

Final Results

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DX (Group) PLC
15 November 2022

AIM: DX.

DX (Group) plc
("DX" or "the Group" or "the Company")

*A leading provider of delivery solutions,
including parcel freight, secure courier and logistics services*

Final audited results for the 52 weeks ended 2 July 2022

**Trading results reach seven-year high -
Group is well-positioned for further progress**

Financial Key Points

	52 weeks to 2 July 2022	53 weeks to 3 July 2021	Change
Revenue	£428.2m	£382.1m	+12%
EBITDA ¹	£50.3m	£38.6m	+30%
Adjusted profit from operating activities ¹	£24.9m	£16.5m	+51%
Reported profit from operating activities	£22.1m	£15.1m	+46%
Adjusted profit before tax ¹	£20.2m	£12.0m	+68%
Statutory profit before tax	£17.4m	£10.6m	+64%
Adjusted earnings per share	2.9p	2.0p	+45%
Basic earnings per share	2.4p	2.7p	-11%
Net cash ^{1,2}	£27.0m	£16.8m	+61%
Cash flow from operating activities	£36.5m	£28.1m	+30%

- Revenue up 12%, driven by strong performance at DX Freight and improvement at DX Express
- Group operating margin¹ up to 5.8% (2021: 4.3%); target remains 7.5% -10.0%
- Capital investment of £6.2m (2021: £6.0m) in depot network expansion, equipment and IT
- Net cash up 61% to £27.0m even after repayment of £6.0m of coronavirus-related deferred VAT payments in respect of FY20
- Decrease in reported basic earnings per share to 2.4p (2021: 2.7p) reflected recognition in the previous year of deferred tax on unused tax losses

Operational Key Points

- DX Freight:
 - Revenue up 15% to £256.9m (2021: £223.0m) and
 - operating profit up 36% to £31.1m (2021: £22.9m)
 - Divisional operating margin up to 12.1% (2021: 10.3%),
 - driven by further improvements in productivity and operational efficiency
 - Continued focus on high levels of customer service led to a
 - significant number of new customer wins and supported customer retention levels
 - Four new depots opened at Dewsbury, Bodmin, Coventry
 - and Cannock, and two depots expanded at Maidstone and Swanley
- DX Express:
 - Revenue up 8% to £171.3m (2021: £159.1m) and
 - operating profit up 17% to £14.5m (2021: £12.4m)
 - Divisional operating margin increased to 8.4% (2021: 7.8%), driven by growth in Parcels volume outweighing decline in Document Exchange
 - The separation of the Document Exchange delivery
 - network from the Parcels network enhanced service levels and increased capacity in the Parcels operation
 - Launch of the Document Exchange Portal was well
 - received by its members
 - Four new depots were opened at Grimsby, Luton, Verwood
 - and Dartford, and the Edinburgh depot was moved to larger premises
- Overheads:
 - Overheads decreased as a percentage of revenue to 5.1%
 - (2021: 5.3%), excluding the exceptional items
 - Including £1.6m of exceptional items, overheads increased
 - to £23.5m (2021: £20.2m)

Board changes

- Executive Chairman, Ron Series, today retires from the Board and the Company, as reported in a separate announcement issued this morning. His successor will be announced shortly

Outlook

- Q1 2023 trading was in line with management expectations
- The three-year £20-25m investment programme, now in its second year, will help to drive revenue and margin expansion
- The Group is well positioned to achieve its growth objectives despite current economic headwinds
 - Return to dividend list; 1.5p per share targeted for FY 2023, reflecting Board's confidence

Ron Series, Executive Chairman of DX (Group) plc, commented:

"These are excellent results in a year of challenges for the Group. Both revenue and adjusted pre-tax profit reached seven-year highs. The significant progress the Group has made reflects a well-

executed growth strategy, underpinned by the major investment we have made in the business over recent years.

"The Group has a very strong balance sheet, with net cash of £27 million. We believe that DX remains very well-positioned to achieve its growth objectives in the current financial year and beyond despite the economic uncertainties."

Notes

- 1 See notes 2 and 18 to the Financial Statements for details of alternative performance measures ("APMs") used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.
- 2 The cash balance included agreed coronavirus-related deferred payments of £nil (2021: £6.0m); thereby, net underlying cash was £27.0m (2021: net underlying cash £10.8m).

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About DX (Group) plc:

DX is a well-established provider of a wide range of delivery services to both business and residential addresses across the UK and Ireland. First established in 1975 as a Document Exchange service to the legal sector, DX now provides one of the widest ranges of overnight delivery services in the market, as well as logistics services. Items that DX transports range from confidential documents and valuable packages to large, awkward-to-handle freight, unsuitable for automated conveyors.

DX Freight: comprises DX 1-Man, DX 2-Man and Logistics. The Division specialises in the delivery of irregular dimension and weight freight ("IDW").

DX Express: comprises DX Parcels and DX Exchange and Mail. The Division specialises in the express delivery of parcels and documents.

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

CHAIRMAN'S STATEMENT

DX CONTINUES TO MAKE VERY STRONG PROGRESS

Introduction

The Group has continued to make very strong progress, and financial results for the year are significantly ahead of original management expectations as we continue to execute our strategy to build Group profitability, margin and cash generation, whilst maintaining our objective of the highest standards of corporate and individual conduct.

The Group's strong performance was led by DX Freight, where revenue increased by 15% year-on-year, with DX Express revenue growing by 7% as expected. I am also very pleased to highlight the progress we have made with our goal of increasing Group operating margin towards 7.5%-10%. Operating profit margin (adjusted operating profit divided by revenue) improved to 5.8% against 4.3% in the prior year.

These results were helped by the initiatives we have taken to increase efficiencies and productivity and were underpinned by our focus on maintaining and improving our high customer service levels.

In addition, after a challenging first half with supply chain restrictions impacting customers and a shortage of driver and warehouse resource, trading conditions improved. The labour market stabilised and supply chains returned to a degree of normality.

We continued to invest in the business, launching a major new capital investment programme at the start of the financial year. The programme will total £20-25 million, with investment targeted at further expanding our depot network, adding additional operational handling equipment and improving IT.

We remain confident of further progress over the new financial year and expect profitability between the first and second halves of the year to reflect the previous years' seasonal weighting. Reflecting our confidence in future prospects, we will also be returning to dividend payments, targeting a total dividend for the current financial year of 1.5p per share.

Share suspension

As previously reported, the Company's shares were suspended from trading on AIM on 4 January 2022. The suspension resulted from the

Company's inability to meet its statutory deadline for the completion and publication of its 2021 Annual Report & Accounts after a corporate governance inquiry ("Inquiry") was raised by the Group's Audit & Risk Committee. The Inquiry related to an internal investigation started in the 2021 financial year ("Investigation").

On 20 September 2022, we reported the findings of the Inquiry and Investigation, which centred on an allegation of bribery. We also detailed the key measures we had taken or proposed to take in order to strengthen the Group's corporate governance and ensure that we meet the highest standards of corporate and individual conduct. Further information on this is provided in the Audit & Risk Committee Report of the 2022 Annual Report & Accounts, which will be published shortly. It has been a highly unsettling period for shareholders and the Company, and we were pleased to see the Company's shares readmitted to trading on AIM on 19 October 2022.

