Delivering service eXcellence

Annual Report and Accounts 2023

Our purpose

Established in 1975, DX is a market leader in the delivery of mail, parcels, pallets and freight via our UK and Ireland collection and delivery networks.

DX's purpose is to deliver our customers' promises. Our customers rely on DX to be an integral part of their own service experience. So DX's approach is straightforward and no nonsense. We seek to provide an excellent service at great value to our customers. Our goal is to deliver exactly to our customers' requirements, whether via a next-day, scheduled or tracked, secure service, and provide assurance through proof of delivery.

Read more about our strategy on page 14

Our Mission

Collect it, sort it, trunk it, deliver it, prove it, bill it.

Our mission is to make every conceivable effort to get our customers' deliveries to their final destination in accordance with the promised service level and with the greatest of care. So what we are really saying is "If you want to be sure it'll get there on time, every time, we are DX – Delivered Exactly".

Our Approach to ESG

DX is committed to do its part to improve its impact on all stakeholders and the wider community. DX takes its environmental, social and governance ("ESG") responsibilities seriously and we look to improve and strengthen our approach year-by-year. Further details can be found on pages 24 to 33.

Highlights of the Year

Financial highlights for the year ended 1 July 2023

Revenue

£471.2m

(2022: £428.2m, 2021: £382.1m)

Profit from Operating Activities

£30.0m

(2022: £22.1m, 2021: £15.1m)

Adjusted PBT[1]

£26.8m

(2022: £20.2m, 2021: £12.0m)

Reported PBT

£25.4m

(2022: £17.4m, 2021: £10.6m)

Adjusted EPS[1]

4.1p

(2022: 2.9p, 2021: 2.0p)

Reported EPS

3.9p

(2022: 2.4p, 2021: 2.7p)

Net Cash[1]

£37.6m

(2022: £27.0m, 2021: £16.8m)

Net Cash Generated from Operating Activities

£54.9m

(2022: £36.5m, 2021: £28.1m)

Divisional highlights for the year ended 1 July 2023

DX Freight

Revenue

£282.8m

(2022: £256.9m)

Profit from Operating Activities

£37.8m

(2022: £31.1m)

Operating Margin

13.4%

(2022: 12.1%)

DX Express

Revenue

£188.4m

(2022: £171.3m)

Profit from Operating Activities

£17.7m

(2022: £14.5m)

Operating Margin

9.4%

(2022: 8.5%)

Contents

1 See notes 3 and 35 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.

At a Glance

Delivered exactly Parcel and Freight services. We're DX – specialists in providing fast, secure, reliable collections and deliveries for our customers

Who we are
DX is a market-leading provider of a wide range of delivery services, including parcels, freight, secure courier and logistics services.

What we do
DX provides a wide range of specialist delivery services to both business and residential addresses across the UK and Ireland. The Group operates through two divisions, DX Freight and DX Express.

Our people
Key to what we do at DX is our people. We are incredibly proud of the dedicated team we have built. We look to be fair and straight in all of our dealings with shareholders, customers and suppliers and, of course, between ourselves. We strive to maintain high standards of business conduct to get better at what we do each and every day.

Our divisions

DX key locations

Locations in the UK and Ireland

- DX Freight
- DX Express
- Co-located
- Hub

Depots across the UK and Ireland

107

Employees

4,800

Daily delivery and collection routes

2,900

Items delivered in the past year

92 million

DX Freight

Specialists in the collection and overnight delivery of larger and heavier items, including those with irregular dimensions and weight ("IDW"), to business and residential addresses nationwide, via our DX Freight central hub and nationwide depot networks.

Read more on **page 20**

DX Express

Specialists in the collection and express delivery of time-sensitive, mission-critical and higher-value items for business-to-business ("B2B") and business-to-consumer ("B2C") customers, via our DX Express hub and UK and Ireland depot network.

Read more on **page 22**

DX FREIGHT
- 1-Man
- 2-Man/Logistics

DX EXPRESS
- Parcels
- Exchange & Mail

Chairman's Statement

Progress delivered by strong profit and margin growth at both DX Freight and DX Express

Introduction

I am pleased to deliver my first full year statement since my appointment as Chairman in November 2022. The Group has continued to perform very well, and financial results for the year are above original management expectations. This has been driven by our continued focus on growing revenue, profit margin and cash generation.

Group operating profit margin (adjusted operating profit divided by revenue) rose to 6.7% against 5.8% in the prior year, making further good progress towards our goal of achieving a Group operating margin in the range of 7.5%-10%. Both DX Freight and DX Express contributed to the Group's strong performance, each division increasing revenue and profitability.

Results were again helped by improvements to operational efficiency and productivity, and underpinned by the significant attention we pay to maintaining and improving our high customer service levels.

In line with our three-year capital expenditure programme, we invested £10.9 million across the Group, expanding the depot network, adding handling equipment, enlarging our electric vehicle fleet, and improving IT systems and infrastructure. This £10.9 million investment, which followed last year's £6.2 million investment, marked the second year of the programme, which is expected to total around £25 million once completed.

Alongside this, two other strategically important transactions were agreed, which will support future growth. Just before the financial year end in June 2023, after discussions with the Administrators of Tuffnells Parcels Express Limited ("Tuffnells"), we took over 15 sites previously operated by Tuffnells. In the same month, we also agreed the acquisition of a site for a major new Regional Hub near Nottingham, which will serve the East Midlands area. The site acquisition completed in August, and we estimate the cost of development will be approximately £12 million, which includes the cost of the land. Construction of the new hub is scheduled for completion in the last quarter of this financial year. These exciting developments move our growth strategy on significantly.

Financial Results

Revenue for the 52 weeks ended 1 July 2023 increased by 10% to £471.2 million (2022: £428.2 million), and adjusted pre-tax profit rose by 33% to £26.8 million (2022: £20.2 million). Adjusted earnings per share was up by 41% to 4.1p (2022: 2.9p). Statutory profit before taxation increased by 46% to £25.4 million (2022: £17.4 million) and statutory earnings per share increased by 63% to 3.9p (2022: 2.4p).

The Group continued to generate high levels of cash and its financial position remains very strong. Net cash generated by operating activities increased by 50% to £54.9 million (2022: £36.5 million) and net cash at the year end was 39% higher year-on-year at £37.6 million (2 July 2022: £27.0 million). The Group retains a strong level of liquidity, including significant headroom within its invoice discounting facility, which was undrawn during the financial year. The facility was renewed in March 2023.

> "Results were again helped by improvements to operational efficiency and productivity."

Mark Hammond
Chairman

Capital Allocation and Dividend Policy

The Group's capital allocation policy, outlined in last year's Annual Report, has provided the framework for the ongoing investment in the business, recommencement of dividend payments and the £12 million strategic investment in a new hub for DX Freight in Nottingham, as well as the investment in the former Tuffnells depots. It will continue to underpin the Group's investment decisions and ensure the efficient and appropriate use of DX's capital resources to deliver the Company's long-term growth strategy and thereby maximise shareholder value.

Final dividend

The Board recommenced dividend payments during the financial year, with an interim dividend of 0.5p per share, paid on 31 March 2023. It is now pleased to propose a final dividend of 1.0p per share (2022: nil). This takes the total dividend for the year to 1.5p per share in line with the Company's dividend policy (2022: nil).

The final dividend will be paid on 7 December 2023 to shareholders on the register on 17 November 2023, subject to shareholder approval at the forthcoming Annual General Meeting ("AGM") on 23 November 2023.

As previously outlined, dividends are anticipated to be paid in a ratio of approximately one-third interim dividend: two-thirds final dividend. It is also anticipated that annual dividends will be covered between two and three times by adjusted earnings per share.

Net settlement of share options

During the year, the Company took the decision to reduce the number of Ordinary Shares to be issued in respect of the exercise of options under the Performance Share Plan 2017 (the "PSP"), by a factor equal to the tax liability that arises in connection with any exercise.

The exercise of options became an entitlement to receive a reduced number of Ordinary Shares (the "Adjusted Award") and a cash amount (the "Cash Amount") equal to the value of the number of Ordinary Shares by which the options are reduced. The Company ensured that the Cash Amount was paid directly to HMRC to discharge the tax liability that arises as a result of the exercise. As a result, £8.3 million was expended in the year on the net settlement of options being exercised.

Corporate Governance

Shares readmitted to AIM

As previously reported, the Company's shares were suspended from trading on AIM on 4 January 2022 and readmitted to trading on 19 October 2022. Readmission followed the satisfactory completion of an Inquiry and Investigation, which centred on an allegation of bribery, and subsequent measures to strengthen the Group's corporate governance and to ensure that we meet the highest standards of corporate and individual conduct.

Chairman's Statement continued

Progress on implementing these measures is discussed in the Audit & Risk Committee Report on page 57; these remain priorities and training regarding the Group's compliance policies and procedures will be refreshed annually.

Settlement of claim

On 10 February 2023, the Company received a claim from Tuffnells in relation to confidential information being obtained by DX in the past, which related to the Inquiry and Investigation mentioned above. We reached a full and final confidential settlement with Tuffnells, as reported on 7 June 2023. The settlement brought the claim to a satisfactory conclusion and was without any admission of liability.

Performance Overview

DX Freight, which specialises in the overnight delivery of IDW items, delivered another year of strong growth. Revenue increased by 10% to £282.8 million (2022: £256.9 million) and operating profit rose by 22% to £37.8 million (2022: £31.1 million), helped by further improvements in productivity and operational efficiency. Operating margin increased to 13.4% (2022: 12.1%). This was mainly driven by further expansion of our 1-Man service, where revenue grew by 13% year-on-year. Our continuing focus on high levels of customer service led to a significant number of new customer wins as well as supporting customer retention.

DX Express, which specialises in the next-day delivery of time-sensitive, mission-critical and higher-value items, benefitted from a strong performance in Parcels, which more than offset the expected revenue reduction at Document Exchange. DX Express revenue increased 10% to £188.4 million (2022: £171.3 million), with 16% growth in Parcels revenue, fully offsetting the 11% decrease in revenue from Exchange & Mail services. Operating profit increased by 22% to £17.7 million (2022: £14.5 million) and operating margin increased to 9.4% (2022: 8.5%), which mainly reflected operational leverage and productivity improvements.

Environmental, Social and Governance

Following the publication of the Group's Carbon Reduction Plan in December 2022, we have made additional disclosures in this financial year's Annual Report and Accounts. They cover the Company's reporting obligations under the Task Force on Climate-related Financial Disclosures ("TCFD") regime. In particular, details have been published of the Company's risk assessment with respect to transitioning to becoming a net-zero business under the TCFD recommendations.

This is a major step forward and further advances our approach to environmental matters. We have also set some ambitious goals for the business, including a target of reducing our carbon footprint by 20% by 2035. We remain fully committed to doing our part in helping the transport sector in the UK meet its net-zero target by 2050. I am confident that we can manage this transition while continuing to successfully grow our business over the medium term.

Our People

The Group's strong results could not have been delivered without the hard work of colleagues. In particular, they have helped to ensure that DX continues to deliver consistently high levels of service to customers. On behalf of the Board, I would like to thank everyone within DX for their commitment and tremendous efforts over the past year and also to thank all our customers, suppliers, subcontractors, and all other stakeholders for their continued support of DX. Recently over 350 new colleagues from the former Tuffnells business have joined us, and we welcome them to the Group. We have a very talented and experienced team, one of the best in the industry, and look forward to further success in the current financial year and beyond.

Board Changes

There were a number of Board changes over the financial year. On 31 January 2023, Paul Ibbetson, Managing Director of DX Freight, was appointed as Chief Executive Officer. Paul joined DX in November 2017 as a senior member of the incoming turnaround team and has over 25 years' senior experience in the freight, parcels and logistics sectors. He led the DX Freight division and was instrumental in its transformation to profitability, cash generation and growth from its prior position of substantial losses.

I was appointed as Chairman on 15 November 2022 with the retirement of Ron Series, Executive Chairman. I have over 25 years' commercial and financial experience, which has included co-founding and managing private equity fund, Caird Capital LLP, and working for Bank of Scotland Corporate as Head of Integrated Finance. I am also a member of the Institute of Chartered Accountants of Scotland and a Non-executive Director of Genuit Group plc and of Chaffin Holdings Limited.

Two independent Non-executive Directors, Jon Kempster and Mike Russell, were appointed to the Board on 12 July 2022. Both are highly experienced executives with senior financial and commercial experience.

Lloyd Dunn resigned as Chief Executive Officer on 6 September 2022, and Non-executive Directors, Liad Meidar and Russell Black, left the Board on 19 October 2022.

On 2 October 2023, Alison O'Connor was appointed as an independent Non-executive Director. Alison is Chief People Officer of Arriva plc ("Arriva"), which is part of Deutsche Bahn AG, and has extensive experience on all aspects of human resources and related organisational planning and development.

Proposed Offer by H.I.G.

On 11 September 2023, the Company announced that it had received a non-binding and conditional proposal from H.I.G. European Capital Partners LLP ("H.I.G.") regarding a possible all cash offer for the Company at a price of 48.5p per DX share (the "Proposal"). The Proposal is subject to the satisfaction or waiver by H.I.G. of a number of pre-conditions, including the completion of satisfactory due diligence. There can be no certainty that an offer will be made nor as to the terms on which any offer might be made.

Outlook and Opportunities

We are encouraged by the progress the Group has made over the past financial year and, in particular, by the strong profit and margin growth at both DX Freight and DX Express, which has been underpinned by our focus on high levels of customer service.

The agreement to take over 15 former Tuffnells depots and the new relationships we have established with former customers of Tuffnells since it entered into administration is a major development for the Group. The process of optimising the depot network and absorbing these new depots is well under way, with six sites now reopened.

We expect to make further progress in the current financial year. This will be supported by our disciplined allocation of capital, which is prioritising ongoing investment in the business to support growth, including our strategic investment in the new regional hub at Nottingham.

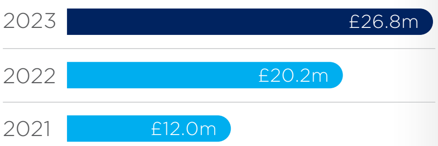
The business has secured strong levels of new business in the first quarter of the current financial year and has a good pipeline of opportunities. It is also in a strong financial position, with healthy levels of net cash and good cash flows. While we are conscious of the current economic headwinds, the Board remains encouraged about growth prospects for the Group in the current financial year and beyond.

Mark Hammond
Non-executive Chairman

Adjusted PBT[1]

£26.8m

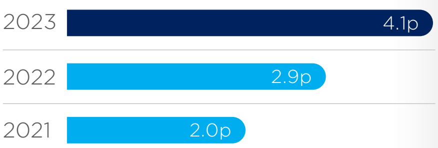
(2022: £20.2m, 2021: £12.0m)



Adjusted EPS[1]

4.1p

(2022: 2.9p, 2021: 2.0p)



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Our Investment Case

Highly experienced management with track record of success

- The leadership team has extensive industry experience
- It is supported by a strong and motivated senior management team, with considerable sector expertise

Good growth potential in both divisions

- DX Freight has established itself as a market leader in its core IDW market and continues to build on its position while also developing its 2-Man/Logistics
- DX Express is recognised for its service provision and is now growing its share of the very large parcels market

Well-positioned operationally and commercially, with high service standards

- The Group's depot network, vehicle fleet, equipment and IT systems technology have benefitted from significant investment in recent years, and investment is continuing
- This supports volume growth, operational efficiency, productivity and high service standards

Commitment to sustainability

- The Group is committed to improving the sustainability of its operations
- It has established clear goals to minimise its carbon footprint

Margin growth potential

- Group operating margins are targeted at 7.5%-10.0%. This compares to FY23 operating margin of 6.7%

Strong balance sheet and very healthy cash flows

- The Group has a strong balance sheet with net cash expected to grow
- It generates very healthy cash flows and has a clear approach to capital allocation
- This underpins continuing investment

Progressive dividend policy

- The Group has a progressive dividend policy and is committed to return excess capital to shareholders through capital returns

Parcel Journey

From depot to delivery

10am-3pm

Barcode label production – The customer uploads their delivery manifests to their DX portal, so labels can be produced. The label production also notifies DX that the customer has items for collection.

Late afternoon

Collection from customer – DX collects from the customer, either as part of their usual delivery collection daily routes or for larger customers, trailers are provided for the customer to use and then DX collects the trailer. If a trailer is used, this will be taken direct to the nearest hub.

12am-2am

Trunked to delivery depot – Items are then trunked to the delivery depot, again overnight, and receipt scanned upon arrival at the delivery depot.

Early morning

Scanned to delivery round – Each item is then scanned to the delivery round and the route for each courier is set. This is also when the consignee will receive their tracking details or Expected Time of Arrival ("ETA"), if the DX customer has chosen these options.

7am

Loaded onto delivery vehicle – Scanned items are then loaded into the delivery vehicle.

Early evening

Unloaded and receipt scan at local depot – Collections are taken to the nearest local depot, where they are receipt scanned and sorted into cages specific to the depot which will be making the final delivery.

Early evening into night

Trunked to Hub – The receipted items are then trunked during the evening to the nearest Hub.

10pm-12am

Hub sortation – For larger items/ longer lengths specifically within the 1-Man and 2-Man business units, which don't fit in cages, sortation will be completed once received at the Hub. DX uses cages where possible to limit missorting and damage to freight.

8am-6pm

Delivered to consignee – The courier will then deliver to the end consignee, whether that be a business or a private individual. The DX customer has real time information and Proof of Delivery ("POD") on their items via their customer portal.

Our Customer Proposition

Reliability, quality and value

We are experts in the next-day delivery of goods that are time-sensitive, mission-critical, valuable, or classed as IDW.

We handle most sizes of freight, from small documents to bulky white goods, and deliver to business and residential addresses across the UK and Ireland. Our customers cover a wide range of industry sectors, including legal, financial and governmental, optical, medical and pharmaceutical, as well as automotive, manufacturing, construction and retail.

Each customer typically has different requirements, and we have the ability (given the range of our delivery capabilities) to be flexible and adaptable in order to ensure that items are 'Delivered Exactly'. Every customer can depend on our long-standing commitment to reliability, quality and value. We understand that in meeting our commitments, we are enabling our customers to meet theirs.

In Delivering Exactly, we aim to provide:

Great Service

We strive to deliver every item first time, every time with the greatest of care. Our focus on high levels of first-time delivery ensures that our customers receive market-leading service for their mail, packets, parcels, freight and pallets. We aim to go out of our way to provide customers with dedicated and responsive support, giving them total peace of mind.

Industry-leading Security

We look after customers' parcels as if they were our own, giving our customers confidence that their parcels will arrive safely and securely. We have an industry-leading vetting process, giving our customers additional security reassurance.

48 years
of industry experience

Trustpilot

"Since switching our parcel distribution business to DX Freight, we have seen a significant improvement in our service levels, therefore delivering a much-improved customer experience. The localised customer service provided by DX is exemplary and I would thoroughly recommend DX Freight to anyone considering moving their parcel business."

Trevor West
Director of Prosolve

Customer Choice

We offer a wide range of services delivering to both consumers and businesses, built to meet the needs of our customers. Whatever our customers' consignment shape or size, whether it is a small letter, a large item requiring a 2-Man delivery, or a pallet of motor parts, we have the solutions to meet customers' demands.

'The Extra Mile'

We pride ourselves in going 'the extra mile' with our localised customer service rather than centralised call centres. This differentiator enables us to develop strong trusted relationships with customers.

We are continuously looking for ways to improve our customer proposition and, over the year, have been pleased to see our Trustpilot rating move to 'Great'. It is a rating we aim to keep or beat.

Business Model

DX is a leading provider of a wide range of delivery solutions, covering both business and residential addresses throughout the UK and Ireland. The Group focuses strongly on customer service and flexibility, and is able to cater for a wide cross-section of customer requirements through its two divisions, DX Freight and DX Express.

Our resources

- **People:** the Group has strength in depth, with a highly skilled management team with significant industry experience. All employees are thoroughly vetted to maintain high levels of security.
- **Networks:** DX provides national coverage through its 107 hubs and depots, and plans to further expand its networks over the next two years.
- **Technology:** significant investment has been made in the Group's technology in recent years, in particular in the Group's parcel tracking systems, handheld devices and fleet telemetry. DX has developed its own technology, allowing it to offer customers the highest levels of service.
- **Fleet:** the Group operates a fleet of over 850 vehicles, which is one of the most modern in the industry. These vehicles meet the strictest environmental and safety standards of their class. DX has 65 electric vehicles within this fleet.
- **Suppliers:** the delivery networks are supported by committed, appropriately security-cleared and experienced subcontractors.
- **Financial strength:** over the last five years, DX has significantly improved its financial performance and strengthened financial systems. The Group now has a robust financial platform for the next phase of its growth and development.

What we do and how we do it

DX Freight

DX Freight specialises in the overnight delivery of IDW freight. These items typically require a greater degree of physical handling because of their shape or weight and are not generally compatible with automated sortation systems. Alongside this, the division also provides a 2-Man delivery service and a Logistics service. These services are supported by a national network of depots, sortation hubs and trunking vehicles.

- **1-Man:** 1-Man has the capability to move all types of freight, from document satchels and parcels to IDW items, including lengths of up to six metres. Deliveries are primarily B2B and next-day. European and International delivery is also accommodated, via our international carrier partners.
- **2-Man/Logistics:** 2-Man services are mainly focused on delivery of high-value, larger and heavier products to residential addresses. A two-hour delivery window is offered, together with delivery to the consumer's room of choice. Logistics provides a complete range of supply chain solutions for most market sectors. Warehouse and transport solutions include dedicated own-fleet management across all vehicle types, mechanical handling delivery, storage and customer order preparation.

DX Express

DX Express specialises in the overnight, secure, express parcel delivery by courier of time-sensitive, mission-critical or higher-value items for B2B and B2C customers. The division operates its own nationwide network of depots, document exchanges, sortation hubs and trunking vehicles.

- **Parcels:** provides a B2B and B2C tracked next-day service for pouches and parcels. Our B2B solution includes a mandatory signature service as standard. Our B2C service offers either a mandatory signature, neighbour signature or leave safe options and further provides a two-hour ETA window with the option for the recipient to make changes to their delivery via SMS or email.
- **Exchange & Mail:** is a trusted members' network providing a secure and reliable next-day service for the delivery of mail and documents to and from other members.

How we do it

- **Commercial discipline:** strong commercial discipline is applied to every quote to ensure the price is right for the nature of the freight to be delivered.
- **Local customer service:** every customer has a local point of contact, making DX's service distinctive, and highly valued by our customers.
- **Reliable, next-day service:** high standards are set to ensure the Group delivers a reliable, first-time, next-day service.
- **'Can-do' culture:** a 'can-do' attitude underpins DX's approach and ensures that customers feel that DX people will go 'the extra mile' for them.
- **High-quality information:** improved information management systems help to ensure that timely and insightful decisions are made when managing operations and customer service.
- **Compelling proposition:** the Group's ability to handle a wide variety of delivery options and to flex its service to match customer requirements using modern technology makes for a compelling proposition.

What we aim to deliver

A motivated workforce

4,800

employees focused on delivering a high-quality customer service.

Long-term sustainable profit and cash generation

£26.8m

the Company is now generating profit and cash with adjusted profit before tax of £26.8 million and net cash generated from operating activities of £54.9 million.

An improving market position

25%

We estimate that 1-Man has around 25% share of the IDW market.

A growth business with expanding margins

6.7%

achieved an adjusted operating profit margin of 6.7% which takes us towards our longer-term goal of 7.5%-10%.

Satisfied customers

4/5

a 'great' Trustpilot score of 4/5.

Attractive returns to shareholders

1.5p

the Group has announced a capital allocation policy with proposals for 1.5p in dividends in respect of FY23 as part of a progressive dividend policy.

Read more on **pages 20 to 23**

Strategic Framework

As we focus on growth and margin expansion, and with the right organisational structure now in place, we have revised the strategic objectives to drive the next phase of growth and to widen margins across the business as well as meeting the Group's ESG obligations. The goal remains the same; to deliver long-term sustainable profit and positive cash generation.

Strategic objective	Detailed objectives
Continually develop capacity within an optimal network	> Develop network capacity and optimise utilisation to facilitate growth over next three years. > Develop productivity to open up market opportunities and reduce stem mileage. > Establish regional sortation hubs to improve productivity.
Improve margins across both DX Freight and DX Express	> DX Freight operating margin to hold above 12% over cycle. > DX Express to grow operating margins to >10%. > Target of achieving Group operating margin after overheads of 7.5%-10% within two years.
Develop a clear plan and goals for achieving Net Zero as a Company by 2050	> Following publication of the Group's Carbon Reduction Plan in December 2022 the next stage is to publish clear goals and objectives under the TCFD regulations. > Support these goals with tangible action and progress.
Embed local responsibility and accountability in the DNA of DX	> Local General Managers supported by Sales and Operations Managers. > Link reward to quantitative and qualitative performance. > Local customer service relationships.
Invest in Sales and Commercial capabilities	> Recruit additional top-quality sales resources. > Divisional commercial teams to approve all new business. > Leverage strong portfolio of services to provide customers with flexible service to match their requirements. Continued development of customer confidence in, and recognition of, the DX brand.
Invest in IT systems and network equipment improvements	> Improve commercial and sales tools. > Improve quality of management information. > Improve utilisation of our data. > Develop functionality of operational systems. > Renew IT infrastructure.
Improve operational efficiency	> Ensure right balance of fleet vehicles to optimise delivery capability. > Improve hub, trunking and delivery productivity.

Progress during 2023	Objectives for 2024
> Major upgrade of capacity and facilities at DX Freight Central Hub. > Five sortation super-sites created for 2-Man service separate from 1-Man depots. > New DX Freight depots opened in Paisley and West Bromwich, with expansion at Heathrow and Plymouth. > New DX Express depots opened in Basildon, Plymouth, Bracknell, Haydock and Deeside. > 15 ex-Tuffnells sites secured including three regional sortation hubs, accelerating development of overall network. > £6.2 million invested in new sites and improvements to the existing depot network.	> Bring 15 ex-Tuffnells sites into operation, including two sites for DX Express. > New depots planned for DX Express at Norwich and Preston, and for DX Freight at Middleton and Thirsk. > Construction of a £12 million regional hub for DX Freight at Nottingham. > Plan to exit seven existing sites to optimise the network over next 18 months.
> Both divisions expanded operating margins in FY23. > DX Freight significantly increased operating margin in 2023 achieving 13.4%. > DX Express operating margin increased to 9.4%. > Group operating profit margin increased to 6.7% from 5.8%.	> Look to expand margins further and move within the target range of 7.5%-10.0% with continued focus on operational efficiency and the addition of profitable new business.
> Carbon Reduction Plan published in December 2022. > £1.5 million invested in the year into electric vehicles and £0.5 million into LED lighting to improve energy efficiency, demonstrating action taken. > Ability for subcontractors to buy electric vehicles through DX supply chain launched during the year.	> Further develop the Carbon Reduction Plan to introduce a wider suite of targets. > Further investment in electric vehicles and LED lighting improvements.
> Continued to strengthen management team through the appointment of new General Managers and Regional Directors. > 63 managers' rewards linked to achievement of local performance targets.	> Continue to strengthen and develop management team, aiming for around 100 managers to succeed in achieving local performance targets.
> Invested in 2-Man Sales team within DX Freight to support the growth of this service line. > Continued to expand usage of Document Exchange Portal. > Broadened number of liveried vehicles with subcontractors branded 'Working in Partnership' with DX, which raises the profile of DX brand on the road.	> Further invest in DX's commercial system to improve management information and to support customer service.
> £2.1 million invested in IT infrastructure and systems, including new handheld scanning devices for depots. > Continued investment in the modernisation and upgrade of key systems to replace legacy ones.	> Further £2.0 million of planned investment in IT systems.
> 201 new delivery vehicles, 167 trailers and 33 Fork Lift Trucks ("FLTs") deployed during the year. The overall fleet grew 14% in the year. > £1.0 million invested in operational improvements including new cages and basic sorting mechanisation.	> £1.4 million earmarked for further investment in operational capacity and parcel handling equipment. > Investment in cages and stillages to support growth of the business.

