Delivering our customers' promises

Annual Report and Accounts 2021

Our purpose

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

Contents

Highlights of the Year

Financial highlights for the year ended 3 July 2021

Revenue

£382.1m

(2020: £329.3m)

2021	382.1
2020	329.3
2019	322.5

Adjusted PBT/(LBT)[1]

£12.0m

(2020: £0.2m)

2021	12.0
2020	0.2
2019	(0.2)

Reported PBT/(LBT)

£10.6m

(2020: £(1.3)m)

2021	10.6
2020	(1.3)
2019	(1.7)

Net Cash/(Net Debt)[1,2]

£16.8m

(2020: £12.3m)

2021	16.8
2020	12.3
2019	1.3 net debt

Profit/(Loss) from Operating Activities

£15.1m

(2020: £3.0m)

2021	15.1
2020	3.0
2019	(1.3)

Adjusted EPS/(LPS)[1]

2.0p

(2020: (0.1)p)

2021	2.0
2020	(0.1)
2019	(0.2)

Reported EPS/(LPS)

2.7p

(2020: (0.3)p)

2021	2.7
2020	(0.3)
2019	(0.4)

Net Cash Generated from Operating Activities

£28.1m

(2020: £33.5m)

2021	28.1
2020	33.5
2019	3.2

1 See notes 3 and 33 to the Financial Statements for details of alternative performance measures ("APMs") used, and details of where reconciliations of APMs to IFRS reported measures can be found.

2 The cash balance included agreed coronavirus-related deferred payments of £6.0 million (2020: £10.4 million); thereby, net underlying cash was £10.8 million (2020: net underlying cash £1.9 million).

Operational highlights

- Strong operational progress.
- Focus on rebuilding profitability through volume growth and margin expansion.
- Strong recovery in profitability at DX Freight driven by high levels of customer service and newly secured 1-Man business.
- DX Express impacted by second national lockdown; however, new business secured relating to the Parcels service was strong.
- Recovery of adjusted operating margins[1] to 4.4% against long-term target range of 7.5-10%.
- Repaid £0.6 million of Government furlough payments.
- Separation of DX Exchange and Parcels delivery networks to drive improvement in service and to create additional parcel capacity.
- Expansion of delivery networks with 10 depots opened or upgraded during the year, and 15 further new depots planned over next two years.
- Completed £10 million accelerated investment programme to upgrade IT systems, invest in new depots and upgrade existing ones, and improve productivity and efficiency through new operational parcel handling equipment.
- £20-25 million of capital expenditure planned over next three years to underpin expected growth of the business.

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 responsibilities seriously and we look to improve and strengthen our approach year-by-year. Further details can be found on pages 22 to 26.

At a Glance

Delivered Exactly Parcel & 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 parcel freight, secure, courier and logistics services.

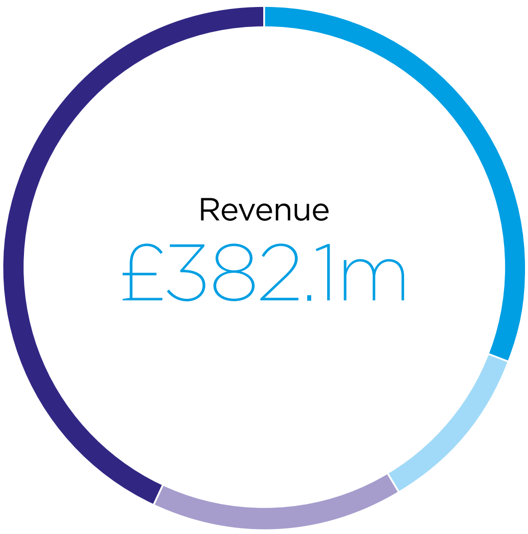
What we do
DX provides a wide range of specialist delivery services to both business and residential addresses across the UK and Ireland. The Group operates through two divisions, DX Freight and DX Express.

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 Freight
Specialists in the collection and delivery of larger and heavier items, including those with irregular dimensions and weight ("IDW"), to business and residential addresses nationwide.

Read more on **page 18**



FREIGHT
- 1-Man
- 2-Man & Logistics

DX Express
Specialists in the collection and express delivery of time-sensitive, mission-critical and higher-value items for B2B and B2C customers.