Financial Results

Revenue for the 52 weeks ended 2 July 2022 increased by 12% to £428.2 million (2021: £382.1 million), and adjusted pre-tax profit rose by 68% to £20.2 million (2021: £12.0 million). Adjusted earnings per share was up by 45% to 2.9p (2021: 2.0p). Statutory profit before taxation increased by 64% to £17.4 million (2021: £10.6 million) and statutory earnings per share decreased to 2.4p (2021: 2.7p), due to deferred tax on unused tax losses being recognised in the previous year.

Net cash generated by operating activities grew strongly, up 30% to £36.5 million (2021: £28.1 million). The Group's financial position remains very robust, with net cash at the year end up by 61% to £27.0 million (3 July 2021: £16.8 million - which included agreed coronavirus-related deferred payments amounting to £6.0 million).

The Group continues to retain a strong level of liquidity and has significant headroom within its invoice discounting facility.

Capital allocation and dividend policy

On 28 September 2022, the Board announced the details of the Group's capital allocation policy. The policy will underpin investment decisions and help to ensure the efficient and appropriate use of DX's capital resources to deliver the Company's long-term growth strategy and maximise shareholder value.

Our capital allocation priorities are as follows:

- *Investment for organic growth*: the Board intends to continue its focus on driving organic growth across the business, and will continue to invest in new depots, operational equipment and IT systems to support the growth of the existing depot network in line with previously announced plans. Current requirements are forecast at £8-10 million per annum;
- *Regular returns to shareholders*: the Board intends to reinstate a dividend and maintain a progressive dividend policy that will take into account growth in earnings and cash

generation. It will seek to maintain dividend cover of between two- and three-times adjusted earnings per share through the economic cycle and to ensure that dividend payments are funded by operating free cash flow. (Adjusted earnings per share comprise earnings adjusted for amortisation of any acquired intangibles, exceptional items and share-based payment charges, including related tax where applicable). Further details on dividends are set out below;

- *Strategic investments:* in the medium term, the Board will consider selective property investment to support the Group's operations and the acquisition of operating businesses that are accretive to earnings and which support growth over the long term; and
- *Other returns to shareholders:* the Board is committed to ensuring that the balance sheet remains efficient. Given the relatively high operational leverage of the business, it will maintain a positive cash balance. As and when appropriate, it will return surplus capital to shareholders in the form of special dividends or share buy-backs.

Resumption of dividend and share buy-back

The Board intends to recommence dividend payments in the current financial year ending 1 July 2023 and is targeting a total dividend for the financial year of 1.5p per share. Dividends are anticipated to be paid in a ratio of approximately one-third interim dividend: two-thirds final dividend. The interim dividend for the current financial year is expected to be paid after the announcement of the interim results in March 2023 and the final dividend (following approval at the Annual General Meeting ("AGM")) towards the end of calendar year 2023. It is anticipated that annual dividends thereafter will be covered between two- and three-times by adjusted earnings per share.

The Board also announced its intention to use its existing share buy-back authority, granted by shareholders at the Company's 2021 AGM, to undertake market purchases. The aim of this is to partially offset the full dilution resulting from the exercise of options pursuant to the Company's Performance Share Plan 2017. This will be funded by existing surplus capital within the Company.

Performance Overview

DX Freight, which specialises in the overnight delivery of irregular dimension and weight ("IDW") items, delivered another year of strong growth, with revenue up by 15% to £256.9 million (2021: £223.0 million) and operating profit up by 36% to £31.1 million (2021: £22.9 million), benefiting from further improvements in productivity and operational efficiency. Operating margin increased to 12.1% (2021: 10.3%). These very encouraging results were primarily driven by our 1-Man service, where revenue grew by 19%. Our continuing focus on high levels of customer service led to a significant number of new customer wins and supported customer retention.

DX Express, which specialises in the next-day delivery of time-sensitive, mission-critical and higher-value items, benefitted from the

growth in Parcels, which more than offset our expected revenue attrition at Document Exchange. DX Express revenue increased 8% to £171.3 million (2021: £159.1 million) driven by 14% growth in Parcels revenue. Operating profit increased to £14.5 million (2021: £12.4 million). These results were after the first full year of operating the Document Exchange deliveries as a stand-alone network, following its separation from the Parcels' network. As expected, the separation has helped to improve the delivery service across the division. The launch of the Document Exchange Portal was well received by its members. The new portal, hosted in the UK, enables Document Exchange members to share files digitally in a secure, fully encrypted form. It enhances our service and is included in customers' membership. It also enables members to send physical documents and parcels to both business and residential addresses across the UK, as well as to other Document Exchange members.

Environmental, Social and Governance

We plan to publish the Group's carbon reduction plan before the end of December 2022. This is a significant step forward and will bring a number of initiatives together into a clear plan, which will guide our approach to environmental matters over the coming years. We are fully committed to doing our part in helping the transport sector and the UK meet its net zero target by 2050. I have every confidence we can manage this transition while continuing to grow the business in the medium term.

As reported in our announcement on 20 September 2022, the Board is clear in its objective of ensuring the highest standards of corporate and individual conduct. We have taken corrective actions to improve certain internal processes and training in specific areas so as to ensure best practice in corporate governance. Further details of the actions being taken and the progress we are making against them will be disclosed in the Audit & Risk Committee Report of the 2022 Annual Report and Accounts.

Our People

It has been a challenging year for our employees but one in which they have gone above and beyond in delivering consistently high levels of customer service, which has supported these excellent results. On behalf of the Board, I would like to thank everyone within DX for their commitment and hard work in the face of these challenges and also to thank all our customers, suppliers, subcontractors, and all other stakeholders. We have a very talented and experienced team and strength in depth, and the Board looks forward to further successes in the current financial year.

Board changes

There have been a number of changes to the composition of the Board over the financial year. As previously reported, a recruitment process is currently under way for a new Chief Executive Officer, following the resignation of Lloyd Dunn on 6 September 2022, with internal and external candidates being considered. Our two Divisional Directors, who respectively lead DX Freight and DX Express, are reporting directly to the Board during this time.

On 12 July 2022, we were delighted to welcome Jon Kempster and Mike Russell to the Group as independent Non-executive Directors. Both have significant financial and commercial experience at C-suite level, including at listed companies. They have replaced Ian Gray and Paul Goodson who resigned as Non-executive Directors on 1 February 2022. A third independent Non-executive Director will be appointed in due course.

Jon has been appointed as the Group's Senior Independent Director, Chairman of the Group's Audit & Risk Committee, and a member of the Remuneration Committee. Mike has been appointed as Chairman of the Group's Remuneration and Nomination Committees and a member of the Audit & Risk Committee.

Jon Kempster was Group Finance Director of industry-leading FTSE-listed companies across a number of sectors, including logistics, retail, and manufacturing. Most recently, he was Finance Director of Frasers Group plc, the retail group and, before that, Group Finance Director of Wincanton plc, the logistics provider.

Mike Russell has over 35 years' experience in leadership and financial roles with major companies. During his executive career, he was Chief Executive of Prize Food Group plc, the food production group, Group Finance Director of Nurdin and Peacock plc, the food wholesaler, and Finance Director of Asda Stores Limited, the supermarket subsidiary of Asda Group plc. He was also a Non-executive Director of Clipper Group plc, the retail logistics firm, for almost 10 years.