Chief Executive Officer's Review

Strong growth underpinned by high customer service levels

Introduction

We delivered another strong set of results in FY23, with Group revenue up 10% to £471.2 million (2022: £428.2 million) and Group adjusted operating profit up 26% to £31.4 million (2022: £24.9 million). Operating margins increased to 6.7% from 5.8% the previous year, which is in line with our target to achieve operating margins of 7.5%-10% in the next two years.

This performance was delivered in a more stable trading environment than the prior year when we contended with driver and warehouse staff shortages. While trading challenges remained, cost pressures eased over the year, and the progress the Group made demonstrates its resilience and ability to adapt and take advantage of market opportunities.

Results reflect, in particular, the strength of our 1-Man business, growth in our Parcels business and the operational leverage across the Group. The Group's overall performance was also underpinned by our high levels of customer service, which remained strong throughout the period.

The parcel and freight markets continue on their long-term growth trajectory. There has been some recent softening in demand from customers with consumer-facing businesses, although this has been more than offset by robust demand in B2B markets. While recognising the current economic headwinds, we remain confident of achieving further progress over the current financial year and will continue to invest in the business in line with growth plans and our Capital Allocation Policy.

Capital Investment

We invested a total of £10.9 million (2022: £6.2 million) over the financial year, with this investment focused on our depot network, equipment and IT infrastructure. It marked the second year of our three-year capital investment programme. A further £9.0 million of investment of this programme is earmarked for the new financial year.

In addition to this major investment programme, we will invest £12.0 million in a new regional hub for DX Freight in Nottingham, and spend a further £2.0 million on electric vehicles to support our longer-term partnership with IKEA. In June 2023, we agreed the purchase of a former Tuffnells site in Ipswich for £1.0 million. As a result of all these additional investments, we expect capital expenditure in the current financial year to total around £25 million.

Our agreement with the Administrators of Tuffnells to take over 15 sites has accelerated our growth plans and will result in a stronger network. These sites will help us to service 700 or so former Tuffnells' customers for whom we were able to provide continuity of delivery services after the business collapsed. These customers are now trading on mutually-agreeable commercial terms. Over 350 former employees of Tuffnells have also joined us over the past three months and this, combined with other developments, provide us with significant opportunities for our 1-Man, 2-Man and Parcels businesses.

We are now focused on the integration and reopening of the former Tuffnells depots and have already made a good start, with six depots now integrated and fully operational. Alongside this, in August 2023, we opened a new depot at Norwich for DX Express and over the remainder of the 2023 calendar year, we plan to open a dedicated DX Express depot at Preston in Lancashire, and a new super-site at Middleton in Manchester for our 2-Man activities. Over the next 18 months, we will be further optimising the depot network.

Divisional Review

DX Freight

Revenue at the DX Freight division increased by 10% to £282.8 million (2022: £256.9 million) and operating profit grew even more strongly, rising by 22% to £37.8 million (2022: £31.1 million). As a result, the division's operating margin expanded to 13.4% (2022: 12.1%).

DX Freight continued to cement its market position in the IDW market, with these strong results mainly driven by our 1-Man service. 1-Man revenue increased by 11% to £220.6 million (2022: £195.5 million), benefitting from market growth, price increases and its strong

> "Results reflect the strength of our 1-Man business, growth in our Parcels business and operational leverage across the Group."

Paul Ibbetson
Chief Executive Officer

sales force, which secured very good levels of new business.

Revenue for 2-Man/Logistics services was broadly constant, up 1% to £62.2 million (2022: £61.4 million), which reflected some softening of demand from consumer-facing customers.

The division's overall performance also benefitted from productivity and efficiency gains and the changes made in the previous financial year to address market-wide disruption to the supply of drivers and warehouse labour and customers' supply chain issues. We continued to maintain a strong focus on high customer service levels across the division, which also helped to underpin the strong rise in profit.

In FY23, we invested £1.5 million in electric vehicles and in FY24, we are committed to a further £2 million investment in the electric vehicle fleet. Both investments are in support of our longer-term partnership with IKEA, and will increase the fleet to 65 electric vans in total.

We expanded the delivery network to support divisional growth, opening two new depots at Paisley in Scotland and West Bromwich in the West Midlands, and expanded capacity at our existing depots in Plymouth and Heathrow by moving DX Express' activities to new premises in each case. We also improved staff facilities at a number of depots and at the division's Central Hub.

Network expansion has not only increased our capacity, but also enhanced our already strong market position in the IDW market. There are few operators in this market with the capability of offering a reliable, next-day service on a nationwide basis, backed by high service levels. Network expansion has helped to drive operational efficiencies and improvements to service levels through reduced stem mileage and greater proximity to customers. The environmental benefits should not be overlooked too.

At the end of the financial year in June 2023, we secured additional new IDW business following Tuffnells entering into administration. This new business gained from former Tuffnells customers will benefit the current financial year.

We estimate that DX's current market share in IDW is now around 25%, making DX the clear market leader.

The growth strategy for DX Freight remains unchanged. We see scope for further growth in 1-Man services and will continue to seek new business opportunities and expand market share in IDW, a growth segment of the parcel market. Additional volumes will help to drive productivity improvements and enhanced margins through operational leverage of the network. We estimate that the market for parcel freight is expanding at approximately 5% per annum over the medium term, albeit this may slow in the near term due to the current economic headwinds.

There are growth opportunities for 2-Man/Logistics, and we are now focusing more closely on this business to drive it forward. We intend to grow 2-Man/Logistics services by broadening its customer base, and have committed additional sales and operational resources to support our growth objectives. We have also created five 2-Man super-sites, which now operate separately from the 1-Man network.

Chief Executive Officer's Review continued

DX Express
Revenue at DX Express increased by 10% to £188.4 million (2022: £171.3million). This result reflected the strong growth of the Parcels service, which increased revenue by 16% to £156.4 million (2022: £135.3 million), supported by healthy levels of new business. Growth in Parcels more than offset expected revenue decline at Exchange & Mail, which decreased by 11% to £32.0 million (2022: £36.0 million). Profit from operating activities increased by 22% to £17.7 million (2022: £14.5 million), and the operating margin expanded to 9.4% (2022: 8.5%), benefitting from operational leverage. This was in line with our expectations and is a significant improvement on the prior financial year.

We continued to expand DX Express' depot network and opened five new depots, at Basildon, Plymouth, Haydock, Bracknell and Deeside. As with DX Freight, this is helping to drive improvements in operational efficiency and, by being closer to customers, the division is also able to provide an enhanced level of service.

Document Exchange remains a very important service for the delivery of documents in the legal sector, with our pre-9.00am dedicated delivery service being a valued component of the service. We are seeking to leverage this unrivalled post-5.00pm collection and pre-9.00am delivery network by broadening the range of sectors served. In particular, we see relevant opportunities in high-street retail and veterinary services.

We continued to invest in the division's IT platform to simplify and modernise it, and around 50% of the division's activity is now managed on the division's new tracking application. This has enhanced the consumer experience to include point-of-delivery information and photographic evidence. It also provides improved management information to support timely decision-making. We expect to complete the transition of the division's Parcels activity onto the new application over the remainder of this calendar year.

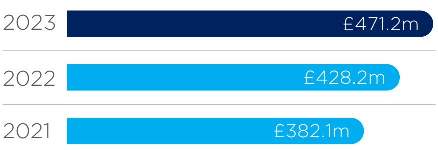
The depots recently secured from the Tuffnells' Administrators will also benefit DX Express. Once operational, the additional depot in Stafford and the hub facility in Nuneaton will also provide vital sortation capacity for the longer-term growth of the division. We expect these new depots will become operational by the end of this calendar year.

The market for small parcels is very large and we estimate that its longer-term growth is around 10% per annum, driven by the ongoing shift to online buying. Our current market share in Parcels is very modest at 1%-2%, and whilst recognising that it is a very competitive market, we believe there is a significant opportunity for DX Express. Our strategy is to build on the division's historic strength in documents and small packets, and continue to diversify the division's revenues by expanding the Parcels activity to SMEs and large national customers that value a high-quality, next-day service.

Revenue

£471.2m

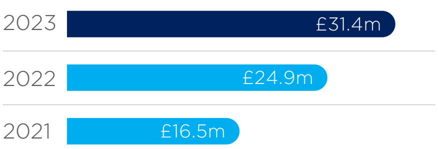
(2022: £428.2m, 2021: £382.1m)



Group Adjusted Operating Profit[1]

£31.4m

(2022: £24.9m, 2021: £16.5m)

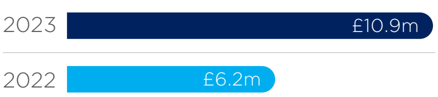


1 See notes 3 and 35 to the Financial Statements for details of APMs used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

Capital Investment

£10.9m

(2022: £6.2m)



Divisions Supported by Central Teams

Central overheads for the year (including the share-based payments charge) increased in absolute terms to £25.5 million (2022: £21.9 million, excluding exceptional items). As a percentage of revenue, central overheads increased to 5.5% (2022: 5.1%). The year-on-year rise reflected the cost of the Board changes during the year, improvements made to the Group's IT infrastructure, and the legal costs of the dispute with Tuffnells. The settlement with Tuffnells has been included within central overheads in order to not distort divisional operating profit margins. We expect central overheads to remain broadly flat in absolute terms and to fall as a proportion of revenue as the Group grows.

Environmental, Social and Governance

In December 2022, we published our Carbon Reduction Plan, which outlined the steps we plan to take to reduce the carbon footprint of the business. At the heart of this is the decarbonisation of our vehicle fleet.

This year, DX has come under the requirements of the TCFD and there are further disclosures in the Annual Report regarding the physical and transition risks to DX's journey to Net Zero. We have set an ambitious goal of reducing our carbon footprint by 20% by 2035 based on the current technology available to us. We will revise our goals as new technology becomes available to us in the medium term.

We have further electrified the vehicle fleet this year, committing investment of £3.0 million to add a further 53 vehicles in support of our longer-term partnership with IKEA. Other developments included a further £0.5 million investment in LED lighting at DX depots.

We have taken a significant step forward this year with the implementation of reporting under TCFD and we are increasingly engaging with our customers around ESG disclosures, as we are a key element of their supply chains. We are also engaging with our own suppliers in order to understand their commitments to reducing their own carbon footprints.

Summary

It has been another strong year of progress for DX, with both divisions growing their revenue and profit, and expanding operating margins. We have underpinned this growth with further investment in our depot network, IT, electric vehicles and parcel handling equipment, and maintaining our strong focus on high levels of customer service.

DX Freight has continued to grow; it is now the clear market leader in the IDW market and there remains a considerable opportunity to expand both this service and our 2-Man/Logistics offering. Growth at DX Express has been driven by our Parcels business and we are confident that we can continue to expand and develop it. We also see opportunities to extend the Document Exchange business into other sectors where its unique service has relevance and offers value.

Like the rest of our sector, we are facing the challenges presented by a slowing economy, including softer demand from consumer-facing customers. However, we have well-established networks, an experienced management team and a very strong financial position, which underpins our ability to invest in our core markets. We remain excited by our market opportunities, and look forward to reporting on further progress over the course of the coming year.

Paul Ibbetson
Chief Executive Officer

Operational Review

DX Freight review

Specialists in irregular dimension and weight items

Market Trends

The freight and logistics sectors continue to see growth and the long-term trend continues in an upward trajectory. However, the current cost-of-living crisis has seen volumes reduce slightly from peak COVID lockdown periods, largely in the B2C sector.

In early June 2023, the IDW sub-sector, which comprises only a few national operators, was severely disrupted when Tuffnells, a direct competitor, entered administration. This had a significant impact in the marketplace, leaving former Tuffnells customers without a carrier. DX was well positioned to provide continuity of service and went on to agree commercial terms with some 700 former Tuffnells customers. As a result of Tuffnells' demise, we were also able to take on 15 of their sites and are now in the process of reopening them. We believe that DX is now the clear market leader in IDW, with an estimated 25% market share and continuing to grow.

Performance

Financial

The DX Freight division improved its performance, continuing the strong progress it has made over recent years.

Revenue increased by 10% to £282.8 million (2022: £256.9 million), with operating profit 22% higher at £37.8 million (2022: £31.1 million); as a result, the division's operating profit margin rose to 13.4% from 12.1%. These encouraging results were helped by additional new business wins and increased business from the existing customer base, as well as the benefits of operational gearing and recent investments.

1-Man services led the strong performance, with revenue increasing by 13% year-on-year to £220.6 million (2022: £195.5 million) while 2-Man/Logistics revenue was more modestly ahead at £62.2 million (2022: £61.4 million).

Operational

Management changes

Following Paul Ibbetson's appointment as Chief Executive Officer of the Group, the division's senior leadership team was reorganised in early 2023.

The single role of Managing Director of DX Freight – Paul's previous position – was separated into two. The decision to create these new roles reflected the significant growth of the division over recent years and the expansion opportunities ahead for 1-Man, 2-Man/Logistics.

Graham Hollingdrake, previously DX Freight Operations Director, was appointed as Managing Director of 1-Man and 2-Man, and Ian Bolton, previously Director of Logistics was appointed as Managing Director of Logistics.

Depot expansion

Over the year, we continued to invest significantly in the depot network serving the division. We opened two new depots in Slough and Warrington and completed a major refurbishment at our Central Hub in Willenhall. We also completed or commenced depot upgrade programmes at Bristol, Bury, Exeter, Gretna, Heathrow, Middlesbrough and Plymouth.

To support growth at 2-Man/Logistics, we established five 2-Man super-sites that are strategically located across the UK.

Our investment in the depot network has created additional capacity, improved operational efficiencies, and reduced stem mileage (and thereby carbon emissions). Importantly, it also means that we are closer to our customers, enabling us to provide a very responsive and personalised service.

Looking ahead, DX Freight's ongoing growth will be supported with the opening of depots in four new locations: Andover, Leighton Buzzard, Lockerbie and Haydock, the latter also being a new Regional Hub. We have also recently moved our Newport depot to a larger and improved location. This will be followed by similar moves for seven existing depots: Bristol, Northampton (both of which will be larger Regional Hubs), Leeds, Sheffield, Dewsbury, Carnforth and Crawley, and a freehold property at Ipswich. The larger and enhanced sites form part of the agreement to take over 15 depots following the Tuffnells collapse. In late June, DX Freight also announced the proposed development of a major new Regional Hub in the East Midlands, planned to open in summer 2024. The proposed new hub, which will include a new depot serving the local area, is expected to cost approximately £12 million, including land acquisition, and will be funded from DX's existing cash resources.

Service

Our localised Customer Service teams remain a key differentiator when retaining customers and attracting new customers. We continue to build strong working relationships with our customers and aim to 'go the extra mile' to resolve issues. Our approach to customer service stands in contrast to competitor models that use call centres, which tend to provide a much more impersonal and less effective service experience.

Fleet and Technology

We made significant investments in our fleet and in technology over the year. We expanded our electric vehicle fleet to 65 vehicles to support our logistics partnership with IKEA.

We also renewed our estate of driver and warehouse scanners across the DX Freight network, adding new and enhanced capabilities. This is an ongoing focus. In addition, maintenance and buffer stock control was taken in-house, enabling us to manage scanner stocks – both in depots and centrally – more effectively. Depots now have full suites of devices, including spares, to manage operations and deliveries.

CASE STUDY

DX Freight's 1-Man UK-wide, next-day delivery capability is the key differentiator for Harrison & Clough

Harrison & Clough is a leading Yorkshire-based distributor of quality fasteners and fixings, and a member of the Dormole group of companies. Harrison & Clough has a single aim: to make its customers' life as simple as possible by ensuring stock availability, a next-day delivery service, and market-leading customer service.

Harrison & Clough have been working in partnership with DX Freight 1-Man for nearly five years. They moved to DX when their incumbent carrier went into administration. DX delivers both Harrison & Clough's parcels and pallets. Due to the challenging nature of their B2B deliveries, which can sometimes be heavy and bulky, they needed a specialist IDW carrier and DX Freight 1-Man provided the perfect solution.

DX move in excess of 88,000 consignments per annum, and over 430,000 items delivering a service level exceeding 99% first time success rate. DX has continued to grow their footprint within this sector and also carry for ForgeFix which is also part of the Dormole Group.

Angela Crighton, Operations Director of Harrison & Clough commented "The main reason we went with DX was their UK wide next-day delivery capability. From day one, they were flexible in their approach to working with us and took a keen interest in getting to know both our business and our product profile. In the past, we had experienced issues with damages, the DX team noticed this and helped us introduce better packaging to reduce the damage rate. Our consignments can be heavy and bulky, yet DX always manage to provide a friendly and professional service. We now have excellent working relationships with a wide variety of DX personnel, which has led to open dialogue and a valuable partnership."

"The main reason we went with DX was their UK wide next-day delivery capability. Our consignments can be heavy and bulky, yet DX always manage to provide a friendly and professional service. We now have excellent working relationships with a wide variety of DX personnel, which has led to a valuable partnership."

Angela Crighton
Operations Director
Harrison & Clough

Items delivered by DX Freight

36m

New 2-Man super-sites

5

Overall investment

£4.7m

Operational Review

DX Express review

Specialists in secure delivery

Market Trends

The small parcels market is substantial and is expected to continue growing. In the year under review this market experienced a more difficult period, with the cost-of-living crisis leading to some sectors of the B2C market, particularly e-commerce, becoming more competitive. However, the B2B market was more resilient.

We are clearly not immune to market cycles, but our positioning, expertise, sector exposure and commitment to consistent high service levels through a secure network has enabled us to grow strongly and we believe, increase our share of the overall market.

We will continue to focus on strengthening our relationships with existing customers and expanding our growing customer base amongst both SMEs and larger national customers. We will continue to focus on our quality over quantity model, rather than the lower rate, volume end of the retail small parcels sector, this eliminates risk and exposure to volatile markets. Although the small parcels market is very competitive, we believe that our differentiated approach will enable us to continue to deliver strong growth over the short, medium and long term.

Performance

Financial

DX Express performed well in the period, achieving good margin growth on revenue and profit, which were well ahead of the previous year.

Divisional revenue increased by 10% to £188.4 million (2022: £171.3 million) with operating profit 22% higher at £17.7 million (2022: £14.5 million). This performance has been driven by continued expansion of our Parcels activity, offset by the expected attrition in revenue at Exchange & Mail. Operating margin increased to 9.4% (2022: 8.5%), helped by the strong performance in Parcels.

Parcel revenue grew by 16% to £156.4 million (2022: £135.3 million) while revenue from Document Exchange and Mail reduced by 11% to £32.0 million (2022: £36.0 million), in line with our expectations.

Operational

Depot expansion

As with DX Freight, we continued to invest significantly in the division's depot network to support its future growth. We opened five new depots in Basildon, Bracknell, Plymouth, Shrewsbury and Swindon, all of which replaced smaller existing depots in these areas. We also opened a new regional hub and depot in Warrington. These openings have improved the efficiency of the network and helped to improve our service levels. We made further investment in vehicles, mechanisation, courier handheld devices and IT systems.

Looking ahead, during the new financial year, we will continue to invest in our depot network to increase capacity, and further improve efficiency and service levels. This will see us replace and add new locations to our network footprint which will not only increase capacity but will get us closer to our customers to in turn support service levels and improve efficiency. In this financial year we will open three depots in new locations, Deeside, Stafford and Preston, in addition to moving to a larger and improved depot in Norwich. Alongside the new depot openings, an additional hub will be opened in Nuneaton to again support volume growth and ensure that our trunking operation develops in an efficient manner.

Other initiatives

While our Exchange & Mail business continued to see revenue attrition, the general move to electronic communications continued. Nevertheless, the Exchange Portal, which we launched in the second half of the previous year, has been well received and has enabled us to start cross selling the broader range of DX Express services to our existing Document Exchange members. We are also exploring other ways to improve the profitability of this business, including a new service, DX Secure Premium. This is a premium B2B service with a pre-9.00am delivery and post-5.00pm collection service options, and is specifically aimed at the financial, retail and wholesale sectors.

We will invest further in mechanisation, as well as an initiative to enable our master subcontractors to raise their service provision, with access to flexible electric vehicle options, telematics, fuel cards and DX livery on their vehicles.

Another strategic initiative of the year will see the completion of the single operating system implementation for our Parcel customers, significantly improving customer interface and experience but also simplifying operational process and helping to improve compliance.

Items delivered by DX Express

56m

Growth of Parcels

16%

Overall investment

£1.6m

CASE STUDY

DX partners with Timpson Group to ensure their UK wide stores receive daily stock and orders

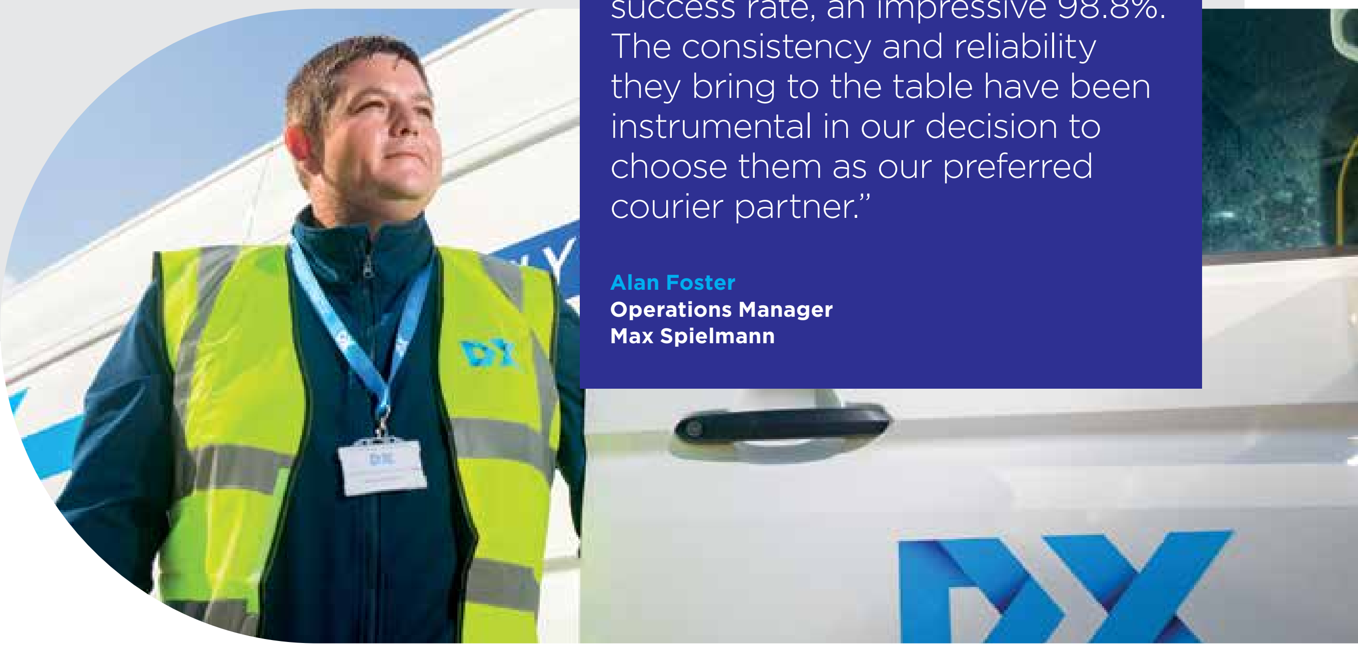
Timpson Group was established in 1903 and is now one of the UK's leading retail service providers, with high street brands such as Timpson, Max Spielmann, Snappy Snaps and Johnsons the Cleaners as part of the Group.

DX is proud to have been working in partnership with Timpson for over two decades, delivering over 25,000 items per week to their 2,000 stores across the UK on a next-day basis. Timpson rely on DX for timely and secure delivery of stock items, stationery and customer orders every working day. DX also supports Timpson Group's Max Spielmann passport verification service, with onward delivery of every passport application they process. An efficient and secure customer returns, repairs and home delivery service for the entire Group is also provided by DX.

Alan Foster, Operations Manager for Max Spielmann commented "For us, customer satisfaction is everything. As a prominent retail and service-based business, timely and efficient delivery forms the backbone of our operations. Our reputation is built on offering 'great service', which relies on promptness and the reliability of our services, so it is crucial to align ourselves with partners who share our commitment to excellence.

"Having worked with DX extensively, we can confidently say they stand out in their delivery services. One metric that particularly underscores their expertise is their first-time delivery success rate, an impressive 98.8%. This figure is not just a number for us; it reflects the seamless experiences of countless customers and the countless challenges adeptly managed to achieve this rate.

"The consistency and reliability they bring to the table have been instrumental in our decision to choose them as our preferred courier partner. In an industry rife with unpredictabilities, DX has consistently showcased a commitment to professionalism and efficiency. Their customer service team are very attentive and are quick to address any queries or issues."



"Having worked with DX extensively, we can confidently say they stand out in their delivery services. One metric that particularly underscores their expertise is their first-time delivery success rate, an impressive 98.8%. The consistency and reliability they bring to the table have been instrumental in our decision to choose them as our preferred courier partner."

Alan Foster
Operations Manager
Max Spielmann

Environment, Social and Governance

Corporate responsibility – our ESG focus

The Group recognises the importance of, and is committed to, working towards the UK's goal of net-zero greenhouse gas ("GHG") emissions by 2050 and also understands its responsibilities towards its employees, customers, suppliers, the recipients of its deliveries and the wider communities in which it operates.

With the Group now firmly on a growth path, we are increasing our focus on ESG issues. This year has seen a major step forward with the publication of the Group's Carbon Reduction Plan and the first disclosures under the TCFD regulations, which have applied to the Group for the first time this year.

1. Managing and reducing our environmental impact

The Group remains committed to reducing our environmental impact with significant steps taken through the reporting year to deliver progress in this area. We recognise that the logistics sector contributes a significant volume of emissions to the atmosphere associated with vehicle movements. DX is committed to achieving Net Zero by 2050 and reducing our overall environmental footprint. During the reporting year we published our inaugural Carbon Reduction Plan in accordance with the UK Government's PPN 06/21 requirement. The plan can be found at dxdelivery.com under the CSR link. In this section we highlight some of our activities through the year that support our journey to Net Zero.

The Group uses the framework of the international environmental management standard ISO 14001 (certified at two locations) to underpin our approach to setting objectives and targets for improvement against our significant environmental aspects. In FY23 we reconstituted our Environmental Committee and created a separate 'TCFD Group', each forum providing the opportunity to engage key senior stakeholders on environmental issues. Specifically, the focus in FY23 has been on our journey to Net Zero, improving our reporting capabilities and developing the road map to Net Zero. We aim to publish this road map alongside our FY23 PPN 06/21 Carbon Reduction Plan by the end of 2023.

The Group tracks environmental performance monthly where data permits and collates annually any remaining data sources. This information is used to calculate Scope 1, 2 and 3 carbon footprint in CO_2e (carbon dioxide equivalent) utilising BEIS 2023 conversion factors or supplier specific data. The data collected is for the year ended 1 July 2023, DX's financial year, with a financial control boundary utilised when considering carbon. In FY23 the boundary included 98 service centres, hubs and administrative sites, with additions to the estate through the year increasing the physical property footprint by 10.5%.

