** <sup>3\*</sup>  
CHIEF EXECUTIVE OFFICER

Petar has 32 years' experience in the transport and logistics industry, the last five of which have been with DX. Prior to joining DX as CEO, Petar held numerous senior roles in the industry including CEO of Target Express, managing director of City Link and UK MD of Norbert Dentressangle.



**RAQUEL MCGRATH** <sup>\*\*</sup>  
COMPANY SECRETARY

Raquel joined DX as head of legal and Company Secretary in 2011. Raquel was admitted as a solicitor in 1996. Having trained with Slaughter and May, she joined their corporate and commercial team before moving to Australia where Raquel joined Allens in Melbourne and became a senior associate in the energy, resources and infrastructure department.



**IAN PAIN** <sup>\*</sup>  
CHIEF FINANCIAL OFFICER

Ian has 16 years' experience as a Chief Financial Officer, the last eight of which have been with DX having previously been CFO of an international manufacturer of specialist labels for the agrochemical and pharmaceutical industries. Ian began his career qualifying as a chartered accountant with Price Waterhouse, then becoming a corporate finance manager with Charterhouse Bank and an investment director with the private equity arm of The Prudential.



**PAUL MURRAY** <sup>1,2,3</sup>  
NON-EXECUTIVE DIRECTOR

Paul has over 25 years' senior level experience of the transport and logistics industry. Latterly he chaired a healthcare business and was a director of a fast growing marketing logistics business, and was also chairman of NetExpress Europe, the pan-European road express specialist which links leading companies in express, freight and logistics. Previous roles have included chief executive of Target Express Parcels Ltd, the national express parcels and freight provider, and managing director of the UK and Ireland operations of Federal Express for over five years.

**KEY**

- 1 Audit Committee
- 2 Nomination Committee
- 3 Remuneration Committee

\* These Directors are on the Board and the Executive Team.

\*\* Raquel McGrath is not a Board member.

## EXECUTIVE TEAM



**BARRIE CHILDE**  
CHIEF OPERATIONS OFFICER

Barrie has over 30 years of industry experience including senior operations roles within BOC Distribution, Business Post plc and Federal Express. Barrie has overall responsibility for all operations within DX and for customer services.



**PAUL DOBLE**  
CHIEF SALES OFFICER

Paul Doble has overall responsibility for sales within DX, covering the relationship management for 25,000 customers and the acquisition and development of new customers. Prior to joining DX in July 2007, Paul was responsible for leading and transforming sales teams within a number of blue chip organisations.



**KEITH EDEN**  
CHIEF COMPLIANCE OFFICER

Keith has 30 years' experience in finance and operations in both distribution and financial services and is CIMA qualified. Keith is responsible for compliance encompassing safety, health and environment, security, internal audit and oversees a number of change projects.



**STUART GODMAN**  
CHIEF STRATEGY AND  
MARKETING OFFICER

Stuart started his career in 1988 with TNT Express before moving to Target Express. As sales and marketing director he was part of the team that sold the business to Rentokil Initial Plc, in 2006. He stayed on in the combined City Link/Target Express business becoming managing director. He joined the DX team in July 2011.



**KATHY SHARKEY**  
CHIEF PEOPLE OFFICER

Kathy started her career in retail management and moved into HR 18 years ago making a transition through the retail, FMCG and medical engineering sectors. Prior to joining DX, Kathy had headed an EMEA HR team for a global handheld technology provider for five years. Kathy is responsible for colleague strategy, colleague relations, colleague support, vetting, learning and development, colleague reward and benefits, including payroll and recruitment.



**MIKE STURROCK**  
CHIEF INFORMATION OFFICER

Mike's career has spanned the mobile telephony, new media, television, airline and IT services sectors where he has held a wide range of positions from consulting and project management roles to technical architecture and leadership positions. The most recent being heading the broadcast technology division of BSkyB and head of technology for easyJet. Mike is responsible for the strategy, delivery and maintenance of all the technology and processes that support the operations of DX.

GOVERNANCE REPORT

# CHAIRMAN'S INTRODUCTION TO CORPORATE GOVERNANCE

Effective corporate governance is essential to facilitate the success of the group and the Board is committed to upholding and achieving good standards of corporate governance, integrity and business ethics.



**BOB HOLT | CHAIRMAN**

**DEAR SHAREHOLDER,**

**PRINCIPLES OF CORPORATE GOVERNANCE**

As Chairman of DX, I lead the Board and ensure that the focus is always on the creation of long-term shareholder value whilst acting responsibly and within our corporate governance framework to create a sustainable business. I encourage frankness and critical debate in all Board meetings and it is my job to ensure that the Board continually reviews its strategic goals and the progress made towards achieving those goals.

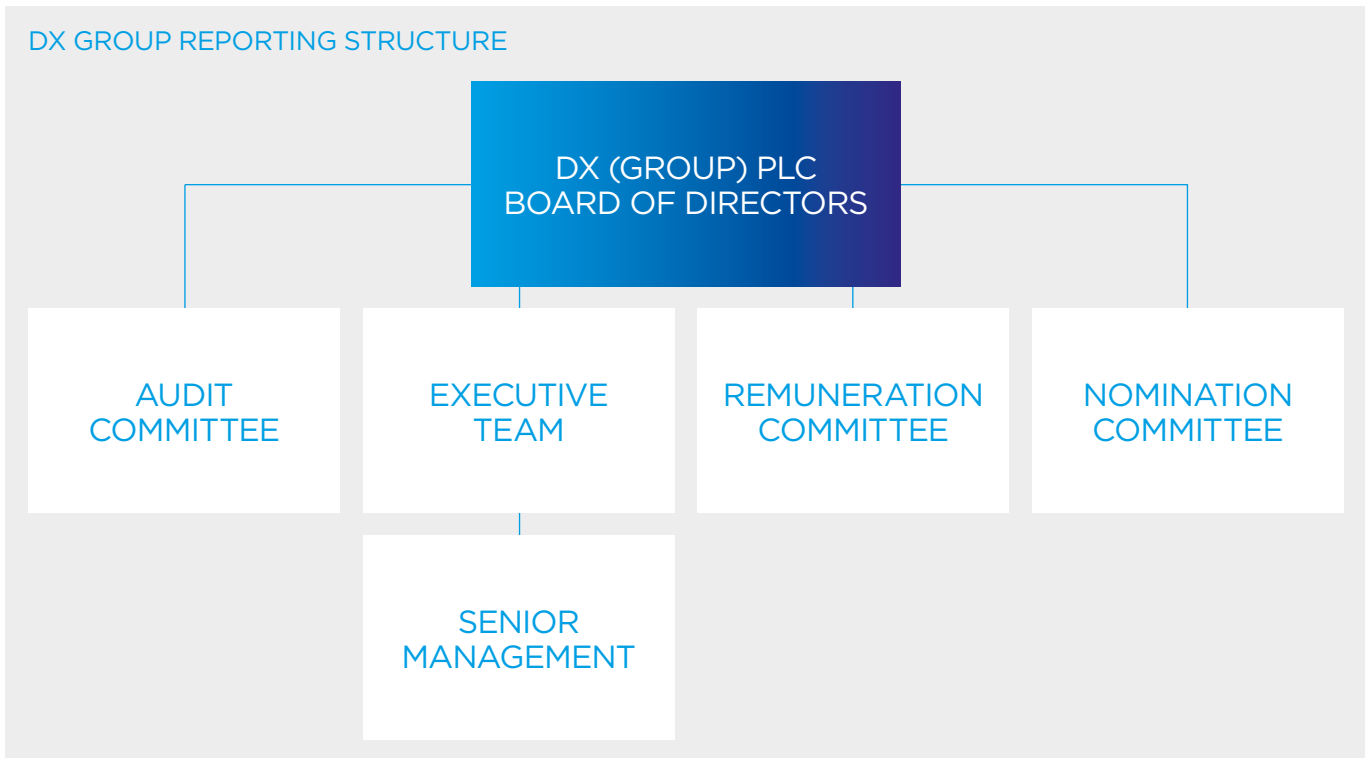
There is a clear distinction between the responsibilities of the Board and the executive management of DX. Petar Cvetkovic, Chief Executive Officer, leads the DX Executive Team and, under my leadership, the Board constructively reviews and challenges the company's performance and implementation of strategy with an emphasis on accountability to shareholders.

At DX, we hold the principles of corporate governance in the highest regard. In particular we value honesty, transparency and fairness within DX and in our relationships with our customers and suppliers.

DX continues to comply with the Quoted Companies Alliance corporate governance code (the 'QCA Code'). As a company traded on AIM, DX is not required to comply with the UK Corporate Governance Code. However, the Board recognises the importance of the principles set out in the Corporate Governance Code and DX applies the principles as far as the Board considers appropriate for a company of its size and nature in accordance with the QCA code. The Board believe this provides a firm foundation for the successful growth of DX.

I remain confident that the composition of the Board reflects an appropriate blend of different experience and backgrounds and that, collectively, its members have the right set of skills to understand the challenges faced by DX in the logistics market and to provide an independent and objective view of the company's performance against its strategic objectives and future goals.

**BOB HOLT**  
CHAIRMAN



## GOVERNANCE REPORT

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

### THE BOARD

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

The Chairman provides leadership to the Board. He is responsible for chairing the Board meetings and for setting the agenda for the Board meetings (in consultation with the Chief Executive Officer) and ensuring that the Board has sufficient time to discuss issues on the agenda, especially those relating to strategy. The Chairman is also responsible for ensuring that the Directors receive all of the necessary information and reports.

The Chief Executive Officer is responsible for leadership of the DX management and its employees on a day-to-day basis. In conjunction with the Executive Team, he is responsible for the execution of strategy approved by the Board and the implementation of Board decisions. He is also responsible for ensuring the market and regulators are kept apprised in a timely manner of any material events and developments, and that the appropriate standards of corporate governance are effectively communicated and adhered to throughout the business.

The Board comprises the Non-executive Chairman, Bob Holt (this position was served by David Hoare until 17 July 2014); two Executive Directors, Petar Cvetkovic (Chief Executive Officer) and Ian Pain (Chief Financial Officer) and one Non-executive Director, Paul Murray (since 17 July 2014). The Non-executive Directors constructively challenge and help to develop DX's strategic priorities.

Details of each Director's background and experience can be found on page 26. The Board's mix of skills and business experience ensures an informed review and debate of performance and strategy.

The Board will regularly consider whether it is appropriate to appoint an additional Non-executive Director to further support the Board.

### INDEPENDENCE

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

### ROLE OF THE BOARD

The Board meets regularly to review DX's strategy and to ensure that this is aligned with creating sustainable shareholder value. Directors are supplied with a comprehensive Board pack before all Board meetings which includes the agenda, previous minutes, detailed financial information and all other supporting papers necessary to have a fully informed discussion. The Board ensures that the necessary resources are in place to achieve DX's strategic priorities. The Board is committed to the regular review of DX's framework of internal controls to ensure the highest standard of corporate governance is achieved having regard to available resources. The key responsibilities of the Board (as set out in the schedule of matters reserved for the Board) are:

- overall leadership and management of DX;
- setting DX's values and standards, long-term objectives, commercial strategy and strategic direction;

- review and approval of DX's annual operating and capital expenditure budgets;
- oversight of DX's operations and compliance;
- ensuring sound management and maintenance of an appropriate system of internal control and risk management;
- approval of any extension of DX's activities into new business or geographic areas;
- approval of major investments or capital projects;
- decisions to cease to operate or dispose of any material part of DX's business;
- changes to the group's financial, capital or corporate structure;
- approval of the financial statements, Annual Report and Accounts, material contracts and contracts not in the ordinary course of business;
- approval of dividend objective and dividend payments;
- communications with shareholders and the market;
- Board membership and composition of Board Committees;
- corporate governance and remuneration policy (including employee benefits); and
- any decision likely to have a material impact on DX from any perspective, including, but not limited to, financial, operational, strategic or reputational.