In December 2021, following a request from Gatemore Capital Management LLP ("Gatemore"), a significant shareholder in DX, Liad Meidar, Managing Partner of Gatemore, joined the Board as a Non-executive Director. In October 2022, he gave notice of his resignation and left the Board on 19 October 2022. On 19 October 2022, Non-executive Director, Russell Black, left the Board and the Group.

I have announced my retirement as Executive Chairman today and my successor will be announced shortly. I leave DX in very good shape and with full confidence in its potential to continue to grow revenue, margin, and profitability.

Outlook and Opportunities

It has been a difficult year for shareholders. However, DX has continued to trade strongly and to increase revenue, profitability, and operating profit margin. We believe that the Group can continue to increase its market share and make further progress towards its operating profit margin target. Our major investment programme will help us to scale further and to achieve additional efficiency and productivity improvements, which will underpin margin expansion. Margin growth will also be assisted by operational leverage.

Trading in the first quarter of the new financial year remained in line with management expectations, and we have a very healthy pipeline of new business opportunities as we enter the seasonally busier second quarter. Despite the uncertainties facing the economy at

present, the Board believes that the Group remains in a strong position to achieve its growth objectives for the current financial year. Our proposed return to the dividend list in the new financial year signals the Board's confidence in DX's growth prospects.

Ronald Series
Executive Chairman

GROUP OPERATIONAL REVIEW

CONTINUING TO GROW STRONGLY

We delivered strong growth in the year, with Group revenue increasing by 12% to £428.2 million (2021: £382.1 million). Group adjusted operating profit increased by 51% to £24.9 million (2021: £16.5 million), raising Group operating margin to 5.8% from 4.3% the previous year, and we continue to target operating margins of 7.5%-10% over the medium term. We are encouraged by these results, which were achieved against a mixed trading environment. As well as delivering an excellent trading performance, we have significantly strengthened our commercial and operational processes and are using our strong financial position to invest in the business to underpin future growth prospects.

Whilst the impact of the coronavirus pandemic reduced significantly in the second half of the year, the business had to contend with a number of other challenges in the period, including a slowdown in online retail, substantially higher fuel costs following the outbreak of war in Ukraine and continued pressure from industry-wide driver and warehouse staff shortages. Nevertheless, the Group's business model has proved to be highly resilient in adapting to these headwinds and we have delivered a strong outcome for the year.

The parcel and freight markets continue to grow, with longer-term growth projections remaining attractive. This presents significant opportunities for the Group, and we believe that our strong differentiation leaves us well placed to increase our market share. Our confidence in our ability to grow our business is reflected in our three-year capital investment programme worth £20 million to £25 million, which we initiated at the start of the year. This programme is designed to strengthen our depot network and improve our equipment and IT infrastructure. The expansion of our delivery network is adding capacity, which is a key component of our growth plans. Having opened or upgraded 12 depots in the last financial year, we have added eight new depots this financial year, upgraded two existing depots, and moved another depot to a larger site.

We plan to add a further 13 new sites and ten upgrades over the next two years. As well as significantly increasing our network capacity, this will improve the service we provide to our customers and strengthen our customer relationships. It will also drive greater efficiency throughout the network by reducing the delivery distances our drivers have to travel.

Coronavirus Pandemic

Whilst we were still significantly impacted by the coronavirus pandemic in the first half of the financial year, trading conditions recovered significantly in the second half, with more stable labour markets and supply chains normalising. At 3 July 2021 we still had £0.6 million outstanding relating to the Government's Coronavirus Job Retention Scheme and approximately £6.0 million of deferred VAT, all of which we repaid in the year. We continue to ensure that we operate in a safe manner and remain vigilant so that we can respond quickly and effectively if there is any further outbreak in the future.

Divisional Review

DX Freight

DX Freight performed very strongly with revenue increasing by 15% to £256.9 million (2021: £223.0 million) and operating profit growing even more strongly, up by 36% to £31.1 million (2021: £22.9 million). The division's operating margin rose to 12.1% (2021: 10.3%).

These excellent results were primarily driven by the division's 1-Man service, which increased revenue by 19% to £195.5 million (2021: £164.2 million). Revenue at 2-Man & Logistics services grew more modestly, with revenue up 4% to £61.4 million (2021: £58.8 million). Growth reflected a combination of price increases at 1-Man, good quality new business, operational leverage from the increased revenue, and further productivity gains. We continued to maintain a strong focus on high customer service levels across the division, which has also helped to underpin the strong rise in profit.

A key factor supporting growth was the further expansion of the division's depot network. Having opened three new depots and enlarged a fourth in the previous financial year, we opened another four new depots this financial year, at Dewsbury, Bodmin, Coventry and Cannock, where we opened a 2-Man site, and expanded our Maidstone and Swanley depots. We also invested in parcel-handling equipment and in our IT service, which has further improved productivity.

Since the financial year-end, we have opened new depots at Paisley and West Bromwich, and plan to open or upgrade another seven depots over the balance of the financial year. We are also expanding our Central Hub in Willenhall in the West Midlands.

As we have previously outlined, opening new depots has several beneficial effects. It reduces stem miles, improves our ability to win new business in the local area, enhances service levels by being closer to our customers, and increases vehicle productivity by enabling double delivery runs on certain routes.

DX Freight continued to strengthen its market position over the course of the financial year, benefiting from market growth, further improvements in its service levels and its strong sales force, which secured very good levels of new business. With the requirement for national coverage and the ever-increasing regulatory demands, the IDW market has relatively high barriers to entry. As an established player in the IDW market, these factors continue to work to our

advantage and we increased our market share further, securing new IDW business as well as additional parcel freight volumes. Any increase in volumes typically improves efficiency and productivity, principally through greater delivery densities. The high operational leverage within the business has therefore led to the further growth in the division's margin, as growth in volumes over time do not require a commensurate rise in fixed costs.

We estimate that the market for parcel freight is expanding at approximately 5% per annum albeit this may slow in the near term due to economic headwinds. Supply chain disruptions are driving some of this growth as businesses react to the frictions of cross-border trading by increasingly 'on-shoring' their supply chains. Our growth of 15% compares very favourably with the overall parcel freight marketplace, and our strategy for DX 1-Man is to continue to expand its market share and to improve margins through further improvements in productivity.

There are growth opportunities for the 2-Man & Logistics business, and we are now focusing more closely on this business to drive it forward. These operations continue to be boosted by the trend towards outsourcing, and we intend to focus on appropriate opportunities as demand for value-added delivery services increases.

As the division grows, and as productivity benefits come through, we also expect to achieve further improvements in operating margin.

DX Express

DX Express' overall performance recovered from the previous year, which had been impacted by the coronavirus pandemic, with its Legal and High Street customers particularly badly impacted. Divisional revenue increased by 8% to £171.3 million (2021: £159.1 million), and operating profit grew by 17% to £14.5 million (2021: £12.4 million). Operating margin increased to 8.5% (2021: 7.8%). These results were supported by significant growth in our Parcels activity, which more than offset the expected revenue attrition at Document Exchange.