Conversion factors	Scope	FY23 BEIS 2023 Units	FY23 BEIS 2023 kWh	FY23 BEIS 2023 2022/23 tCO_2e	FY22 BEIS 2022 Units	FY22 BEIS 2022 kWh	FY22 BEIS 2022 2021/22 tCO_2e	FY21 – Base year BEIS 2021 Units	FY21 – Base year BEIS 2021 kWh	FY21 – Base year BEIS 2021 2021/22 tCO_2e
Estate^										
Total gas (kWh)	1	3,462,991	3,462,991	633	5,172,991	5,172,991	944	5,952,212	5,952,212	1,090
WTT gas	3			105			161			187
Total electricity (kWh) – Location based	2	9,727,583	9,727,583	2,014	8,209,830	8,209,830	1,588	8,058,143	8,058,143	1,711
Total electricity (kWh) – Market based^^	2	2	–	1,574	–	–	–	–	–	–
Electricity T&D	3			174			145			151
Electricity WTT (generation)^^	3			446			380			446
Electricity WTT T&D	3			39			35			39
Heating oil (litre)^^^	1	14,810	152,558	37.6	29,877	307,016	75.9	15,002	154,371	38
WTT heating oil	3			7.9			15.8			7.9
Fugitive emissions (f-gas)	1	–	–	1	–	–	–	–	–	–
Fleet Vehicles										
DX operated fleet diesel (litres)	1	12,849,998	135,002,076	32,280	12,300,944	130,327,649	31,464	12,640,000	134,110,400	31,756
WTT diesel	3			7,851			7,502			7,709
FLT LPG (litre)^^^^	1	26,396	191,702	41.1	70,360	504,650	109.6	70,360	504,650	109.6
WTT LPG				4.9			12.9			12.9
Business travel										
Company car and allowance mileage claims (litre)*	1	405,140	4,256,404	1,018	495,171	5,252,280	1,267	527,877	5,600,775	1,326
Fuel – People (company cars/allowance drivers/fuel receipts) diesel WTT	3			248			302			322
Total			**152,793,314**	**44,014**		**149,774,417**	**44,001**		**154,380,551**	**44,906**
Additional carbon disclosures not included in above total										
Flights (KM)	3	65,261		14.86	36,434		7.05	2,470		0.45
Trains (KM)	3	39,929		1.42	38,782		1.72	17,273		7.67
Hotels (nights)**	3	5,366		57.5	5,760		79.98	3,624		53.51
Additional KPIs										
Recycling percentage***		61%			57%			63%		
Landfill percentage		1.18%			2.40%			3.40%		
Intensity ratios										
Revenue £million		471.17			427.18			382.4		
tCO_2e per £million revenue				93.41			103			117
tCO_2e per m^2 estate footprint (depot/offices)				0.21						

Notes: Further expansion on Scope 3 reporting is available within our additional carbon disclosures published on our website.

^ Estate energy includes estimation where invoices do not cover a complete year or are not available. Non-staffed exchange locations where we do not receive utility invoices directly are not included within our energy disclosure (basic lighting/heating). An update to FY22 data resulted in a corrective reduction in reported electricity and gas consumption to reflect credits and double counting corrections, this was not possible for FY21 as such this will be slightly lower than the following years.

^^ DX signed a REGO backed electricity supply in April 2023, as such a market based zero emission factor has been used for the relevant months electricity consumption. Market based Scope 2 carbon (excluding WTT electricity generation) is utilised within the SECR table totals.

^^^ Heating oil data for FY21 retrospectively included in FY23.

^^^^ LPG not reported for FY21; FY22 value utilised to fill gap.

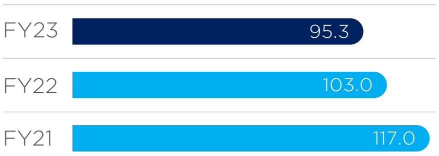
* Company car and car allowance mileage claims cannot be split; assumed diesel for conversion factor.

** Supplier CO_2e values for hotel stays.

*** Includes off site waste segregation where data is available through our waste contractors.

Environment, Social and Governance continued

tCO_2e per £million revenue



Progress Towards Net Zero by 2050

The transportation and delivery of parcels contributes to the greatest element at 89% of DX's traditional Scope 1 and 2 carbon footprint (including Scope 3 Well to tank ("WTT"). Our work during FY23 to expand Scope 3 reporting to align with the UK Government's PPN 06/21 Carbon Reduction Plan requirements has enabled a greater resolution and understanding of the Group's carbon footprint. This has identified the use of master subcontractors (category 4 – Upstream transport and distribution) as a significant emission source. Addressing vehicle emissions from fuel combustion, whether directly operated by the business or through our partners, remains the biggest challenge and opportunity for decarbonising the business.

Overall our traditional Streamlined Energy and Carbon Reporting ("SECR") carbon footprint has increased slightly this year. This can be attributed to the following influences: worsening emission factors for carbon sources, increases in diesel consumption within our fleet, and an estate electricity increase as the footprint expanded. There are positives to be taken including the ongoing migration to electric forklift trucks, the reduced reliance on heating oil, the expansion of the electric vehicle ("EV") fleet and commencement of a 100% renewable electricity supply.

Through our Environmental Committee we are developing a road map to Net Zero, exploring the possibilities across our estate to reduce emission but also tackling fleet emissions through electrification and low carbon fuel alternatives. We aim to publish this during the remainder of 2023 alongside our forthcoming PPN 06/21 Carbon Reduction Plan.

Fleet

DX operates two distinctive business models with our DX Freight division utilising primarily PAYE drivers within the DX operated and leased delivery fleet, while our DX Express division utilises master subcontractors (Scope 3, category 4 – Upstream transport and distribution) for final-mile deliveries and trunking. Both divisions cater for different markets which see a significant variance in the type and weight of items being delivered from tractor tyres and lampposts to parcels, letters, and high value items. The fuel-related emissions reported predominantly relate to DX Freight and the vehicles directly utilised by the business.

This year fleet diesel consumption (products) increased by 4.5%. A key factor in this increase was the change in trunking routes; during the year we enhanced trunking capacity for running into additional regional hubs. While this has increased trunking mileage by approximately 16.5%, operationally this provides capacity for the business to meet our customers' needs effectively and ensures depots can operate safely with the volume of deliveries. During the year we also consolidated our 2-Man operations. The opening of two super-sites allowed a reduction in locations, moving from 40 to 18. While this provided focus for 2-Man operations this has increased the geographic coverage of each region and the associated collection and delivery mileage. This fuel increase and operational change was coupled with a 12% increase in fleet vehicles in FY23 compared to the prior year. Group revenue increased by 10.3% compared to FY22; this was linked to fuel surcharges and price increases. Normalised against revenue we observed a drop in fleet fuel per million pound revenue of 5%. This highlights that we were able to utilise less diesel to generate each million pound of revenue. However, because this is largely linked to price changes, at a per item level performance has reduced with item counts down by 2.3% to 91.7 million, and litres per item delivered rising from 0.13 in FY22 to 0.14 litres of diesel in FY23. We continue to address fleet emissions, with the expansion of the depot network allowing for regional and route optimisation which helps to reduce stem mileage and the associated carbon footprint. In addition, the following activities were undertaken.

During the year DX announced a further investment of £3 million to support the transition of our IKEA final-mile delivery vehicles to EV. The business has committed to supporting IKEA in achieving their 100% zero-emission goal for home delivery, with an aim of DX reaching a fully EV final-mile delivery fleet by 2025 for this contract.

We continue to invest in maintaining one of the youngest fleets in the industry with 201 vehicles delivered into the business in the last year. The average fleet age is 2.4 years, and in maintaining a young fleet we not only protect operational aspects of the business but ensure vehicles are operating efficiently, helping to control pollution levels.

In 2021 we removed traditional internal combustion only engines ("ICE") and hybrid models from the company car list. Instead, we have focused on Plugin Hybrid ("PHEV") and Battery Electric Vehicles ("BEV"). At the time of reporting these lower emission vehicles represent 49% of the car fleet, with an additional 61 vehicles currently on order for delivery within 2023 to replace existing ICE/Hybrid vehicles as leases renew.

Within our DX Express business, we are actively engaging suppliers to reduce collection and delivery carbon emissions. During the reporting year we announced a strategic partnership with Silva Brothers Limited ("SBL") to introduce EVs within our London region. Since implementation 39,863 miles have been completed eliminating 12.7 tCO_2e over nine months. We are actively engaging suppliers to review opportunities to expand the utilisation of EV and other low carbon solutions within DX Express network.

We acknowledge that there are currently barriers including the availability of charging infrastructure and the entry price point for EV delivery solutions. To further support our master subcontractors and challenge the barriers to newer cleaner or zero emission vehicles we announced our 'Van in a box' scheme. This is aimed at introducing our partners to a preferred supplier that can support them delivering a DX compliant vehicle while overcoming the entry point barriers that currently restrict master subcontractors from modernising their fleets.

Property

The business' property portfolio expanded by ten sites and 20,066m^2 during the reporting year. This growth improves our customer experience, service offering and also allows for the reduction in delivery stem miles as we optimise regional coverage.

Overall property energy consumption (kWh) reported including electricity, gas and heating oil during FY23 decreased by 2.5% compared to FY22 to 13,343,131 kWh while the estates associated footprint decreased 23% to 2,572 tCO_2e. The decrease in energy was largely as a result of a 33% reduction in the reported gas consumption across the estate. We anticipate an element of this is linked to prior utility bill estimation which we addressed in FY23 through a major meter read activity across the estate, which has reduced the reliance on estimated invoices. The purchase of heating oil reduced by 50% largely influenced by the removal of oil heating at our Warrington DX Freight depot with electricity utilised instead.

Overall there was an 18% increase in electricity consumption during the year (1,517 MWh), largely as a result of the growth in the business footprint with the opening of ten additional sites. BEIS carbon conversion factors intensified for electricity this year further compounding the growth in our estate. We also expanded our EV infrastructure both within the company car fleet, IKEA final-mile delivery fleet and express master subcontractors. This growth in low carbon delivery solutions is transitioning delivering miles away from carbon intensive diesel to low carbon electricity.

We expect electricity consumption to continue to increase as the number of EVs increase, we are however committed to reducing this and being more efficient with the energy we purchase. In addition, in April 2023 we sourced a renewable electricity supply backed by Renewable Energy Guarantees of Origin ("REGOs"). The implementation for part of the reporting year has significantly improved our estate footprint through the utilisation of a zero carbon market based emission factor.

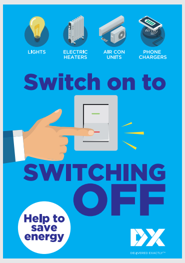
Building on this the Group has committed to utilising energy more efficiently and during the year worked on the following activities. In addition to ESOS, we completed internal energy surveys across our estate to identify and prioritise lighting efficiency opportunities and at some locations installed point source heating controls to improve efficiency. We invested £0.5 million to update lighting during depot refurbishments and completed 16 LED upgrade projects across the estate which improved the efficiency of over 1,400 fittings through the installation of LED's and sensor controls.

CASE STUDY

DX Freight Warrington

We replaced 98 lighting units with LED and sensor-controlled options. This included the replacement of warehouse and yard high energy sodium fittings with modern LED alternatives. This provided a significant improvement to the lighting conditions while reducing baseload energy consumption. Working with our installation partner, a wireless warehouse solution was installed capable of monitoring lighting levels and movement before dimming the lighting under certain conditions and turning off when not required.

We ran an internal communications campaign utilising newsletters, posters and stickers to remind colleagues to turn off lights and equipment when it's no longer needed.



Reduction in electricity

31,700kWh

Eliminated CO_2

8.7tCO_2e

Stats cover a year-on-year comparison over 158 days since completion in March 2023, and includes a change from DX Express to DX Freight services.

Environment, Social and Governance continued

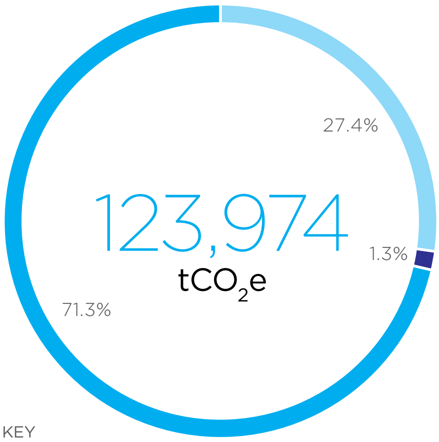
Scope 3 Progress

Through the reporting year our wider carbon footprint has increased as we expanded monitoring to include additional Scope 3 data sources. Specifically, the inclusion of Scope 3, category 1 – Purchased goods and services, and the pro-rata of category 7 – Employee commuting, to the entire workforce has increased the Scope 3 footprint by 20,000 tCO_2e compared to last year. It should be noted that purchased goods and services is calculated using a spend based methodology utilising the UK Government's 'indirect emissions from supply chain' conversion factors. Through early supplier engagement we have identified this approach significantly overestimates carbon relating to real-estate management expenses, rent and fees. To overcome this, we have created a conversion factor based on limited information obtained from our supply chain to date as an interim solution. We aim to engage, at a minimum, the top 25 suppliers during FY24 and have already begun the process of engaging technology partners to support our carbon reporting journey, with specific focus on improving the Scope 3 purchased goods and services spend based values and data integrity.

The Group signed a new renewable electricity contract backed by REGOs which commenced in April 2023. This supply allows for a market-based emission factor of zero to be applied to three months consumption. This reduces Scope 2 emissions by 441 tCO_2e, with further emission reductions expected through the remainder of this contract into FY24.

We still have Scope 3 categories 8-15 to investigate to determine their relevance. We do not anticipate these having a significant carbon footprint. Further carbon information will be published at the end of 2023 as we develop our reporting capabilities, capture the remaining data, and improve reporting methodologies.

DX carbon footprint FY23



DX carbon footprint FY23

tCO_2e		
Scope 1	34,011	27.4%
Scope 2 – Location based	2,014	
Scope 2 – Market based	1,574	1.3%
Scope 3	88,389	71.3%
Total	123,974	

Scope 3 breakdown	tCO_2e	Percentage of total Scope 3
Category 1 – Purchased goods and services	10,428	11.8%
Category 2 – Capital goods	0	0.0%
Category 3 – Fuel- and energy-related activities	18,182	20.6%
Category 4 – Upstream transportation and distribution	48,737	55.1%
Category 5 – Waste generated in operations	219	0.2%
Category 6 – Business travel	74	0.1%
Category 7 – Employee commuting	10,738	12.1%
Category 8 – Upstream leased assets	0	0.0%
Category 9 – Downstream transportation and distribution	0	0.0%
Category 10 – Processing of sold products	0	0.0%
Category 11 – Use of sold products	0	0.0%
Category 12 – End-of-life treatment of sold products	0	0.0%
Category 13 – Downstream leased assets	10	0.0%
Category 14 – Franchises	0	0.0%
Category 15 – Investments	0	0.0%

2. Social

Our Employees

We aim to maintain an environment where employees feel valued and appreciated.

Staff engagement at all levels is a priority for us. We aim to ensure communication and engagement through local, regional and Group-wide initiatives, with the Operating Boards of our two divisions (DX Freight and DX Express) involved. Senior management participate in regular calls, meetings and conferences to ensure cohesive engagement throughout the Group, and to raise awareness of the financial and economic factors affecting the Group's performance. Regular news bulletins are also distributed throughout the Group, and our in-house magazine, which is produced bi-annually, carries an in-depth mixture of business and employee news. During the months when the in-house magazine is not sent out, we send a monthly electronic version of it to all employees.

We have in place equality and diversity training. The aim of this is to ensure that recruitment, career development and promotion are based entirely on the ability and performance of an individual. We have also updated and circulated our Bullying and Harassment Policy to ensure that everyone is clear on what is appropriate behaviour and the actions that will be taken should any inappropriate behaviour be identified. Coupled with this was the rollout of mandatory anti-fraud and compliance training to ensure all employees understand their role and responsibility for ethical business practices.

Training and development are an integral part of our vision for the future, and most higher-level positions within the Group are internal promotions, as we seek to promote a culture where hard work and skill is valued, nurtured and recognised. During the last 12 months we have achieved 248 internal promotions.

All regulatory and compliance training is delivered through our Learning Management System, which enables us to monitor the rate of uptake on modules and provide support when required. This system also acts as a central location for all policy and procedure documents, enabling all our employees to have easy access to any information they may require when they need it.

We have identified succession lines across the Group and those individuals are working together to achieve a recognised Chartered Management Institute ("CMI") qualification in Leadership and Management. In this way, we aim to ensure that we have correctly trained employees to make the step into more senior roles as and when they become available.

We have a free employee assistance programme in place called 'weCare' that offers counselling, medical assistance, and advice services, including some financial advice, which, with the current cost of living crisis, is especially relevant. The service also provides 24/7 access to doctors for all our employees and their immediate families at no charge. Within this package there is also an online app called 'myStrength' which provides all employees with guidance on how to achieve good mental health. We provide a variety of pension schemes, which support our employees to plan financially for their future. We have launched an employee benefits platform in partnership with Aon, the financial services firm. This offers all our employees the opportunity to receive substantial discounts on high street shopping.

Environment, Social and Governance continued

Our evolving workplace safety journey
Our commitment to the safety of all colleagues is at the heart of the business and critical to our success and growth strategy.

We know our colleagues are our most important asset. Our continual improvement journey has a clear objective to prevent accidents and injuries at work. Safety is a collective responsibility at DX and only with the right mind set and attitude can we work together to reduce risks for our people, our partners and our customers. Safety is an ongoing journey at DX, and we strive to continually improve.

Our risk-based safety management programme has evolved through ongoing engagement with stakeholders to ensure that we apply a customer centric approach to the way we reduce risks. At DX, safety is all about actively listening to our stakeholders and making the right choices in our risk management approach so that those choices work effectively and result in high levels of engagement across the Group.

DX maintains a dedicated team of Regional Health and Safety Advisors, who provide hands-on help, advice and technical expertise for our network of depots, support centres and hubs. Safety committees are in place at our major Hub locations and are chaired by the respective Health and Safety Advisor to provide a route for active consultation and dialogue with colleagues.

Our bespoke safety training platform, which we call the DX Safety Academy, is designed to bring to life our Safe Systems of Work for colleagues and deliver key meaningful messages on how to avoid common accidents and injuries. This year over 8,000 safety training courses have been completed through our Safety Academy, and uptake continues to improve year-on-year. In addition to the Safety Academy, we provide Managers Safety Awareness Training to our leaders, an in-house developed training course aimed at giving our managers the awareness, tools and knowledge to support our continual improvement journey.

Our internally-developed Risk Review Audit Programme has again demonstrated improved results year-on-year with enhanced scores across all our divisions this year and remains an effective tool to proactively reduce risks and target those risks that are more likely to result in serious accidents. The Risk Review is a collaborative process that is performed at every trading location on an annual basis to benchmark performance and highlight improvement opportunities.

Our safety behavioural campaign, which we call Take 5, is a targeted approach to tackle our top five risks and top five behaviours for each risk that leads to accidents. Training courses have been developed to engage our Team Leaders in positively re-enforcing the behavioural programme and helping to change attitudes and prevent shortcuts. We will be launching a major upgrade to our Take 5 campaign in the next year and remain committed to this simple format to tackle behavioural change.

Measurement and analysis remain key to success, and we use leading and lagging indicators to measure safety performance across our business. This year we are pleased to see a significant improvement both on the absolute number of more serious accidents, and our corresponding Accident Incident Rate ("AIR") and Accident Frequency Rate ("AFR").

	FY23	FY22	% Change
Number of minor accidents	**590**	576	**+2.4**
Number of RIDDOR accidents	**36**	44	**-18.2**
Total accidents	**626**	620	**+1.0**
Lost time from accidents (Days)	**1,194**	1,353	**-11.8**
AIR	**714**	1,026	**-30.4**
AFR	**0.34**	0.49	**-30.6**

AIR = Number of RIDDOR accidents/number of employees over the reporting period X 100,000.
AFR = Number of RIDDOR accidents/total hours worked over the reporting period X 100,000.
RIDDOR accident = Injuries resulting in more than seven days absence and classified as major injuries.
Note that hours worked and employees includes PAYE and agency workers over the reporting period.

This year we have achieved an 18% reduction in the overall number of RIDDOR accidents and a 12% reduction in lost time resulting from all accidents. This was achieved despite a significantly increased headcount relating to full time equivalent employees and hours worked which has meant a 30% reduction in our AIR and 31% reduction in our AFR.

We remain confident that our safety strategy is delivering meaningful results for our colleagues, and we continue to improve and mature in this regard.

Road Safety
Use of the UK road network is an integral part of the Group's operations and driving is a key element in many of our employee's daily routine, whether it is commercial driving, company car or grey-fleet driving. Substantial mileage is covered most days of the week by many of the Group's employees. This presents potential risk, with driving the most dangerous work activity that most people undertake.

We are committed to the highest standards of road safety, and our Road-Risk Management Policy was reviewed in July 2023. This policy provides guidance for our managers and drivers in identifying and evaluating potential risks and implementing solutions to reduce any identified risk to its lowest practicably attainable level.

Twice a year, we hold a Fleet Management Road-Risk Management Seminar, with audiences consisting of the Executive Team, Regional Directors, General Managers and operating centre licence holders, namely Transport Managers. The Seminar is a forum for the discussion of fleet management, road safety, fleet and driver compliance, and current and future legislation changes.

We work with The Royal Society for the Prevention of Accidents ("ROSPA") to deliver training and qualifications to our drivers. In addition, we are working closely with Logistics UK to deliver our Driver Certificate of Professional Competence ("DCPC") and Certificate of Professional Competence in Road Haulage (CPC qualification), which is focused more on road safety. Refresher training on this qualification is an integral part of the Traffic Commissioner's criteria and as such we are investing in these courses for our Transport Managers.

We recognise the importance of direct depot management support for road safety, driver and fleet compliance,

CASE STUDY

Further electrification of DX fleet

Following the initial £750,000 EVs programme with IKEA as featured in last year's Annual Report, DX announced a further £3 million investment into this programme.

Again, these additional vehicles are used exclusively for the Group's delivery and logistics partnership with IKEA, the home furnishings retailer. The current IKEA electric fleet totals 65 vehicles, which will increase to c.120 over the next 12 months. IKEA has been a DX customer for over seven years and uses the Group's 2-Man/Logistics in support of its online and retail operations. DX is also IKEA's largest provider of 2-Man home delivery services in the UK.

During the last 12 months, the DX Express division launched a strategic initiative with SBL that will initiate the use of EVs for its London parcel deliveries. DX Express has worked with SBL as one of its 'final-mile' delivery partners for parcels since 2021, and this electrification programme marks an evolution of this strong working relationship.

This first phase launched with an initial 20 EVs, liveried with DX branding, for use in Central London. The EVs support the DX Express growing Parcels operation, which provides secure, next-day deliveries. The initial electric fleet is anticipated to deliver approximately 750,000 parcels in its first full year of operation.

12 months ago, DX announced the abolition of ICE vehicles from the company car list with only PHEV or full EV options available. To date 50% of the current 235 vehicles have been migrated across to either PHEV or EV. It is envisaged the migration programme will be completed within the next 12 months, as existing leases expire.

All the above initiatives evidence the latest steps in the Group's plans to increase the use of EVs within its overall fleet.

Environment, Social and Governance continued

vehicle maintenance and repairs, telematics, licensing, accident management and driver behaviour. As the Group has grown, we have increased the number of Regional Transport Managers ("RTMs") within the Fleet team. Our RTMs provide professional guidance to depot staff in all matters concerning fleet compliance and road safety, with each RTM allocated a number of depots for which they are responsible. The RTMs are widely located across mainland UK to allow for immediate and effective on-site interaction and direct support to the depot management team at very short notice as and when required.

Our focus remains on driver safety and driver competence through both DCPC and driver training. Our RTMs, who are qualified as assessors through our training partner TTC Continuum, are an integral part of our road-risk management programme. They are also members of the Logistics UK Freight Councils, which provides us with insights into future legislation and new training measures, including road-safety initiatives.

High-risk drivers and drivers of concern are identified through our online management reporting suites, which are available to the Fleet team. Our online management systems allow for Group-wide, regional risk analysis to be established through accurate information and reporting of trends and concerns at all levels, including to individual driver level. This also enables a more targeted approach to on-road training and refresher programmes, which are implemented across the Group. In addition, the introduction of a Driver Behaviour Policy which affords both the driver and manager information, via our Company Intranet portal, available to all our staff, on current legislation, the legal penalties of non-compliance and the Company's stance on what is expected of a professional driver, be that commercial, company car or grey-fleet, has been a further measure undertaken in the improvement of road-risk.

Our online management systems, including licence checking, tachograph analysis and telemetry reporting, allows us to review driver behaviour using data to conduct in-depth risk analysis, and to reward defensive driving technique and identify where driving standards may be lacking. We implement driving assessments and additional on-road driver training accordingly. Telematics management training is ongoing with a focus on achieving improvements in the seven KPIs we use to monitor driving behaviours, namely 'green band' driving, harsh braking, cornering and acceleration, over-revving, speeding and engine idling.

Even with the global delay of the delivery of new vehicles into the UK, due in part to the shortage of microchips, parts and labour, we have taken delivery of several new vehicles and trailers during this period, with 201 new vehicles, 167 trailers and 33 FLTs, 31 of which are electric. As a result, the average age of our entire leased fleet is now: vehicles 2.42 years, trailers 3.77 years and FLTs 2.82 years.

We continue to trial new technology to further improve driver safety standards. This technology has been shown to help reduce incidents and improve safety by promoting higher driving standards and identifying areas in which more work is required. Refresher training and driving assessments remain key elements of our driver safety measures.

We have invested in fitting state-of-the-art camera systems in all our MAN TGE 3.5t vans, MAN TGL 7.5t trucks and MAN TGX tractor units. These camera systems provide real-time video and analytics and constitute the next-generation approach to coaching, training, accident reduction and improved driving standards. All the live data is safely stored on a UK-based, secure system with full GDPR compliance, providing invaluable trend analysis to support higher safety standards, better driving habits and a reduction in accidents. The camera system can initiate alerts, either audibly or by haptic sensors, to let drivers know that they need to focus their attention on the road or a specific area of risk, keeping them safe and ensuring compliance. The camera systems have the added benefit of mitigating risk following an incident. It is widely reported that 87% of all road accidents are preventable.

We have increased our fully electric fleet from the first 12 Maxus e DELIVER 9's, which were operational to support our IKEA, contract to 65. Working closely with IKEA, DX has taken the first step in moving away from conventional fuel-powered commercial vans towards a more sustainable fleet. The Maxus e DELIVER 9 gives an operational range of around 219 miles. We have made the decision to upgrade the EV vans to give an increased carrying capacity of 1,162kg. The vehicles are fully equipped with GeoTab's telemetry system, giving full visibility of vehicle, battery and driver performance whilst being operated.

Our road safety initiative has proven valuable with the engagement of the Group's drivers as we continue to seek employee comments and feedback as part of our ongoing process. This is critical in sustaining our approach to road safety.

Our 'Driver of the Year' Awards was a remarkable success again, with the three recipients readily deserving their awards along with the congratulations of the Board and senior managers alike. These individuals set a fitting example to the other members of our commercial driving team.

Our Contribution to Society

Along with continuing to support Hospice UK by using our Apprenticeship Levy to fund four apprenticeships we are also supporting Roundabout.

Roundabout is a charity that supports homeless youths in South Yorkshire. One employee of Roundabout will be trained in the fundraising qualification.