A full copy of the schedule of matters reserved for the Board is available on [www.dxdelivery.com](http://www.dxdelivery.com).

Day-to-day operational and financial management is delegated to DX's Executive Team (which includes both Executive Directors). The Executive Team also meets monthly and provides the Board with detailed monthly reports. Details on the background of each member of the Executive Team can be found on page 27.

GOVERNANCE REPORT

# GOVERNANCE REPORT CONTINUED

## OPERATION OF THE BOARD

The Board meets monthly and there were 12 scheduled Board meetings during the financial year. Any specific actions arising during meetings agreed by the Board are followed up and reviewed at subsequent Board meetings to ensure their completion. The Board also keeps in close contact between formal meetings and will conduct ad hoc meetings as required. If a Director is unable to attend a Board meeting, the Chairman will canvass his views in advance and ensure that the Director is promptly advised of the outcome of the matters under discussion.

Attendance <sup>1</sup>	Scheduled Board meetings	Audit Committee	Remuneration Committee	Nomination Committee
Bob Holt	10/12	2/2	3/3	1/1
Paul Murray	12/12	2/2	3/3	1/1
Petar Cvetkovic	12/12	n/a	3/3	n/a
Ian Pain	12/12	n/a	n/a	n/a

<sup>1</sup> David Hoare also served as a Non-executive Director until 17 July 2014. There were no Board or Committee meetings held between 1 July 2014 and 17 July 2014.

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

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

In recognition of its importance, the first standing item of business at every scheduled Board meeting is the consideration of the health and safety report. Other regular reports include those from the Chief Executive Officer and Chief Financial Officer covering business performance, markets and competition, investor and analyst updates as well as progress against strategic objectives and capital expenditure projects. Board meetings are frequently held at different group locations in order to review local operations.

### BOARD COMMITTEES

The Board has delegated certain responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Each Committee operates according to its own terms of reference (available on [www.dxdelivery.com](http://www.dxdelivery.com)).

The Audit Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of DX is properly measured, ensuring the integrity of the financial statements and reporting and reviewing reports from DX’s auditor relating to DX accounting and internal controls, in all cases having due regard to the interests of shareholders. The Remuneration Committee determines remuneration for the Executive Directors and the Executive Team. The Nomination Committee recommends the appointment of Directors and is responsible for succession planning. Further information on each Committee is set out in the relevant report on the following pages.

### INVESTOR RELATIONS

DX places a great deal of importance on communication with all shareholders. There is regular dialogue with individual institutional shareholders throughout the year and formal presentations after the interim and preliminary results.

DX has arranged a number of site visits for shareholders and other City commentators with the aim of providing them with increased exposure to DX operations and management. The 2015 Annual General Meeting (‘AGM’) will be held on 9 November at 10.00am. The notice of the meeting is enclosed. It is also available to download from [www.dxdelivery.com](http://www.dxdelivery.com).

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

The Directors are also able to meet shareholders or to respond to questions throughout the year upon request. The principal methods of communication with private investors remain the Annual Report and Accounts, the interim statements and DX’s website ([www.dxdelivery.com](http://www.dxdelivery.com)). The website, which includes a DX investor centre, is viewed as an efficient and cost-effective way to communicate widely with all shareholders and DX’s financial reports, publications and press releases can be viewed here together with corporate governance information, key dates in the financial year, and news about DX, its services and issues affecting the industry.

The Board also received a regular summary of shareholder feedback from Zeus Capital (DX’s Nominated Adviser and Broker during the financial year). The Board appointed Numis Securities as a joint broker on 16 July 2015.



## AUDIT COMMITTEE REPORT

The members of the Audit Committee are the two Independent Non-executive Directors, Bob Holt and Paul Murray. The Board is confident that the collective experience of the Audit Committee members enables them, as a group, to act as an effective Committee. Attendance at meetings of the Audit Committee by non-members is by invitation and at the discretion of the Audit Committee. The Chief Executive Officer, the Chief Financial Officer and the KPMG LLP audit engagement partner (DX's external auditor) will normally be invited to attend meetings of the Audit Committee. The Chairman of the Audit Committee meets regularly with the Chief Financial Officer and the external auditor.

The main duties of the Audit Committee are set out in its terms of reference and include the following:

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

During the year to 30 June 2015, the Audit Committee reviewed and endorsed the 2014 Annual Report, the half-year financial statements and results announcements, considered the proposed level of dividends to be paid, ahead of their approval by the Board, reviewed and updated the policy relating to the provision of non-audit services, and reviewed the company's risk register and mitigation procedures.

### EXTERNAL AUDITOR

To ensure the auditor's independence and objectivity, the Audit Committee annually reviews DX's relationship with the auditor. Following the review in 2015, DX concluded that it has an objective and professional relationship with KPMG LLP and that there are sufficient controls and processes in place to ensure the required level of independence. In addition, the auditor is required to review and confirm its independence to the Audit Committee on a regular basis.

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

### AUDIT PROCESS

KPMG LLP prepare an audit plan which sets out the scope of and approach to the audit, significant risks and other areas to be targeted. This plan is reviewed and agreed in advance by the Audit Committee. Following their review, the auditors' present their findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the year.

### NON-AUDIT SERVICES

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

GOVERNANCE REPORT

## NOMINATION COMMITTEE REPORT

The members of the Nomination Committee during the year were the two independent Non-executive Directors, Paul Murray (Chair except when the matters under consideration related to his position) and Bob Holt. The Committee meets according to DX's requirements. The Committee met once during the year to consider the appointment of an additional Non-executive Director and agreed to keep this requirement under review.

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

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

# DIRECTORS' REMUNERATION REPORT

(INCLUDING THE REMUNERATION COMMITTEE REPORT)



PAUL MURRAY | NON-EXECUTIVE DIRECTOR

## CHAIRMAN'S ANNUAL STATEMENT

Dear Shareholder,

I took over from Bob Holt as Chairman of the Remuneration Committee with effect from 25 June 2015, having been a member of the Committee since I joined the Board in July 2014.

DX adopts a simple and clear approach to remuneration. Our policy is to attract and retain the best possible people who have the capability and drive to meet the company's strategic and financial objectives. Accordingly, we offer our Executive Directors a basic salary that is fair and reasonable in comparison with companies of a similar size in similar industries and reflects each individual's experience and contribution to the company. We incentivise the Executive Directors to drive strategy year-on-year by rewarding the achievement of the annual targets set by the Committee through an annual cash bonus scheme. The performance targets are linked to EBITDA growth and other KPIs including customer service levels. We believe that this effectively incentivises the Executive Team to create and protect shareholder value. Long-term performance related remuneration is achieved through participation in the Value Creation Plan ('VCP') (detailed below) which is closely aligned with the interests of shareholders.

As referred to earlier in this report, this year has been a challenging year for the business and for the logistics sector as a whole. Accordingly, the Committee has decided that there will be no increase in executive pay. In addition, despite hard work and dedication, the company's overall performance in the financial year has failed to reach the necessary triggers and, as a result, no annual cash bonus is being paid to the Executive Directors.

PAUL MURRAY  
CHAIRMAN OF THE REMUNERATION COMMITTEE

## REPORT FROM THE REMUNERATION COMMITTEE

The Board has delegated certain responsibilities for executive remuneration to the Remuneration Committee.

The Remuneration Committee is chaired by Paul Murray. Bob Holt and Petar Cvetkovic are its other members. Any other attendees are at the invitation of the Committee Chairman only and will usually include the Chief People Officer and the Company Secretary. The Remuneration Committee meets according to DX's requirements. There were three meetings held in the financial year. The Remuneration Committee determines the remuneration packages for the Chairman, the Executive Directors and the Executive Team and any major remuneration plans for the group. This includes implementation of the group's share incentive plans. The Committee's role is to ensure that the principles of the company's remuneration policy are aligned with the business strategy and promote long-term shareholder value.

Full terms of reference for the Committee are available on [www.dxdelivery.com](http://www.dxdelivery.com).

The Committee also receives advice and assistance from the Chief People Officer, the people team, the Company Secretary and its external legal and tax advisers.

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

- remuneration strategy and policy;
- salary for Executive Directors and the Executive Team;
- annual bonus payments; and
- the establishment of an employee benefit trust.

There were no changes to the Directors' remuneration in the financial year and no change to DX's remuneration policy is anticipated in the coming financial year.

GOVERNANCE REPORT

# DIRECTORS' REMUNERATION REPORT CONTINUED

(INCLUDING THE REMUNERATION COMMITTEE REPORT)

## EXECUTIVE DIRECTORS' SERVICE CONTRACTS AND TERMINATION POLICY

Each of the Executive Directors has a service agreement with DX Network Services Limited with an indefinite term and a fixed maximum termination period of 12 months. Any payments in respect of termination reflect base salary only and do not include annual bonus. The company's policy on the setting of notice periods under the Executive Directors' service agreements is considered to be in line with external market trends and is reviewed by role to protect the company's knowledge and operations.

The base salaries for the Executive Directors for 2015/2016 will be as follows:

	2015/2016	2014/2015	% change
Petar Cvetkovic (Chief Executive Officer)	£500,000	£500,000	nil
Ian Pain (Chief Financial Officer)	£320,000	£320,000	nil

These salaries are fully inclusive of all benefits and the company does not provide a pension for the Executive Directors.

Each of the Executive Directors is eligible to participate in a discretionary annual bonus scheme, with the potential to receive bonus payments up to a maximum of 100% of salary. Any bonus payments are at the discretion of the Remuneration Committee and subject to such conditions, including EBITDA and/or KPI targets (such as service levels) as the Committee may determine. Bonuses are currently based on personal performance and achievement of the group's strategic objectives and financial targets, and are made in line with the scheme rules which apply equally to all colleagues regardless of level. No bonuses will be paid to the Executive Directors in respect of this financial year. Only the Remuneration Committee can authorise executive termination payments.

## NON-EXECUTIVE DIRECTORS

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

The annual fees for the Non-executive Directors for 2015/2016 will be as follows:

	2015/2016	2014/2015	% change
Bob Holt	£90,000	£90,000 <sup>1</sup>	nil
Paul Murray	£40,000	£40,000	nil

<sup>1</sup> Bob Holt received an annual fee of £50,000 as a Non-executive Director until 17 July 2014, thereafter an annual fee of £90,000 as Non-executive Chairman.

Pay for all other employees is based upon external market rates, job role, internal comparators and business impact. Both DX's financial and operational performance, and each person's personal performance are also taken into account when setting salaries; DX does not reward poor performance.

Remuneration benchmarking has been undertaken for a variety of operational and sales positions during the last financial period and the company has reviewed its pay strategy for operational roles.

## PERFORMANCE EVALUATION

DX has not undertaken a formal evaluation of the Board or its Committees in this financial year. The existing approach is unlikely to change but the Remuneration Committee is keen to ensure that the reward strategy remains closely aligned with the DX business strategy as it evolves. The performance of the Executive Directors is reviewed annually in accordance with DX's personal performance plan system.

## DIRECTORS' SHAREHOLDINGS

The Directors who held office at 30 June 2015 had the following interests, including family interests, in the shares of the company (excluding any entitlements that may become due under the VCP).

	Ordinary shares 30 June 2015
Petar Cvetkovic	2,594,593
Ian Pain	932,001
Bob Holt	100,000
Paul Murray	nil

The market price of ordinary shares on 30 June 2015 was £0.86 and the range during the period from 1 July 2014 to 30 June 2015 was from £0.78 to £1.28.

**TOTAL SINGLE FIGURE OF REMUNERATION FOR DIRECTORS (AUDITED)**

The table below sets out a single figure for the total remuneration received by each Director for the year ended 30 June 2015 and the prior year.