Parcels revenue grew by 14% to £135.3 million (2021: £118.8 million), while revenue from Exchange & Mail services decreased by 11% to £36.0 million (2021: £40.3 million). This was in line with our expectations and an improvement on the prior financial year.

Last year, we separated the Document Exchange delivery network from the Parcels network and have seen the expected operational benefits of the change come through. The separation of the two networks enabled us to sharpen our early delivery service for our Document Exchange members. Secondly, it freed capacity within the Parcels network, which supported the volume growth we achieved in that service over the financial year. These changes, coupled with last year's launch of the division's Estimated Time of Arrival ("ETA") capability, gave the division a much stronger market proposition as it focuses on the significant opportunities in the parcels market.

In the second half of the financial year, we launched a Digital Portal for Document Exchange members. The new Portal enables

documents to be shared securely and digitally. It complements the existing physical collection and delivery of documents, giving our members the choice of how they wish to have their documents delivered. It also enables them to access our nationwide tracked delivery service to send documents and parcels easily, with self-generated despatch labels. We are also working with a global delivery partner on an international express delivery option via the Portal. The enhanced Portal service is offered as part of customers' membership fees.

The parcels market is large, and we estimate that its longer-term growth is around 10% per annum, driven by the ongoing shift to online buying. Whilst recognising that it is a very competitive market with a large number of providers, it nevertheless offers us significant potential for growing revenue.

A key part of our strategy is to expand capacity and improve service levels. In line with these plans, we opened four new depots over the financial year, in Grimsby, Luton, Verwood and Dartford, and relocated our depot in Edinburgh to larger premises.

We are currently planning to add seven new depots and relocate a further four to larger premises over the next two years. Overall, this will increase our network capacity by around a third and will drive the recovery of the division's operating margin as we increase critical mass and improve efficiencies and delivery productivity in the same way that we have done at DX Freight.

Our growth strategy for DX Express is to develop it into a leading parcel delivery service for SMEs and large national customers that value a high-quality, next-day service. A key differentiator for us is our emphasis on service. By maintaining a strong local presence, we will ensure that our offering is more responsive and flexible, as well as feeling more personal. This strong point of difference will also generate closer relationships, as we have shown in DX Freight.

We believe that our differentiated approach will enable us to achieve our ambition to grow the division's presence in the parcels market, as we build a profitable, high-quality, service-orientated delivery service.

Divisions Supported by Central Teams

Central overheads for the year (including the share-based payments charge) increased in absolute terms to £23.5 million (2021: £20.2 million), including £1.6 million of exceptional items. Excluding the exceptional items, this has decreased as a percentage of revenue to 5.1% (2021: 5.3%). The year-on-year rise reflected increased depreciation and a slightly increased share-based payments charge following the launch of the SAYE scheme part way through the previous year. As the Group grows, we do not expect central overheads to increase proportionately.

During the 2021 and 2022 financial years and the subsequent period to 20 September 2022 the Group had to address a corporate governance matter. In the 2022 financial year, the Group incurred £1.6 million of legal and advisory costs on the investigation of and inquiry into the matter. The costs of this one-off event are not

expected to occur in future periods and have been charged as exceptional items to not distort to the Group's underlying costs.

Environmental, Social and Governance

In December 2022 we will publish our carbon reduction plan, which will outline the steps we plan to take to reduce the carbon footprint of the business. At the heart of this will be the decarbonisation of our vehicle fleet. While we are very much reliant on vehicle manufacturers to produce electric vehicles with the range and capacity to deal with the nature of the freight and parcel traffic we carry, we are working closely with them. We have begun the electrification of our fleet with the recent purchase of 12 electric vehicles, investing £750,000.

We continue to expect regulation to change in the near future and that DX will come under the requirements of the Taskforce for Climate-related Financial Disclosures ("TCFD"). In anticipation of this, we are taking the preparatory steps to meet TCFD requirements. We expect that it will take up to two years before we are fully compliant. We have already made progress with changes to the way we operate, including using telematics to improve fuel consumption, renewing the fleet so we have the most up-to-date, fuel-efficient vehicles and installing LED lighting across the estate. Further details of our approach can be found in the ESG section of the Annual Report and Accounts, which will be published shortly.

Summary

It has been another highly successful year for DX. We have increased Group profitability, generated significant increased cash flows, and continued to drive Group operating margin closer to our target. DX Freight has outperformed our expectations while DX Express has advanced, recovering from the disruption of the coronavirus crisis and building its next-day parcels delivery activity while supporting its traditional Document Exchange business. We are continuing to invest in sites, equipment and IT to lay the ground for further growth and development.

Like the rest of our sector, we are facing the challenges presented by a slowing economy, inflationary costs and the continued disruption to global supply chains. However, we have established solid foundations for our operations and a very strong financial position, which underpins our ability to invest in our core markets. We accordingly remain excited by our market opportunities and look forward to reporting on further progress over the course of the coming year. Our plans to return to the dividend list reflect our confidence in the business and its prospects.

Ronald Series
Executive Chairman

FINANCIAL REVIEW

**STRONG PROFIT GROWTH UNDERPINNED BY EXPANDING
MARGIN AND HEALTHY CASH GENERATION**

Statutory results

The Group reports on a '4-5-4 weekly' basis, which means that the middle month in each quarter constitutes a five-week trading period. The Board believes that this reporting cycle best reflects the Group's cost base and operations.

These Financial Statements are for the period 4 July 2021 to 2 July 2022, i.e., a 52-week period. Future years will be for 52 weeks or occasionally 53 weeks in order to keep the financial year-end date as close as possible to 30 June.

Revenue generated in the year to 2 July 2022 was £428.2 million (2021: £382.1 million) and the profit before taxation was £17.4 million (2021: £10.6 million). The earnings per share was 2.4p (2021: 2.7p).

Summary

Revenue of £428.2 million was 12% ahead of the prior financial year, and reflects strong growth at DX Freight, where revenue increased by £33.9 million to £256.9 million, driven by expansion of its 1-Man service. There was also growth at DX Express of £12.2 million to £171.3 million, driven by the increasing success of its Parcels service more than offsetting the decline at Exchange & Mail.

Earnings before interest, tax, depreciation, amortisation, and exceptional items ("EBITDA"¹) for the year was £50.3 million (2021: £38.6 million).

Adjusted operating profit increased to £24.9 million (2021: £16.5 million). Adjusted profit before tax increased to £20.2 million (2021: £12.0 million).

Net cash at 2 July 2022 increased to £27.0 million (2021: £16.8 million). Operating cash flow was £36.5 million (2021: £28.1 million) and the cash outflow from capital expenditure was £6.2 million (2021: £5.9 million).

	2022	2021
	£m	£m
Revenue	428.2	382.1
EBITDA¹	50.3	38.6
Depreciation	(24.4)	(21.5)
Amortisation of software and development costs	(0.6)	(0.4)
Share-based payments charge - SAYE award shares	(0.4)	(0.2)
Adjusted operating profit¹	24.9	16.5
Amortisation of acquired intangibles	-	(0.2)
Exceptional items	(1.6)	-
Share-based payments charge - PSP award shares	(1.2)	(1.2)
Reported profit from operating activities	22.1	15.1
Finance costs	(4.7)	(4.5)
Profit before tax	17.4	10.6
Tax	(3.4)	4.8
Profit for the year	14.0	15.4
Other comprehensive expense	-	-

Total comprehensive income for the year	14.0	15.4
EPS - adjusted (pence) ¹	2.9	2.0
- basic (pence)	2.4	2.7
- diluted (pence)	2.2	2.3
Operating profit margin²	5.8%	4.3%

¹ See notes 2 and 18 to the Financial Statements for details of APMs used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

² Operating profit margin is calculated by dividing adjusted operating profit by revenue.