We continue to champion both the Save the Children's Christmas Jumper Day and the Macmillan Coffee Morning, and to encourage local charitable and volunteering initiatives in all the communities in which we operate. Many of our employees set up their own individual fundraising and volunteering efforts.

3. ESG governance

The Board has ultimate responsibility for the Group's ESG strategy and policies. The Group's approach to corporate governance is covered in greater details on pages 49 to 67. At the heart of the Group's ESG strategy is the commitment to Net Zero and meeting obligations to reduce its carbon footprint. The first step in this journey was the publication of a Carbon Reduction Plan in December 2022 and this report provides greater disclosure as required under the TCFD regulations of the Group's approach to managing environmental risks and the potential impact on the business.

The Chief Financial Officer, David Mulligan, has the responsibility of leading an Environmental Committee of leaders from across the business to progress matters and report to the Board. This committee includes representatives from the DX Freight and DX Express Operating Boards, the Group's Health & Safety Manager, the Fleet & Compliance Director, the Head of Legal & Company Secretary, and the Environmental Manager. The Audit & Risk Committee also has oversight of ESG matters as part of its risk remit.

TCFD Disclosures

Introduction
The year ending 1 July 2023 is the inaugural year that DX's falls under the UK's new climate-related financial disclosures requirements influenced by the TCFD. Historically climate-related risks and opportunities have been limited to fleet decarbonisation as previously reported within the Annual Report. In preparation for the required risk management changes, in early 2023, we began developing internal knowledge covering the TCFD recommendations through the TCFD hubs e-learning portal. Facilitated by DX's environmental function and sponsored by David Mulligan (CFO) the dedicated 'TCFD Group' has been established comprising leaders from across the business representing a variety of key functions. This group has the responsibility of identifying relevant climate-related risks and opportunities on an annual basis. The output is reported through the existing Audit & Risk Committee to the Board where overall responsibility for DX's approach to risk management sits.

Methodology
In the period leading up to this report our TCFD Group participated in a workshop aimed at introducing business leaders to the new and enhanced requirements to assess and report the risks and opportunities posed by climate change. A scenario analysis review covering physical and transitional risks concluded the exercises. A qualitative approach was taken during our inaugural session to identify material risks and opportunities for inclusion within our Annual Report. In future years we will look to provide quantitative figures to illustrate the perceived risks and opportunities.

We utilised publicly available climate scenarios by the Network for Greening the Financial System ("NGFS", 2023), Climate analytics (2022) and IIASA (2022). Specifically, the 'orderly Net Zero 2050' and 'hot house world, current policies' scenarios have been used as suggested within the UK Government's reporting guidance, covering a 1.5°C scenario and a current trajectory where limited activity within existing policies will lead to a 3°C+ increase in warming across the globe if ambitious policies are not introduced.

Scenario – Net Zero 2050
An ambitious transitional risk focused scenario which assumes an immediate and smooth policy transition to deliver stringent climate policies and significant advancements in technology which deliver the country's decarbonisation journey by 2050. This scenario limits global warming to 1.5°C by the turn of the century and will see the UK reach Net Zero by 2050. Limited physical impacts in the short term are offset by the challenging transitional risks and opportunities. Overall, acting now, is predicted to be easier than reacting to the impacts of climate change in the future.

Expedited and more stringent tail pipe emission reforms will see vehicle and geographical restrictions aimed at eliminating tail pipe emissions.

The implementation of a carbon tax across industry would place a significant cost against carbon intensive delivery methods. This will drive a transition to lower carbon solutions; while technology advancements will be swift, selecting the correct solution could pose investment risks where solutions have unintended consequences or are quickly replaced by better solutions.

We expect customers' ESG requirements, and specifically carbon-related requirements, to form a key element of commercial contracts, as they look to decarbonise and partner with organisations that can support their own stringent environmental requirements.

Scenario – Current Policies
A scenario where only policies currently announced are implemented. No additional control measures in the form of policy are introduced; technology advancement and speed of innovation lags behind the more ambitious Net Zero 2050 scenario. As a result, the country fails to implement changes and continues to emit carbon in significant volumes, contributing further to climate change. It is predicted that global warming will increase by 3°C by the end of the century. We identified higher temperatures may not have a significant impact on energy consumption as warmer winters balance the increased summer energy demand for cooling. However, it is expected that increasing temperatures will negatively impact worker productivity, working conditions, absence and colleague behaviour.

While wind speeds are predicted to drop across the year, during the winter months this drop is not observed. There is the potential for reduced high sided vehicle restrictions on exposed routes, although this is unlikely to have a significant impact on the business. It may, however, negatively impact the UK's wind power generation facilities, meaning carbon alternatives are required.

An increase in precipitation across the country could lead to localised flooding along delivery routes and at depots. Potential issues which will need to be considered within contingency planning to provide resilience to the predicted increase in extreme weather events.

Time Horizon
We focused on the period to 2050 as this provided sufficient time to cover the UK's existing vehicle decarbonisation strategy, and enough time to see physical impacts within the scenarios. We define our time horizon as short term up to 2030, medium term to 2040 and long term to 2050.

The table opposite summarises the key climate change related risks and opportunities identified during the inaugural TCFD session. These focus primarily on transitional risk, however physical and various time horizons were covered when assessing the two scenarios. As our experience in applying the TCFD recommendations develops we anticipate future enhancements to this reporting. KPIs and targets will be developed and monitored during FY24.

Scenario References
NGFS, 2023. *Scenarios Portal.* Available at: www.ngfs.net/ngfs-scenarios-portal

Climate Analytics, 2022. *Climate Impact Explorer.* Available at: https://climate-impact-explorer.climateanalytics.org

IIASA, 2022. *NGFS Phase 3 Scenario Explorer.* Available at: https://data.ene.iiasa.ac.at/ngfs

	Policy	
Expected risk/ opportunity	As a mechanism to curb GHG emissions a carbon tax is implemented on business to drive efficiency and a transition to a low carbon economy. In addition to the taxation, we expect the transitional costs to be high resulting from the swift changes.	
Scenario risk rating	**Net Zero 2050 (Medium)**	**Current Policies (Low)**
Likelihood	**Very likely**	**Not expected**
Horizon	Expected to only impact the Net Zero 2050 scenario from 2025 onwards, however this impact will be felt across the short, medium and long term.	
Financial/operational implications	It is expected carbon taxation will cost between £110-£220 per tonne in the short to medium term up to 2040, however a significant increase towards 2050 approaching £770/t as the Net Zero 2050 deadlines approach. Ultimately this would impact service costs and/or profitability should the burden not be managed.	As a result of conforming to current policies and a lack of additional carbon tax in this scenario we foresee no additional financial implications.
Current control measures	DX is committed to Net Zero by 2050 which will require investment in decarbonisation. It is likely that within the Current Policies scenario existing decarbonisation investment will continue at a steady pace. In FY23 we installed or upgraded over 1,600 light fittings to LED or sensor controls to reduce unnecessary energy consumption. DX signed a REGO-backed renewable electricity contract in April 2023.	
Future mitigation measures	Future control measures will be required within the Net Zero 2050 scenario. Additional capital expenditure and operating expenditure will be required to expedite decarbonisation to reduce the tax burden. There could be future opportunities to engage key partners and customers to expand the rollout of low carbon delivery solutions. Develop the road map to deliver our existing Net Zero by 2050 commitment and relevant interim targets/KPIs. This will be completed during FY24.	
Targets or KPIs to measure position against risk	Business energy and carbon footprint (see SECR statement on page 25) Net Zero by 2050 progress	

TCFD Disclosures continued

	Policy	
Expected risk/ opportunity	With existing bans on tail pipe emissions, expanding ULEZs (Ultra Low Emission Zones) and Clean Air Zones ("CAZs"), it is expected in the medium to long term these restrictions will expand. This creates risk to the delivery solutions implemented directly and indirectly by the business.	
Scenario risk rating	**Net Zero 2050 (High)**	**Current Policies (Medium)**
Likelihood	**Very likely**	**Likely**
Horizon	The UK has policies in place to transition away from tailpipe emissions for new cars/vans by 2030-35. There is uncertainty relating to HGV decarbonisation by 2040 within the Current Policies scenario. However, it would be expected in a Net Zero 2050 scenario HGV decarbonisation would be achieved and delivered. Multiple ULEZs/CAZs are proposed for key cities across the UK in the short term and over the medium term; in any scenario we expect this to be expanded.	
Financial/operational implications	We anticipate high financial cost in having to transition the existing fleet towards zero emission vehicles at a quicker pace than is currently planned within the UK Government's current policies. Not selecting the right solution could give rise to high risk and costs associated with ineffective solutions being retired early. It is expected in this scenario technology will advance considerably. It is likely that master subcontractors may struggle to adapt at the pace required within this scenario. This could have financial/ operational impacts to DX depending on any mitigation measures taken.	The expansion of ULEZs/CAZs shouldn't have a significant financial impact on the business in the short to medium term as newer fleet vehicles can be relocated to mitigate these restrictions. The current tail pipe emission requirements will be implemented into existing fleet renewals closer to policy implementation dates. There is a premium for this, however we do not foresee this being a significant risk at present.
Current control measures	The Group in FY23 announced a total of £3.75 million to support the fleet electrification for our logistics contract with IKEA. Additional EVs have been introduced to some of our London delivery routes through our final mile delivery partner. Through Logistics UK the Fleet and Compliance Director is the vice chair of the London Freight Council. This forum enables the business to be at the forefront of upcoming policies and engaged with the UK Government in the London area where innovation is often trialled. In FY23 we announced our 'Van in a Box' initiative, aimed at helping couriers overcome the barriers to low carbon delivery vehicles. Since 2021 the business has removed ICE vehicles from the company car policy in favour of PHEV and BEV alternatives during lease renewals.	
Future mitigation measures	DX will continue to monitor tail pipe emission bans along with ULEZs/CAZs, where required. A short-term mitigation measure will include the relocation of compliant vehicles into regions where restrictions are in place. Taking into consideration lease cycles, the business will track vehicle renewals and consider the demand for EV/low emission vehicles during renewals. Across our estate we will investigate options to install EV and low carbon fuel infrastructure.	
Targets or KPIs to measure position against risk	Number of EVs as a percentage of fleet total Electric delivery miles by DX Freight and DX Express ULEZ/CAZ locations/announcements	

	Market	
Expected risk/ opportunity	Customer and consumer awareness is changing; with a growing focus on ESG it will be crucial for organisations to take proactive measures to maintain contracts. If DX falls behind the industry standard, we could see customers move to 'greener' competitors.	
Scenario risk rating	**Net Zero 2050 (High)**	**Current Policies (Medium)**
Likelihood	**Very likely**	**Likely**
Horizon	ESG performance is already a growing risk within the Current Policies scenario for key accounts through tender processes and ESG scorecards. It is expected within the short to medium term this will continue to increase in priority across both scenarios with greater emphasis within the Net Zero 2050 scenario over the short term.	
Financial/operational implications	We expect the financial risk to be an exponential growth on the current customer requirements. Led by the supply chain and consumer pressures, many customers will implement a sustainable supply chain. This would place contracts at risk should DX not set and follow a clear strategy to decarbonise at a similar pace to competitors.	Revenue generated from DX's top ten customers within key divisions with clear statements on carbon/Net Zero is c.£80 million per year. Failing to reduce the carbon footprint of the delivery services provided could see these organisations in the short to medium term look for alternative delivery partners.
Current control measures	In 2022, the Group appointed an Environmental Manager to support the delivery of environmental initiatives and progress carbon footprinting capabilities. Since 2022, we have expanded our carbon monitoring to key Scope 3 categories. Our inaugural Carbon Reduction Plan in alignment with the UK Government's PPN 06/21 requirements was released, and we developed a carbon footprint metric per item delivered by division.	
Future mitigation measures	Create and publish a clear road map to decarbonisation and Net Zero by 2050. Continue to deliver decarbonisation projects. Develop clear public communications covering DX's environmental strategy and targets.	
Targets or KPIs to measure position against risk	Track the number of customer enquiries regarding carbon Reduce carbon footprint per item delivered KPI (specific target to be developed during FY24)	

TCFD Disclosures continued

	Physical – Temperatures	
Expected risk/ opportunity	Temperatures will increase by 1.5°C-3°C by the turn of the century. While we expect limited impact on energy consumption as warmer winters balance the increased cooling demands during the summer, we predict negative impacts for our colleagues during the summertime resulting from increased working temperature which is likely to affect productivity, behaviour and attendance.	
Scenario risk rating	**Net Zero 2050 (Low)**	**Current Policies (Medium)**
Likelihood	**Likely**	**Very likely**
Horizon	In the short term temperatures should not have a significant impact on the Group. It will take many years of the Current Policies scenario before these impacts become significantly detrimental. Realistically we expect this to be a long-term challenge.	
Financial/operational implications	Through mitigation actions taken in this scenario, temperature increases will be limited in comparison to the Current Policies scenario. This will in effect limit the financial impacts associated with the drop in worker productivity linking to heat stress, absenteeism and colleague behaviour, all personnel impacts which could reduce operational efficiency, and lead to increased costs if not managed.	If temperatures continue to increase we expect little impact on labour productivity with only a small drop of 0.1 percentage point by 2050. Though based on current experiences, we would expect an increase in absenteeism and behavioural issues which could lead to a drop in efficiency and increased recruitment costs. DX's temperature sensitive deliveries for the pharmaceutical/health service will be at greater risk due to restrictions on temperature limits for deliveries. It could mean that deliveries have to be held within DX's temperature-controlled facility or alternative investments/measures taken to facilitate these deliveries.
Current control measures	DX has a temperature-controlled holding facility for pharmaceuticals. The business continues to provide additional benefits to colleagues to promote the organisation as a good place to work.	
Future mitigation measures	DX will need to review working conditions and task risk assessments to ensure worker welfare is not compromised.	
Targets or KPIs to measure position against risk	Track average and maximum temperatures	

	Reputational/Market – Opportunity	
Expected risk/ opportunity	Creating low carbon delivery solutions, though decarbonisation and registered offsets.	
Scenario risk rating	**Net Zero 2050**	**Current Policies**
Likelihood	**Likely**	**Possible**
Horizon	This is a short to medium-term opportunity present in both scenarios, however with a likely greater benefit should the business act upon within a Current Policies scenario. This is because it is expected all suppliers in a Net Zero 2050 scenario will be offering these solutions thereby making it less of a unique selling point compared to providing these services under a Current Policies scenario.	
Financial/operational implications	It is likely with the advancement in technology within the Net Zero 2050 scenario the ability to deliver low carbon solutions will be easier and less cost prohibitive. However, the potential reputational/market benefits (i.e. greater market share) will also reduce as this becomes industry norm.	Delivering a cutting-edge solution would be prohibitively expensive based on current EV infrastructure innovation expected within the Current Policies scenario. Alternatives such as Hydrotreated Vegetable Oil ("HVO") could play a role in significantly reducing the Group's carbon footprint. With a +10% premium it would cost approximately £1 million to transition the business' existing two bulk fuel stores to low carbon HVO per year. This would reduce the Group's carbon footprint by approximately 19,684 tCO_2e. Offsetting would likely cost a similar amount for the business footprint, however, provide no evidence of reducing emissions at source where possible.
Current control measures	£3.75 million announced in FY23 to invest into electrifying the fleet for our IKEA logistics contract. Transition of several London delivery routes to EV within DX Express. £0.5 million invested in FY23 into LED/sensor-controlled lighting.	
Future mitigation measures	External verification of the business' carbon footprint. Create and publish a clear road map to decarbonisation and Net Zero by 2050. Investigate certified offset opportunities to provide carbon neutral deliveries.	
Targets or KPIs to measure position against risk	Carbon footprint per item delivered KPI targets to be outlined during 2023 Net Zero road map workstream	

Key Performance Indicators

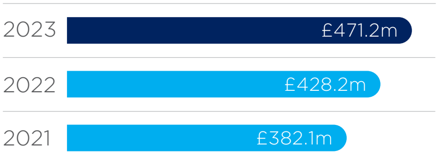
DX uses KPIs to assess the development and underlying business performance of the Group. These KPIs are reviewed periodically to ensure that they remain appropriate and meaningful measures of the Group's performance.

Statutory measures

Revenue

£471.2m

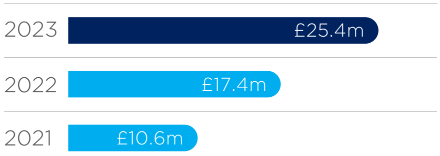
(2022: £428.2m, 2021: £382.1m)



Reported PBT

£25.4m

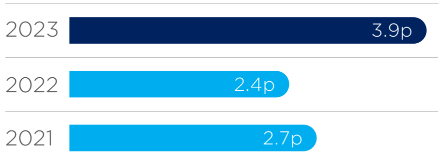
(2022: £17.4m, 2021: £10.6m)



Reported EPS

3.9p

(2022: 2.4p, 2021: 2.7p)



Net Cash Generated from Operating Activities

£54.9m

(2022: £36.5m, 2021: £28.1m)

Alternative performance measures

Group Adjusted Operating Profit[1]

£31.4m

(2022: £24.9m, 2021: £16.5m)

2023	£31.4m
2022	£24.9m
2021	£16.5m

Adjusted PBT[1]

£26.8m

(2022: £20.2m, 2021: £12.0m)

2023	£26.8m
2022	£20.2m
2021	£12.0m

Net Cash[1]

£37.6m

(2022: £27.0m, 2021: £16.8m)

2023	£37.6m
2022	£27.0m
2021	£16.8m

1 See notes 3 and 35 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.

DX Freight Operating Profit

£37.8m

(2022: £31.1m)

DX Express Operating Profit

£17.7m

(2022: £14.5m)

Central Overheads

£25.5m

(2022: £23.5m)

Financial Review

Strong profits underpinned by growth in revenue, expanding margins and healthy cash generation supported by increasing levels of investment

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 3 July 2022 to 1 July 2023, 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 1 July 2023 was £471.2 million (2022: £428.2 million) and the profit before taxation was £25.4 million (2022: £17.4 million). Basic earnings per share was 3.9p (2022: 2.4p).

	2023 £m	2022 £m
Revenue	**471.2**	428.2
EBITDA[1]	**60.2**	50.3
Depreciation	**(27.9)**	(24.4)
Amortisation of software and development costs	**(0.6)**	(0.6)
Share-based payments charge – SAYE award shares	**(0.3)**	(0.4)
Adjusted operating profit[1]	**31.4**	24.9
Exceptional items	**–**	(1.6)
Share-based payments charge – PSP award shares	**(1.4)**	(1.2)
Reported profit from operating activities	**30.0**	22.1
Net finance costs	**(4.6)**	(4.7)
Profit before tax	**25.4**	17.4
Tax	**(2.6)**	(3.4)
Profit for the year	**22.8**	14.0
Other comprehensive expense	**–**	–
Total comprehensive income for the year	**22.8**	14.0
EPS – adjusted (pence)[1]	**4.1**	2.9
– basic (pence)	**3.9**	2.4
– diluted (pence)	**3.8**	2.3
Operating profit margin[2]	**6.7%**	5.8%

1 See notes 3 and 35 to the Financial Statements for details 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.

Summary

Revenue of £471.2 million was 10% ahead of the prior financial year, and reflects strong growth at DX Freight, where revenue increased by £25.9 million to £282.8 million, driven by expansion of its 1-Man service. There was also growth at DX Express of £17.1 million to £188.4 million, driven by the increasing success of its Parcels service, which more than offset the decline at Exchange & Mail.

Earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA"[1]) for the year was £60.2 million (2022: £50.3 million).

Adjusted operating profit increased to £31.4 million (2022: £24.9 million). Adjusted profit before tax increased to £26.8 million (2022: £20.2 million). Net cash at 1 July 2023 increased to £37.6 million (2022: £27.0 million). Operating cash flow was £54.9 million (2022: £36.5 million) and the cash outflow from capital expenditure was £10.9 million (2022: £6.2 million).

“The total dividend for the year is 1.5p per share in line with expectations.”

David Mulligan
Chief Financial Officer

Revenue by Segment
A breakdown of Group revenue is shown opposite and commentary on each division's performance is provided in the Chairman's Statement and the Group Operational Review.

Cash Flow
Cash flow from operating activities was £54.9 million compared with £36.5 million in the previous year. The previous year included the repayment of £6.0 million of deferred VAT and other payments which were originally deferred in the 2020 financial year.

Working capital increased by £1.6 million in the year (2022: reduced by £6.9 million). The working capital movement returned to normal in 2023 following the large, deferred payments referred to above made in the previous year. Working capital movements included a reduction of £0.5 million, compared with a reduction of £1.2 million in the previous year, related to Exchange & Mail deferred income.

No exceptional items arose in 2023. In the previous financial year, the Group incurred £1.6 million of legal and advisory costs on the investigation of and inquiry into the corporate governance matter.

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 the Group's Irish operations.

Net Assets
Net assets increased by £13.2 million to £68.6 million (2022: £55.4 million), reflecting the profit for the year excluding the share-based payments charge.

Revenue by Segment

	2023 £m	2022 £m	Change %
DX Express	188.4	171.3	10.0%
DX Freight	282.8	256.9	10.1%
Revenue	**471.2**	428.2	10.0%

Cash Flow

	2023 £m	2022 £m
EBITDA[1]	60.2	50.3
Loss on disposal	–	0.3
Movement in working capital	1.6	(6.9)
Exceptional items	–	(1.6)
Interest paid	(5.1)	(4.7)
Tax paid	(1.8)	(0.9)
Net cash from operating activities	**54.9**	36.5

Net Assets

	1 July 2023 £m	2 July 2022 £m
Non-current assets	166.4	145.3
Current assets excluding cash	47.8	44.6
Cash and cash equivalents	37.6	27.0
Current liabilities excluding debt	(81.6)	(74.9)
Non-current liabilities	(101.6)	(86.6)
Net assets	**68.6**	55.4

Financial Review continued

Net Cash

Net cash at 1 July 2023 was better than expected at £37.6 million (2022: £27.0 million), reflecting the profit for the year, a net cash inflow on working capital, and £10.9 million of capital expenditure.

The Group's only borrowing facility is a £20.0 million invoice discounting facility with Barclays Bank plc, which was renewed during the year. Drawings on the invoice discounting facility at 1 July 2023 were £nil (2022: £nil) and it was undrawn throughout the year.

Capital Expenditure

Capital expenditure for the year was £10.9 million (2022: £6.2 million). Capital expenditure consisted principally of investment in IT equipment and development, operational equipment including EVs, leasehold improvements at new depots and property improvements.

Deferred Taxation

As a consequence of the improving results and a reforecasting of business plans, DX is 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 1 July 2023 of £3.7 million (2022: £5.5 million). Expected utilisation of losses in the year along with other timing differences resulted in a deferred tax charge of £1.8 million (2022: deferred tax charge of £2.0 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 and share-based payment charge, was 4.1p (2022: 2.9p).

Net Cash

	1 July 2023 £m	2 July 2022 £m
Cash and cash equivalents	**37.6**	27.0
Net cash[1]	**37.6**	27.0

1 See notes 3 and 35 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

	2023 £m	2022 £m
IT hardware and development costs	**2.1**	1.9
Property costs	**6.2**	3.2
Operations and service development	**2.6**	1.1
Total capex	**10.9**	6.2

Adjusted Profit and Earnings per Share

	2023 £m	2022 £m
Profit from operating activities	**30.0**	22.1
Add back:		
– Exceptional items	**–**	1.6
– Share-based payments charge	**1.4**	1.2
Adjusted profit from operating activities	**31.4**	24.9
– Net finance costs	**(4.6)**	(4.7)
Adjusted profit before tax	**26.8**	20.2
Tax	**(2.6)**	(3.4)
Adjusted profit after tax	**24.2**	16.8
Adjusted earnings per share (pence)	**4.1**	2.9
Basic earnings per share (pence)	**3.9**	2.4

Dividends

The Board recommenced dividend payments during the financial year, with the payment of an interim dividend of 0.5p per share on 31 March 2023. It is now pleased to propose a final dividend of 1.0p per share (2022: nil). This takes the total dividend for the year to 1.5p per share in line with the Company's dividend policy (2022: nil).

The final dividend will be paid on 7 December 2023 to shareholders on the register on 17 November 2023, subject to shareholder approval at the forthcoming AGM on 23 November 2023.

As previously outlined, dividends are anticipated to be paid in a ratio of approximately one-third interim dividend: two-thirds final dividend. It is also anticipated that annual dividends will be covered between two-three times by adjusted earnings per share.

David Mulligan
Chief Financial Officer

Principal Risks and Uncertainties

Risk management – how we identify, evaluate and mitigate risks

The Board has overall responsibility for DX's approach to risk management and its system of internal controls to safeguard the Group's assets and shareholders' interests. The risk management process and systems of internal controls are designed to identify the main risks that the Group faces in delivering its strategy, and to ensure that appropriate controls, policies and procedures are in place to minimise these risks to the Group.

As with any business, DX is exposed to a number of risks and uncertainties at any given time. Managing these risks appropriately is key to the delivery of DX's overall strategy.

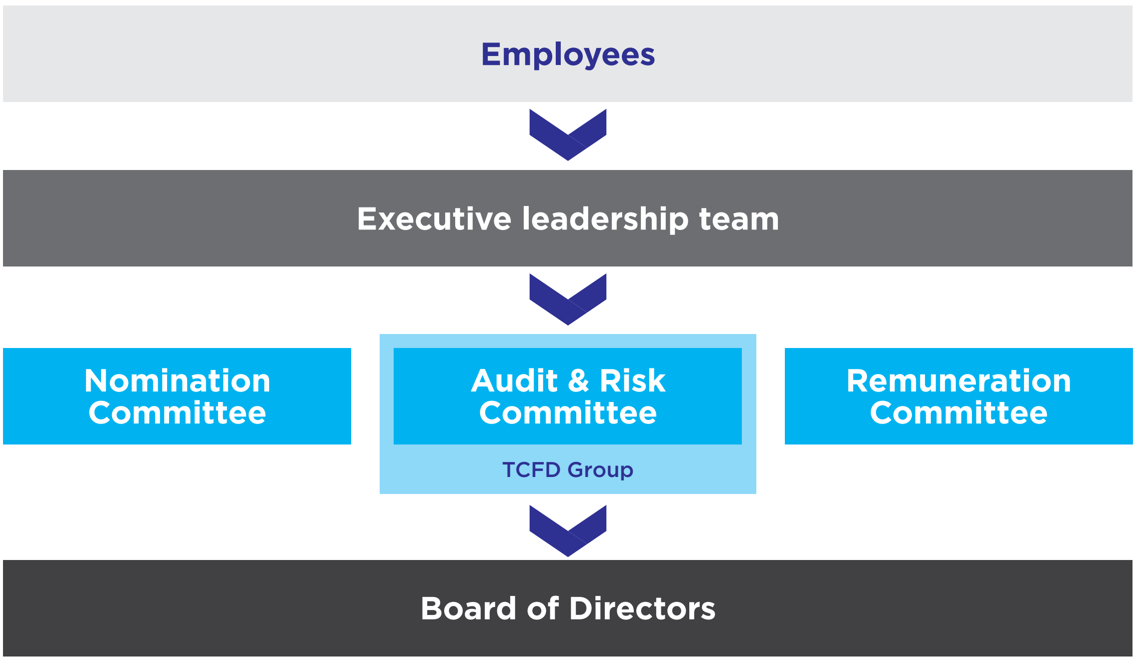
The Group maintains a risk management register, which is reviewed and discussed every six months by the Operating Boards of the DX Freight and DX Express divisions. It is also reviewed at least every six months, and more frequently as appropriate, by the Audit & Risk Committee. The Committee then updates the Board.