	Executive Directors				Non-executive Directors <sup>4</sup>			
	Petar Cvetkovic		Ian Pain		Bob Holt		Paul Murray	
	Year to 30 June 2015	Year to 30 June 2014 <sup>1</sup>	Year to 30 June 2015	Year to 30 June 2014 <sup>1</sup>	Year to 30 June 2015	Year to 30 June 2014	Year to 30 June 2015	Year to 30 June 2014
Base salary/fee	£500,000	£500,000	£320,000	£286,581	£88,370	£17,842	£36,667	n/a <sup>3</sup>
Taxable benefits	nil	nil	nil	nil	nil	nil	nil	nil
Annual bonus scheme	nil	£333,334	nil	£196,648	n/a	n/a	n/a	n/a
Maximum bonus potential (100% of base salary)	500,000	£333,334	£320,000	£196,648	n/a	n/a	n/a	n/a
Long-term incentive plan <sup>2</sup>	nil	nil	nil	nil	n/a	n/a	n/a	n/a
Pension benefits	nil	nil	nil	nil	n/a	n/a	n/a	n/a
<b>Total</b>	<b>£500,000</b>	<b>£833,334</b>	<b>£320,000</b>	<b>£483,229</b>	<b>£88,370</b>	<b>£17,842</b>	<b>£36,667</b>	<b>n/a</b>

- 1 Includes income for the eight-month period prior to Admission of the company.
- 2 Long-term performance related remuneration is achieved through participation in the VCP (see below).
- 3 Paul Murray was appointed on 17 July 2014.
- 4 David Hoare served as a Non-executive Director until 17 July 2014 and was paid £4,192 in this period.

**DIRECTORS' INTERESTS IN ALL SHARE PLANS (EXCLUDING VCP)**

No Directors held options under the company's CSOP and SAYE schemes.

**EXECUTIVE DIRECTORS' EXTERNAL APPOINTMENTS**

Petar Cvetkovic also served as a Non-executive Director of boohoo.com plc until he resigned from this position on 14 October 2014 and received a fee of £40,000 per annum which he retained. As at the date of this report, neither of the Executive Directors serves as a paid Director on any external board.

**RELATIVE IMPORTANCE OF SPEND ON PAY**

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

	2015 £m	2014 £m	Change
Staff costs	£77.5	£84.5	-8.3%
Dividends	£8.0	nil <sup>1</sup>	n/a
Profit before tax	£24.8	£7.1 <sup>2</sup>	249%

- 1 No dividends paid in the period from 27 February 2014 (date of Admission) to 30 June 2014.
- 2 Excludes exceptional items.

GOVERNANCE REPORT

# DIRECTORS' REMUNERATION REPORT CONTINUED

(INCLUDING THE REMUNERATION COMMITTEE REPORT)

## SHARE PLANS

To further incentivise and support the retention of senior management (including the Executive Directors and the Executive Team) and therefore ultimately to enhance shareholder value, DX adopted three share plans on Admission. The share plans adopted by DX are made up of three incentive arrangements:

- (1) the DX (Group) plc VCP, which will reward the Executive Team (including the Executive Directors) in the event that shareholder value is created;
- (2) the SAYE plan, which is an HMRC approved scheme under which options over ordinary shares were offered to all employees of DX who had been employed for the relevant qualifying period; and
- (3) the CSOP, which is also an HMRC approved scheme, under which selected management were granted market value options over ordinary shares. The CSOP also has an unapproved schedule under which options were granted in excess of the HMRC approved scheme limit.

The company has also established an employee benefit trust which holds some shares in the VCP. This is a discretionary trust and its aim is to reward long service in non-management level staff who remain with the company for the qualifying period.

## VALUE CREATION PLAN (VCP)

Under the VCP, A ordinary shares in DX (VCP) Limited (a subsidiary of the company) were issued to the Executive Directors and the six other members of the Executive Team. The A ordinary shares were issued at nil cost and PAYE and National Insurance contributions have been accounted for on the value of these shares at acquisition.

The A ordinary shareholders are only entitled to realise any value from their A ordinary shares if pre-determined value hurdles are exceeded and after the expiry of minimum holding periods described below (referred to as 'vesting period'). The value hurdles are detailed in the DX (VCP) Limited share rights and are linked to the market capitalisation of the group. The A ordinary shareholders will, to the extent that the hurdle has been exceeded, be able to realise value by disposing of their A ordinary shares to the company following publication of the company's financial results for the year ending 30 June 2017. The A ordinary shareholders also have the opportunity to dispose of 50% of their shares at an earlier date (on the publication of the results for the year ended 30 June 2016) but the ability to dispose at this earlier date is subject to the company share price having hit a pre-determined target. The company has the choice as to whether to settle the disposal in cash or by the issue of shares in the company. The company's current intention is to issue shares in the company.

Retaining ownership of the A ordinary shares is conditional on continuing employment. Specific rules will apply if the employee ceases employment during the vesting period.

The A ordinary shares have no dividend rights and very limited voting rights.

The Executive Directors also acquired B ordinary shares in DX (VCP) Limited. The B ordinary shares were acquired at market value. The B ordinary shares have limited economic rights but entitle each of the B shareholders to 5% of the voting rights in DX (VCP) Limited.

The Executive Directors' shareholdings in DX (VCP) Limited at 30 June 2014 are as follows:

Director	A ordinary shares of £0.01 each	B ordinary shares of £0.01 each
Petar Cvetkovic	34	500
Ian Pain	30	500

A ordinary shares in DX (VCP) Limited carry no voting rights; B ordinary shares entitle the holders to 10% of the voting rights in that company.

Further details of the scheme are provided above and in note 27 to the accounts.

## LONG-TERM INCENTIVE PLANS AND SHARE OPTION AWARDS

### COMPANY SHARE OPTION PLAN ('CSOP')

On 26 February 2014 the company approved a share option plan that entitles key management personnel and senior employees to purchase shares in the company, further details of which are provided in note 27 to the accounts. As at 30 June 2015, the plan entitled holders of vested options to purchase shares at the market price of the shares at the date of the grant. Options were initially granted to 166 employees over 4,590,000 shares, with further options granted to existing employees and a further 14 employees over 300,000 shares during the year. At 30 June 2015, 39 options (420,000 shares) had lapsed.

### SAYE SCHEME

The company approved its SAYE scheme on 26 February 2014, further details of which are provided in note 27 to the accounts. Out of a total of 591 eligible employees, 491 participated in the SAYE scheme as at 30 June 2015. The company aims to open a window for eligible employees to enter the scheme in the next financial year.

This report was approved by the Board and signed on its behalf by:

**PETAR CVETKOVIC**  
 CHIEF EXECUTIVE OFFICER  
 5 OCTOBER 2015

## DIRECTORS' REPORT

The names and biographical details of the Directors currently serving on the Board are set out on page 26. All of the Directors served on the Board from the start of the financial year until the date of this report other than Paul Murray who was appointed on 17 July 2014. David Hoare also served as Non-executive Chairman until 17 July 2014. Bob Holt was appointed Non-executive Chairman on David Hoare's retirement.

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

The company's Articles require that all Directors should be subject to election by shareholders at the first AGM following their appointment and that one-third of the Directors (or the number nearest to but not less than one-third) retire by rotation at each AGM, with each Director also being subject to re-election at intervals of not more than three years. At the first AGM of the company in November 2014 all the current Directors of the company offered themselves for election or re-election. The retirement by rotation provisions of the Articles will apply going forward. Accordingly, Ian Pain offers himself for re-election at the 2015 AGM and the Board recommends to shareholders the re-election of Ian Pain who continues to demonstrate commitment to his role as Chief Financial Officer and whose individual performance continues to be effective.

The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any Director so appointed by the Board holds office only until the next AGM and may then offer himself/herself for election by the shareholders.

The powers of the Directors are determined by the Articles, the Companies Act 2006 and other relevant legislation. At the 2014 AGM, the Directors were authorised to issue and allot shares and to disapply the statutory pre-emption rights. This authority remains in place until the conclusion of the 2015 AGM. It will be proposed at the 2015 AGM that the Directors will be granted a new authority to allot shares, to disapply the statutory pre-emption rights and the authority to buy back shares. The company may by ordinary resolution declare dividends not exceeding the amount recommended by the Board.

### RESULTS AND DIVIDENDS

The results for the year ended 30 June 2015 are shown on page 41. The group's profit for the year after tax was £19.9 million. The Directors recommend a final dividend of 4p per share be paid on 16 November 2015 to ordinary shareholders on the register of members at the close of business on 9 October 2015. The ex-dividend date will be 8 October 2015.

### PRINCIPAL ACTIVITIES, RISKS AND REVIEW OF THE BUSINESS

The group's continuing activities are the provision of mail, packets, parcels and freight delivery services in the UK and the Republic of Ireland. The principal activity of the company is that of a holding company.

The Strategic Report set out on pages 1 to 25 provides a fair review of the group's business for the year ended 30 June 2015. It also explains the objectives and strategy of the group, its competition and the markets in which it operates, the principal risks and uncertainties it faces, the group's financial position, key performance indicators and likely future developments of the business.

### RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board has overall responsibility for DX's system of internal control to safeguard the company's assets and shareholders' investments. The risk management process and systems of internal controls are designed to identify the main risks that the group is exposed to, and ensure that appropriate policies and procedures are in place to minimise these risks to the group, including the establishment of appropriate business continuity planning arrangements. The company maintains a risk management register which is managed by a Risk Management Committee and discussed every six months with the Board.

The Board has reviewed the effectiveness of the system of internal control for the year ended 30 June 2015 and up to the date of the signing of the Annual Report and Accounts. The Board will continue to develop and implement internal control procedures appropriate to DX's activities and scale.

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

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

### GOING CONCERN

The Directors are satisfied that the group has the appropriate capital structure to enable it to invest in facilities, equipment and staff as required, and to continue in operational existence for the foreseeable future. Thus they continue to adopt a going concern basis in preparing the financial statements.

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

### CORPORATE GOVERNANCE

The Board is fully committed to high standards of corporate governance. Details relating to the company's compliance with the QCA Code for the financial year and a description of the company's management and reporting structure are given in the Corporate Governance and Directors' Remuneration Reports on pages 28 to 36.

### ANTI-BRIBERY AND CORRUPTION

DX takes a zero-tolerance approach to bribery and corruption and has a formal anti-corruption and bribery policy in place. Training is provided to set the clear expectation that staff must act professionally and with integrity in all business dealings and regular reminders are sent out reminding colleagues of their obligations and to complete the gift register.

GOVERNANCE REPORT

# DIRECTORS' REPORT CONTINUED

## WHISTLEBLOWING

DX has whistleblowing procedures under which colleagues are encouraged to inform the Executive Team or any Director of any concerns they may have that the practices of DX or individuals are wrongful or contravene any applicable laws or regulations.

## CORPORATE RESPONSIBILITY

Information on corporate responsibility matters are set out on pages 20 to 23. These include disclosures on DX's environmental policies (including details of the group's greenhouse gas emissions as required to be disclosed under the Companies Act 2006), health and safety, employee rights and gender diversity policies. Further details can also be found on the DX website [www.dxdelivery.com](http://www.dxdelivery.com).

## OUR COLLEAGUES

DX aims to create a culture where colleagues of all backgrounds and experience feel appreciated and valued. This is underpinned by the culturally diverse workforce employed by the group, which reflects the local populations in the areas where DX operates. In all cases the group fulfils its legal obligations under the Equality Act 2010. Additionally, DX audits gender pay equality biannually.

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

The group continues to invest in its colleagues with ongoing programmes which focus on personal performance and learning and development. The group's commitment to colleague development can be demonstrated by recording over 3,000 attendances to learning and development events in the financial year.