Revenue by Segment

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

	2022	2021	Change
	£m	£m	%
DX Express	171.3	159.1	7.7%
DX Freight	256.9	223.0	15.2%
Revenue	428.2	382.1	12.1%

Cash flow

	2022	2021
	£m	£m
EBITDA	50.3	38.6
Loss on disposal	0.3	0.8
Movement in working capital excluding deferred payments	(0.9)	(1.7)
Movement in working capital relating to deferred payments	(6.0)	(4.4)
Exceptional items	(1.6)	-
Interest paid	(4.7)	(4.6)
Tax paid	(0.9)	(0.6)
Net cash from operating activities	36.5	28.1

Cash flow from operating activities was £36.5 million, which included the repayment of £6.0 million of deferred VAT and other payments (2021: repayment of £4.4 million). These payments were originally deferred in the 2020 financial year.

Working capital decreased by £6.9 million in the year (2021: £6.1 million), in large part because of the deferred payments referred to above. Other working capital movements included an expected £1.2 million decrease in Document Exchange deferred income, and a net decrease in trade debtors and creditors.

During the 2021 and 2022 financial years and the subsequent period to 20 September 2022 the Group had to address a corporate governance matter. In the 2022 financial year, the Group incurred £1.6 million of legal and advisory costs on the investigation of and inquiry into the matter. The costs of this one-off event are not expected to occur in future periods and have been charged as exceptional items to not distort to the Group's underlying costs.

Interest paid was slightly higher than in the previous financial year, reflecting an increase in interest on lease payments, linked to a rise in

right-of-use assets. Tax paid was in relation to instalments on account for UK corporation tax and in relation to the Group's Irish operations.

Net assets

Net assets increased by £15.6 million to £55.4 million (2021: £39.8 million), reflecting the profit for the year excluding the share-based payments charge.

	2 July 2022	23 July 2021
	£m	£m
Non-current assets	145.3	146.6
Current assets excluding cash	44.6	40.2
Cash and cash equivalents	27.0	16.8
Current liabilities excluding debt	(74.9)	(76.7)
Non-current liabilities	(86.6)	(87.1)
Net assets	55.4	39.8

Net Cash

Net cash at 2 July 2022 was better than expected at £27.0 million (2021: £16.8 million), reflecting the profit for the year, a net cash outflow on working capital, £6.2 million of capital expenditure, and the repayments of £6.0 million of deferred VAT payments referred to above.

The Group's only borrowing facility is a £20.0 million invoice discounting facility with Barclays Bank plc. Drawings on the invoice discounting facility at 2 July 2022 were £nil (2021: £nil).

	2 July 2022	23 July 2021
	£m	£m
Cash and cash equivalents	27.0	16.8
Net cash¹	27.0	16.8

1 See notes 2 and 18 to the Financial Statements for details of APMs used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

Capital expenditure

Capital expenditure for the year was £6.2 million (2021: £6.0 million). Capital expenditure consisted principally of investment in IT equipment and development, operational equipment, leasehold improvements at new depots and property improvements.

	2022	2021
	£m	£m
IT hardware and development costs	1.9	1.8
Property costs	3.2	3.2
Operations and service development	1.1	1.0
Total capex	6.2	6.0

Deferred taxation

As a consequence of the improving results and a reforecasting of the three-year business plan, DX is now confident of future taxable profits. Under IAS 12 Income Taxes, a deferred tax asset is recognised for deductible temporary differences and unused tax losses (tax credits)

carried forward, to the extent that it is probable that future taxable profits will be available.

Management considers that DX is eligible to recognise the deferred tax asset on losses carried forward. In the current year this has resulted in a deferred tax asset at 2 July 2022 of £5.5 million (2021: £7.5 million). Expected utilisation of losses in the year along with other timing differences resulted in a deferred tax charge of £2.0m (2021: deferred tax credit of £5.3 million) being recognised in the income statement.

Adjusted profit and Earnings per share

Adjusted earnings per share, which excludes amortisation of acquired intangibles, exceptional items, share-based payments charge and one-off impact of recognising deferred tax on historic losses, was 2.9p (2021: adjusted earnings per share of 2.0p).

	2022	2021
	£m	£m
Profit from operating activities	22.1	15.1
Add back:		
- Amortisation of acquired intangibles	-	0.2
- Exceptional items	1.6	-
- Share-based payments charge	1.2	1.2
Adjusted profit from operating activities	24.9	16.5
- Finance costs	(4.7)	(4.5)
Adjusted profit before tax	20.2	12.0
Tax	(3.4)	4.8
Adjusted profit after tax	16.8	16.8
Adjusted earnings per share (pence)	2.9	2.0
Basic earnings per share (pence)	2.4	2.7

Dividends

The Board is not recommending the payment of a dividend for the year ended 2 July 2022.

The Board intends to recommence dividend payments in the current financial year ending 1 July 2023 and is targeting a total dividend for the financial year of 1.5p per share. This is anticipated to be paid in a ratio of approximately one-third: two-thirds. The interim dividend for the current financial year is expected to be paid after the announcement of the interim results in March 2023 and the final dividend after shareholder approval at the AGM towards the end of calendar 2023. It is anticipated that annual dividends thereafter will be covered between two and three times by adjusted earnings per share.

David Mulligan
Chief Financial Officer

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 2 JULY 2022**

		Year ended 2 July 2022	Year ended 3 July 2021
	Notes	£m	£m
Revenue	5	428.2	382.1
Operating costs	7	(406.1)	(367.0)
Profit from operating activities		22.1	15.1

Analysis of profit from operating activities			
Earnings before interest, tax, depreciation, amortisation and share-based payments ("EBITDA" ¹)		50.3	38.6
Depreciation		(24.4)	(21.5)
Amortisation of software and development costs		(0.6)	(0.4)
Amortisation of acquired intangibles		-	(0.2)
Exceptional items	8	(1.6)	-
Share-based payments charge relating to SAYE		(0.4)	(0.2)
Share-based payments charge relating to PSP		(1.2)	(1.2)
Profit from operating activities		22.1	15.1

Finance costs	9	(4.7)	(4.5)
Profit before tax		17.4	10.6
Tax (expense)/credit	10	(3.4)	4.8
Profit for the year		14.0	15.4

Other comprehensive income/(expense) not subsequently reclassified			
Other comprehensive income/(expense)		-	-
Total comprehensive income for the year		15.4	15.4

Earnings per share (pence):			
Basic	12	2.4	2.7
Diluted		2.2	2.3

1 See notes 2 and 18 to the Financial Statements for details of APMs used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 2 JULY 2022

		2 July 2022	3 July 2021
	Notes	£m	£m
Non-current assets			
Property, plant and equipment		14.5	12.3
Right-of-use assets	11	94.2	95.4