In the last year, the Board oversaw the update of a number of compliance policies and procedures following the conclusion of the corporate governance inquiry and investigation with the aim of ensuring the Group has policies that reflect current best practice. Coupled with this was the rollout of mandatory anti-fraud and compliance training to ensure all employees understand their role and responsibility for ethical business practices. This training is to be refreshed annually to ensure the Group's commitment to the highest standards of business practice are clear and high standards are maintained.

The Audit & Risk Committee also undertook a more comprehensive review of the Group's risk register to ensure that the risks identified were appropriately evaluated and that control measures were in place to manage the risks identified.

Our risk management framework

The Board believes that in order to identify and consider all risks, it is vital that we hear from our employees. Those employees are able to feed their risk concerns, by function, to the executive leadership team, who, after moderation by them, can either raise them for consideration by the Audit & Risk Committee by inclusion in the leadership team's own risk register or in their presentations to the Committee. Our 'bottom up' approach is best illustrated in this way:



Principal Risks and Uncertainties continued

The Board has identified the following principal risks and uncertainties to the Group's successful performance and delivery of its strategy:

Risk	Impact	Mitigation	Movement
Market Risk			
Letter and parcel volumes in the UK	The market for letters is in long-term structural decline, which, in particular, affects the Document Exchange service. If the decline of letter volumes in the UK is at a faster rate than forecast or the growth in parcel volumes is 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. Risks from a pandemic relate to the potential impact on our customers' business and general business confidence.	DX seeks to win business in new sectors and develop new services, recognising the general move to digital and electronic alternatives. Revenue from Document Exchange is a reducing share of the overall Group revenue so the impact of this risk is reducing over time.	
Price Risk			
The parcel market in which DX operates is highly competitive	The parcels market is highly competitive and DX may be adversely affected by aggressive pricing strategies.	DX provides high levels of customer service at prices that offer customers best value. It also seeks to maintain strong relationships with major customers and develop new service attributes, such as real-time delivery vehicle tracking, in response to customer needs.	
Operational Risk			
IT systems are critical to DX's business operations	Any material failure in DX's IT applications, systems, certain key suppliers 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 ongoing investment is being made to continuously enhance its capability. Further protections are in place to protect DX's systems against attacks. These protections are to a level acceptable to government departments. Prior to new systems going live, DX conducts significant testing in non-live environments.	
Confidential and sensitive items	DX Express collects, sorts and delivers a range of confidential and sensitive letters and parcels for a variety of customers, including government departments, local authorities and examination boards. If confidential consignments were to be misplaced, the reputation and brand of DX may be adversely affected. If a high-profile incident of this nature arose, existing or potential customers may be unwilling to use DX for the delivery of confidential or sensitive items.	All DX Express staff are fully vetted. All parcels processed through our secure network are tracked from end to end.	
Driver certificate of professional competence ("CPC")	The DX network requires the use of 7.5t vehicles, which must be driven by CPC-qualified drivers. A shortage of such drivers would impact the ability of DX to operate its network and this could have a material adverse effect on DX's results of operations, financial condition and prospects.	DX has resources specifically focused on recruiting and training suitably qualified drivers. DX's recruitment and retention polices, and its ethical values seek to ensure that DX remains a great place to work. The 'Warehouse to Wheels' initiative seeks to train warehouse staff to become qualified, professional drivers.	

Risk change

Increasing Decreasing No change

Risk	Impact	Mitigation	Movement
Operational Risk			
Loss of major operating site	The loss of a major sortation hub could compromise the operation of the business and impact on customer service and may lead to the loss of business.	The business is reducing reliance on the networks' central hubs. As the business grows, the importance of regional sortation hubs reduces the reliance on these central hubs and allows the risk to be spread and managed.	
Decarbonisation of fleet and transition to Net Zero	The transition to Net Zero as a business will involve the greater use of EVs. Moving away from diesel fuelled combustion engines needs to be carefully managed as customers may choose to do business with companies with 'greener' fleets. The demand for electric may also outstrip supply.	DX will continue to work closely with its chosen vehicle suppliers to ensure that appropriate vehicles are available to meet our operational requirements. The introduction of the first EVs is the first step in the Group's transition to Net Zero.	
Compliance Risk			
Standards and regulatory compliance	DX holds several standards and regulatory accreditations, including ISO 27001 Information Security Management and Cyber Essentials Plus. Maintenance of these standards is required to be able to provide services to public sector bodies and other key markets. If DX were to lose these accreditations it would put major contracts at risk and jeopardise existing and future revenues. Fleet compliance is central to meeting our operator licence ("O licence") obligations, which allows DX to operate its delivery and trunking fleet. Loss of O licences would significantly impact DX's ability to operate. The safety of our employees, agency labour and suppliers is of paramount importance. Compliance with regulations and development of a positive health and safety culture is key to achieving this. There is a risk of serious injury or fatality if safe practices are not adhered to. Compliance with the management of personal information under GDPR laws and regulations is critical as the business controls and processes personal data as part of its delivery services.	DX trains staff in accordance with these standards and performs internal assessments to ensure the required processes and standards are maintained. DX is also subject to external audits of our compliance with these standards. Regular maintenance and inspection of vehicles and audit of compliance with regulations. Regular risk reviews of operations, a dedicated team of safety professionals, and targeted training seeks to engage employees to work safely and avoid injury. We have also invested in appropriate measures to protect our employees to ensure that they are able to operate safely and in line with UK Government guidance and regulations in the light of the coronavirus pandemic. Appropriate processes have been designed to manage and control personal data in the Group's possession and to ensure it is deleted in line with data retention policies.	

s172 Statement

Each Director is required by law (s172 of the Companies Act 2006) to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, and in doing so the Directors must have regard to other factors (the "s172 Matters").

This is the Company's fourth s172 Statement. Here, we summarise our activities, explain how the Company has considered the s172 Matters and engaged in constructive dialogue with employees, suppliers, customers and others; and has had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that consideration, including on the principal decisions taken by the Company during the financial year. We also signpost where more detail can be found on the s172 Matters in this Annual Report and Accounts.

The Directors have access to advice through the Company Secretary and, if requested, external advisers, and the Directors are satisfied that they have complied with these requirements.

During the year, the Board reviews corporate governance issues as part of its regular meetings. The Company announced the conclusion of the corporate governance investigation and inquiry on 20 September 2022 and an update on the improvement actions is given in the Audit & Risk Committee Report on pages 57 to 58.

The Likely Consequences of Any Decision in the Long Term

The Directors understand the business and the evolving environment in which we operate, including global environmental, health and economic influences which impact the UK. Based on the Company's Mission (shown on the inside front cover of this report) the strategy set by the Board is intended to strengthen our position as a leading freight and courier business, while keeping safety and social responsibility fundamental to our business approach. While the nature of parcel and freight delivery is a short-term activity, for key decisions with long-term consequences, including the locations of new depots, IT investments and key senior appointments, appropriate diligence and debate are undertaken before arriving at such decisions. A recent example of a strategic decision with long-term consequences is the announcement in June 2023 of the Company's £12 million investment in the freehold acquisition and development of a new regional hub near Nottingham, which is expected to be operational from the summer of 2024.

The Interests of the Company's Employees

Our employees are interested in issues such as opportunities for development and progression, working arrangements, sharing ideas, diversity and inclusion, and compensation and benefits, and we have developed various communication channels to help meet their needs. During the year we have continued to expand our equality and diversity training with high levels of uptake and overall compliance. Promotion and career development are based entirely on the ability and performance of the individual.

Our leadership team is approachable and has regular visits at depots and other sites. Our engagement with our employees is discussed in more detail in the Our Employees section of our Corporate Responsibility Report on page 29. We have a strong track record of promoting talent from within the Company, and training and development is an important part of our DNA.

The Need to Foster and Manage the Company's Business Relationships with its Suppliers, Customers and Other Stakeholders

We aim to build long-term partnerships and a collaborative approach with our customers and business partners. Local customer service colleagues who understand our customers' needs and can develop a relationship over time are instrumental in delivering our high quality service. Our engagement with our suppliers, customers and other stakeholders is discussed in more detail under Customer Proposition on pages 10 to 11, in the case studies on pages 21 and 23 and in the Governance Report on pages 54 to 56. We encourage regular and open dialogue with all stakeholders.

The Impact of the Company's Operations on the Community and the Environment

Our commitment to address matters of concern in the communities in which we operate and the wider environmental concerns are discussed in more detail in our Governance Report on pages 54 to 56 and in the case study on fleet electrification on page 31. We recognise that ESG matters are becoming increasingly central to investment decisions and we are evolving our approach to environmental reporting as we meet our obligations under the TCFD disclosure requirements.

The Desirability of the Company Maintaining a Reputation for High Standards of Business Conduct

Our reputation remains vital to our continued success and our approach to business conduct is identified in our Mission and Approach to ESG and discussed in our Governance Report on pages 54 to 56. An update on our corporate governance improvement actions is given in the Audit & Risk Committee Report on pages 57 to 58.

The Need to Act Fairly as Between Members of the Company

We address this area in more detail in the Chairman's Introduction to Corporate Governance and the Governance Report on pages 54 to 56. Our approach to remuneration aligns the interest of the Executive Directors with that of the shareholders. Our approach is to attract and retain the best possible people who have the capacity and drive to meet the Company's strategic and financial objectives. To attract and retain the Executive Directors, we offer them a base salary that is fair, reasonable and affordable for the Company. They are incentivised to deliver growth of the business through a discretionary annual bonus scheme, which rewards the Executive Directors based on achieving financial targets as well as certain qualitative measures, and through longer-term incentives under the Performance Share Plan, which was introduced in December 2017 to create and protect long-term shareholder value.

Governance Report

In this section

Chairman's Introduction to Corporate Governance

"I am satisfied that the current Board has the appropriate blend of skills, capabilities and experience to deal with the challenges faced by the business."

Dear Shareholder,

I am pleased to introduce the Group's corporate governance report for 2023. As Non-executive Chairman I am responsible for ensuring that the Group maintains high standards of corporate governance, including reviewing the corporate governance structure of the Board and Board Committees to ensure they remain appropriate to the size and complexity of the Group as the business grows and evolves.

I lead the Board of Directors and have primary responsibility to provide the necessary leadership, input and guidance to the Company and the Board in driving the business to a level of sustainable profitability that creates long-term shareholder value. I also have responsibility for shaping the Board agenda to ensure it focuses on the important strategic, operational, financial and ESG matters.

I am satisfied that the current Board (which has been updated with the addition of one further independent Non-executive Director) has the appropriate blend of skills, capabilities and experience to deal with the challenges faced by the business. Industry knowledge, supported by financial experience, is particularly important for the Company as it maintains its focus on strong governance controls and developing economic uncertainty, and our Board has a depth of necessary experience to help shape DX's response to these challenges.

Following the external review of the Company's compliance policies, procedures and training materials last year, the Board and the Audit & Risk Committee have both exercised close oversight of Company's updated compliance framework to ensure that it has been fully adopted and understood by management and employees, and that it continues to reflect current best practice.

In meeting the requirement to follow a recognised corporate governance code, the Board continues to adopt the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). The QCA Code supports the Group's approach to managing risks and transparent communications with stakeholders, and DX is committed to full compliance with the QCA Code principles. Where appropriate, this corporate governance statement and report have been prepared to comment on the application of the QCA Code's principles and to address the disclosure requirements recommended by it.

A detailed explanation of how the Group addresses the QCA Code's ten principles is available on our website at dxdelivery.com under Investors/Governance.

During the year we have reviewed the terms of reference for the Audit & Risk, Remuneration and Nomination Committees, and each of those Committees' terms of reference are published on our website. We have also reviewed and updated the delegations of authority and the list of matters specifically reserved for decision by the full Board.

There have been a number of changes to the composition of the Board and the Board Committees during the financial year, and these are outlined in the Governance Report on page 54.

We also recognise the growing importance of disclosures with regard to ESG matters and, in particular, the decarbonisation of the DX fleet (Principle 3). We are making this a priority of DX; we have published a Carbon Reduction Plan, improving the information disclosed and adopting the approach recommended by the TCFD.

Mark Hammond
Non-executive Chairman

Board of Directors

Our Board is critical to the ongoing success of the business and comprises two Executive Directors and four Non-executive Directors, including the Non-executive Chairman. The composition of the Board is structured to ensure that no one individual can dominate decision making.

Name and Title	**Mark Hammond** Non-executive Chairman	**Paul Ibbetson** Chief Executive Officer	**David Mulligan** Chief Financial Officer
Date of Appointment	15 November 2022	31 January 2023	9 April 2018
Experience and Skills	Mark has over 25 years' commercial and financial experience across finance, investment and commerce and has been a member of the Institute of Chartered Accountants of Scotland since 1991. He was co-founder and manager of a private equity fund, Caird Capital LLP, having previously worked for Bank of Scotland Corporate as Head of Integrated Finance. He was previously a Non-executive Director of Tuffnells Parcels Express Limited until its successful sale to Connect Group plc, and a Non-executive Director of David Lloyd Leisure Group Limited, a leading European fitness business.	Paul Ibbetson has over 30 years' experience in the transportation industry. He joined DX Freight in November 2017 and was appointed Chief Executive Officer on 31 January 2023. Before joining DX, he was Operations Director of Tuffnells Parcels Express Limited and has also held senior operational and commercial roles at both Target Express and Business Post.	David has over 25 years of experience in senior financial positions in a number of listed companies and joined DX in April 2018. Prior to joining DX, David was CFO at Hornby plc, where he was involved in delivering the restructuring and turnaround of the business. A major part of his career was at Morgan Sindall Group plc, the construction and regeneration group, which he joined in 1997. He became CFO in 2004, a position he held until his departure in 2013. David qualified as a chartered accountant with Ernst & Young in 1995.
Other Appointments	Mark is currently a Non-executive Director of Genuit Group plc, the listed provider of sustainable water and climate management solutions for the built environment and a Non-executive Director of Chaffin Holdings Limited, which provides arboricultural services.	None	None
Committees	–	–	–

Jon Kempster	Mike Russell	Alison O'Connor
Jon Kempster Non-executive and Senior Independent Director	**Mike Russell** Non-executive Director	**Alison O'Connor** Non-executive Director
12 July 2022	12 July 2022	2 October 2023
Jon is the Senior Independent Director and Chairman of the Audit & Risk Committee. He has over 30 years' senior financial and commercial experience, including as 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 is Chairman of the Remuneration Committee and Chairman of the Nomination Committee. He 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 has significant experience of the logistics industry, having been a Non-executive Director of Clipper Group plc, the retail logistics firm, for almost ten years. During this time, he was Chair of the Audit and Risk Committee and the Remuneration Committee and a member of the Nomination Committee.	Alison is Chief People Officer of Arriva plc ("Arriva"), which is part of Deutsche Bahn AG and one of Europe's largest passenger transport providers. Having joined Arriva in 2001, she now advises the Board on all aspects of human resources and related organisational planning and development. She is a Member of the Arriva Management Board and the Investment & Risk Committee. She also participates in a number of Arriva sub-committees, including the Environment, Health & Safety Committee. Prior to Arriva, Alison worked for 15 years in senior HR roles at The Boots Company plc.
Jon is currently Non-executive Director of Norman Broadbent plc and Serinus Energy plc. He is also a Trustee of the Delta plc pension plan.	None	None
N R A	N R A	N R A

Committee Membership Key

N	Nomination Committee
R	Remuneration Committee
A	Audit & Risk Committee
☐	Committee Chair

Governance Report

The Board is responsible for ensuring the highest standards of corporate governance 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, for setting the agenda for the Board meetings (in consultation with the Chief Executive Officer and other Directors), and for 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 the necessary information and reports, as well as for ensuring the market and regulators are kept appraised in a timely manner of any material events and developments. Along with the Chief Executive Officer, the Chairman also ensures that the appropriate standards of corporate governance are effectively communicated and adhered to throughout the Group.

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 Operating Boards of the DX Freight and DX Express divisions, the Chief Executive Officer is responsible for the implementation of Board decisions.

During the financial year, Mike Russell and Jon Kempster joined the Board on 12 July 2022. Lloyd Dunn resigned from the Board on 6 September 2022, Liad Meidar and Russell Black left the Board on 19 October 2022, and Ronald Series resigned from the Board on 14 November 2022. Mark Hammond joined the Board as Executive Chairman on 15 November 2022 becoming Non-executive Chairman on 1 February 2023, following the appointment of Paul Ibbetson to the Board as Chief Executive Officer on 31 January 2023. As at the date of this Annual Report, the Board comprised the Non-executive Chairman (Mark Hammond), two Executive Directors (Paul Ibbetson and David Mulligan) and three Non-executive Directors (Mike Russell, Jon Kempster and Alison O'Connor).

Details of each Director's background and experience can be found on pages 52 to 53. The Board's mix of skills and business experience is important to the Company at this stage of its development and ensures an informed review and debate of performance and strategy. It is noted that the Board has completed the appointment process of a third independent Non-executive Director. Each Director is responsible for keeping their skills up to date and relevant to being a director of a listed company. In particular, Board briefings from the major professional advisory firms are a useful and informative source of information to ensure that the Directors are kept up to date with the latest regulation and compliance requirements.

The Board continues to have strict control over key areas of expenditure. For example, the threshold for approving unbudgeted capital expenditure by the full Board is £50,000 and £100,000 for budgeted capital expenditure, and the approval of all senior appointments or salary changes with a base salary above £100,000 is reserved to the Remuneration Committee. This helps to ensure a high level of diligence in key capital and people decisions.

Internal Controls and Risk Management

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' interests. The risk management process and systems of internal controls are designed to identify the main risks that the Group faces in delivering its strategy and growth plan, and to 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 reviewed and discussed every six months with the Operating Boards and the Audit & Risk Committee (as further detailed on pages 57 to 58).

The Board has reviewed the effectiveness of the system of internal control for the year ended 1 July 2023 and up to the date of the signing of the Annual Report and Accounts. The corporate governance matter was concluded and reported on in detail in last year's annual report. An update on improvement actions is reported in the Audit & Risk Committee Report on pages 57 to 58.

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, functional reports and an annual planning and budgeting system. The financial reporting system compares results against budget and against the prior year, and the Board reviews its forecasts for the financial year on a regular basis.

During the year, the Board reviewed and updated its formal policy of authorisation setting out matters which require its approval, and certain authorities which are delegated to the Executive Directors and members of the Operating Board.

Independence

Mark Hammond, Mike Russell and Jon Kempster are considered the three Independent Non-executive Directors in meeting the requirements of the QCA Code. The Non-executive Directors provide a suitable balance between the Executive and the independent Directors.

Role of the Board

The Board meets regularly as part of the process of continuing the restoration of the Company to long-term growth and profitability. Directors are supplied with a comprehensive Board pack before all Board meetings, which includes the agenda, previous minutes, detailed financial information, an Action List maintained by the Company Secretary and all other supporting papers necessary to have a fully informed discussion. The Board ensures that the necessary decisions are being implemented and the necessary investment is being made to achieve DX's strategic priorities.

A full copy of the schedule of matters reserved for the Board is available on dxdelivery.com, under Investors/About DX under the Publications tab.

Day-to-day operational and financial management is delegated to DX's Operating Boards. The Operating Boards meet on a divisional basis in order to ensure a greater involvement of senior management in both divisions, whilst ensuring that each division is kept up to date on the activities of, and issues facing, the other division by the sharing of minutes and formal and informal discussions between the Managing Directors of both divisions. The Operating Boards meet monthly and both divisions and key functions provide the Board with detailed monthly reports.

Operation of the Board

There were a number of changes to the Board's composition during the year. The Board meets regularly and there were nine scheduled Board meetings during the financial year. Any specific actions arising during meetings, as 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.

	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings	9	10	9	3
Attendance:				
Lloyd Dunn[1]	0/0	–	–	–
Ronald Series[2]	2/2	1/1	–	–
David Mulligan	9/9	–	–	–
Paul Ibbetson[3]	5/5	–	–	–
Mark Hammond[4]	7/7	–	–	–
Jon Kempster[5]	9/9	9/9	9/9	3/3
Mike Russell[5]	7/9	8/9	9/9	3/3
Russell Black[6]	1/1	1/1	1/1	–
Liad Meidar[7]	1/1	0/1	–	–

1 Lloyd Dunn resigned from the Board on 6 September 2022.
2 Ron Series was Non-executive Chairman from the start of the year until 6 September 2022, and Executive Chairman from 6 September 2022 until 14 November 2022, when he retired from the Board.
3 Paul Ibbetson joined the Board on 31 January 2023.
4 Mark Hammond joined the Board on 15 November 2022.
5 Jon Kempster and Mike Russell both joined the Board on 12 July 2022.
6 Russell Black left the Board on 19 October 2022.
7 Liad Meidar resigned from the Board on 19 October 2022.

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

All Directors act in what they consider in good faith to be the best interests of the Company, consistent with their statutory duties, notably s172 of the Companies Act.

The business at each scheduled Board meeting includes regular reports from the Chief Executive Officer and the Chief Financial Officer covering business performance, markets and competition, health and safety, and investor and analyst updates, as well as progress against strategic objectives and capital expenditure projects. The Board also considers reports and in-person presentations from functional heads from across the business. Board meetings were held at different Group locations in order to review local operations.

Board Committees

The Board has delegated certain responsibilities to the Nomination Committee, the Audit & Risk Committee and the Remuneration Committee. Each Committee operates according to its own terms of reference (available at dxdelivery.com under Investors/About DX under the Publications tab).

Governance Report continued

Audit & Risk Committee

The current members of the Audit & Risk Committee are Jon Kempster (Chairman), Mike Russell and Alison O'Connor. The Audit & Risk 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, reporting and reviewing reports from DX's internal auditor relating to accounting and internal controls, and monitoring the quality and independence of the external audit, in all cases having due regard to the interests of shareholders. Further information on the Committee is set out in the relevant report on pages 57 to 58.

Remuneration Committee

The current members of the Remuneration Committee are Mike Russell (Chairman), Jon Kempster and Alison O'Connor. The Remuneration Committee determines remuneration for the Executive Directors and senior managers in the Group. Further information on the work of the Committee is set out in the Directors' Remuneration Report on pages 59 to 61.

Nomination Committee

The current members of the Nomination Committee are Mike Russell (Chairman), Jon Kempster and Alison O'Connor. The Nomination Committee recommends the appointment of Directors and is responsible for succession planning. During this financial year the Nomination Committee met as a full Board on each occasion to consider and approve the appointments of the new Chairman, new Chief Executive Officer, and to consider the nomination of a third Non-executive Director. The third Non-executive Director, Alison O'Connor, was appointed on 2 October 2023.

Investor Relations

DX places a great deal of importance on communication with all shareholders. There is regular dialogue with institutional shareholders throughout the year and formal presentations after the interim and preliminary results. During the year to 1 July 2023, and following restoration of the Company's shares, presentations were made to institutional investors in relation to the Group's growth plans, progress against its strategic goals, and operational and financial performance.

The Board encourages dialogue between the Directors and investors, and the Directors are available at each Annual General Meeting ("AGM") to hear the views of all shareholders and to answer any questions about the business generally and about the resolutions proposed.

The principal methods of communication with private investors remain the Annual Report and Accounts, the interim statements and DX's website (www.dxdelivery.com). The website includes a DX Investor Centre that 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 shareholder feedback during the course of the year from finnCap (DX's Nominated Adviser up to 12 May 2023 and Joint Broker) and from Liberum (DX's Nominated Adviser from 12 May 2023 and Joint Broker).

Culture

Critical to delivery of growth of the business is ensuring we have the right culture in the business. At the heart of the plan is local responsibility and accountability for the performance of each depot, and a commitment to deliver the changes to the business to return it to longer-term, sustainable profitability. We are also committed to the highest standards of corporate and individual conduct. The Board and senior management help to support and reinforce this culture through their own personal behaviour and commitment, by being highly visible in the business, by making timely and informed decisions and by adopting an attitude of continuous improvement.

Strategy

A description of the Group's strategy can be found in the section on Strategic Objectives on pages 14 to 15. An overview of the business model for DX Freight and DX Express is on pages 12 to 13.

Audit & Risk Committee Report

"A comprehensive set of revised compliance policies and procedures are now in place that reflect current best practice."

Dear Shareholder,

This report gives an overview of how the Audit & Risk Committee ("ARCo") functioned in the period from the last Annual Report in November 2022, an insight into the Committee's activities since then, and its role in ensuring the integrity of the Group's published financial information, and ensuring the effectiveness of its risk management, controls and related processes.

Corporate Governance Matter

The Inquiry and Investigation into the corporate governance matter was completed and the conclusions were reported on 20 September 2022. The matter was reported on in detail in last year's Annual Report. At that time the Board committed to a number of key initiatives to ensure that all appropriate improvements to its processes were made, not least so that any future internal investigations are completed in full and to appropriate timescales.

I am pleased to report that those key initiatives have been completed. A comprehensive set of revised compliance policies and procedures are now in place that reflect current best practice and mandatory training materials have been issued and implemented across the Group to all employees. We are able to monitor the uptake of this training through our Learning Management System. The Group's approach to fraud risk assessment and awareness has been strengthened and the annual refresh of this assessment is due to be completed in the coming quarter.

It is great that the Executive Management Team, headed by newly promoted Paul Ibbetson alongside David Mulligan, have embraced the desire to promote best working practices at every opportunity and to personally endorse the recommendations that arose from the Inquiry.

The final action outstanding was the appointment of a third independent Non-executive Director. The recruitment process has completed and we announced the appointment of Alison O'Connor on 2 October 2023.

Committee Structure

The membership of the Committee is three independent Non-executive Directors. From 3 July to 12 July 2022 the Committee comprised Ronald Series as Chairman, Liad Meidar and Russell Black. From 12 July 2022 to 1 October 2022 the Committee comprised Jon Kempster as the Chairman and Mike Russell as its other member. Alison O'Connor joined the committee on 2 October 2023. The Committee members have been appointed with the aim of providing the range of financial and commercial expertise necessary to meet its responsibilities. The Board is confident that the collective experience of the Audit & Risk Committee members enables them to function as an effective Committee.

Meetings

The Committee had ten meetings during the year. The attendance by members is on page 55. I report to the Board, as a separate agenda item, on the activity of the Committee and matters of relevance and the Board receives copies of the Committee minutes. Attendance at meetings of the Committee by non-members is by invitation and at the discretion of the Committee. The Chairman, Chief Executive Officer and Chief Financial Officer, regularly attend the meetings, while the Director of Security, Risk & Audit, the internal audit team, Head of Health & Safety, IT Director, and Fleet Compliance Director are invited to attend some meetings of the Committee. There is a standing invite to the external auditor to attend all meetings.

Roles and Responsibilities

The main duties of the Audit & Risk Committee are reviewed annually and are set out in its terms of reference, which are available under the Publications tab at dxdelivery.com under Investors/About DX.

Audit & Risk Committee Report continued

During the financial year, Committee discussions included the following key items:

- Monitoring completion of key initiatives following conclusion of the corporate governance matter;
- Committee governance;
- Review of 2022 Annual Report;
- External audit plan and strategy for 2023 Annual Report;
- An update of the compliance policies and procedures, including Anti-Fraud, Anti-Bribery & Corruption, Conflicts of Interest, Whistleblowing, Code of Conduct, Gifts & Hospitality, and the Fraud Response Plan;
- Modern Slavery Policy and statement;
- Review of the Group risk register;
- Cyber security and the Information Security Management System;
- Health and safety; and
- Fleet risk, maintaining a modern fleet of vehicles and the O licences to operate.