During the year, DX's sales teams have continued to participate in a customer focused sales training and coaching programme aimed at increasing their capability and DX has continued to focus on ensuring those colleagues who drive vehicles of 7.5 tonnes or over hold a Driver Certificate of Professional Competence.

All of these programmes have been essential to maintaining our focus on our customer and ensuring that DX keeps its customer promise - 'Delivered Exactly'.

All colleagues are offered a competitive benefits package, which includes a provision for death in service benefit, a number of voluntary benefits to support colleagues' welfare and the opportunity to participate in one of the group's stakeholder pension schemes.

At admission, all eligible colleagues had the opportunity to participate in a SAYE, share save scheme. In addition, qualifying management colleagues have the opportunity to participate in a CSOP and options are granted after the announcement of full and interim results. Both of these schemes provide an opportunity for our colleagues to personally participate in the success of DX. Further details are set out in the Directors' Remuneration Report on pages 33 to 36.

The group encourages an active interest in company activities at all levels and seeks to receive and consider the views of colleagues over a wide range of subjects. This aim is achieved through a fully representative colleague partnership programme, which ensures two-way communications and colleague involvement through biannual meetings. The colleague partners have access to the Executive Team to report and discuss any issues arising. Regular news bulletins are distributed throughout the group and a quarterly newspaper is produced with a mixture of business and colleague news. Senior management also attend monthly conference calls lead by the Chief Executive Officer and quarterly conferences to ensure cohesive engagement throughout the company and to raise awareness of the financial and economic factors affecting the company's performance.

## LABOUR TURNOVER 26.1%

Labour turnover is reported at group level, showing voluntary leavers during the last financial year. There has been a 5% reduction in voluntary leavers over the 12 months since June 2014.

## DISABLED EMPLOYEES

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

## NOTIFIABLE INTERESTS

The company has been notified of direct and indirect interests in voting rights equal to or exceeding 3% of the ordinary share capital of the company as set out in the table below:

FUND MANAGER	30 September 2015	
	Percentage Holding	Number of shares
Hargreave Hale	11.9%	23,768,326
J O Hambro Capital Management	9.5%	19,083,697
Ruffer LLP	6.5%	13,073,667
AXA Framlington	6.4%	12,905,000
River & Mercantile Asset Management	6.0%	12,054,188
Unicorn Asset Management	5.1%	10,128,306
Henderson Global Investors	4.8%	9,569,876
Premier Asset Managers	4.2%	8,433,454
Liontrust Asset Management	4.2%	8,427,370
Miton Asset Management Limited	3.4%	6,902,420
M&G Investments	3.4%	6,823,759
Chelverton Asset Management	3.3%	6,525,000
EdenTree Investment Management	3.1%	6,150,000

Per shareholder register as at 30 September 2015.

## SHARE CAPITAL

Details of the company's share capital are set out in note 19 to the consolidated financial statements. The company's issued share capital consists of 200,525,500 ordinary shares with a nominal value of £0.01 each. All shares rank equally and are fully paid. No person holds shares carrying special rights with regard to the control of the company. Each share carries the right to one vote at general meetings of the company and no right to fixed income. The company has no treasury shares.



## DIRECTORS' INTERESTS

The number of ordinary shares of the company in which the Directors are beneficially interested is set out in the Directors' Remuneration Report on page 34.

No Director had any dealings in the shares of the company between 30 June 2015 and the date of this report.

At the time of Admission, each of the Executive Directors undertook with the company's Nominated Adviser and Broker, Zeus Capital, not to dispose of any of the ordinary shares in which he was interested at Admission within 12 months of Admission (the 'Lock-Up Period') other than through Zeus Capital subject to certain customary covenants. In addition, each of the Executive Directors has undertaken with Zeus Capital not to dispose of any of the ordinary shares during the period from the Lock-Up Period until the date falling 12 months from the date of expiry of the Lock-Up Period (27 February 2016) unless:

- the relevant Executive Director had given Zeus Capital at least five business days' notice of the proposed disposal;
- Zeus Capital has given its prior written consent to the proposed disposal; and
- the proposed disposal is brokered through Zeus Capital on a best execution basis.

## DIRECTOR INDEMNITIES AND INSURANCE

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

## AMENDMENT TO COMPANY'S ARTICLES

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

## DONATIONS

Charitable donations in the year ended 30 June 2015 amounted to £13,007 (2014: £35,437), of which £8,000 (2014: £15,500) was donated to Scotty's Little Soldiers.

No payments were made to any political parties (2014: £nil).

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations. The company has chosen to include certain matters in its Strategic Report that would otherwise be disclosed in this Directors' Report. An indication of likely future developments may be found in the Strategic Report.

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

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

Each of the Directors, whose names and functions are listed on page 26 of the Annual Report confirm that, to the best of their knowledge:

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

By order of the Board

IAN PAIN  
CHIEF FINANCIAL OFFICER  
5 OCTOBER 2015

FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DX (GROUP) PLC

We have audited the financial statements of DX (Group) plc for the year ended 30 June 2015 set out on pages 41 to 64. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 39, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2015 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### DEREK MCALLAN

(SENIOR STATUTORY AUDITOR)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
Arlington Business Park  
Theale  
Reading  
RG7 4SD  
5 October 2015

Company registered number 08696699

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015	2014		Total £m
		£m	Trading £m	Exceptional items £m	
Revenue	5	297.5	312.0	-	312.0
Operating costs	6	(272.2)	(284.9)	(13.6)	(298.5)
<b>Results from operating activities</b>		<b>25.3</b>	27.1	(13.6)	13.5
<b>Analysis of results from operating activities</b>					
Earnings before interest, tax, depreciation and amortisation ('EBITDA') from ongoing activities		33.7	33.7	-	33.7
EBITDA from disposed activities		-	0.7	-	0.7
Depreciation		(3.4)	(3.1)	-	(3.1)
Amortisation of software and development costs		(3.1)	(2.6)	-	(2.6)
Amortisation of other intangibles		(1.9)	(1.6)	-	(1.6)
Exceptional items	9	-	-	(13.6)	(13.6)
<b>Results from operating activities</b>		<b>25.3</b>	27.1	(13.6)	13.5
Finance income	10	-	0.7	0.8	1.5
Finance costs	10	(0.5)	(20.7)	(50.0)	(70.7)
<b>Net finance costs</b>		<b>(0.5)</b>	(20.0)	(49.2)	(69.2)
<b>Profit/(loss) before tax</b>		<b>24.8</b>	7.1	(62.8)	(55.7)
Tax income/(expense)	11	(4.9)	(3.1)	3.8	0.7
<b>Profit/(loss) for the period</b>		<b>19.9</b>	4.0	(59.0)	(55.0)
Other comprehensive income		-	-	-	-
<b>Total comprehensive income/(expense) for the period</b>		<b>19.9</b>	4.0	(59.0)	(55.0)
<b>Earnings per share (pence):</b>					
Basic	21	9.9	5.1	(75.3)	(70.2)
Adjusted		10.9			10.7

Adjusted earnings per share is calculated after:

- excluding amortisation of other intangibles;
- excluding EBITDA from disposed activities and exceptional items including third party and shareholder related interest on the pre-Admission capital structure for the year to 30 June 2014; and
- including in the comparative year to 30 June 2014 a notional third party interest charge to reflect the capital cost had the debt structure put in place at Admission been in place throughout the year ended 30 June 2014.

The notes on pages 47 to 64 form part of these financial statements.

## FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Notes	2015 £m	2014 £m
<b>Non-current assets</b>			
Property, plant and equipment	13	18.6	18.7
Intangible assets and goodwill	14	199.3	197.7
Investments in associates	16	1.9	-
Deferred tax assets	24	1.3	1.2
<b>Total non-current assets</b>		<b>221.1</b>	217.6
<b>Current assets</b>			
Trade and other receivables	17	38.8	49.2
Cash and cash equivalents	18	7.0	1.1
<b>Total current assets</b>		<b>45.8</b>	50.3
<b>Total assets</b>		<b>266.9</b>	267.9
<b>Equity</b>			
Share capital	19	2.0	2.0
Share premium	20	181.4	181.4
Reverse acquisition reserve	20	-	280.0
Other reserves	20	0.1	0.1
Retained earnings	20	10.7	(281.5)
<b>Total equity</b>		<b>194.2</b>	182.0
<b>Non-current liabilities</b>			
Loans and borrowings – third party	22	7.3	8.4
Provisions	23	3.5	7.3
<b>Total non-current liabilities</b>		<b>10.8</b>	15.7
<b>Current liabilities</b>			
Current tax liabilities		2.6	0.8
Loans and borrowings – third party	22	1.2	4.5
Trade and other payables	25	34.2	36.9
Deferred income		23.9	28.0
<b>Total current liabilities</b>		<b>61.9</b>	70.2
<b>Total liabilities</b>		<b>72.7</b>	85.9
<b>Total equity and liabilities</b>		<b>266.9</b>	267.9

The financial statements were approved by the Board of Directors on 5 October 2015 and signed on its behalf by:

PETAR CVETKOVIC  
CHIEF EXECUTIVE OFFICER

IAN PAIN  
CHIEF FINANCIAL OFFICER

The notes on pages 47 to 64 form part of these financial statements.

# COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Notes	2015 £m	2014 £m
<b>Non-current assets</b>			
Investments	15	206.8	198.6
Total non-current assets		206.8	198.6
<b>Current assets</b>			
Other receivables	17	0.2	0.4
Total current assets		0.2	0.4
<b>Total assets</b>		<b>207.0</b>	<b>199.0</b>
<b>Equity</b>			
Share capital	19	2.0	2.0
Share premium	20	181.4	181.4
Retained earnings	20	12.6	5.3
<b>Total equity</b>		<b>196.0</b>	<b>188.7</b>
<b>Non-current liabilities</b>			
Loans and borrowings – third party	22	7.3	8.4
Trade and other payables	25	1.0	–
Total non-current liabilities		8.3	8.4
<b>Current liabilities</b>			
Current tax liabilities		1.3	0.3
Loans and borrowings – third party	22	1.2	1.2
Trade and other payables	25	0.2	0.4
Total current liabilities		2.7	1.9
<b>Total liabilities</b>		<b>11.0</b>	<b>10.3</b>
<b>Total equity and liabilities</b>		<b>207.0</b>	<b>199.0</b>

The financial statements were approved by the Board of Directors on 5 October 2015 and signed on its behalf by:

PETAR CVETKOVIC  
CHIEF EXECUTIVE OFFICER

IAN PAIN  
CHIEF FINANCIAL OFFICER

The notes on pages 47 to 64 form part of these financial statements.

## FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Share capital £m	Share premium £m	Reverse acquisition reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 July 2013		0.2	-	142.2	0.1	(226.5)	(84.0)
<b>Total comprehensive expense for the year</b>							
Loss for the year		-	-	-	-	(55.0)	(55.0)
<b>Total comprehensive expense for the year</b>		-	-	-	-	(55.0)	(55.0)
<b>Transactions with owners of the company, recognised directly in equity</b>							
Issue of shares		1.8	183.2	-	-	-	185.0
Capital reconstruction		-	-	137.8	-	-	137.8
Share issue expenses		-	(1.8)	-	-	-	(1.8)
<b>Total transactions with owners of the company</b>		1.8	181.4	137.8	-	-	321.0
<b>At 30 June 2014</b>		<b>2.0</b>	<b>181.4</b>	<b>280.0</b>	<b>0.1</b>	<b>(281.5)</b>	<b>182.0</b>
<b>Total comprehensive income for the year</b>							
Profit for the year		-	-	-	-	19.9	19.9
Reverse acquisition reserve transfer	20	-	-	(280.0)	-	280.0	-
<b>Total comprehensive income for the year</b>		-	-	(280.0)	-	299.9	19.9
<b>Transactions with owners of the company, recognised directly in equity</b>							
Dividends		-	-	-	-	(8.0)	(8.0)
Share-based payment transactions	8	-	-	-	-	0.3	0.3
<b>Total transactions with owners of the company</b>		-	-	-	-	(7.7)	(7.7)
<b>At 30 June 2015</b>		<b>2.0</b>	<b>181.4</b>	<b>-</b>	<b>0.1</b>	<b>10.7</b>	<b>194.2</b>

The reverse acquisition reserve has been transferred to retained earnings in the year following a decision to reclassify these amounts to the retained earnings reserve.