Intangible assets and goodwill		31.1	31.4
Deferred tax assets	14	5.5	7.5
Total non-current assets		145.3	146.6
Current assets			
Trade and other receivables		44.6	40.1
Current tax receivable		-	0.1
Cash and cash equivalents		27.0	16.8
Total current assets		71.6	57.0
Total assets		216.9	203.6
Equity			
Share capital		5.7	5.7
Share premium		25.2	25.2
Retained earnings		24.5	8.9
Total equity		55.4	39.8
Non-current liabilities			
Provisions		7.0	5.8
Lease liabilities	15	79.6	81.3
Total non-current liabilities		86.6	87.1
Current liabilities			
Trade and other payables		40.7	44.0
Current tax payable		0.4	-
Lease liabilities	15	20.7	19.3
Deferred income		10.2	11.4
Provisions		2.9	2.0
Total current liabilities		74.9	76.7
Total liabilities		161.5	163.8
Total equity and liabilities		216.9	203.6

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 2 JULY 2022**

	Share capital	Share premium	Retained earnings	Total
	£m	£m	£m	£m
At 27 June 2020	5.7	25.2	(7.9)	23.0
Total comprehensive expense for the year				
Profit for the year	-	-	15.4	15.4
Other comprehensive expense	-	-	-	-
Total comprehensive expense for the year	-	-	15.4	15.4
Transactions with owners of the Company, recognised directly in equity				
Share-based payment transactions	-	-	1.4	1.4
Total transactions with owners of the Company	-	-	1.4	1.4
At 3 July 2021	5.7	25.2	8.9	39.8
Total comprehensive expense for the year				
Profit for the year	-	-	14.0	14.0
Other comprehensive expense	-	-	-	-

Total comprehensive expense for the year	-	-	14.0	14.0
Transactions with owners of the Company, recognised directly in equity				
Share-based payment transactions	-	-	1.6	1.6
Total transactions with owners of the Company	-	-	1.6	1.6
At 2 July 2022	5.7	25.2	24.5	55.4

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 2 JULY 2022

		Year ended 2 July 2022	Year ended 3 July 2021
	Notes	£m	£m
Cash generated from operations	16	42.1	33.3
Interest paid		(4.7)	(4.6)
Tax paid		(0.9)	(0.6)
Net cash generated from operating activities		36.5	28.1
Cash flows from investing activities			
Acquisition of property, plant and equipment		(5.6)	(5.1)
Software and development expenditure		(0.6)	(0.8)
Net cash used in investing activities		(6.2)	(5.9)
Net increase in cash before financing activities		30.3	22.2
Cash flows from financing activities			
Lease repayments		(20.1)	(17.7)
Net cash used in financing activities		(20.1)	(17.7)
Net increase in cash and cash equivalents		10.2	4.5
Cash and cash equivalents at beginning of year		16.8	12.3
Cash and cash equivalents at end of year		27.0	16.8

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 2 JULY 2022

1 Reporting entity

The principal activity of DX (Group) plc ("the Company") and its subsidiaries (together, "the Group" or "DX") is the provision of delivery solutions, including parcel, freight, secure courier and logistics services. The Company is incorporated and domiciled under the applicable law of England and Wales. The address of its registered office is Ditton Park, Riding Court Road, Datchet, Slough, SL3 9GL. The Company is a public company limited by shares and its registered number is 08696699.

2 Basis of preparation

This preliminary consolidated financial information has been prepared in accordance with UK-adopted International Accounting Standards. They were authorised for issue by the Board of Directors on 14 November 2022.

The financial information set out above does not constitute the Company's statutory consolidated accounts for the period ended 2 July 2022. Statutory consolidated accounts for 2021 have been delivered to the registrar of companies. The statutory accounts are subject to completion of the audit and may change before approval of the Annual Report. Statutory accounts for the period ended 2 July 2022 will be delivered to the registrar of companies following the Company's AGM.

The Group uses alternative performance measures ("APMs") to measure performance. These APMs have been calculated consistently to enable comparability from one year to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and items which are not expected to recur. The Group presents EBITDA, adjusted operating profit, adjusted PBT, adjusted EPS, and net cash which are further explained in note 18.

Going concern

The Financial Statements have been prepared on a going concern basis, which the Directors consider to be appropriate as they are confident the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the Financial Statements. This is notwithstanding the Group's net current liabilities of £3.3 million as at 2 July 2022 (2021: £19.7 million). Included within the net liabilities is £10.2 million (2021: £11.4 million) of deferred income representing an obligation to deliver a service but not a cash liability and £20.7 million (2021: £19.3 million) representing lease liabilities whose payments are spread over the forthcoming year and not payable in the immediate short-term.

The Directors have prepared cash flow forecasts for a period from the date of approval of these Financial Statements up to 29 June 2024 under two different scenarios.

The base case assumes that the Group achieves its budgeted levels of new business and overall performance in the year to 1 July 2023 and then maintains its positive momentum in the following year. For the period from the year end to the date of this report, the Company has performed in line or better than its forecasts that gives the Board confidence that the Company will continue to meet its forecasts.

The Directors also carried out a reverse stress test that calculates the losses that would be required to exhaust its borrowing facilities. The results of this test were that the Group's PBT would have to be at least £35.0 million per year worse than the base case to require full use of the invoice discounting facility. The Directors regard such an

outcome as highly implausible given the Group's recent results and prospects. There would also be a range of mitigating actions the Directors would take to reduce the impact of such a precipitous fall in the Group's performance.

The base case and the reverse stress test indicate that the Group will have sufficient funds to meet its liabilities as they fall due for that period. This is made up the Group's net cash which stood at £27.0 million at the 2022 year-end (2021: £16.8 million), and access to a £20 million invoice discounting facility. While the invoice discounting facility is cancellable by either party on a three-month notice period, the Directors are confident that it will remain available throughout the forecast period. It is noted that neither the base case nor the reverse stress test relies on the invoice discounting facility being available. See note 23 for further information on the Group's borrowing facilities

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the Financial Statements and therefore have prepared the Financial Statements on a going concern basis.

3 Significant accounting policies

The accounting policies applied in these unaudited condensed Financial Statements are consistent with those set out in the annual report and accounts for the year ended 3 July 2021, except as noted in note 4 below for new standards adopted.

4 New accounting standards

New accounting standards adopted by the Group

The following new or amended standards became effective for the financial year, none of which had a significant effect on the Group:

- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform-Phase 2'; and
- Amendments to IFRS 16, 'COVID-19-Related Rent Concessions beyond 30 June 2021'.

New accounting standards in issue but not yet effective

At the date of authorisation of these Financial Statements, the following Standards and Amendments, which have not been applied in these Financial Statements, were in issue but are either not yet effective or have not yet been adopted by the UK:

- IFRS 17 'Insurance Contracts';
- Amendments to IFRS 3, 'Reference to the Conceptual Framework';
- Amendments to IAS 1, 'Classification of Liabilities as Current or Non-current' and 'Deferral of Effective Date';
- Amendments to IAS 37, 'Onerous Contracts-Cost of Fulfilling a Contract';
- Amendments to IAS 16, 'Property, Plant and Equipment- Proceeds before Intended Use';
- Amendments to IAS 8, 'Definition of Accounting Estimates';
- Amendments to IAS 12, 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction';

- Amendments to IFRS 4, 'Extension of the Temporary Exemption from applying IFRS 9';
- Annual improvements to IFRS Standards 2018-2020; and
- Initial Application of IFRS 17 and IFRS 9, 'Comparative Information (Amendment to IFRS 17)'.