Areas of focus

During the year ended 1 July 2023, the Committee focused on the following areas:

- Addressing the key actions following the corporate governance matter;
- Risk management and assurance;
- Cyber security; and
- Assessing the continued independence of the external auditors.

Security, Risk & Audit

The Group's internal audit function is overseen by the Director of Security, Risk & Audit and ordinarily reports independently three times a year to the Committee. In the 2023 financial year, this level of reporting was as expected as the membership of the Committee was more settled.

Whistleblowing

The Group's Whistleblowing Policy & Procedure was updated during the year and encourages and protects legitimate whistleblowing. An independent third-party whistleblowing helpline number, secure web portal and mobile app allows employees to report concerns about improper conduct. All contacts are treated confidentially and anonymously if preferred. All whistleblowing is reported to the Chairman of the Audit & Risk Committee and a small number of matters were considered by the Committee, none of which needed any external legal advice.

Non-Audit Services

PKF Littlejohn LLP has not undertaken any non-audit services for the Company or its subsidiaries.

KPMG LLP are retained as the Company's tax advisers.

External Auditor

To ensure the auditor's independence and objectivity, the Committee annually reviews DX's relationship with the auditor. Following the review in 2023, DX concluded that it has an objective and professional relationship with PKF Littlejohn 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 & Risk Committee on a regular basis.

Given the situation outlined above the Committee is recommending PKF Littlejohn LLP's reappointment as DX's auditor.

Audit Process

PKF Littlejohn LLP prepares 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 & Risk Committee. Following its review, the auditor presents its findings to the Audit & Risk Committee for discussion.

Committee effectiveness

The members of the Committee receive regular opportunities for training to ensure their knowledge is both current and best practice. This enables the Committee to meet its objectives and responsibilities. Each year the Committee undertakes a review of the annual work plan and procedures with the Company Secretary.

Jon Kempster
Chairman of the Audit & Risk Committee

Directors' Remuneration Report
(including the Remuneration Committee Report)

"DX's approach seeks to align the interests of the Executive Directors with the shareholders."

Dear Shareholder,

Chairman's Annual Statement
Although there have been changes within the Board over the past year, DX's approach to remuneration remains consistent and seeks to align the interests of the Executive Directors with the shareholders. Our approach is to attract, develop and retain the best possible people who have the capacity and drive to meet the Company's strategic and financial objectives. To attract and retain the Executive Directors, we offer them base salaries that are fair, reasonable and affordable for the Company. They are incentivised to deliver growth of the business through a discretionary annual bonus scheme, which rewards the Executive Directors based on achieving an annual financial target as well as certain qualitative measures, and through longer-term incentives under the Performance Share Plan which was introduced in December 2017 to create and protect long-term shareholder value.

The main change within the Executive Management Team during the 2023 financial year was the appointment of Paul Ibbetson as the Chief Executive Officer on 31 January 2023 following the resignation of Lloyd Dunn on 6 September 2022. During the period between Lloyd's resignation and Paul's appointment, our Company Chairman (firstly Ron Series and then Mark Hammond) served as Executive Chairman on an interim basis.

Report from the Remuneration Committee
The Board has delegated certain responsibilities for Executive Directors' remuneration to the Remuneration Committee. This report is written with the intention of meeting the disclosure recommendations of the QCA Code and is not intended to comply with the requirements of Schedule 8 of the Statutory Instrument 2008/410.

For the period from the start of the financial year to 12 July 2022, the Committee was chaired by Russell Black, with Ronald Series and Liad Meidar as its other members. Since 12 July 2022 to the date of this report, the Remuneration Committee has been chaired by Mike Russell, with Jon Kempster, Russell Black (up until his leaving the Board on 19 October 2022) and Alison O'Connor (from 2 October 2023) being its other members. Any other attendees are at the invitation of the Committee Chairman only and may include the Company Chairman, the Chief Executive Officer, and the Chief Financial Officer. The Remuneration Committee meets according to DX's requirements. There were nine meetings held in the financial year. The Remuneration Committee determines the remuneration packages for the Chairman, the Executive Directors, and senior managers, and also any major remuneration plans or policies 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.

The Committee's terms of reference are reviewed each year. Full terms of reference for the Committee are published and are available on investors.dxdelivery.com under About DX/Publications.

The Committee also receives advice and assistance, when required, from FIT Remuneration Consultants LLP, its external remuneration adviser.

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

- Remuneration packages for the newly-appointed Chairman and Chief Executive Officer;
- Exercise and settlement of share options under the Performance Share Plan 2017 ("PSP");
- Awards to Executive Directors and senior managers under the PSP; and
- Salary and annual bonus for Executive Directors and other senior managers.

Directors' Remuneration Report continued
(including the Remuneration Committee Report)

Executive Directors' Service Contracts and Termination Policy

Executive Directors hold a service agreement with an indefinite term and a fixed maximum termination period of 12 months for the Chief Executive Officer and six months for the Chief Financial Officer. The Company's policy on the setting of notice periods under the Executive Directors' service agreements is 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 were reviewed during the year and given the overall growth and performance of the business it was decided that from 1 September 2023 the Chief Financial Officer's base salary will increase from £247,500 to £260,000. This represents a 5% increase and is in line with the range of increases for employees for financial year 2024.

From 31 January 2023, the Chief Executive Officer's base salary was £290,000 and it has been agreed that this will be increased on the anniversary of his appointment to £305,000. The Company intends to align the salary review dates to September each year from 2024.

The base annual salaries for the Executive Directors for the 52 weeks to 29 June 2024 will be as follows (representing anticipated increases during the year as explained above):

	2024 £000	2023 £000	% Change
Paul Ibbetson (Chief Executive Officer)	**296**	290	2
David Mulligan (Chief Financial Officer)	**257**	246	5

The Chief Executive Officer and Chief Financial Officer are eligible to participate in a discretionary annual bonus scheme, should one be put in place for any given year, with the potential to receive bonus payments of up to a maximum of 100% of salary in the case of the Chief Executive Officer and 50% of salary for the Chief Financial Officer. Any bonus payments are at the discretion of the Board and subject to such conditions, including profit and key performance indicator ("KPI") targets, as the Board may determine.

Company Chairman and 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 notice period of three months. Following their appointment on 12 July 2022, Jon Kempster received total fees of £50,000 per annum, £44,000 as a base fee and an additional £6,000 as Chairman of the Audit & Risk Committee; Mike Russell also received total fees of £50,000 per annum, £44,000 as a base fee and an additional £6,000 for chairing the Remuneration Committee. The base fees for the Non-executive Directors were reviewed during the year and it was decided that from 1 September 2023 the base fees will increase from £44,000 to £46,000 per annum.

The Company Chairman has a notice period of six months. Mark Hammond received £300,000 per annum from his appointment as Executive Chairman on 15 November 2022. On the appointment of a new Chief Executive Officer, he reverted to a non-executive position as Chairman and his annual fee was adjusted to £120,000 per annum from 1 February 2023.

The annual fees for the Non-executive Directors for the 52 weeks to 29 June 2024 will be as follows (representing anticipated increases during the year as explained above):

	2024 £000	2023 £000	% change
Mark Hammond (Chairman)[1]	**120**	120	n/a
Jon Kempster	**52**	49	4
Mike Russell	**52**	49	4

1 Mark Hammond was an Executive Director from 15 November 2022 until 31 January 2023 after which he reverted to 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.

Directors' Interests in Shares

The Directors who held office at 1 July 2023, including Persons Closely Associated ("PCA"), had the following interests in the shares of the Company:

	Total shares owned plus vested options	Ordinary Shares owned outright	% of issued share capital	Options: Vested but not exercised	Options: Unvested but subject to performance	Options: Unvested and not subject to performance
Mark Hammond	700,000	700,000	0.12	–	–	36,976
Paul Ibbetson	3,826,041	3,826,041	0.63	–	6,447,385	71,832
David Mulligan	4,251,873	4,251,873	0.70	–	3,223,692	71,832

Paul Ibbetson

On 15 November 2022 Paul Ibbetson exercised 6,649,754 share options at an exercise price of 1.0p under the PSP. The Company elected to reduce the number of Ordinary Shares to be issued in respect of the exercise equal to the tax liability that arises in connection with the exercise, known as net settlement. Accordingly, Paul received 3,398,499 Ordinary Shares and a cash amount to settle the tax liability.

On 4 January 2023 Paul Ibbetson exercised 346,429 share options at an exercise price of 1.0p under the PSP. The Company elected to cash settle all the options and accordingly Paul received an amount totalling £91,804. On the same day Paul, in respect of tax planning, sold a total of 61,500 Ordinary Shares of 1.0p each at an average price of 28.225p per Ordinary Share.

David Mulligan

On 28 November 2022, David Mulligan exercised 3,324,877 share options at an exercise price of 1.0p under the PSP. The Company elected to net settle the options. Accordingly, David received 1,694,407 Ordinary Shares and a cash amount to settle the tax liability.

On 4 January 2023, David exercised 173,215 share options at an exercise price of 1.0p under the PSP. The Company elected to net settle the options. Accordingly, David received 88,525 ordinary shares and a cash amount to settle the tax liability.

Total Single Figure of Remuneration for Directors

The table below sets out a single figure for the total remuneration received by each Director for the year ended 1 July 2023 and the prior year.

	Year ended 1 July 2023							Year ended 2 July 2022
	Basic salary and fees £000	Allowances £000	Benefits £000	Bonus £000	Compensation for loss of office £000	Vested awards under PSP £000	Total £000	Total £000
Lloyd Dunn[1]	60	3	1	–	387	355	806	442
Ronald Series[2]	79	–	1	–	150	191	421	113
David Mulligan	246	14	2	90	–	47	399	321
Paul Ibbetson[3]	121	21	1	120	–	94	357	–
Mark Hammond[4]	120	–	–	–	–	–	120	–
Jon Kempster[5]	49	–	1	–	–	–	50	–
Mike Russell[5]	49	–	–	–	–	–	49	–
Russell Black[6]	13	–	1	–	11	–	25	47
Liad Meidar[7]	13	–	–	–	–	–	13	24
Paul Goodson[8]	–	–	–	–	–	–	–	49
Ian Gray[8]	–	–	–	–	–	–	–	60
Total	750	38	7	210	548	687	2,240	1,056

1 Lloyd Dunn resigned from the Board on 6 September 2022.
2 Ron Series was Non-executive Chairman from the start of the year until 6 September 2022, and Executive Chairman from 6 September 2022 until 14 November 2022, when he retired from the Board.
3 Paul Ibbetson joined the Board on 31 January 2023.
4 Mark Hammond joined the Board on 15 November 2022.
5 Jon Kempster and Mike Russell both joined the Board on 12 July 2022.
6 Russell Black left the Board on 19 October 2022.
7 Liad Meidar was appointed to the Board on 13 December 2021. He resigned from the Board on 19 October 2022.
8 Paul Goodson and Ian Gray resigned from the Board on 1 February 2022.

Directors' Remuneration Report continued
(including the Remuneration Committee Report)

Allowances comprise a car allowance for Lloyd Dunn and David Mulligan. For Paul Ibbetson they comprise a car allowance, car benefit and a pension contribution.

Bonus targets in the 2023 financial year relating to profits from operating activities and qualitative measures were attained at levels leading to a bonus payable to Paul Ibbetson of £120,000 and to David Mulligan of £90,000.

The amount included for vested awards under the PSP are for those awards that vested on 21 December 2022 (after the 12-month holding period following the second testing date on 21 December 2021). As described overleaf, this was an incremental vesting of 3.0% of Recovery Awards held. On the date of vesting the PSP awards were valued at 27p per award, which was the closing share price on that day less the 1p option price. There are no amounts included within the prior year comparative for vesting of awards under the PSP.

In the prior year, Ian Gray and Paul Goodson received fees of £30,000 and £21,000 respectively over and above their normal fees for the additional work they undertook on the corporate governance Investigation and Inquiry.

Executive Directors' External Appointments
No Executive Director has an external appointment.

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.

	2023 £m	2022 £m	Change £m
Staff costs	**£141.0**	£125.0	£16.0
Dividends	**£9.0**	£nil	£9.0
Profit before tax	**£25.4**	£17.4	£8.0

Share Plans
Performance Share Plan 2017 ("PSP")
The PSP has been designed to provide an appropriate incentive for the management team at DX to deliver a financial turnaround of the Company. The initial awards ("Recovery Awards") were made during the year to 30 June 2018. The PSP is established as a share plan under which awards of shares, the vesting of which is subject to performance conditions, can be made to selected employees of the Company, including the Executive Directors.

PSP Performance Conditions
Recovery Awards are subject to a Share Price performance measure as follows, with the targets being measured on testing dates at each of 3, 4, 5 and 6 years after the awards were granted on 21 December 2017 (following the Amendments to the PSP in 2023 described below):

3-4-5-6 Year Share Price target	% of Recovery Award that vests
Less than 12.5p	0%
12.5p	25%
Between 12.5p and 40p	Pro-rata on straight-line basis between 25% and 100%
40p	100%

Awards for which the Share Price target is attained at any test date will vest 12 months later (being the fourth, fifth, sixth and seventh anniversaries of the award date) provided that the participant is still a Director or employee of the Group at that time. Share Price is measured as a 30-day average prior to the relevant testing date.

A summary of the average share price for Recovery Awards achieved on each testing date so far is shown below.

Testing date	Average share price	% of Recovery Award that vested/will vest
First – 21 December 2020	24.6	58.1
Second – 21 December 2021	25.8	3.0
Third – 21 December 2022	26.8	2.9

Amendments to the PSP in 2021: extended retention period to December 2025

During the year ended 3 July 2021, following consultation with the Company's major shareholders, the PSP was amended with the aim of retaining the participants in the plan for a further four years from the first vesting date of December 2021 by amending the PSP agreement so as to introduce a further three-year period of retention (the "Retention Period") for each tranche of Recovery Awards following their anticipated vesting in December 2021 and December 2022. In consideration of this Retention Period, the Company will pay the Employers' National Insurance Contribution ("NIC") liability for a share price up to 40p and not seek reimbursement as permitted under the previous arrangements. The maximum amount payable by the Company pursuant to this Amendment is approximately £5.4 million. Should a participant leave within the Retention Period, the NIC paid by the Company will be clawed back from the participant.

For any gain above 40p, the participants will bear the obligation for the payment of NICs when the awards are exercised.

The Company also confirmed that as and when it introduces a regular long-term incentive plan ("LTIP"), participants in the PSP will not benefit from the vesting of any LTIP awards until after the expiry of the Retention Period.

Amendments to the PSP in 2023: further testing date December 2023

During the last financial year, following consultation with the Company's major shareholders, an amendment was made to the performance condition of the PSP, which introduced a further testing date of 21 December 2023, with the objective of retaining and fairly rewarding the 36 participants in the PSP for a further year. The original third and final testing date for the PSP was on 21 December 2022 and the amendment therefore extends the performance condition and adds a further measurement date on 21 December 2023. Considering the close proximity of the date of restoration of the Company's Ordinary Shares to trading on AIM on 19 October 2022 and the third testing date for the PSP under the plan on 21 December 2022, the amendment created additional time for the continued strong trading by the Group and its positive outlook to be recognised in a fair market price. The amendment also provided the further benefit of enabling DX to defer the implementation of a replacement LTIP for a year and will help to retain and motivate the senior managers in the PSP.

2023 further recovery awards

On 3 March 2023 the Company granted additional Recovery Awards under the PSP to 28 existing participants and to 18 new participants together totalling 14,599,937 options over Ordinary Shares. These awards included a grant of 1,000,000 options over Ordinary Shares to David Mulligan, Chief Financial Officer. These Recovery Awards have an exercise price of 1.0p per Ordinary Share and are subject to continued employment and share price targets. In a modification of the performance condition to existing awards, the threshold share price vesting target was set at 30p per Ordinary Share with the target for maximum vesting of 40p per Ordinary Share.

On 5 April 2023, Paul Ibbetson, Chief Executive Officer received an additional Recovery Award of 2,000,000 options over Ordinary Shares of 1.0p each in the Company granted under the PSP with the same performance condition as outlined in the preceding paragraph.

PSP – additional terms

PSP awards are made in one of two forms: a nominal cost option, where a participant can decide when to exercise his/her award over Ordinary Shares in the Company during a limited period of time after it has vested; or a conditional award, where a participant will receive shares on the vesting of their award. No awards will be granted after the tenth anniversary of the 15 December 2017 General Meeting.

An award in the form of an option will normally remain exercisable until the tenth anniversary of the date of grant. All dealings in shares to be acquired from the PSP shall only be by arrangement with the Company's nominated broker. An award will lapse upon a participant leaving the employment of the Group, subject to normal good leaver provisions. In the event of a change of control of the Company, all awards may vest early to the extent that the performance conditions have, in the opinion of the Remuneration Committee, been satisfied at that time.

The Company retains a power to reduce the potential vesting of unvested awards (including to zero) (often referred to as "malus") or to recoup the value of previously vested awards from a participant within three years of the date of vesting if it considers it appropriate to do so (often referred to as "clawback").

The total number of shares over which all awards are granted will not exceed 15% of the issued share capital of the Company from time to time (and as further diluted by the awards under the PSP).

Restricted share awards

Restricted Share Awards made to Russell Black and Paul Goodson on 21 December 2017 vested on 21 December 2020 and were exercisable from that date. Russell Black and Paul Goodson exercised their Restricted Share Awards on 15 November 2022. The awards counted towards the overall 15% of issued share capital from time to time available for such awards under the PSP. No Restricted Share Awards remained outstanding as at 1 July 2023.

Directors' Remuneration Report continued
(including the Remuneration Committee Report)

PSP share awards
At 1 July 2023, the vested awards to Directors but not yet exercised under the PSP were as follows:

PSP Awards	Number of awards vested at 2 July 2022	Number of awards vested during the year	Number of awards exercised during the year	**Number of awards vested at 1 July 2023**
Paul Ibbetson	6,649,754	346,429	(6,996,183)	**–**
David Mulligan	3,324,877	173,215	(3,498,042)	**–**

The details of the awards exercised during the year are shown above under the Directors' Interests in Shares section of this report. On the date of vesting of the PSP awards their value was 27p per award, which was the share price on that day less the 1.0p option price.

PSP awards outstanding
At 1 July 2023, outstanding awards to Directors under the PSP were as follows:

PSP Awards	Outstanding at 2 July 2022	Number of awards vested	New awards during the year	**Outstanding at 1 July 2023**
Paul Ibbetson	4,793,871	(346,429)	2,000,000	**6,447,442**
David Mulligan	2,396,907	(173,215)	1,000,000	**3,223,692**

The details of the new awards made during the year and their performance conditions are shown under the Performance Share Plan 2017 section of this report.

Save As You Earn ("SAYE")
On 28 January 2021 the Group launched an all-employee SAYE scheme to encourage share ownership amongst employees. The option price was set at 25.82p.

On 7 March 2023 the Group launched a further SAYE scheme to all eligible employees. The option price was set at 24.34p and the number of shares subject to option that were issued was 5,235,563.

At 1 July 2023, outstanding awards to Directors under the SAYE scheme were as follows:

SAYE awards	2021 scheme	**2023 scheme**	**Total outstanding at 1 July 2023**
Mark Hammond	–	**36,976**	**36,976**
Paul Ibbetson	34,856	**36,976**	**71,832**
David Mulligan	34,856	**36,976**	**71,832**

See note 30 to the Financial Statements for details of the total number of outstanding awards under the schemes.

Mike Russell
Chairman of the Remuneration Committee

Directors' Report

The names and biographical details of the Directors currently serving on the Board are set out on pages 52 to 53.

The Directors who served during the year were as follows:
> Ronald Series (resigned 14 November 2022)
> Lloyd Dunn (resigned 6 September 2022)
> David Mulligan
> Russell Black (left the Board 19 October 2022)
> Liad Meidar (resigned 19 October 2022)
> Mike Russell (appointed 12 July 2022)
> Jon Kempster (appointed 12 July 2022)
> Mark Hammond (appointed 15 November 2022)
> Paul Ibbetson (appointed 31 January 2023)

The Company's approach to the appointment and replacement of Directors is governed by its Articles and all 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. 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. Mike Russell and Jon Kempster will retire by rotation and offer themselves for re-election at the 2023 AGM.

The powers of the Directors are determined by the Articles, the Companies Act 2006 and other relevant legislation. At the 2022 AGM, the Directors were authorised to issue and allot shares, to disapply the statutory pre-emption rights and to buy back shares. This authority remains in place until the conclusion of the 2023 AGM. It will be proposed at the 2023 AGM that the Directors will be granted a new authority to allot shares, to disapply pre-emption rights and 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 1 July 2023 are shown on page 74. The Group's profit for the year after tax was £22.8 million (2022: £14.0 million). The Board recommenced dividend payments during the financial year, with the payment of an interim dividend of 0.5p per share on 31 March 2023. A final dividend is proposed of 1.0p per share (2022: nil). This takes the total dividend for the year to 1.5p per share in line with expectations (2022: nil). The final dividend will be paid on 7 December 2023 to shareholders on the register on 17 November 2023, subject to shareholder approval at the forthcoming AGM on 23 November 2023.

Principal Activities, Risks and Review of the Business
The Group's continuing activities are the provision of a wide range of specialist delivery services to both business and residential addresses across the UK and Ireland. The Group operates through two divisions, DX Freight and DX Express. The principal activity of the Company is that of a holding company.

The Strategic Report set out on pages 1 to 48 provides a fair review of the Group's business for the year ended 1 July 2023. It also explains the Group's customer proposition, the business model and the strategic objectives of the Group, its progress against those objectives, its competition and the markets in which it operates, the approach to ESG matters, the principal risks and uncertainties it faces, the Group's financial position, KPIs and likely future developments of the business.

The Group's activities expose it to a variety of financial risks. Notes 3 and 29 to the Financial Statements describe the Group's exposure to such risks, including the policies in place for financial risk management.

Going Concern
The Group has prepared trading and cash flow forecasts for a period of two years, which have been reviewed and approved by the Board. The forecasts included a base case and a reverse stress test scenario. Further details on these forecasts can be found in note 2 to the Financial Statements.

The Group also has in place a £20.0 million invoice discounting facility provided by Barclays Bank plc, which was not drawn at the year end. This facility was renewed during the financial year. As at the date of this report, the invoice discounting facility remains undrawn. Interest is charged at Bank of England Base Rate plus 1.95%.

On the basis of these forecasts and the invoice discounting facility, and after a detailed review of trading, financial position, assessing the impact of any potential material disruption to the business and cash flow models, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' Report continued

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 Governance Report pages 57 to 58 and Directors' Remuneration Report on page 59.

Anti-bribery and Corruption
DX does not tolerate bribery or corruption, and has a written Anti-Bribery & Corruption Policy in place. Our policy was revised and updated during the year and the Gifts & Hospitality Procedure was also revised. Training is provided to set the clear expectation that employees must act professionally and with integrity in all business dealings and they are required to complete the gift register.

During the 2023 financial year the Group strengthened its compliance policies and procedures following the corporate governance matter, which was addressed in the previous financial year. The Board engaged with a 'Big Four' professional services firm to assist with the review and improvement of the Company's compliance policies and procedures and to develop training material. This training material has now been rolled out across the Group and will be refreshed on an annual basis. This was to ensure that the Company's compliance framework reflected current best practice and that it is well understood by management and employees.

Whistleblowing
DX has a written Whistleblowing Policy & Procedure which encourages employees, contractors and suppliers to report any concerns they may have that the practices of DX or individuals are wrongful or contravene any applicable laws or regulations. This approach is supported by an externally-managed confidential whistleblowing phone line and email/online channels, with reports sent to the Chairman of the Audit & Risk Committee, to ensure an open and ethical culture for the benefit of our employees, customers and other stakeholders.

Modern Slavery
DX's Modern Slavery Statement for the current financial year can be found on www.dxdelivery.com. DX also has in place a Supplier Code of Conduct requiring all suppliers and business partners to adhere to the Modern Slavery Act 2015 and to conduct business in accordance with the standards of conduct acceptable to DX.

Environment, Social and Governance ("ESG")
Information on ESG matters is set out on pages 24 to 33. Other matters covered under ESG 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 and the new Streamlined Energy and Carbon Reporting ("SECR") requirements) and under Social, policies and approaches on how we keep our employees safe and how we seek to recruit, retain, reward and incentivise them. Further details can also be found on the DX website, www.dxdelivery.com.

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 adjustments or training are provided as appropriate. 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.

	28 September 2023	
Shareholder	Percentage holding	Number of shares
Gatemore Capital Management LLP	18.97%	114,753,538
Hargreave Hale Limited	14.88%	90,000,000
Lloyd Dunn	12.62%	76,361,454
Lombard Odier Investment Managers	9.23%	55,817,908
Schroder Investment Management	3.31%	20,000,000
Stancroft Trust	3.06%	18,500,000

Per shareholder register as at 28 September 2023.

Share Capital
Details of the Company's share capital are set out in note 20 to the Financial Statements. As at the date of this report the Company's issued share capital consists of 604,900,491 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 and their dealings in the shares of the Company during the financial year are set out in the Directors' Remuneration Report on page 61.

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
A total of £nil of charitable donations were made in the year ended 1 July 2023 (2022: £nil).

No payments were made to any political parties (2022: £nil).

Disclosure of Information to Auditor
In the case of each person who was a Director of the Company at the time this Directors' Report was approved confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Directors' Responsibilities in Respect of the Annual Report and Financial Statements
The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law, the Directors have prepared the Group and parent Company financial statements in accordance with UK-adopted international accounting standards. 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 the parent Company and of the profit or loss of the Group and the parent Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Group's and parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the parent Company and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. The Company is compliant with AIM Rule 26 regarding the Company's website. See dxdelivery.com, under Investors/AIM Rule 26.

By order of the Board

Mark Hammond
Non-executive Chairman
2 October 2023

Financial Statements

In this section

Financial Statements (68 to 104)

Independent Auditor's Report
to the members of DX (Group) plc

Opinion
We have audited the financial statements of DX (Group) plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 1 July 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 1 July 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:
- obtaining the group cash flow forecast and assessing the reasonableness of underlying assumptions, including forecast levels of expenditure and revenue used in preparing these forecasts. To assess the reasonableness and timings of the cash inflows and outflows, we used our knowledge of the business and compared the forecasts to the directors' approved budgets and challenged the inputs used;
- assessing whether a liquidity shortfall arises at any point during management's assessment;
- comparing forecast sales with recent historical financial information to consider accuracy of forecasting;
- verifying cash balances used in the forecast close to the date of sign off of these financial statements;
- performing sensitivity analysis thereon and evaluating potential mitigating factors that could be actioned by management; and
- assessing the appropriateness of the going concern disclosures included in the financial statements against the requirements of the relevant auditing standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report continued
to the members of DX (Group) plc

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. At the planning stage materiality is used to determine the financial statement areas that are included within the scope of our audit.

Materiality for the group financial statements as a whole was £1,800,000 (FY22: £1,720,000) with performance materiality set at £1,250,000 (FY22: £1,032,000), being 70% (FY22: 60%) of group materiality. We have chosen to apply 70% for the purposes of the performance materiality calculation as this is our third third year as auditors and we have not identified any material errors or adjustments in prior periods. Materiality for the financial statements as a whole was based upon 0.4% (FY22: 0.4%) of the group's revenues.

In determining the basis for materiality, we considered the Key Performance Indicators ("KPIs") used in the Annual Report and Accounts. We consider revenue to be the primary measure used by the shareholders in assessing the performance of the group which drives profitability within the group and is expected to provide the most stable measure year on year. The percentage applied to this benchmark has been selected to bring into scope all significant classes of transactions, account balances and disclosures relevant for the shareholders, and also to ensure that matters that would have a significant impact on the reported profit were appropriately considered.