The notes on pages 47 to 64 form part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
On incorporation		-	-	-	-
<b>Total comprehensive income for the year</b>					
Profit for the year		-	-	5.3	5.3
Total comprehensive income for the year		-	-	5.3	5.3
<b>Transactions with owners of the company, recognised directly in equity</b>					
Issue of shares		2.0	183.2	-	185.2
Share issue expenses		-	(1.8)	-	(1.8)
Total transactions with owners of the company		2.0	181.4	-	183.4
<b>At 30 June 2014</b>		<b>2.0</b>	<b>181.4</b>	<b>5.3</b>	<b>188.7</b>
<b>Total comprehensive income for the year</b>					
Profit for the year		-	-	15.3	15.3
Total comprehensive income for the year		-	-	15.3	15.3
<b>Transactions with owners of the company, recognised directly in equity</b>					
Dividends		-	-	(8.0)	(8.0)
Total transactions with owners of the company		-	-	(8.0)	(8.0)
<b>At 30 June 2015</b>		<b>2.0</b>	<b>181.4</b>	<b>12.6</b>	<b>196.0</b>

The notes on pages 47 to 64 form part of these financial statements.

## FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 £m	2014 £m
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period		19.9	(55.0)
Exceptional items:			
- Non-cash finance costs		-	49.2
- Gain on sale of DX Business Direct		-	(1.1)
- Impairment charges		-	10.0
- Gain on debt buy back		-	(0.8)
<b>Cash flow before exceptional items</b>		<b>19.9</b>	<b>2.3</b>
Adjustments for non-cash items:			
- Depreciation		3.4	3.1
- Amortisation of intangible assets		5.0	4.2
- Non-cash finance costs		0.1	16.9
- Gain on sale of property, plant and equipment		-	(0.1)
- Equity-settled share-based payment transactions		0.3	-
- Tax		1.7	(0.7)
<b>Net cash profit</b>		<b>30.4</b>	<b>25.7</b>
Changes in:			
- Trade and other receivables		7.9	3.0
- Trade and other payables		(2.7)	(1.9)
- Deferred income		(4.1)	(1.1)
- Provisions		(3.8)	(1.9)
<b>Net change in working capital</b>		<b>(2.7)</b>	<b>(1.9)</b>
<b>Cash generated from operating activities</b>		<b>27.7</b>	<b>23.8</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of DX Business Direct		2.5	2.5
Proceeds from sale of property, plant and equipment		0.1	0.3
Acquisition of associate		(1.9)	-
Acquisition of trademarks and domain names		(1.0)	-
Acquisition of property, plant and equipment		(3.3)	(5.0)
Acquisition of customer relationships		-	(0.3)
Software and development expenditure		(5.6)	(3.7)
<b>Net cash used in investing activities</b>		<b>(9.2)</b>	<b>(6.2)</b>
<b>Net increase in cash before financing activities</b>		<b>18.5</b>	<b>17.6</b>
<b>Cash flows from financing activities</b>			
Issue of shares		-	185.0
New bank loans		-	10.0
Repayment of bank borrowings		(1.2)	(155.9)
Repayment of mezzanine instrument		-	(79.0)
Repayment of mortgage facility		-	(3.1)
Payment of finance lease liabilities		-	(0.7)
Movement on invoice discounting facilities		-	(4.1)
Share issue expenses		-	(1.8)
Loan issue costs		-	(0.4)
Equity dividends paid		(8.0)	-
<b>Net cash used in financing activities</b>		<b>(9.2)</b>	<b>(50.0)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9.3</b>	<b>(32.4)</b>
Cash and cash equivalents at beginning of period		(2.2)	30.2
Effect of exchange rate fluctuations on cash held		(0.1)	-
<b>Cash and cash equivalents at end of period</b>	18	<b>7.0</b>	<b>(2.2)</b>

The notes on pages 47 to 64 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 1 REPORTING ENTITY

The principal activity of DX (Group) plc (the 'company') and its subsidiaries (together, the 'group' or 'DX') is the provision of mail, packets, parcels and freight delivery services. The company is incorporated and domiciled in the UK. The address of its registered office is: DX House, Ridgeway, Iver, Buckinghamshire SL0 9JQ. The registered number of the company is 08696699.

## 2 BASIS OF PREPARATION

### STATEMENT OF COMPLIANCE

The consolidated and company financial statements have been prepared and approved by the Directors in accordance with IFRSs as adopted by the European Union ('Adopted IFRSs').

The consolidated financial statements were authorised for issue by the Board of Directors on 5 October 2015.

### JUDGEMENTS AND ESTIMATES

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

### GOING CONCERN

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Review on pages 8 to 11, the Chief Financial Officer's Review on pages 14 to 19, and the Directors' Report on pages 37 to 39. These statements describe the financial position of the group; its cash flows, liquidity position and borrowing facilities; the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The current economic conditions create uncertainty, particularly over the level of demand for the group's services. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that it has no requirement for any additional short-term borrowing facilities and that there is headroom against the group's banking covenants.

After careful consideration the Directors have a reasonable expectation that the company and the group will have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

### CAPITAL STRUCTURE

The company was incorporated and registered in England and Wales on 19 September 2013 under the Companies Act 2006 as a private company limited by shares with the name Tralee Properties Limited. The company changed its name to DX Newco Limited on 29 January 2014 and to DX (Group) Limited on 12 February 2014. The company was reregistered as a public limited company under the name DX (Group) plc on 19 February 2014.

On 20 February 2014, the company (through a new wholly owned subsidiary, DX (VCP) Limited) acquired all of the issued share capital of DX Holdings Limited and DX Secure Mail Limited from DX Finance Limited (a wholly owned subsidiary undertaking of the former parent undertaking). As a result of these acquisitions DX (Group) plc is the parent undertaking of the subsidiaries acquired from DX Group Limited.

On 27 February 2014, the company's shares were Admitted to the AIM market of the London Stock Exchange through a placing of 185,000,000 ordinary shares of £0.01 each at £1.00 per ordinary share and a vendor placing of 15,525,500 ordinary shares of £0.01 each at £1.00 per share.

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

## 3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year unless otherwise stated.

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

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

### BASIS OF CONSOLIDATION

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

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The excess of the consideration transferred over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

## 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

### SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ('CODM'). The CODM, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board of Directors.

### FOREIGN CURRENCY TRANSLATION

#### (a) Functional and presentation currency:

Items included in the financial information of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial information is presented in sterling, which is the functional and presentation currency of the company and all of the subsidiaries based in the UK. The functional currency of the group's Irish operation is the euro.

#### (b) Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

### REVENUE

Revenue represents the value of sales, apportioned over the period to which it relates after excluding trade discounts, value added tax and similar sales related taxes.

Exchange subscription income invoiced in advance is deferred and recognised as revenue over the period in which the related service is provided. Deferred subscription income is included in the statement of financial position as deferred income within current liabilities.

All other turnover is recognised as the service to which it relates is rendered.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

Land	Nil
Freehold buildings	2-2.5%
Short leasehold properties	4-20%
Plant, machinery and other equipment	10-33%

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

### INTANGIBLE ASSETS

#### (a) Goodwill:

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing, which in the case of the group represents one cash generating unit.

#### (b) Other intangible assets:

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

Amortisation is provided at annual rates of not less than 20% in order to write off each asset on a systematic basis.

#### (c) Impairment of non-financial assets:

Assets that have an indefinite life, such as goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised in the income statement when the asset's carrying value exceeds its recoverable amount. Its recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

### INVESTMENTS IN ASSOCIATES

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

### 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Investments in associates are accounted for under the equity method and are recognised initially at cost.

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

#### TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or significant delinquency in payments are considered indicators that the trade receivable may be impaired.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within other external charges. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other external charges in the income statement.

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

#### CASH AND CASH EQUIVALENTS

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

#### TRADE AND OTHER PAYABLES

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

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

#### BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

#### LEASES

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

##### Operating leases

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

#### PROVISIONS

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

#### TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or in equity. In this case the tax is also recognised directly in other comprehensive income or in equity.

##### (a) Current taxation:

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted by the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (b) Deferred taxation:

Deferred tax is recognised using the statement of financial position liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date.

FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

## 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current assets against current liabilities and it is the intention to settle these on a net basis.

### PENSION COSTS

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

### SHARE-BASED PAYMENT TRANSACTIONS

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

### EXCEPTIONAL ITEMS

The group treats certain items which are considered to be one-off and not representative of the underlying trading of the group as exceptional in nature.

The Directors apply judgement in assessing the particular items, which by virtue of their scale and nature should be classified as exceptional items. The Directors consider that separate disclosure of these items is relevant to an understanding of the group's financial performance.

### CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

#### (a) Carrying value of goodwill

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy with detailed disclosure in note 14. In assessing impairment, the lowest level of goodwill for which there are separately identifiable cash flows (cash generating units) that can reasonably be assessed is for the group as a whole. The recoverable amount of the goodwill is measured as the higher of its fair value less costs to sell and value in use. Value in use calculations require the estimation of future cash flows to be derived from the cash generating units and to select an appropriate discount rate in order to calculate their present value. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the goodwill.

#### (b) Impairment of trade receivables

The assessments undertaken in recognising provisions and contingencies have been made in accordance with IAS 39. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments are considered indicators that the trade receivable is impaired.

#### (c) 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.

## FINANCIAL RISK FACTORS

The group's activities expose it to a variety of financial risks: market risk (principally interest rate risk), credit risk and liquidity risk. The group uses derivative financial instruments to hedge certain risk exposures where it considers it appropriate.

The policy for each of the above risks is described in more detail below.

### (a) Market risk

The group finances its operations through a mixture of ordinary shares and bank borrowings. The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

### 3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The group has previously managed its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. However no such swap arrangements are currently considered necessary in the current low interest climate and given the low level of ongoing debt.

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

#### (b) Credit risk

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

#### (c) Liquidity risk

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

### CAPITAL RISK MANAGEMENT

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

### 4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards are in issue but not yet effective and have not been adopted by the group:

- IAS 19 'Employee benefits' - amendments that will reduce the complexity and burden of accounting for certain contributions from employees and third parties
- IFRS 2 'Share-based payments' - amendments to definition of 'vesting condition'
- IFRS 3 'Business combinations' - amendments to classification and measurement of contingent consideration
- IFRS 8 'Operating segments' - amendments to disclosures on the aggregation of operating segments
- IFRS 13 'Fair value measurement' - amendments to measurement of short-term receivables and payables
- IAS 16 'Property, plant and equipment' - amendments to restatement of accumulated depreciation on revaluation
- IAS 38 'Intangible assets' - amendments to restatement of accumulated amortisation on revaluation
- IAS 24 'Related party disclosures' - amendments to definition of 'related party'

The group has not completed its assessment of the impact of these pronouncements but the implementation of these new standards is not expected to have a material impact on the consolidated results, financial position or cash flows of the group.