The Directors do not expect that the adoption of the changes to standards listed above will have a material impact on the Group.

5 Revenue

In the following table, revenue is disaggregated by service. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 6).

	2022	2021
	£m	£m
DX Freight:		
- 1-Man	195.5	164.2
- 2-Man & Logistics	61.4	58.8
Total DX Freight	256.9	223.0
DX Express:		
- Parcels	135.3	118.8
- Exchange & Mail	36.0	40.3
Total DX Express	171.3	159.1
Total revenue	428.2	382.1

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

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

6 Segment information

	2022			Total £m
	DX Freight £m	DX Express £m	Central £m	
Revenue	256.9	171.3	-	428.2
Costs before overheads	(202.9)	(142.4)	-	(345.3)
Profit before overheads	54.0	28.9	-	82.9
Overheads	(6.2)	(7.9)	(18.5)	(32.6)
EBITDA	47.8	21.0	(18.5)	50.3
Depreciation and amortisation	(16.7)	(6.5)	(1.8)	(25.0)
Exceptional items	-	-	(1.6)	(1.6)
Share-based payments charge	-	-	(1.6)	(1.6)
Profit/(loss) from operating activities	31.1	14.5	(23.5)	22.1

Finance costs	-	-	(4.7)	(4.7)
Profit/(loss) before tax	31.1	14.5	(28.2)	17.4
Tax expense	-	-	(3.4)	(3.4)
Profit/(loss) for the year	31.1	14.5	(31.6)	14.0

	2021			Total £m
	DX Freight £m	DX Express £m	Central £m	
Revenue	223.0	159.1	-	382.1
Costs before overheads	(179.5)	(131.8)	-	(311.3)
Profit before overheads	43.5	27.3	-	70.8
Overheads	(5.5)	(8.5)	(18.2)	(32.2)
EBITDA	38.0	18.8	(18.2)	38.6
Depreciation and amortisation	(15.1)	(6.4)	(0.6)	(22.1)
Share-based payments charge	-	-	(1.4)	(1.4)
Profit/(loss) from operating activities	22.9	12.4	(20.2)	15.1
Finance costs	-	-	(4.5)	(4.5)
Profit/(loss) before tax	22.9	12.4	(24.7)	10.6
Tax expense	-	-	4.8	4.8
Profit/(loss) for the year	22.9	12.4	(19.9)	15.4

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

The CODM considers that assets and liabilities are reviewed on a Group basis, therefore, no segment information is provided for these balances.

The CODM considers there to be only one material geographical segment, being the British Isles.

7 Operating costs

	2022 £m	2021 £m
Direct costs	291.2	258.5
Indirect costs	54.1	52.8
Overheads	32.6	32.2
Depreciation and amortisation	25.0	22.1
Exceptional Items	1.6	-
Share-based payments charge	1.6	1.4
Total operating costs	406.1	367.0

Direct costs are variable costs linked to the volume of parcels and freight collected and delivered and include the costs of driver and warehouse staff, vehicle consumable costs, subcontractor drivers and agency labour. Indirect costs are related to the cost of running the depot network and include depot-based staff, property-based running costs and compliance costs. Overheads are the cost of Group and divisional management, and central support functions. Depreciation and amortisation relate to right-of-use vehicle and property assets as well as intangible and tangible fixed assets.

The following items have been charged within operating costs:

	2021	2021
	£m	£m
Employee benefit expense	125.0	112.8
Depreciation of property, plant and equipment	3.4	2.4
Depreciation of right-of-use assets	21.0	19.1
Amortisation of intangible assets	0.6	0.6
Loss on disposal of property, plant and equipment	-	0.8
Loss on disposal of intangible assets	0.3	-
Short-term and low-value leases	1.4	1.0

8 Exceptional items

	2022	2021
	£m	£m
Exceptional items	1.6	-

During the 2021 and 2022 financial years and the subsequent period to 20 September 2022 the Group had to address a corporate governance matter. In the 2022 financial year, the Group incurred £1.6 million of legal and advisory costs on the investigation of and inquiry into the matter. The costs of this one-off event are not expected to occur in future periods and have been charged as exceptional items to not distort to the Group's underlying costs.

9 Finance costs

	2022	2021
	£m	£m
Finance costs		
Interest on bank loans and other	-	0.2
Interest on lease liabilities	4.7	4.3
Total finance costs	4.7	4.5

10 Tax (expense)/credit

(a) Analysis of charge in year

	2022	2021
	£m	£m
Current tax		
United Kingdom corporation tax:		
Current year	(0.6)	-
Adjustments in respect of prior periods	(0.2)	-

Total United Kingdom corporation tax	(0.8)	-
Overseas taxation	(0.6)	(0.5)
Total current tax	(1.4)	(0.5)
Deferred tax		
Current year	(2.6)	(0.3)
Recognition of previously unrecognised deferred tax asset	0.6	5.5
Adjustments in respect of prior periods	-	0.1
Changes in tax rates	-	-
Total deferred tax	(2.0)	5.3
Total tax	(3.4)	4.8

(b) Factors affecting the tax expense for year

The tax expense for the year differs from the expected amount that would arise using the weighted average rate of corporation tax in the UK for each year. The differences are explained below:

	2022	2021
	£m	£m
Profit before tax	17.4	10.6
Tax @ 19% (2021: 19%)	(3.3)	(2.0)
UK taxable losses utilised	0.1	1.5
Adjustments in respect of prior years	(0.1)	0.1
Effect of different tax rates	0.3	0.1
Non-deductible expenditure	(0.4)	(0.4)
Recognition of deferred tax on prior trading losses	-	5.5
Tax (expense)/credit	(3.4)	4.8

(c) Factors that may affect future tax charges

Changes to UK Corporation tax rates were enacted as part of The Finance (No.2) Act 2021, which received Royal Assent on 10 June 2021. The main rate will remain at 19% before increasing to 25% from 1 April 2023. Deferred tax assets and liabilities have been calculated in accordance with the enacted rates. Tax losses carried forward and available to the Group as at 2 July 2022 totalled £19.1 million (2021: £27.1 million).

11 Right-of-use assets

	Property	Non-property	Total
	£m	£m	£m
Cost			
At 27 June 2020	53.4	26.8	80.2
Additions	20.5	15.3	35.8
Disposals	(1.0)	(0.5)	(1.5)
Depreciation	(10.0)	(9.1)	(19.1)
Net book value as at 3 July 2021	62.9	32.5	95.4
Additions	15.3	4.5	19.8
Depreciation	(10.5)	(10.5)	(21.0)
Net book value as at 2 July 2022	67.7	26.5	94.2

12 Earnings per share

The calculation of basic earnings per share at 2 July 2022 is based on the profit after tax for the year and the weighted average number of shares in issue.