We agreed with the Audit & Risk Committee that we would report all individual audit differences identified for the group during the course of our audit in excess of £90,000 (FY22: £86,000) together with any other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

Materiality applied to the parent company's financial statements was £520,000 (FY22: £340,000) with performance materiality set at £364,000 (FY22: £200,000), being 70% (FY22: 60%) of the parent company's materiality (same rationale as group above with respect to percentage allocation).

The benchmark for materiality of the parent company was 1% (FY22: 0.7%) of the company's gross assets. We consider gross assets to be the primary measure used by the shareholders in assessing the performance of the parent company. The percentage applied to this benchmark has been selected to bring into scope all significant classes of transactions, account balances and disclosures relevant for the shareholders, and also to ensure that matters that would have a significant impact on the reported profit were appropriately considered.

We agreed with the Audit & Risk Committee that we would report all individual audit differences identified for the parent company during the course of our audit in excess of £26,000 (FY22: £17,000) together with any other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

Our approach to the audit
In designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgements by the directors, such as assessment of goodwill impairment, the valuation of the dilapidations provision, and the value of the deferred tax asset.

Of the group's three components, including the parent company, two were subject to full scope audits for group purposes. The component not subject to full scope audit was audited based on specified procedures. The parent company was audited separately to the materiality level noted above. The work on the reporting components and the audit of the parent company was performed by the group audit team.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Revenue Recognition	
We identified recognition of revenue as one of the most significant assessed risks of material misstatement due to fraud. **Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumption that there are risks of fraud in revenue recognition.** **The group has a number of revenue streams which include performance obligations recognised at both a point in time and over time.** **We assessed the risk of fraud to be greatest in the final week of the year, where there is an increased risk of manipulation of the timing or quantum of revenue. This could lead to revenue being inappropriately recognised in the year rather than being deferred.** **There is also an associated risk relating to the completeness of deferred revenue.**	Our audit work in this area included: > updating our understanding of the information system and related controls relevant to each material income stream; > evaluating the appropriateness of the information system and the effectiveness of the design and implementation of the related controls; > testing operating and automated controls over both DX Freight and DX Express revenue, being key revenue streams disclosed in the financial statements; > substantive transactional testing of income recognised in the financial statements, including deferred income balances recognised at the year end; > testing a sample of subscription revenue to underlying contracts and ensuring revenue has been correctly deferred based on cash receipts and contractual terms; > reconciling cash received to revenue recognised in the period to ensure completeness of income recorded in the accounting period; and > reviewing post-year end receipts to ensure completeness of income recorded in the accounting period.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent Auditor's Report continued
to the members of DX (Group) plc

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We updated our understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We updated our understanding in this regard through discussions with management and industry research.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
  - Companies Act 2006 and Companies Act 2014 (Ireland)
  - Bribery Act 2010
  - UK adopted international accounting standards
  - Local tax legislation
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - holding discussions with the senior management team and the Audit & Risk Committee and considering any known or suspected instances of non-compliance with laws and regulations or fraud;
  - assessing the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls;
  - testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
  - challenging the judgements and estimates made by management to identify any areas of possible bias; and
  - reviewing minutes from board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls and the presumed risk of fraud through revenue recognition, that there was the potential for management bias in relation to areas of key judgement and estimation being the impairment of goodwill, deferred taxation and dilapidations provision. We addressed this by challenging the assumptions and judgements made by management when auditing those key accounting estimates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that appeared unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP,
Statutory Auditor,
15 Westferry Circus
Canary Wharf
London E14 4HD
2 October 2023

Consolidated Statement of Comprehensive Income
For the year ended 1 July 2023

	Notes	Year ended 1 July 2023 £m	Year ended 2 July 2022 £m
Revenue	5	**471.2**	428.2
Operating costs	7	**(441.2)**	(406.1)
Profit from operating activities		**30.0**	22.1
Analysis of profit from operating activities			
Earnings before interest, tax, depreciation, amortisation and share-based payments ("EBITDA"[1])		**60.2**	50.3
Depreciation	7	**(27.9)**	(24.4)
Amortisation of software and development costs	7	**(0.6)**	(0.6)
Exceptional items	10	**–**	(1.6)
Share-based payments charge relating to SAYE		**(0.3)**	(0.4)
Share-based payments charge relating to PSP		**(1.4)**	(1.2)
Profit from operating activities		**30.0**	22.1
Finance income	11	**0.5**	–
Finance costs	11	**(5.1)**	(4.7)
Profit before tax		**25.4**	17.4
Tax (expense)/credit	12	**(2.6)**	(3.4)
Profit for the year		**22.8**	14.0
Other comprehensive income/(expense) not subsequently reclassified			
Other comprehensive income/(expense)		**–**	–
Total comprehensive income for the year		**22.8**	14.0
Earnings per share (pence):			
Basic	22	**3.9**	2.4
Diluted	22	**3.8**	2.2

1 See notes 3 and 35 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.

The notes on pages 80 to 104 form part of these Financial Statements.

Consolidated Statement of Financial Position

As at 1 July 2023

	Notes	1 July 2023 £m	2 July 2022 £m
Non-current assets			
Property, plant and equipment	14	**20.5**	14.5
Right-of-use assets	17	**111.2**	94.2
Intangible assets and goodwill	15	**31.0**	31.1
Deferred tax assets	25	**3.7**	5.5
Total non-current assets		**166.4**	145.3
Current assets			
Trade and other receivables	18	**47.2**	44.6
Current tax receivable		**0.6**	–
Cash and cash equivalents	19	**37.6**	27.0
Total current assets		**85.4**	71.6
Total assets		**251.8**	216.9
Equity			
Share capital	20	**6.0**	5.7
Share premium	21	**25.2**	25.2
Retained earnings	21	**37.4**	24.5
Total equity		**68.6**	55.4
Non-current liabilities			
Provisions	24	**7.1**	7.0
Lease liabilities	26	**94.5**	79.6
Total non-current liabilities		**101.6**	86.6
Current liabilities			
Trade and other payables	27	**46.0**	40.7
Current tax payable		**–**	0.4
Lease liabilities	26	**23.6**	20.7
Deferred income	27	**9.7**	10.2
Provisions	24	**2.3**	2.9
Total current liabilities		**81.6**	74.9
Total liabilities		**183.2**	161.5
Total equity and liabilities		**251.8**	216.9

The Financial Statements were approved by the Board of Directors on 2 October 2023 and signed on its behalf by:

Mark Hammond
Non-executive Chairman

David Mulligan
Chief Financial Officer

The notes on pages 80 to 104 form part of these Financial Statements.

Company registered number 08696699.

Company Statement of Financial Position
For the year ended 1 July 2023

	Notes	1 July 2023 £m	2 July 2022 £m
Non-current assets			
Investments	16	**30.0**	30.0
Total non-current assets		**30.0**	30.0
Current assets			
Trade and other receivables	18	**28.0**	18.5
Current tax receivable		**1.8**	–
Total current assets		**29.8**	18.5
Total assets		**59.8**	48.5
Equity			
Share capital	20	**6.0**	5.7
Share premium	21	**25.2**	25.2
Retained earnings	21	**23.6**	17.3
Total equity		**54.8**	48.2
Non-current liabilities			
Loans from Group companies		**5.0**	–
Total non-current liabilities		**5.0**	–
Current liabilities			
Current tax payable		**–**	0.3
Total current liabilities		**–**	0.3
Total liabilities		**5.0**	0.3
Total equity and liabilities		**59.8**	48.5

The profit for the year attributable to the Company, after a share-based payments charge of £1.4 million (2022: £1.6 million), was £16.5 million (2022: £1.1 million loss).

The Financial Statements were approved by the Board of Directors on 2 October 2023 and signed on its behalf by:

Mark Hammond
Non-executive Chairman

David Mulligan
Chief Financial Officer

The notes on pages 80 to 104 form part of these Financial Statements.

Company registered number 08696699

Consolidated Statement of Changes in Equity
As at 1 July 2023

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 3 July 2021		5.7	25.2	8.9	39.8
Total comprehensive income for the year					
Profit for the year		–	–	14.0	14.0
Total comprehensive income 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
Total comprehensive income for the year					
Profit for the year		**–**	**–**	**22.8**	**22.8**
Total comprehensive income for the year		**–**	**–**	**22.8**	**22.8**
Transactions with owners of the Company, recognised directly in equity					
Equity dividends paid		**–**	**–**	**(3.0)**	**(3.0)**
Share-based payment charges	30	**–**	**–**	**1.7**	**1.7**
Exercise of share options		**0.3**	**–**	**(8.6)**	**(8.3)**
Total transactions with owners of the Company		**0.3**	**–**	**(9.9)**	**(9.6)**
At 1 July 2023		**6.0**	**25.2**	**37.4**	**68.6**

The notes on pages 80 to 104 form part of these Financial Statements.

Company Statement of Changes in Equity
For the year ended 1 July 2023

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 3 July 2021		5.7	25.2	16.8	47.7
Total comprehensive expense for the year					
Loss for the year		–	–	(1.1)	(1.1)
Total comprehensive expense for the year		–	–	(1.1)	(1.1)
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	17.3	48.2
Total comprehensive income for the year					
Profit for the year	13	**–**	**–**	**16.5**	**16.5**
Total comprehensive income for the year		**–**	**–**	**16.5**	**16.5**
Transactions with owners of the Company, recognised directly in equity					
Equity dividends paid		**–**	**–**	**(3.0)**	**(3.0)**
Share-based payment transactions	30	**–**	**–**	**1.4**	**1.4**
Exercise of share options		**0.3**	**–**	**(8.6)**	**(8.3)**
Total transactions with owners of the Company		**0.3**	**–**	**(10.2)**	**(9.9)**
At 1 July 2023		**6.0**	**25.2**	**23.6**	**54.8**

The notes on pages 80 to 104 form part of these Financial Statements.

Consolidated Statement of Cash Flows
As at 1 July 2023

	Notes	Year ended 1 July 2023 £m	Year ended 2 July 2022 £m
Cash flows from operating activities			
Profit for the year		**22.8**	14.0
Adjustments for:			
– Depreciation	7	**27.9**	24.4
– Amortisation of intangible assets	7	**0.6**	0.6
– Interest receivable	11	**(0.5)**	–
– Interest payable	11	**5.1**	4.7
– Tax expense	12	**2.6**	3.4
– Loss on disposal of intangible assets		**–**	0.3
– Equity-settled share-based payment transactions	30	**1.7**	1.6
Net cash profit		**60.2**	49.0
Changes in:			
– Trade and other receivables		**(2.6)**	(4.7)
– Trade and other payables		**5.2**	(3.1)
– Deferred income		**(0.5)**	(1.2)
– Provisions		**(0.5)**	2.1
Net change in working capital		**1.6**	(6.9)
Cash generated from operations		**61.8**	42.1
Interest paid		**(5.1)**	(4.7)
Tax paid		**(1.8)**	(0.9)
Net cash generated from operating activities		**54.9**	36.5
Cash flows from investing activities			
Interest received		**0.5**	–
Acquisition of property, plant and equipment		**(10.4)**	(5.6)
Software and development expenditure		**(0.5)**	(0.6)
Net cash used in investing activities		**(10.4)**	(6.2)
Net increase in cash before financing activities		**44.5**	30.3
Cash flows from financing activities			
Lease repayments – capital element		**(22.6)**	(20.1)
Share options exercise costs paid		**(8.6)**	–
Equity dividends paid		**(3.0)**	–
Issue of shares		**0.3**	–
Net cash used in financing activities		**(33.9)**	(20.1)
Net increase in cash and cash equivalents		**10.6**	10.2
Cash and cash equivalents at beginning of year		**27.0**	16.8
Cash and cash equivalents at end of year	19	**37.6**	27.0

Company Statement of Cash Flows
As at 1 July 2023

The Company has not presented a Statement of Cash Flows as it does not have a bank account; therefore all balances are £nil. See note 28 for a reconciliation of profit for the year to cash generated from operations.

The notes on pages 80 to 104 form part of these Financial Statements.

Notes to the Financial Statements
For the year ended 1 July 2023

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
Statement of compliance
The consolidated and Company financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards ("IASs").

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 2 October 2023.

Judgements and estimates
The preparation of financial information to conform with IASs 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 revenue 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. Further details on judgements and estimates are disclosed in note 3.

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.

The Directors have prepared cash flow forecasts for a period from the date of approval of these Financial Statements up to 28 June 2025 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 29 June 2024 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. This 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 cash reserves. The results of this test were that the Group's profit from operating activities would have to be at least £32.0 million per year worse than the base case to require any 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 large 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 of the Group's net cash which stood at £37.6 million at the 2023 year end (2022: £27.0 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 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.

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. 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 APMs 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. The Group presents EBITDA, adjusted operating profit, adjusted PBT, adjusted EPS, and net cash which are further explained in note 35.

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

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. The Group reports on a '4-5-4 weekly' basis, which reflects its cost base and operations. These Financial Statements were prepared for the period 3 July 2022 to 1 July 2023 and cover a 52-week period. Future years will be for either 52 weeks or occasionally 53 weeks in order to keep the year-end date as close as possible to 30 June. The Company has opted to apply Section 390 (3) of the Companies Act 2006. This permits the Company to end its financial year on 1 July 2023 (2022: 2 July 2022) as it is not more than 7 days after or before the end of the year dated 30 June 2023 (2022: 30 June 2022).

Subsidiaries are all entities over which the Group has control over the entity, which is when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee generally accompanying a shareholding of more than 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.

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 ("the CODM"). The CODM, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Executive 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 United Kingdom. The functional currency of the Group's Irish subsidiary 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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Any exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

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.

Document Exchange subscription income, which is invoiced in advance based on an expected level of usage, is deferred and recognised as revenue over the period of time in which the related performance obligation is satisfied. Deferred subscription income is included in the statement of financial position as deferred income within current liabilities. Supplementary membership charges may be raised retrospectively if usage is significantly higher than expected.

Revenue in respect of all other services (1-Man, 2-Man/Logistics, Parcels and Mail) is recognised at a point in time, on delivery of the service to which it relates, thus, satisfying the respective performance obligation.

Notes to the Financial Statements continued

For the year ended 1 July 2023

3 Significant accounting policies continued

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%
Leasehold improvements	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. When there is a change to the composition of the cash-generating units within the Group, goodwill is reallocated within the cash-generating units affected.

(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 development costs are capitalised when the relevant criteria are met.

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

Goodwill	nil
Software and development costs	20%-33%
Acquired intangibles	20%-50%

(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

Investments are held at historic cost less any adjustments to their ongoing value in use.

Trade and other receivables

Trade receivables are recognised initially at fair value, which is deemed to be the transaction price, and subsequently at amortised cost, less provision for impairment. To calculate the provision the Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are then adjusted to reflect current and forward-looking information, any known legal and specific economic factors, including the credit worthiness and ability of the customer to settle the receivable.

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 operating costs. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating costs 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.

Interest paid is treated as an operating cash flow.

Trade and other payables
Trade payables are obligations to pay for goods and services that 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
The Group recognises right-of-use assets (representing its right to use the underlying assets) and lease liabilities (representing its obligation to make lease payments).

Right-of-use assets
The Group leases many assets, including properties, vehicles and equipment. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. The Group elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group continues to recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, lease incentives received and initial direct costs. Subsequently, the right-of-use asset is valued at cost less any accumulated depreciation (straight-line) and impairment losses, and adjusted for remeasurement of the lease liability.

Right-of-use assets are presented within non-current assets in the Consolidated Statement of Financial Position.

Lease liability
The lease liability is initially measured at the present value of the future lease payments as at the commencement date, discounted using the Group's incremental borrowing rate when the interest rate implicit in the lease is not readily determinable. These include future fixed lease rental payments, variable lease payments that depend on an index or a rate (these are initially measured at the index or rate as at the commencement date) and payments of penalties for terminating the lease earlier, if the conditions reflect the Group exercising an option to terminate the lease.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a lease extension, a change in future lease payments or the Group changes its assessment of whether it will exercise an extension or termination option.

The Group presents lease liabilities in current and non-current liabilities in the Consolidated Statement of Financial Position.

The Group has applied judgement to determine the lease term for some lease contracts that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

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.

Notes to the Financial Statements continued
For the year ended 1 July 2023

3 Significant accounting policies continued
Taxation
The tax expense for the year 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.

Current taxation
Current tax is the expected tax payable on the taxable income for the year, 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.

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. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 the temporary differences and brought-forward taxable losses can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date.

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 for the year. Differences between contributions payable for 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 fair value on the grant date 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. As the awards are equity-settled, they have no market-related performance conditions that require consideration. For share-based payment awards with non-vesting conditions, the fair value on the grant date of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Although the Group has accounted for the awards as equity-settled, it can elect to settle some of the awards in cash. The payment for settlements in cash are treated as a deduction from equity.

The Performance Share Plan ("PSP") agreement also includes a further three-year period of retention for each participant from the vesting of the Recovery Awards. In consideration of this retention period, the Company will pay the Employers' National Insurance Contribution ("NIC") liability for a share price up to 40p. The cost, treated as a provision under IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', is recognised from the date of the change in February 2021 through to the end of the relevant retention period. Should a participant leave within the retention period, the NIC paid by the Company will be clawed back from the participant.

Exceptional items
From time to time, 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 judgements

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. While preparing the financial statements, no judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations.

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 where assumptions and estimates are significant to the consolidated financial information, are considered to relate to are as follows.

Critical accounting estimate: Provisions

The Group makes provisions to meet the cost of future property and vehicle dilapidations at the end of a lease. The Group provides for property provisions on a site-by-site basis due to the unique nature and location of each site. Provision is made for the best estimate of the expected dilapidations. Dilapidations are provided for specific individual properties and vehicle leases where the outflow of resources is probable and the amount of the obligation can be reliably estimated.

The amount provided for property dilapidations at 1 July 2023 was £6.5 million (2022: £6.5 million) and represents management's best estimate for amounts that could be payable for leased properties at the end of the lease term. A 10% increase in the estimated cost per square foot of a property's dilapidation costs would lead to a £0.6 million increase in the provision as at 1 July 2023.

The amount provided for vehicle dilapidations at 1 July 2023 was £2.3 million (2022: £1.7 million) and represents management's best estimate for amounts that could be payable for leased vehicles at the end of the lease term. A 10% increase in the estimation of a repair cost per vehicle would lead to a £0.2 million increase in the provision as at 1 July 2023.

Critical accounting estimate: Goodwill

The Group's goodwill has a carrying value of £30 million, which is allocated between the two cash-generating units, DX Express (£20 million) and DX Freight (£10 million). As discussed in note 15, the Group carries out annual impairment testing of each cash-generating unit.

Key estimates used in the calculation are the revenue growth rate over the next four years (DX Express 9%, DX Freight 13%), DX Express operating profit growth rate (3%), the growth rate after the next four years (1.7%) and the discount rate (9%). The testing did not identify any impairment. The most sensitive assumption was the operating profit growth rate for DX Express where an annual decline of worse than 2% over the next three years would result in an impairment. The Directors expect the operating profit growth to continue.

Critical accounting estimate: Deferred tax

The Group has recognised a deferred tax asset 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 to utilise those deductions.

Given forecasts of future profitability, management consider that it is appropriate to recognise the deferred tax asset on losses carried forward. In the current year, this has resulted in a deferred tax asset at 1 July 2023 of £3.7 million (2022: £5.5 million). A reduction in the future profitability of the Group without it making losses over the next five years would lead to a delay in the recovery of the deferred tax asset at 1 July 2023 but not diminish its value given enacted rates of taxation.

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

Market risk

The Group finances its operations through a mixture of equity capital and invoice discount facilities ("IDF"). The Group's interest rate risk arises from its IDF under which lending is issued at variable rates, which therefore, exposes the Group to cash flow interest rate risk. As the Group only has short-term borrowings, it is able to minimise its exposure to cash flow interest risk by managing levels of debt on a daily basis.

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 revenue generated in the UK.

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 manage 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.

Notes to the Financial Statements continued
For the year ended 1 July 2023

3 Significant accounting policies continued
Financial risk factors continued

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 the IDF.

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 23, cash and cash equivalents, and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 20 and 21, 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 or sell assets to reduce debt. The Group's capital is not restricted.

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 IAS 16, 'Property, Plant and Equipment-Proceeds before Intended Use';
> Annual improvements to IFRS Standards 2018-2020;
> Amendments to IFRS 3, 'Reference to the Conceptual Framework';
> Amendments to IAS 37, 'Onerous Contracts – Cost of Fulfilling a Contract';
> International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) – application of the exception and disclosure of that fact.

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 17;
> Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
> Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
> Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17);
> Definition of Accounting Estimates (Amendments to IAS 8);
> International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) – other disclosure.

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).

	2023 £m	2022 £m
DX Freight:		
– 1-Man	220.6	195.5
– 2-Man/Logistics	62.2	61.4
Total DX Freight	282.8	256.9
DX Express:		
– Parcels	156.4	135.3
– Exchange & Mail	32.0	36.0
Total DX Express	188.4	171.3
Total revenue	471.2	428.2

Revenue is recognised at a point in time for all services with the exception of Document Exchange, which is recognised over time. Further details are given in note 3.

Revenue-related assets are shown in note 18 as trade receivables and accrued income. Deferred income shown on the Consolidated Statement of Financial Position 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

	2023			
	DX Freight £m	DX Express £m	Central £m	Total £m
Revenue	282.8	188.4	–	471.2
Costs before overheads	(218.4)	(155.6)	–	(374.0)
Profit before overheads	64.4	32.8	–	97.2
Overheads	(6.9)	(8.1)	(22.0)	(37.0)
EBITDA	57.5	24.7	(22.0)	60.2
Depreciation and amortisation	(19.7)	(7.0)	(1.8)	(28.5)
Share-based payments charge	–	–	(1.7)	(1.7)
Profit/(loss) from operating activities	37.8	17.7	(25.5)	30.0
Finance income	–	–	0.5	0.5
Finance costs	–	–	(5.1)	(5.1)
Profit/(loss) before tax	37.8	17.7	(30.1)	25.4
Tax expense	–	–	(2.6)	(2.6)
Profit/(loss) for the year	37.8	17.7	(32.7)	22.8

	2022			
	DX Freight £m	DX Express £m	Central £m	Total £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

The Executive Directors are considered to be 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.

Notes to the Financial Statements continued
For the year ended 1 July 2023

7 Operating costs

	2023 £m	2022 £m
Direct costs	316.0	291.2
Indirect costs	58.0	54.1
Overheads	37.0	32.6
Depreciation and amortisation	28.5	25.0
Exceptional items	–	1.6
Share-based payments charge	1.7	1.6
Total operating costs	**441.2**	406.1

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/(credited) within operating costs:

	Note	2023 £m	2022 £m
Employee benefit expense	9	141.0	125.0
Depreciation of property, plant and equipment	14	4.4	3.4
Depreciation of right-of-use assets	17	23.5	21.0
Amortisation of intangible assets	15	0.6	0.6
Loss on disposal of property, plant and equipment		–	–
Loss on disposal of intangible assets		–	0.3
Short-term and low-value leases	36	1.1	1.4

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

	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	145	120
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	95	80
Total audit fees	240	200
Other services:		
– tax services	–	–
– other	–	–
Total non-audit fees	–	–
Total fees	**240**	200

Fees payable to PKF Littlejohn LLP in respect of 2023 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. Fees payable to auditors in respect of 2022 as disclosed above were payable to PKF Littlejohn LLP.

8 Directors' emoluments

Total remuneration

	2023 £m	2022 £m
Emoluments	2.2	1.1

Amounts accrued under money purchase pension schemes

	2023 £m	2022 £m
Pension benefits	–	–

Highest paid Director

	2023 £m	2022 £m
Emoluments	0.8	0.4

See the Directors' Remuneration Report sections titled Total Single Figure of Remuneration for Directors and Share Plans on page 61 (which form part of these Financial Statements), and note 34 for further details of Directors' emoluments, including transactions with Directors. The number of Directors to whom retirement benefits accrued in respect of qualifying services is one Director (2022: one Director).

9 Employees

Employee benefit expense

	2023 £m	2022 £m
Wages and salaries	**125.6**	111.2
Social security costs	**10.9**	9.7
Other pension costs	**2.8**	2.5
	139.3	123.4
Share-based payment transactions	**1.7**	1.6
	141.0	125.0

Average number of persons employed (including Executive Directors)

	2023 Number	2022 Number
DX Express	**1,259**	1,211
DX Freight	**2,932**	2,626
Central support services	**189**	189
	4,380	4,026

10 Exceptional items

	2023 £m	2022 £m
Exceptional items	**–**	1.6

In the 2022 financial year, the Group incurred £1.6 million of legal and advisory costs on the investigation of and inquiry into a corporate governance matter. The costs of this one-off event were charged as exceptional items to not distort to the Group's underlying costs.

11 Net finance costs

	2023 £m	2022 £m
Finance income		
Interest receivable	**0.5**	–
Total finance income	**0.5**	–
Finance costs		
Interest on lease liabilities	**(5.1)**	(4.7)
Total finance costs	**(5.1)**	(4.7)
Net finance costs	**(4.6)**	(4.7)

Notes to the Financial Statements continued

For the year ended 1 July 2023

12 Tax (expense)/credit

(a) Analysis of charge in year

	2023 £m	2022 £m
Current tax		
United Kingdom corporation tax:		
Current year	(0.2)	(0.6)
Adjustments in respect of prior periods	–	(0.2)
Total United Kingdom corporation tax	(0.2)	(0.8)
Overseas taxation	(0.6)	(0.6)
Total current tax	(0.8)	(1.4)
Deferred tax		
Current year	(2.6)	(2.6)
Recognition of previously unrecognised deferred tax asset	–	0.6
Adjustments in respect of prior periods	0.5	–
Changes in tax rates	0.3	–
Total deferred tax	(1.8)	(2.0)
Total tax	(2.6)	(3.4)

(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:

	2023 £m	2022 £m
Profit before tax	25.4	17.4
Tax @ 20.5%/19%	(5.2)	(3.3)
UK taxable losses utilised	–	0.1
Adjustments in respect of prior years	0.6	(0.1)
Effect of different tax rates	0.4	0.3
Non-deductible expenditure	(0.5)	(0.4)
Corporation tax relief on share options exercised	2.1	–
Tax (expense)/credit	(2.6)	(3.4)

(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 increased from 19% to 25% on 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 1 July 2023 totalled £12.7 million (2022: £19.1 million).

13 Profit attributable to the Company

The profit for the year attributable to the Company, after a share-based payments charge of £1.4 million (2022: £1.6 million), was £16.5 million (2022: £1.1 million loss).

14 Property, plant and equipment

	Freehold land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 4 July 2021	5.0	12.1	18.8	35.9
Additions	–	3.2	2.4	5.6
Disposals	–	–	(8.4)	(8.4)
At 2 July 2022	5.0	15.3	12.8	33.1
At 3 July 2022	5.0	15.3	12.8	33.1
Additions	–	6.1	4.3	10.4
At 1 July 2023	**5.0**	**21.4**	**17.1**	**43.5**
Depreciation				
At 4 July 2021	2.6	5.9	15.1	23.6
Charge for the year	0.1	1.6	1.7	3.4
Disposals	–	–	(8.4)	(8.4)
At 2 July 2022	2.7	7.5	8.4	18.6
At 3 July 2022	2.7	7.5	8.4	18.6
Charge for the year	0.1	2.0	2.3	4.4
Disposals	–	–	–	–
At 1 July 2023	**2.8**	**9.5**	**10.7**	**23.0**
Net book value				
At 1 July 2023	**2.2**	**11.9**	**6.4**	**20.5**
At 2 July 2022	2.3	7.8	4.4	14.5

The cost of land not being depreciated is £0.6 million (2022: £0.6 million).