### 5 SEGMENT INFORMATION

	2015 £m	2014 £m
<b>Revenue:</b>		
Parcels and freight	154.1	163.6
Mail and packets	116.4	116.1
Logistics	27.0	32.3
<b>Total revenue</b>	<b>297.5</b>	<b>312.0</b>
EBITDA from ongoing activities	33.7	33.7
EBITDA from ceased activities	-	0.7
Depreciation and amortisation	(8.4)	(7.3)
Exceptional items	-	(13.6)
<b>Results from operating activities</b>	<b>25.3</b>	<b>13.5</b>
Finance charges (net) - third party	(0.5)	(5.2)
Finance charges (net) - former shareholder related	-	(64.0)
<b>Profit/(loss) before tax</b>	<b>24.8</b>	<b>(55.7)</b>

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

## FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

## 6 OPERATING COSTS

	2015 £m	2014 £m
Other external charges	170.9	180.9
Employee benefit expense (see note 8)	77.5	84.5
Depreciation and other amounts written off owned property, plant and equipment	3.4	3.1
Amortisation of intangible assets	5.0	4.2
Profit on sale of property, plant and equipment	-	(0.1)
Hire of plant - other rentals	1.6	1.2
Other operating lease rentals (including land and buildings)	13.8	15.8
Other operating income	-	(1.1)
Impairment charges	-	10.0
<b>Total operating costs</b>	<b>272.2</b>	<b>298.5</b>
Trading activities	272.2	284.9
Exceptional items (see note 9)	-	13.6
<b>Total operating costs</b>	<b>272.2</b>	<b>298.5</b>

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

	2015 £000	2014 £000
Fees payable to the company's auditor for the audit of the company's annual accounts	33	33
Fees payable to the company's auditor and its associates for other services to the group: The audit of the company's subsidiaries pursuant to legislation	85	82
<b>Total audit fees</b>	<b>118</b>	<b>115</b>
Other services:		
- Tax services	106	44
- Admission to Alternative Investment Market	-	670
- Disposal of DX Business Direct	-	20
- Other	6	-
<b>Total non-audit fees</b>	<b>112</b>	<b>734</b>
<b>Total fees</b>	<b>230</b>	<b>849</b>

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

## 7 DIRECTORS' EMOLUMENTS

### TOTAL REMUNERATION

	2015 £000	2014 £000
Emoluments	950	1,431
Compensation for loss of office	-	188
	<b>950</b>	<b>1,619</b>

### AMOUNTS ACCRUED UNDER MONEY PURCHASE PENSION SCHEMES

No Director accrued benefits under money purchase schemes in the current or previous periods.

### HIGHEST PAID DIRECTOR

	2015 £000	2014 £000
Emoluments	500	867

Details of transactions with Directors are disclosed in note 30.

## 8 EMPLOYEE BENEFIT EXPENSE

	2015 £m	2014 £m
Wages and salaries	70.1	76.9
Social security costs	6.0	6.6
Other pension costs	1.1	1.0
Share-based payment transactions	0.3	-
	<b>77.5</b>	<b>84.5</b>

**8 EMPLOYEE BENEFIT EXPENSE CONTINUED**

## AVERAGE NUMBER OF PERSONS EMPLOYED (INCLUDING EXECUTIVE DIRECTORS)

	2015 Number	2014 Number
Sales and marketing	112	131
Operations networks	2,733	2,860
Management and administration	351	367
	<b>3,196</b>	<b>3,358</b>

**9 EXCEPTIONAL ITEMS**

	2015 £m	2014 £m
Restructuring costs	-	4.7
Impairment charges	-	10.0
Gain on disposal of DX Business Direct	-	(1.1)
	<b>-</b>	<b>13.6</b>

**RESTRUCTURING COSTS**

The group acquired DX Freight Limited (formerly known as Nightfreight) in March 2012 and commenced a programme of improving the operating efficiency of that company and integrating its activities into those of the group. Costs of £4.7 million were incurred from this programme in the prior year.

**IMPAIRMENT CHARGES**

Following the capital reorganisation prior to the company's Admission to the AIM market of the London Stock Exchange in the prior year an amount of £10.0 million was owed to the group by its former ultimate parent undertaking. As that company had no assets following the prior year reorganisation this amount was fully impaired.

**GAIN ON DISPOSAL OF DX BUSINESS DIRECT**

On 21 December 2013, the group completed the disposal of the trade and assets of the DX Business Direct trading activity. The consideration for the disposal was £5.5 million, of which £3.0 million was received on completion and the remaining £2.5 million was received in the current year.

The net profit on the disposal was £1.1 million, all of which was recognised in the year ended 30 June 2014.

**10 FINANCE INCOME AND EXPENSE**

	2015	2014		
	£m	Trading £m	Exceptional items £m	Total £m
<b>Finance income</b>				
<b>Third party</b>				
Bank interest	-	0.3	-	0.3
Gain on debt buy back	-	-	0.8	0.8
Total third party finance income	-	0.3	0.8	1.1
<b>Former shareholder related</b>				
Interest receivable from former group companies	-	0.4	-	0.4
Total former shareholder related finance income	-	0.4	-	0.4
<b>Total finance income</b>	<b>-</b>	<b>0.7</b>	<b>0.8</b>	<b>1.5</b>
<b>Finance costs</b>				
<b>Third party</b>				
Interest on bank loans	0.2	4.7	-	4.7
Amortisation of financing costs	0.1	0.5	-	0.5
Other interest	0.2	0.3	-	0.3
Financing costs written off on debt repayment	-	-	0.8	0.8
Total third party finance costs	0.5	5.5	0.8	6.3
<b>Former shareholder related</b>				
Mezzanine instrument - amortised cost	-	9.8	49.2	59.0
Interest payable to former group companies	-	5.4	-	5.4
Total former shareholder related finance costs	-	15.2	49.2	64.4
<b>Total finance costs</b>	<b>0.5</b>	<b>20.7</b>	<b>50.0</b>	<b>70.7</b>

## FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

## 10 FINANCE INCOME AND EXPENSE CONTINUED

During the year ended 30 June 2014, the group negotiated to purchase some of its bank debt at a discount to par value. £10.8 million of debt was purchased for a cash cost of £10.0 million, realising a gain of £0.8 million. There were no similar transactions undertaken in the current year.

The mezzanine instrument was originally recognised at a fair value of £nil at the date of transition to IFRSs, 1 July 2010. Finance charges in the three years to 30 June 2013 had increased the amortised cost of the instrument to £20.1 million at that date. The instrument was repaid on 4 March 2014 in the amount of £79.0 million.

The finance charges on the mezzanine instrument represent non-cash charges on these borrowings to bring them to amortised cost in accordance with IAS 39. In the year ended 30 June 2014, the amount required to increase amortised cost to the amount repaid is also included as an exceptional cost.

## 11 INCOME TAX (EXPENSE)/INCOME

### (A) ANALYSIS OF CHARGE IN YEAR

	2015 £m	2014 £m
<b>Current tax</b>		
UK corporation tax		
Current year	(4.9)	(2.2)
Adjustments in respect of prior periods	0.2	0.5
Total UK corporation tax	(4.7)	(1.7)
Overseas taxation	(0.3)	(0.3)
<b>Total current tax</b>	<b>(5.0)</b>	<b>(2.0)</b>
<b>Deferred tax</b>		
Current year	0.3	3.4
Adjustments in respect of prior periods	(0.2)	(0.7)
<b>Total deferred tax</b>	<b>0.1</b>	<b>2.7</b>
<b>Tax (expense)/income</b>	<b>(4.9)</b>	<b>0.7</b>
Trading	(4.9)	(3.1)
Exceptional items	-	3.8
<b>Tax (expense)/income</b>	<b>(4.9)</b>	<b>0.7</b>

Adjustments in respect of prior periods' deferred tax are increased by £0.1 million (2014: £nil) in respect of reductions in tax rates.

### (B) FACTORS AFFECTING THE TAX (EXPENSE)/INCOME FOR YEAR

The tax (expense)/income 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:

	2015 £m	2014 £m
Profit/(loss) before tax	24.8	(55.7)
(Profit)/loss before tax at the standard rate of UK corporation tax of 20.75% (2014: 22.50%)	(5.2)	12.5
Factors affecting charge for year:		
Non-cash finance charges in accordance with IAS 39 not deductible for tax purposes	-	(10.4)
Impairment charges not deductible for tax purposes	-	(2.3)
Gain on disposal of DX Business Direct not taxable	-	0.3
Adjustments in respect of prior years	-	0.1
Effect of different tax rates	0.2	0.4
Other	0.1	0.1
<b>Tax (expense)/income</b>	<b>(4.9)</b>	<b>0.7</b>

### (C) FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The UK corporation tax rate is 20% with effect from 1 April 2015. The Summer Budget 2015 announced that the UK corporation tax rate would reduce to 19% from 1 April 2017 and to 18% from 1 April 2020.

This will reduce the group's future current tax charge accordingly. The deferred tax assets at 30 June 2015 have been calculated based on the rate of 20%.

It has not yet been possible to quantify the full anticipated effect of the further rate reductions, although this will further reduce the group's future current tax charge and deferred tax assets accordingly.

## 12 PROFIT ATTRIBUTABLE TO THE COMPANY

The profit for the year includes a profit of £15.3 million (2014: £5.3 million) attributable to the company.



## 13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £m	Short leasehold land and buildings £m	Plant and equipment £m	Vehicles £m	Total £m
<b>Cost</b>					
At 1 July 2013	12.7	13.4	41.7	4.8	72.6
Additions	-	1.1	3.9	-	5.0
Disposals	-	(0.1)	(3.5)	(3.8)	(7.4)
<b>At 30 June 2014</b>	<b>12.7</b>	<b>14.4</b>	<b>42.1</b>	<b>1.0</b>	<b>70.2</b>
At 1 July 2014	12.7	14.4	42.1	1.0	70.2
Additions	0.4	0.6	2.3	-	3.3
Disposals	-	-	(1.7)	(0.7)	(2.4)
<b>At 30 June 2015</b>	<b>13.1</b>	<b>15.0</b>	<b>42.7</b>	<b>0.3</b>	<b>71.1</b>
<b>Depreciation</b>					
At 1 July 2013	4.4	10.4	34.5	4.6	53.9
Charge for the year	0.2	0.5	2.4	-	3.1
Disposals	-	-	(1.9)	(3.6)	(5.5)
<b>At 30 June 2014</b>	<b>4.6</b>	<b>10.9</b>	<b>35.0</b>	<b>1.0</b>	<b>51.5</b>
At 1 July 2014	4.6	10.9	35.0	1.0	51.5
Charge for the year	0.2	0.7	2.5	-	3.4
Disposals	-	-	(1.7)	(0.7)	(2.4)
<b>At 30 June 2015</b>	<b>4.8</b>	<b>11.6</b>	<b>35.8</b>	<b>0.3</b>	<b>52.5</b>
<b>Net book value</b>					
<b>At 30 June 2015</b>	<b>8.3</b>	<b>3.4</b>	<b>6.9</b>	<b>-</b>	<b>18.6</b>
At 30 June 2014	8.1	3.5	7.1	-	18.7

The cost of land not being depreciated is £2.8 million (2014: £2.8 million).