Adjusted earnings per share is calculated based on the profit after tax, adjusted for certain non-cash charges and other items which are not expected to recur. The Group does not adjust for share-based payments relating to the recently introduced SAYE scheme. Adjusted earnings per share represents an alternative performance measure. Further details about the use of alternative performance measures are detailed in notes 2 and 18.

Diluted earnings per share is calculated based on the weighted average number of shares in issue, adjusted for any potentially dilutive share options issued under the Group's share option programmes. Where there is an adjusted loss for the period, no adjustment is made for share options issued under the Group's share option programmes as these would reduce the loss per share.

	2022	2021
	£m	£m
Profit for the year	14.0	15.4
Adjusted for:		
- Amortisation of acquired intangibles	-	0.2
- Share-based payments charge	1.2	1.2
- Impact of recognition of deferred tax on historic losses	-	(5.5)
- Exceptional items	1.6	-
Adjusted profit for the year	16.8	11.3

	2022	2021
	Number	Number
	(million)	(million)
Weighted average number of Ordinary Shares in issue	573.7	573.7
Potentially dilutive share options	71.5	92.2
Weighted average number of diluted Ordinary Shares	645.2	665.9

	2022	2021
	p	P
Basic earnings per share	2.4	2.7
Diluted earnings per share	2.2	2.3
Adjusted earnings per share	2.9	2.0

	2022	2021
	Number	Number
	(million)	(million)
Potentially dilutive share options	71.5	92.2

13 Loans and borrowings

The Group has access to a £20.0 million invoice discounting facility with Barclays Bank plc. The facility is a rolling facility with three months' notice by either party. The available balance is based on 90% of the outstanding trade receivables, adjusted to exclude

amounts billed in advance and old debt. The amount drawn on the invoice discounting facility at 2 July 2022 was £nil (2021: £nil). No amounts were drawn on the invoice discount facility during the year to 2 July 2022 (2021: £nil).

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

14 Deferred tax assets

	£m
At 27 June 2020	2.3
Credited to the income statement	5.2
At 3 July 2021	7.5
At 4 July 2021	7.5
Charged to the income statement	(2.0)
At 2 July 2022	5.5

The deferred tax asset is made up as follows:

	2022	2021
	£m	£m
Capital allowances	1.0	1.6
Other temporary differences	0.4	0.4
Trading losses	4.1	5.5
	5.5	7.5

The main rate for corporation tax is set to increase to 25% from 1 April 2023. The deferred tax asset is expected to be utilised by 30 June 2024, therefore, a blended rate of 24% has been used to determine the deferred tax asset balance.

The unrecognised deferred tax assets of the Group at 2 July 2022 total £0.5 million (2021: £0.4 million) consisting of unused tax losses.

15 Lease liabilities

Leases typically consist of leases for premises, vehicles and equipment such to support operations and to help service the Group's customers. Leases of land and buildings are usually subject to rent reviews at specified intervals and provide for the lessees to pay all insurance, maintenance and repair costs.

	2022	2021
	£m	£m
Maturity analysis - contractual undiscounted cash flows		
Less than one year	25.5	23.3
One to five years	67.2	66.7
More than five years	28.3	30.6
Total undiscounted lease liabilities at 2 July	121.0	120.6
	2022	2021
	£m	£m

Current

Lease liabilities	20.7	19.3
Non-current		
Lease liabilities	79.6	81.3
Lease liabilities included in the statement of financial position at 2 July	100.3	100.6

16 Reconciliation of profit for the year to cash generated from operations

	2022	2021
	£m	£m
Cash flows from operating activities		
Profit for the year	14.0	15.4
Adjustments for:		
- Depreciation	24.4	21.5
- Amortisation of intangible assets	0.6	0.6
- Net finance costs	4.7	4.5
- Tax expense/(credit)	3.4	(4.8)
- Loss on disposal of property, plant and equipment	-	0.8
- Loss on disposal of intangible assets	0.3	-
- Equity-settled share-based payment transactions	1.6	1.4
Net cash profit	49.0	39.4
Changes in:		
- Trade and other receivables	(4.7)	(6.6)
- Trade and other payables	(3.1)	2.0
- Deferred income	(1.2)	(2.8)
- Provisions	2.1	1.3
Net change in working capital	(6.9)	(6.1)
Cash generated from operations	42.1	33.3

17 Related party transactions

The following transactions were carried out with connected parties:

Key management personnel

Key management comprises the Executive Directors and the Non-executive Directors of the Group. The key management compensation is as follows:

	2022	2021
	£000	£000
Salaries, fees and other short-term employee benefits	1,056	1,061
Pension contributions	-	8
Social security costs	721	383
Share based payments	815	842
	2,588	2,294

Sales and purchases of goods and services

There were no related party transactions relating to the sales and purchases of goods and services to disclose.

18 Alternative performance measures ("APMs")

The Group uses APMs to measure performance. These APMs are applied consistently from one year to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and other items which are not expected to recur. These measures are not defined by International Financial Reporting Standards ("IFRS") and therefore may not be directly comparable to similar measures adopted by other companies. These alternative performance measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures but provide useful information on the performance of the Group and underlying trends. Various measures of performance and profitability are industry standard and are used by shareholders and potential investors to compare performance with industry peers.

The Group presents EBITDA, adjusted profit or loss before tax ("adjusted PBT/LBT"), adjusted profit or loss per share ("adjusted EPS/LPS") and adjusted profit from operating activities, which are calculated as the statutory measures stated before amortisation of acquired intangibles, any exceptional items and share-based payments charge relating to the PSP scheme, including related tax where applicable. The Group adjusts for share-based payments due to the one-off nature of the Recovery Awards in driving the turnaround of the business in the short term. The Group does not adjust for share-based payments relating to the SAYE scheme. The Group also presents net cash/net debt, calculated as gross debt before debt issue costs and net of cash. The reconciliations between these APMs and the IFRS reported measures are shown in the locations detailed below:

APM	IFRS reported measure	Location of reconciliation
EBITDA	Profit/(loss) from operating activities	Financial Review
Adjusted PBT/LBT	Profit or loss before tax	Financial Review
Adjusted EPS/LPS	Profit or loss per share	Note 12
Adjusted profit from operating activities	Profit/(loss) from operating activities	Financial Review
Adjusted operating profit margin	Profit/(loss) from operating activities	Financial Review
Net cash/net debt	Cash and cash equivalents/ loans and borrowings	Financial Review

19 Events subsequent to the period event

There were no events subsequent to the period end requiring disclosure (2021: no events).

Forward-looking statements

This announcement may include certain forward-looking statements, beliefs or opinions, including statements with respect to DX's business, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-

looking terminology, including the terms "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "hopes", "may", "will", "would", "could" or "should" or, in each case, their negative or other various or comparable terminology. These statements are made by the DX Directors in good faith based on the information available to them at the date of this announcement and reflect the DX Directors' beliefs and expectations. By their nature, these statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, developments in the global economy, changes in UK government policies, spending and procurement methodologies, and failure in health, safety or environmental policies.

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements speak only as at the date of this announcement and DX (Group) plc and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this announcement. No statement in the announcement is intended to be, or intended to be construed as, a profit forecast or to be interpreted to mean that earnings per DX (Group) plc share for the current or future financial years will necessarily match or exceed the historical earnings. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.

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