15 Intangible assets and goodwill

	Goodwill £m	Software and development costs £m	Customer relationships £m	Total £m
Cost				
At 4 July 2021	191.5	2.8	9.1	203.4
Additions	–	0.6	–	0.6
Disposals	–	(0.5)	–	(0.5)
At 2 July 2022	191.5	2.9	9.1	203.5
At 3 July 2022	191.5	2.9	9.1	203.5
Additions	–	0.5	–	0.5
Disposals	–	–	(9.1)	(9.1)
At 1 July 2023	**191.5**	**3.4**	**–**	**194.9**
Amortisation and impairment				
At 4 July 2021	161.5	1.4	9.1	172.0
Charge for the year	–	0.6	–	0.6
Impairment	–	–	–	–
Disposals	–	(0.2)	–	(0.2)
At 2 July 2022	161.5	1.8	9.1	172.4
At 3 July 2022	161.5	1.8	9.1	172.4
Charge for the year	–	0.6	–	0.6
Impairment	–	–	–	–
Disposals	–	–	(9.1)	(9.1)
At 1 July 2023	**161.5**	**2.4**	**–**	**163.9**
Net book value				
At 1 July 2023	**30.0**	**1.0**	**–**	**31.0**
At 2 July 2022	30.0	1.1	–	31.1

Notes to the Financial Statements continued
For the year ended 1 July 2023

15 Intangible assets and goodwill continued
Management has identified two cash-generating units within the Group, DX Freight and DX Express. Goodwill has an indefinite useful life and each cash-generating unit is subject to annual impairment testing. The carrying value of goodwill at the year end was £20 million for DX Express (2022: £20 million) and £10 million for DX Freight (2022: £10 million). The key assumptions used in this calculation are shown below.

	2023	2022
Period on which management approved forecasts are based	**Three years**	Three years
DX Express revenue growth rate	**9%**	9%
DX Express operating profit growth rate	**3%**	9%
Growth rate applied beyond approved forecast period	**1.7%**	1.7%
Discount rate	**9.0%**	11.1%

The cash flow projections are based on the budget approved by the Board for the forthcoming financial year and subsequent two years. Cash flows beyond these 36 months are extrapolated with reference to historical trends, expected developments, and using forecasts for the estimated growth rates, not exceeding the long-term growth rate stated above. The discount rate represents the Group's estimated weighted average cost of capital. Increases in the value of leases have led to a decrease in the discount rate compared to 2022.

Forecasts assume that there is a continued decline in the market for the Document Exchange, but this is mitigated by growth in Parcels' volumes for DX Express. The overall revenue growth for DX Express in the near term is forecast to be 9% based on the recent rate of securing new business. The ongoing improving performance of the DX Freight division assumes a short-term growth rate of revenue of 13% as well as margin expansion based on the continued improvement in the business. In the longer term, the Directors consider that the appropriate growth rate to use is that issued by the Office of Budget Responsibility for the UK economy as a whole. There is substantial headroom in the value in use calculations: a negative long-term growth rate of up to 2.5% or a discount rate of up to 12.5% would not result in any impairment. The key estimate is the short-term growth rate for DX Express over the next three years; an annual decline of up to 2% in operating profit would not result in an impairment. Given the current trajectory of the business, the Directors expect the operating profit in DX Express to continue to grow.

16 Investments

Company	Shares in Group companies £m
Cost	
At 4 July 2021	30.1
Additions	–
Disposals	(0.1)
At 2 July 2022	30.0
At 3 July 2022	30.0
Additions	–
Disposals	–
At 1 July 2023	**30.0**
Provisions	
At 4 July 2021	0.1
Impairment reversal	(0.1)
At 2 July 2022	–
At 3 July 2022	–
Impairment	–
At 1 July 2023	**–**
Net book value	
At 1 July 2023	**30.0**
At 2 July 2022	30.0

At 1 July 2023, DX (Group) plc owned, directly or indirectly, 100% of each class of issued shares of the following companies. All directly and indirectly owned companies form part of the consolidated results.

	Principal activity
Directly owned:	
DX Services Limited	Intermediate holding company
Indirectly owned:	
DX Network Services Limited	Parcel freight and mail services
DX Network Services Ireland Limited (registered and operates in the Republic of Ireland)	Parcel freight and mail services

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

The registered office of all of the above companies is the same as that of the Company, with the exception of DX Network Services Ireland Limited, which has a registered office of Unit 6B, Northern Cross Business Park, Finglas, Dublin 11.

DX (Group) plc has provided the necessary guarantees under section 479A of the Companies Act 2006 entitling DX Services Limited to an audit exemption for the year ended 1 July 2023.

17 Right-of-use assets

	Property £m	Non-property £m	Total £m
Cost			
At 4 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
Additions	22.3	18.2	40.5
Depreciation	(11.9)	(11.6)	(23.5)
Net book value as at 1 July 2023	**78.1**	**33.1**	**111.2**

18 Trade and other receivables

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Trade receivables	**30.3**	28.6	**–**	–
Other receivables	**2.9**	3.2	**–**	–
Prepayments	**4.4**	4.5	**–**	–
Accrued income	**9.6**	8.3	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**28.0**	18.5
	47.2	44.6	**28.0**	18.5

Other receivables include £1.6 million (2022: £2.1 million) of collateral for a letter of credit issued to the benefit of the Group's insurers.

Trade receivables are shown net of a provision for impairment losses of £0.3 million (2022: £0.4 million). The gross trade receivables at the year end were £30.6 million (2022: £29.0 million). The movement in the allowance for impairment losses was as follows:

	2023 £m	2022 £m
At 3 July 2022	**0.4**	0.8
Impairment losses released	**(0.1)**	(0.4)
Amounts written off as irrecoverable	**–**	–
At 1 July 2023	**0.3**	0.4

Impairment losses are recorded against trade receivables unless it's considered that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Notes to the Financial Statements continued
For the year ended 1 July 2023

18 Trade and other receivables continued
The ageing of gross trade receivables at the statement of financial position date and the provision for impairment losses was as follows:

	2023			2022		
	Gross trade receivables £m	Provision for impairment losses £m	Net total £m	Gross trade receivables £m	Provision for impairment losses £m	Net total £m
Current	29.7	(0.3)	29.4	27.7	(0.2)	27.5
Past due 1-30 days	0.6	–	0.6	0.5	–	0.5
Past due 31-90 days	0.2	–	0.2	0.5	(0.1)	0.4
Past due more than 90 days	0.1	–	0.1	0.3	(0.1)	0.2
	30.6	(0.3)	30.3	29.0	(0.4)	28.6

19 Cash and cash equivalents

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Cash at bank and in hand	37.6	27.0	–	–

20 Share capital
Allotted, called up and fully paid

Group and Company	2023 Number (000)	2023 £000	2022 Number (000)	2022 £000
Ordinary Shares of £0.01 each	604,879	6,049	573,682	5,737

The movement in the share capital is set out below:

	Number of shares (000)	Shares £m
At 4 July 2021 and 2 July 2022	573,682	5,737
At 3 July 2022	573,682	5,737
Share options exercised	31,197	312
At 1 July 2023	**604,879**	**6,049**

21 Share premium and reserves

Group	Share premium £m	Retained earnings £m
At 4 July 2021	25.2	8.9
Profit for the year	–	14.0
Share-based payment transactions	–	1.6
At 2 July 2022	25.2	24.5
At 3 July 2022	25.2	24.5
Profit for the year	–	22.8
Share-based payment transactions	–	1.7
Dividend paid	–	(3.0)
Other comprehensive expense	–	(8.6)
At 1 July 2023	**25.2**	**37.4**

Company	Share premium £m	Retained earnings £m
At 4 July 2021	25.2	16.8
Profit for the year	–	(1.1)
Share-based payment transactions	–	1.6
At 2 July 2022	25.2	17.3
At 3 July 2022	25.2	17.3
Profit for the year	–	16.5
Share-based payment transactions	–	1.4
Dividend paid	–	(3.0)
Other comprehensive expense	–	(8.6)
At 1 July 2023	**25.2**	**23.6**

22 Earnings per share

The calculation of basic earnings per share at 1 July 2023 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 Save As You Earn ("SAYE") scheme. Adjusted earnings per share represents an APM. Further details about the use of APMs are detailed in notes 3 and 35.

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.

	2023 £m	2022 £m
Profit for the year	22.8	14.0
Adjusted for:		
– Share-based payments charge relating to PSP	1.4	1.2
– Exceptional items	–	1.6
Adjusted profit for the year	**24.2**	16.8

	2023 Number (million)	2022 Number (million)
Weighted average number of Ordinary Shares in issue	588.6	573.7
Potentially dilutive share options	13.0	71.5
Weighted average number of diluted Ordinary Shares	**601.6**	645.2

	2023 p	2022 p
Basic earnings per share	3.9	2.4
Diluted earnings per share	3.8	2.2
Adjusted earnings per share	4.1	2.9

	2023 Number (million)	2022 Number (million)
Potentially dilutive share options	13.0	71.5

23 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 1 July 2023 was £nil (2022: £nil). No amounts were drawn on the invoice discount facility during the year to 1 July 2023 (2022: £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.

Notes to the Financial Statements continued
For the year ended 1 July 2023

24 Provisions

	Property dilapidation costs £m	Vehicle dilapidation costs £m	Other provisions £m	Total £m
At 3 July 2021	5.7	1.3	0.8	7.8
Charged to income statement	0.9	0.6	1.0	2.5
Utilised	(0.1)	(0.2)	(0.1)	(0.4)
At 2 July 2022	6.5	1.7	1.7	9.9
At 3 July 2022	6.5	1.7	1.7	9.9
Charged to income statement	0.2	0.7	0.6	1.5
Utilised	(0.2)	(0.1)	(1.7)	(2.0)
At 1 July 2023	**6.5**	**2.3**	**0.6**	**9.4**

	2023 £m	2022 £m
Current	**2.3**	2.9
Non-current	**7.1**	7.0
	9.4	9.9

As disclosed in the accounting policies, in determining provisions management uses judgement with reference to historical data and specifically identified factors, to determine the amount and timing of outflows, and thus, the provision required.

Other provisions include management's judgement of settlement costs for ongoing legal matters and the Employers' NIC on the PSP.

Provisions are expected to be utilised over the period to June 2039.

25 Deferred tax assets

	Group £m	Company £m
At 4 July 2021	7.5	–
Charged to the income statement	(2.0)	–
At 2 July 2022	5.5	–
At 3 July 2022	5.5	–
Charged to the income statement	(1.8)	–
At 1 July 2023	**3.7**	–

The deferred tax asset is made up as follows:

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Capital allowances	**0.1**	1.0	**–**	–
Other temporary differences	**0.4**	0.4	**–**	–
Trading losses	**3.2**	4.1	**–**	–
	3.7	5.5	**–**	–

The main rate for corporation tax increased from 19% to 25% from 1 April 2023. The deferred tax asset is expected to be utilised by 30 June 2024, therefore a rate of 25% has been used to determine the deferred tax asset balance.

The unrecognised deferred tax assets of the Group at 1 July 2023 total £0.2 million (2022: £0.5 million) consisting of unused tax losses. There are no unrecognised deferred tax assets for the Company at 1 July 2023 (2022: £nil).

26 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.

Maturity analysis – contractual undiscounted cash flows	2023 £m	2022 £m
Less than one year	**28.5**	25.5
One to five years	**75.4**	67.2
More than five years	**35.0**	28.3
Total undiscounted lease liabilities at year end	**138.9**	121.0

	2023 £m	2022 £m
Current		
Lease liabilities	**23.6**	20.7
Non-current		
Lease liabilities	**94.5**	79.6
Lease liabilities included in the statement of financial position at year end	**118.1**	100.3

Details of the maturity analysis of discounted liabilities recognised in the Group's statement of financial position are in note 29 'Financial instruments'.

27 Trade and other payables, and deferred income

	Group	
	2023 £m	2022 £m
Trade payables	**19.8**	16.1
Social security and other taxes	**10.4**	8.0
Other payables	**2.7**	2.0
Accruals	**13.1**	14.6
Total trade and other payables	**46.0**	40.7

Trade and other payables are amounts all due within one year.

Deferred income, disclosed on the face of the Consolidated Statement of Financial Position, relates to Document Exchange subscriptions invoiced in advance. As at 1 July 2023, the total deferred income was £9.7 million (2022: £10.2 million).

28 Reconciliation of parent company profit to cash generated from operations

	Company	
	2023 £m	2022 £m
Cash flows from operating activities		
Profit/(loss) for the year	**16.5**	(1.1)
Adjustments for:		
– Net finance costs	**0.8**	–
– Tax (credit)/expense	**(1.8)**	0.2
– Dividends received	**(14.8)**	–
– Exercise of share options	**(8.6)**	–
– Equity-settled share-based payment transactions	**1.4**	1.6
Net cash (loss)/profit	**(6.5)**	0.7
Changes in:		
– Trade and other receivables	**(11.3)**	(0.7)
– Trade and other payables	**4.8**	–
Net change in net assets	**(6.5)**	(0.7)
Cash generated from operations	**–**	–

Notes to the Financial Statements continued
For the year ended 1 July 2023

29 Financial instruments
Financial instruments utilised by the Group during the year ended 1 July 2023 and the year ended 2 July 2022, 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. Cash and cash equivalents are shown in note 19. Details of the Group's invoice discount facility are shown in note 23.

Fair values of financial assets and liabilities
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 short-term credit rating of P-1.

Changes in liabilities arising from financing activities
The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's Consolidated Statement of Cash Flows as cash flows from financing activities.

			Non-cash movements			
	3 July 2022 £m	Cash flow £m	Interest £m	Additions £m	Disposals £m	**1 July 2023 £m**
Lease liabilities	100.3	(27.7)	5.1	40.5	(0.1)	**118.1**

			Non-cash movements			
	4 July 2022 £m	Cash flow £m	Interest £m	Additions £m	Disposals £m	**2 July 2022 £m**
Lease liabilities	100.6	(24.8)	4.7	19.8	–	**100.3**

The following represent the key financial risks resulting from the Group's use of financial instruments:
> Credit risk;
> Liquidity risk; and
> Market risk including interest rate and currency risks.

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 shown in note 18.

The Group's credit risk is also influenced by general macroeconomic conditions. The Group does not have any significant concentration risk in respect of trade receivable balances at the reporting date with receivables spread across a wide range of clients and sectors. The Group manages its exposure to credit risk through the application of its credit risk management policies which checks the creditworthiness of potential customers, assessed through reports from credit agencies, and the trading terms agreed with each customer. In some cases, deposits are held by the Group to reduce the credit exposure.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past experience of losses and by monitoring the debtor's current financial position, taking into account factors that are specific to customers, general economic conditions and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

The ageing of trade receivables and the movement in the allowance for impairment losses at the year end are shown in note 18.

No interest is charged on the trade receivables outstanding balance. Trade receivables overdue are provided for based on estimated irrecoverable amounts. Included in the Group's trade receivable balance are debtors with a carrying amount of £0.9 million (2022: £1.2 million) which are past due at the year-end date.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has prepared detailed cash flow projections, and thus, the Directors believe that the Group is able to meet its obligations as they fall due. The Group aims to manage liquidity by ensuring that it will always have sufficient financial headroom to meet its liabilities when they are due, under both normal and disrupted scenarios.

The maturity analysis of financial liabilities at the balance sheet date was as follows.

	2023		2022	
	Trade and other payables	Lease payables	Trade and other payables	Lease payables
Less than one year	32.9	23.6	26.1	20.7
One to five years	–	63.7	–	54.6
More than five years	–	30.8	–	25.0
Total financial liabilities	32.9	118.1	26.1	100.3

Trade and other payables are amounts due within 60 days or less from the date of invoice so their maturity is relatively short dated.

Liquidity is provided through cash balances and the invoice discounting facility. The Group monitors cash balances daily and prepares weekly short-term and quarterly medium-term cash forecasts, which are used to assess the Group's expected cash requirements and compare with the facilities available to the Group. Key risks to liquidity and cash balances are a downturn in parcel volumes or a reduction in profitability of the Group.

Parcel volumes and quality of consignment revenue are monitored daily to identify any deterioration in trading conditions, enabling the Group to address them promptly. Overdue trade receivables are reported weekly and monitored on a daily basis by the credit control team. The Group does not have any derivative or non-derivative financial liabilities with the exception of trade and other payables, borrowings under the invoice discounting facility and lease liabilities. Trade and other payables are non-interest bearing, and therefore, have no weighted average effective interest rates. Lease liabilities are carried at the present value of the minimum lease payments. Trade and other payables are due to be settled in the Group's normal operating cycle.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will impact the Group's revenue or the carrying amount of its financial instruments. The objective of market risk management is to achieve a level of market risk that is within acceptable parameters as set out in the Group risk management framework.

Interest rate risk
The Group is not exposed to significant interest rate risk as it does not have any long-term, interest-bearing financial liabilities. A 1% increase or reduction in the interest rate applicable to the Group's borrowings would have had a £nil (2022: £nil) impact on the profit for the year.

Currency risk
The majority of the Group's operations are carried out in the UK and Ireland and the Group has a low level of exposure to currency risk on sales and purchases. The Group's policy is not to hedge foreign currency transactions. £4.9 million (2022: £2.3 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 1 July 2023 would have reduced equity and profit by £0.4 million (2022: £0.2 million).

Notes to the Financial Statements continued
For the year ended 1 July 2023

30 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 £2.8 million (2022: £2.5 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

Contributions amounting to £0.7 million (2022: £0.5 million) were payable to the schemes at 1 July 2023 and are included in trade and other payables.

Share-based payments

At 1 July 2023, the Group had the following share-based payment arrangements:

Performance Share Plan 2017 (“PSP”) and Restricted Share Awards

In the year ended 30 June 2018, the Group established two equity-settled share option programmes that entitle key management to purchase shares in the Group at £0.01 on vested options. The programmes consist of Recovery Awards under the PSP as well as Restricted Share Awards.

The vesting conditions of the Recovery Awards are share price targets along with continued employment. Share price targets of 12.5p and of 40p result in 25% and 100% respectively of the Recovery Awards to vest, and a pro-rata straight-line basis between 12.5p and 40p vests accordingly.

The share price targets were tested on 21 December 2020, 21 December 2021 and 21 December 2022. On each occasion the share price measurement was based on the 30-day average share price prior to the test date. Achievement of a share price measurement on a later test date which is greater than the achieved measurement on a previous test date will result in additional vesting of the Recovery Award in accordance with the share price targets.

On 17 November 2022, 5 million share options were granted with an additional testing date of 21 December 2023.

On 8 December 2022, an additional testing date of 21 December 2023 was added to the PSP. This applies to 11.2 million shares unvested share options.

On 3 March 2023 and 5 April 2023 further grants were made totalling 17.5 million share options. These had modified share price targets with vesting on a pro-rata straight-line basis between 30p and 40p.

In addition to the share price targets stated above, the Remuneration Committee must determine that any performance condition has been satisfied to allow any vesting of Recovery Awards on any occasion. Recovery Awards for which the share price target is attained at any test date will vest 12 months later.

The vesting condition of the Restricted Share Awards was continued service as a Director for three years from the issue date.

Measurement of fair values

The fair values of the PSP are measured using the Black-Scholes model as the basis of valuation. Expected volatility is based on the historic volatility of the DX Group and the AIM market of the London Stock Exchange measured over the contractual period of the options.

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

Recovery Awards	5 April 2023	3 March 2023	8 December 2022	17 November 2022	1 September 2021
Options issues	2,000,000	15,499,937	11,202,525	5,000,000	220,000
Fair value at grant	14.93p	14.93p	14.65p	21.12p	7.3p
Share price at grant date	28.75p	30.50p	27.75p	26.50p	36.00p
Exercise price	1.0p	1.0p	1.0p	1.0p	1.0p
Expected volatility	56.68%	56.68%	67.55%	77.22%	50%
Expected term	1.8 years	1.8 years	2.04 years	1.51 years	0.7 years
Expected dividend yield	0%	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	3.76%	3.76%	3.38%	3.17%	0.7%

The number and weighted average exercise price of options under the PSP and Restricted Share Awards are as follows:

Grant date	Exercise price per share	Number of Share Options: At 3 July 2022	Exercised	Lapsed	Granted	At 1 July 2023
PSP Recovery Awards – final testing date 21 December 2022. Target price 12.5p (25% vesting) to 40p (100% vesting)						
Granted prior to 3 July 2021	1.0p	88,045,187	(60,591,816)	(25,795,545)	–	**1,657,826**
1 September 2021	1.0p	140,921	(134,501)	–	–	**6,420**
		88,186,108	(60,726,317)	(25,795,545)	–	**1,664,246**
PSP Recovery Awards – final testing date 21 December 2023. Target price 12.5p (25% vesting) to 40p (100% vesting)						
Granted prior to 3 July 2021	1.0p	11,123,446	–	–	–	**11,123,446**
1 September 2021	1.0p	79,079	–	–	–	**79,079**
17 November 2022	1.0p	–	–	–	5,000,000	**5,000,000**
		11,202,525	–	–	5,000,000	**16,202,525**
PSP Recovery Awards – final testing date 21 December 2023. Target price 30p (0% vesting) to 40p (100% vesting)						
13 March 2023	1.0p	–	–	–	15,499,937	**15,499,937**
5 April 2023	1.0p	–	–	–	2,000,000	**2,000,000**
		–	–	–	17,499,937	**17,499,937**
Restricted Share Awards	1.0p	1,669,330	(1,669,330)	–	–	**–**
Total		101,057,963	(62,395,647)	(25,795,545)	22,499,937	**35,366,708**

The weighted average share price on exercise was 28.6p. At 1 July 2023, 36,328 options were exercisable. The impact on the income statement is a non-cash share-based payment charge of £1.4 million (2022: £1.2 million).

Save As You Earn (“SAYE”) schemes

2021 scheme

On 28 January 2021, the Group launched an all-employee SAYE scheme to encourage share ownership amongst employees. The option price was set at 25.82p and the number of shares subject to option was 9,063,910. The impact on the income statement is a non-cash share-based payment charge of £0.2 million (2022: £0.4 million). Over 250 employees are participating in the scheme.

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

	2023 Weighted average exercise price	2023 Number of options	2022 Number of options
Outstanding at the start of the year		**6,188,460**	8,524,626
Granted during the year	**25.82p**	**–**	–
Lapsed/opted out during the year	**25.82p**	**(1,376,147)**	(2,336,166)
Outstanding at the end of the year	**25.82p**	**4,812,313**	6,188,460
Exercisable at the end of the year		**–**	–

2023 scheme

On 3 April 2023, the Group launched an all-employee SAYE scheme to encourage share ownership amongst employees. The option price was set at 24.34p and the number of shares subject to option was 5,235,563. The impact on the income statement is a non-cash share-based payment charge of £0.1 million, over 250 employees are participating in the scheme.

The fair value of the options at the date of grant was determined using a Black-Scholes model as the basis of valuation. The expected volatility is based on the historic volatility of the DX Group measured over the contractual period of the options.

Notes to the Financial Statements continued
For the year ended 1 July 2023

30 Employee benefits continued
2023 scheme continued
The inputs used in the measurement of the fair values at grant date of the SAYE scheme issued in the prior year were as follows:

SAYE scheme	3 April 2023
Options issued	5,235,563
Fair value at grant	11.04p
Share price at grant date	29.75p
Exercise price	24.34p
Expected volatility	56.67%
Expected term	3.33 years
Expected dividend yield	5.04%
Risk-free interest rate (based on government bonds)	3.38%

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

	2023		2022
	Weighted average exercise price	Number of options	Number of options
Outstanding at the start of the year		–	–
Granted during the year	24.34p	5,235,563	–
Lapsed/opted out during the year	24.34p	(264,003)	–
Outstanding at the end of the year	24.34p	4,971,560	–
Exercisable at the end of the year		–	–

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:

	2023 £m	2022 £m
Total employee benefit expense recognised for share-based payments	1.7	1.6

31 Dividends

	2023		2022	
	£m	Pence per share	£m	Pence per share
Amounts recognised as distributions to shareholders in the year				
– Interim dividend of current financial year	3.0	0.5	–	–
– Proposed final dividend at financial year end	6.0	1.0	–	–

The proposed final dividend was approved by the Board on 2 October 2023 and is subject to shareholders' approval at the Annual General Meeting. If approved, it will be paid on 7 December 2023 to shareholders on the register as at 17 November 2023. No amount for the proposed final dividend has been recognised at the balance sheet date.

32 Commitments
Capital
As at the date of the Consolidated Statement of Financial Position, the Group had capital expenditure contracted but not provided for as follows:

	2023 £m	2022 £m
Leasehold improvements	1.4	1.8
Plant and equipment	0.2	1.5
Software and development	1.9	0.1
Total	3.5	3.4

33 Contingencies
There were no contingent liabilities as at 1 July 2023 (2022: £nil).

34 Related parties

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:

	2023 £000	2022 £000
Salaries, fees and other short-term employee benefits	**1,537**	1,056
Pension contributions	**12**	–
Social security costs	**1,264**	721
Share-based payments	**317**	815
	3,130	2,592

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.

35 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 IFRS and therefore may not be directly comparable to similar measures adopted by other companies. These APMs 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 before tax ("adjusted PBT"), adjusted profit per share ("adjusted EPS") 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	Page
EBITDA	Profit from operating activities	Financial Review	42
Adjusted PBT	Profit before tax	Financial Review	44
Adjusted EPS	Profit per share	Note 22	95
Adjusted profit from operating activities	Profit from operating activities	Financial Review	42
Adjusted operating profit margin	Profit from operating activities	Financial Review	42
Net cash/net debt	Cash and cash equivalents/loans and borrowings	Financial Review	44

Notes to the Financial Statements continued
For the year ended 1 July 2023

36 Leases
The Group recognises right-of-use assets (representing its right to use the underlying assets) and lease liabilities representing its obligation to make lease payments. Details of the right-of use assets are shown in note 17 and details of the lease liabilities are shown in note 26. The maturity analysis of lease liabilities is also shown in note 26.

Further details of the accounting policy for leases can be found in note 3, 'Significant accounting policies'.

Impact in the year
The impact on the profit for the year ended 1 July 2023 and 2 July 2022 is summarised below:

	1 July 2023 £m	2 July 2022 £m
Depreciation charge on right-of-use assets	23.5	21.0
Interest cost on lease liability	5.1	4.7
Operating lease rentals on short-term and low-value leases	1.1	1.4
Total lease costs for the year	**29.7**	27.1

The amounts charged to the income statement due to the practical expedients taken are shown below:

	2023		2022	
	Property £m	Plant and equipment £m	Property £m	Plant and equipment £m
Expense relating to short-term leases	0.5	–	0.6	–
Expense relating to low-value leases	–	0.6	–	0.8
	0.5	0.6	0.6	0.8

The total cash outflow for leases is as follows:

	1 July 2023 £m	2 July 2022 £m
Lease repayments – capital element	22.6	20.1
Interest paid	5.1	4.7
Total cash outflow for leases	**27.7**	24.8

37 Events subsequent to the period event
On 11 September 2023 the Company announced that it had received a nonbinding and conditional proposal from H.I.G. European Capital Partners LLP ("H.I.G.") regarding a possible all cash offer for the Company at a price of 48.5p per DX share (the "Proposal"). The Proposal is subject to the satisfaction or waiver by H.I.G. of a number of pre-conditions, including the completion of satisfactory due diligence. There can be no certainty that an offer will be made nor as to the terms on which any offer might be made.

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