## 14 INTANGIBLE ASSETS AND GOODWILL

	Goodwill £m	Software and development costs £m	Customer relationships £m	Trademarks and domain names £m	Outstanding orders £m	Total £m
<b>Cost</b>						
At 1 July 2013	189.1	19.8	7.8	-	0.4	217.1
Additions	-	3.7	0.3	-	-	4.0
Disposals	-	(1.2)	-	-	-	(1.2)
<b>At 30 June 2014</b>	<b>189.1</b>	<b>22.3</b>	<b>8.1</b>	<b>-</b>	<b>0.4</b>	<b>219.9</b>
At 1 July 2014	189.1	22.3	8.1	-	0.4	219.9
Additions	-	5.6	-	1.0	-	6.6
Disposals	-	-	-	-	-	-
<b>At 30 June 2015</b>	<b>189.1</b>	<b>27.9</b>	<b>8.1</b>	<b>1.0</b>	<b>0.4</b>	<b>226.5</b>
<b>Amortisation</b>						
At 1 July 2013	0.7	15.7	2.0	-	0.4	18.8
Charge for the year	-	2.6	1.6	-	-	4.2
Disposals	-	(0.8)	-	-	-	(0.8)
<b>At 30 June 2014</b>	<b>0.7</b>	<b>17.5</b>	<b>3.6</b>	<b>-</b>	<b>0.4</b>	<b>22.2</b>
At 1 July 2014	0.7	17.5	3.6	-	0.4	22.2
Charge for the year	-	3.1	1.6	0.3	-	5.0
Disposals	-	-	-	-	-	-
<b>At 30 June 2015</b>	<b>0.7</b>	<b>20.6</b>	<b>5.2</b>	<b>0.3</b>	<b>0.4</b>	<b>27.2</b>
<b>Net book value</b>						
<b>At 30 June 2015</b>	<b>188.4</b>	<b>7.3</b>	<b>2.9</b>	<b>0.7</b>	<b>-</b>	<b>199.3</b>
At 30 June 2014	188.4	4.8	4.5	-	-	197.7

On 6 January 2015, the group acquired trademarks and domain names from the administrators of City Link Limited for a cash consideration of £1.0 million.

Goodwill has an indefinite useful life and is subject to annual impairment testing. The goodwill all relates to the group's principal activity. The group is considered to represent one cash generating unit for the purposes of impairment testing.

## FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

## 14 INTANGIBLE ASSETS AND GOODWILL CONTINUED

The recoverable amount of the goodwill has been calculated with reference to its value in use. The key assumptions used in this calculation are shown below:

	2015	2014
Period on which management approved forecasts are based	<b>One year</b>	One year
Growth rate applied beyond approved forecast period	<b>2.6%</b>	2.6%
Discount rate	<b>8.1%</b>	7.9%

The cash flow projections assume revenue growth and increasing profitability from continuing efficiencies from investment in the operating network.

Due to the diverse nature of the group's customer base the Directors consider that the appropriate growth rate to use is that issued by the Institute for Fiscal Studies for the UK economy as a whole.

Sensitivity analyses indicate that the estimated growth rate would need to fall to minus 4.2% before giving rise to an impairment of goodwill.

The result of this review was that no impairment charges were required at the statement of financial position date.

## 15 INVESTMENTS

Company	Shares in group companies £m	Loans to group companies £m	Total £m
<b>Cost</b>			
At 30 June 2014	0.1	198.5	198.6
Additions	-	16.2	16.2
Disposals	-	(8.0)	(8.0)
<b>At 30 June 2015</b>	<b>0.1</b>	<b>206.7</b>	<b>206.8</b>
<b>Provisions</b>			
At 30 June 2014 and at 30 June 2015	-	-	-
<b>Net book value</b>			
At 30 June 2015	<b>0.1</b>	<b>206.7</b>	<b>206.8</b>
At 30 June 2014	0.1	198.5	198.6

At 30 June 2015, DX (Group) plc owned, directly or indirectly, 100% of each class of issued shares of the following companies, save that in the case of DX (VCP) Limited certain employees hold a minority interest in the company:

	Principal activity
<b>Directly owned</b>	
DX (VCP) Limited	Intermediate holding company
<b>Indirectly owned</b>	
DX Network Services Limited	Mail services
DX Secure Limited	In Members' Voluntary Liquidation
DX Network Services Ireland Limited (registered and operates in the Republic of Ireland)	Mail services
DX Freight Limited	In Members' Voluntary Liquidation
DX Holdings Limited	Intermediate holding company
DX Secure Mail Limited	Intermediate holding company
DX Services Limited	Intermediate holding company
DX McBride Limited	Intermediate holding company
Ewenny Limited	Intermediate holding company
QYJ Limited	Intermediate holding company
DX (EBT Trustees) Limited	Dormant
DX Business Direct Limited	Dormant
DX Electronic Services Limited	Dormant
Special Mail Services Limited	Dormant

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

During the year the trade and assets of DX Secure Limited and DX Freight Limited were transferred in entirety to DX Network Services Limited. Further to the completion of the transfers, the resulting non-trading shell company subsidiaries have no assets or third party liabilities and are being eliminated by way of a Members' Voluntary Liquidation.

## 16 INVESTMENTS IN ASSOCIATES

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Gnewt Cargo Limited</b>				
Non-current assets	0.2	-	-	-
Current assets	0.7	-	-	-
Non-current liabilities	-	-	-	-
Current liabilities	(0.7)	-	-	-
<b>Net assets</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>
Group's share of net assets	0.1	-	-	-
Goodwill	1.8	-	-	-
<b>Carrying amount of investment</b>	<b>1.9</b>	<b>-</b>	<b>-</b>	<b>-</b>

On 9 December 2014, the group acquired a 49.8% non-controlling interest in Gnewt Cargo Limited, an environmentally-friendly delivery services provider in the UK. The 49.8% interest was acquired for £1.9 million in cash at completion. Gnewt is a rapidly growing company and the investment will enable further growth by supporting the roll-out of its services across other cities in the UK, whilst enhancing their existing operations in Central London.

Gnewt Cargo Limited made post-acquisition profits of £78,000 up to the end of the group's reporting period, of which £39,000 is attributable to the group.

## 17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Trade receivables	21.2	29.0	-	-
Other receivables	2.6	6.6	-	-
Prepayments and accrued income	14.7	13.6	-	-
Amounts owed by subsidiary undertakings	-	-	0.2	0.4
Amounts owed by associates (see note 30)	0.3	-	-	-
	<b>38.8</b>	<b>49.2</b>	<b>0.2</b>	<b>0.4</b>

Included in other receivables at 30 June 2015 is an amount of £nil (2014: £2.5 million) receivable in respect of the disposal of DX Business Direct in the prior year (see note 9).

## 18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Cash and cash equivalents per statement of financial position	7.0	1.1	-	-
Cash book balance	-	(3.3)	-	-
<b>Cash and cash equivalents per cash flow statement</b>	<b>7.0</b>	<b>(2.2)</b>	<b>-</b>	<b>-</b>

## 19 SHARE CAPITAL

## ALLOTTED, CALLED UP AND FULLY PAID - 2014 AND 2015

Group and company	Number (000)	£000
Ordinary shares of 1p each	200,525	2,005

There were no changes in share capital during the year.

## FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

## 20 SHARE PREMIUM AND RESERVES

Group	Share premium £m	Reverse acquisition reserve £m	Translation reserve £m	Retained earnings £m
At 1 July 2013	-	142.2	0.1	(226.5)
Issue of shares	183.2	-	-	-
Share issue expenses	(1.8)	-	-	-
Capital reconstruction	-	137.8	-	-
Loss for the year	-	-	-	(55.0)
<b>At 30 June 2014</b>	<b>181.4</b>	<b>280.0</b>	<b>0.1</b>	<b>(281.5)</b>
At 1 July 2014	181.4	280.0	0.1	(281.5)
Profit for the year	-	-	-	19.9
Reverse acquisition reserve transfer	-	(280.0)	-	280.0
Dividends	-	-	-	(8.0)
Share-based payment transactions	-	-	-	0.3
<b>At 30 June 2015</b>	<b>181.4</b>	<b>-</b>	<b>0.1</b>	<b>10.7</b>

Company	Share premium £m	Retained earnings £m
On incorporation	-	-
Issue of shares	183.2	-
Share issue expenses	(1.8)	-
Loss for the year	-	5.3
<b>At 30 June 2014</b>	<b>181.4</b>	<b>5.3</b>
At 1 July 2014	181.4	5.3
Profit for the year	-	15.3
Dividends	-	(8.0)
<b>At 30 June 2015</b>	<b>181.4</b>	<b>12.6</b>

## REVERSE ACQUISITION RESERVE

This reserve initially arose from the acquisition of the DX Group by the company and represented the difference between the value of the shares acquired on 20 February 2014 and the nominal value of the shares issued in exchange.

This was followed by the subsidiary undertakings acquired issuing further shares in connection with the separation of the DX Group from its previous parent undertaking, DX Group Limited, resulting in a further £137.8 million increase in the reserve as at 30 June 2014.

The reserve has subsequently been transferred to retained earnings during the year ended 30 June 2015 following a decision to reclassify these amounts to the retained earnings reserve.

## 21 EARNINGS PER SHARE

### BASIC EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2015 was based on the profit for the year of £19.9 million (2014: £55.0 million loss after exceptional items) and average number of shares in issue of 200.5 million (2014: 78.4 million weighted average) calculated as follows:

Profit/(loss) for the year	2015		2014	
	Total £m	Trading £m	Exceptional items £m	Total £m
<b>Profit/(loss) for the year</b>	<b>19.9</b>	4.0	(59.0)	(55.0)

### Number of ordinary shares

	2015 Number (000)	2014 Number (000)
<b>Number of ordinary shares at 30 June (weighted average 2014)</b>	<b>200,525</b>	78,375

### DILUTED EARNINGS PER SHARE

None of the share option schemes would result in a dilution of the basic earnings per share at 30 June 2015. Dilution is dependent on share price movements, therefore there remains the possibility for future dilution of earnings per share.

## 22 LOANS AND BORROWINGS

### (A) THIRD PARTY

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Non-current liabilities</b>				
Bank loans	7.6	8.8	7.6	8.8
Deferred loan issue costs	(0.3)	(0.4)	(0.3)	(0.4)
	<b>7.3</b>	<b>8.4</b>	<b>7.3</b>	<b>8.4</b>
<b>Current liabilities</b>				
Cash book balance	-	3.3	-	-
Bank loans	1.2	1.2	1.2	1.2
	<b>1.2</b>	<b>4.5</b>	<b>1.2</b>	<b>1.2</b>

Amounts due under the bank term loan facility and the revolving credit facility are secured by means of a charge over the assets and undertaking of the group.

### (B) TERMS AND CONDITIONS OF OUTSTANDING LOANS WERE AS FOLLOWS:

#### At 30 June 2014

	Nominal interest rate	Year of maturity	Face value £m	Carrying amount £m
Bank term loan	LIBOR + 2.00%	2014-2017	10.0	10.0
			<b>10.0</b>	<b>10.0</b>

#### At 30 June 2015

	Nominal interest rate	Year of maturity	Face value £m	Carrying amount £m
Bank term loan	LIBOR + 2.00%	2014-2017	8.8	8.8
			<b>8.8</b>	<b>8.8</b>

All loans are denominated in sterling.

In addition to the bank term loan the group also has a £13.0 million revolving credit facility with an interest rate of LIBOR plus 2.00%. No drawings were made under this facility as at 30 June 2015 (2014: £nil).

## 23 PROVISIONS

	Property repair costs £m	Insurance provision £m	Other provisions £m	Total £m
At 1 July 2013	3.3	1.9	3.7	8.9
Charged to income statement	-	1.6	0.9	2.5
Utilised	(0.5)	(1.6)	(2.0)	(4.1)
<b>At 30 June 2014</b>	<b>2.8</b>	<b>1.9</b>	<b>2.6</b>	<b>7.3</b>
At 1 July 2014	2.8	1.9	2.6	7.3
Charged/(credited) to income statement	(0.2)	1.3	(0.3)	0.8
Utilised	(0.7)	(2.3)	(1.6)	(4.6)
<b>At 30 June 2015</b>	<b>1.9</b>	<b>0.9</b>	<b>0.7</b>	<b>3.5</b>

Provisions are made for the costs of property repairs where there is a significant backlog of repairs required. Provisions are also made for motor insurance claims not yet settled. Other provisions are made for the costs of integrating businesses and for future losses arising from onerous contracts. Property repair costs, insurance and other provisions are expected to be utilised over the period to April 2030.

The group self-insures against certain risks and based on such risks provides for all estimated future expected liabilities relating to the current and prior financial years, based on the level of historic claims experience. The provisions are likely to be utilised over the next three years.

## FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

## 24 DEFERRED TAX ASSETS/(LIABILITIES)

	Group £m	Company £m
At 1 July 2013	(1.6)	-
Credited to the income statement	2.8	-
<b>At 30 June 2014</b>	<b>1.2</b>	<b>-</b>
At 1 July 2014	1.2	-
Credited to the income statement	0.1	-
<b>At 30 June 2015</b>	<b>1.3</b>	<b>-</b>

The deferred tax asset is made up as follows:

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Intangible assets	(0.9)	(1.4)	-	-
Accelerated capital allowances	2.2	2.5	-	-
Other timing differences	-	0.1	-	-
	<b>1.3</b>	<b>1.2</b>	<b>-</b>	<b>-</b>

The unrecognised deferred tax assets of the group at 30 June 2015 total £1.3 million (2014: £1.6 million) which, in the opinion of the Directors, are not expected to be utilised in the future. There are no unrecognised deferred tax assets for the company at 30 June 2015 (2014: £nil).

## 25 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Non-current liabilities</b>				
Amounts owed to subsidiary undertakings	-	-	1.0	-
	-	-	<b>1.0</b>	-
<b>Current liabilities</b>				
Trade payables	14.3	10.5	-	-
Social security and other taxes	5.5	3.0	-	-
Other payables	1.7	1.6	-	-
Accruals	12.7	21.8	-	0.4
Amounts owed to subsidiary undertakings	-	-	0.2	-
	<b>34.2</b>	<b>36.9</b>	<b>0.2</b>	<b>0.4</b>

## 26 FINANCIAL INSTRUMENTS

Short-term debtors and creditors have been excluded from the following disclosures.

### (A) INTEREST RATE PROFILE

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

Bank term loan	2015 £m	2014 £m
Fixed rate	-	-
Floating rate	8.8	10.0
<b>Total</b>	<b>8.8</b>	<b>10.0</b>

### (B) FAIR VALUES

Financial instruments utilised by the group during the years ended 30 June 2014 and 30 June 2015, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

#### Current assets and liabilities

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

#### Borrowings and cash

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

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

## 26 FINANCIAL INSTRUMENTS CONTINUED

### Fair values of financial assets and liabilities

#### Carrying amount and fair value

The fair value of all financial assets and liabilities is considered to be equal to the carrying values of these items due to their short-term nature. Cash is held with counterparties with a Moody's credit rating of Aa2 and Ba2.

€0.7 million (2014: €1.8 million) of net financial assets and liabilities at the statement of financial position date were denominated in euros. All other net financial assets and liabilities were denominated in sterling. A 10% strengthening of sterling against the euro at 30 June 2015 would have reduced equity and profit by €0.1 million (2014: €0.2 million).

A 1% increase or reduction in the interest rate applicable to the term loan and revolving credit facility would have had a negligible impact on the profit for the year.

#### Credit risk

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

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

	2015 £m	2014 £m
Neither past due nor impaired	23.3	34.4
Past due 1-30 days	1.0	1.4
Past due 31-90 days	0.2	0.2
Past due more than 90 days	-	0.3
	<b>24.5</b>	<b>36.3</b>

The movement in the allowance for impairment in respect of trade and other receivables was as follows:

	Individual impairments £m	Collective impairments £m
At 1 July 2013	0.4	0.6
Impairment losses recognised	-	0.1
Amounts written (back)/off	(0.4)	0.1
<b>At 30 June 2014</b>	<b>-</b>	<b>0.8</b>
At 1 July 2014	-	0.8
Amounts written back	-	(0.3)
<b>At 30 June 2015</b>	<b>-</b>	<b>0.5</b>

The group considers that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, when available.

## 27 EMPLOYEE BENEFITS

### PENSION COMMITMENTS

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

The total cost charged to income of £1.1 million (2014: £1.0 million) represents contributions payable to these schemes by the group at rates specified in the rules of the schemes.

Contributions amounting to £0.3 million (2014: £0.7 million) were payable to the schemes at 30 June 2015 and are included in creditors.

### SHARE-BASED PAYMENTS

At 30 June 2015, the company had the following share-based payment arrangements.

#### Company Share Option Plan ('CSOP')

On 27 February 2014, the company established an equity-settled share option programme that entitles key management and senior employees to purchase shares in the company. The programme entitles holders of vested options to purchase shares at £1.00. Options over 4,590,000 shares, with a life of ten years were issued under the CSOP, the sole vesting condition under the plan being three years' service from the grant date.

On 17 February 2015, the company issued further options under the CSOP. Options over 300,000 shares, with a life of ten years were issued and entitled the holders of vested options to purchase shares at £0.95, the sole vesting condition under the plan being three years' service from the grant date.

## FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

## 27 EMPLOYEE BENEFITS CONTINUED

### Share purchase plan (equity-settled) ('SAYE')

On 27 February 2014, the company offered all of the employees with 12 months' service in the group the opportunity to participate in an employee share purchase plan. To participate in the plan the employees are required to save out of their gross salary over 36 months the amount required to enable them to purchase the number of shares allocated to them at a price of £0.80. Only employees that remain in service and save the required amount of their gross salary for 36 consecutive months will become entitled to purchase the shares. Employees who cease their employment, do not save the required amount of their gross salary in any month before the 36-month period expires or elect not to exercise their option to purchase shares will be refunded their saved amounts. Options over 1,568,880 shares were issued under the SAYE.

### Value Creation Plan ('VCP')

Under the VCP, A ordinary shares in DX (VCP) Limited (a subsidiary of the company) were issued to the Executive Directors and six members of the Executive Team. The A ordinary shares were issued at nil cost and PAYE and National Insurance contributions have been accounted for on the value of these shares at acquisition.

The A ordinary shareholders are only entitled to realise any value from their A ordinary shares if pre-determined value hurdles are exceeded and after the expiry of minimum holding periods described below (referred to as 'vesting period'). The value hurdles are detailed in the DX (VCP) Limited share rights and are linked to the market capitalisation of the group. The A ordinary shareholders will, to the extent that the hurdle has been exceeded, be able to realise value by disposing of their A ordinary shares to the company following publication of the company's financial results for the year ending 30 June 2017. The A ordinary shareholders also have the opportunity to dispose of 50% of their shares at an earlier date (on the publication of the results for the year ended 30 June 2016) but the ability to dispose at this earlier date is subject to the company share price having hit a pre-determined target. The company has the choice as to whether to settle the disposal in cash or by the issue of shares in the company. The company's current intention is to issue shares in the company.

Retaining ownership of the A ordinary shares is conditional on continuing employment. Specific rules will apply if the employee ceases employment during the vesting period.

The A ordinary shares have no dividend rights and very limited voting rights.

The Executive Directors also acquired B ordinary shares in DX (VCP) Limited. The B ordinary shares were acquired at market value. The B ordinary shares have limited economic rights but entitle each of the B shareholders to 5% of the voting rights in DX (VCP) Limited.

### Measurement of fair values

The fair values of the CSOP and SAYEs were measured using the Black-Scholes basis of valuation. Expected volatility is based on the historic volatility of the AIM market of the London Stock Exchange measured over the contractual period of the options.

The shares in DX (VCP) Limited under the VCP were valued using the net present value of estimated future economic returns at 26 February 2014, the date on which the employees were required to accept the offer to issue the shares to them.

### Equity-settled share-based payments plans

The requirement that the employee has to save in order to purchase shares under the SAYE is a non-vesting condition. This feature has been incorporated into the fair value at grant date by applying a discount to the valuation obtained. The discount has been determined by estimating the probability that the employee will stop saving based on historic behaviour.

At 30 June 2015, a total amount of £411,000 (2014: £67,000) was invested by the participants in the SAYE. The plan is administered by a third party and the funds are held outside the group.

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

	CSOP Issued 17 February 2015	CSOP Issued 27 February 2014	SAYE Issued 27 February 2014
Fair value at grant date	£0.26	£0.30	£0.25
Share price at grant date	£0.95	£1.00	£1.00
Exercise price	£0.95	£1.00	£0.80
Expected volatility	15.6%	15.6%	15.6%
Expected life	10 years	10 years	3 years
Expected dividends	Nil	Nil	Nil
Risk-free interest rate (based on government bonds)	1.78%	2.38%	1.07%



## 27 EMPLOYEE BENEFITS CONTINUED

The number and weighted average exercise price of options under the CSOP and SAYE are as follows:

	2015		2014	
	Weighted average exercise price £.p	Number of options 000	Weighted average exercise price £.p	Number of options 000
Granted during the year	0.95	300	0.95	6,159
Lapsed during the year	0.92	(468)	0.95	(192)
Outstanding at the end of the year	0.95	5,799	0.95	5,967
Exercisable at the end of the year	-	-	-	-

The options outstanding at the end of the year have an exercise price in the range of £0.80 to £1.00 and a weighted average contractual life of 8.4 years (2014: 8.2 years).

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

	2015 £000	2014 £000
CSOP	125	-
SAYE	104	-
VCP	29	-
Total employee benefit expense recognised for share-based payments	258	-

## 28 COMMITMENTS

	Group	
	2015 £m	2014 £m
Capital expenditure contracted but not provided for	-	-

## OPERATING LEASES

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

	Group	
	2015 £m	2014 £m
<b>Land and buildings</b>		
Leases that expire:		
Within one year	0.5	0.4
Between two and five years	10.0	12.6
After five years	23.2	24.8
	<b>33.7</b>	<b>37.8</b>
<b>Other operating leases</b>		
Leases that expire:		
Within one year	1.8	2.0
Between two and five years	5.2	6.6
After five years	2.8	3.0
	<b>9.8</b>	<b>11.6</b>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessees to pay all insurance, maintenance and repair costs.

## 29 CONTINGENCIES

The company is party to a continuing guarantee and indemnity in respect of the bank term loan and revolving credit facility described in note 22. The amounts outstanding under these facilities at 30 June 2015 totalled £8.8 million (2014: £10.0 million).

No provisions are required or have been made in respect of these contingencies since, in the opinion of the Directors, they are not expected to result in financial loss for the company.

## FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

## 30 RELATED PARTIES

The following transactions were carried out with connected parties:

### KEY MANAGEMENT PERSONNEL

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

	2015 £000	2014 £000
Salaries, fees and other short-term employee benefits	2,036	3,025
Pension contributions	55	54
Compensation for loss of office	-	188
	<b>2,091</b>	<b>3,267</b>

### SALES AND PURCHASES OF GOODS AND SERVICES

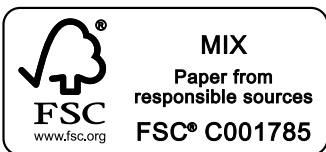
The group has trading relations with the associate, Gnewt Cargo Limited (see note 16). The transactions since becoming an associate on 9 December 2014 included £239,000 purchases for the period to 30 June 2015 with an amount of £20,000 owed by the group at 30 June 2015. At 30 June 2015 the group was also owed £250,000 (see note 17) from working capital provided to Gnewt Cargo Limited (2014: £nil). These amounts were repaid in full in July 2015. Interest charged on working capital provided during the year was £6,000 (2014: £nil).

The group also has trading relationships with boohoo.com plc and with Parcel Monkey Limited. Petar Cvetkovic was a Director and shareholder of boohoo.com and a shareholder in Parcel Monkey Limited prior to Admission to AIM. He has subsequently resigned as a Director of boohoo.com with effect from 14 October 2014 and disposed of his shares in Parcel Monkey Limited in the year ended 30 June 2015.

The following transactions took place with these companies during the period:

	2015 £000	2014 £000
Sales	1,553	2,323
Amounts owed to the group at statement of financial position date	15	235
Purchases	17	11
Amounts owed by the group at statement of financial position date	-	-

All transactions were undertaken at arms' length and on normal commercial terms.



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