Read more on **page 20**

EXPRESS
- Parcels
- Exchange & Mail

Depots across the UK and Ireland

81

Employees

4,000

Daily delivery and collection routes

2,600

Items delivered every year

100 million

DX key locations

Locations in the UK and Ireland

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

Chairman's Statement

Strong operational and financial progress

"I am pleased to publish the Group's audited report and accounts for the financial year ended 3 July 2021."

Introduction

I am pleased to publish the Group's audited report and accounts for the financial year ended 3 July 2021. They replace the unaudited final results issued on 8 November 2021.

As shareholders are aware, there has been a significant delay in publishing these audited report and accounts, and this delay also caused the Company's shares to be suspended from trading on AIM on 4 January 2022. The delay arose from the Group's Audit & Risk Committee raising a corporate governance inquiry ("Inquiry") relating to an internal investigation that started in the financial year under review ("Investigation"), as reported on 25 November 2021. The central issue was an allegation of bribery. Further details are disclosed in the Audit & Risk Committee report on pages 43 to 45.

It has been a highly unsettling period for shareholders and the Company, and we are pleased to draw a line under these events. We are now focused on ensuring that all necessary actions to strengthen corporate governance are implemented. Further information on this provided in the Audit & Risk Committee Report. In addition, we are addressing the readmission of the Company's shares to trading on AIM and the publication of the Group's report and accounts for the financial year to 2 July 2022.

Trading

The 2020 financial year marked the completion of the first phase of DX's turnaround with the Group's return to adjusted pre-tax profit. We reported at the time that the business was in a strong position to increase sales and rebuild profitability by focusing on efficiency, productivity and margins. We are therefore very pleased that annual results for 2021 significantly exceeded our original expectations and were also ahead of revised market expectations at the time the preliminary results were published in November 2021.

Despite the challenges that the coronavirus pandemic presented for certain segments of our business, we made very strong operational and financial progress over the financial year, with significant increases in both revenue and profitability. Growth was primarily driven by the DX Freight division, which outperformed management objectives for the year. DX Express's performance was significantly impacted by the second national lockdown; however, it made very strong progress in its Parcels activity.

The Group's excellent results are underpinned by our continuing focus on high customer service levels and the initiatives we took to improve efficiencies and productivity. Our focus remains on rebuilding profitability and moving Group margin towards our target of 7.5-10%, which is approximately double the adjusted operating profit margin of 4.4% achieved in these results. We have also launched a major new capital investment programme to further expand our depot network and support our growth plans. We have made progress in the 2022 financial year and we remain confident of further progress over the new financial year.

Financial Results

Revenue for the 53 weeks ended 3 July 2021 increased by 16% to £382.1 million (2020: £329.3 million), adjusted pre-tax profit showed a marked improvement, rising to £12.0 million (2020: £0.2 million), and adjusted earnings per share recovered to 2.0p (2020: loss of 0.1p).

The statutory profit before taxation was £10.6 million (2020: loss £1.3 million) and earnings per share was 2.7p (2020: loss 0.3p).

Net cash generated by operating activities was very strong at £28.1 million (2020: £33.5 million). At the financial year end £6.0 million (2020: £10.4 million) of agreed coronavirus-related payment deferrals (mainly VAT) were outstanding and these will be repaid over the next few months. A total of £4.4 million of payment deferrals were repaid in the financial year.

In light of the Group's strengthening performance and financial position during the year, we also took the decision to repay the £0.6 million of Government furlough payments received in support of the 2021 financial year.

The Group's financial position remains strong, with net cash at the year end of

£16.8 million (27 June 2020: £12.3 million), a rise of 37%. The net cash balance at the year end included agreed coronavirus-related deferred payments of £6.0 million (2020: £10.4 million). Excluding this, underlying net cash was £10.8 million (2020: underlying net cash £1.9 million).

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

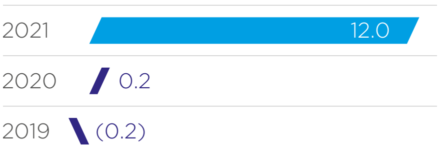
Capital allocation and dividend policy

During the financial year, we invested £5.9 million in the business (2020: £3.4 million), completing the £10 million capital investment programme launched in the prior financial year. The investment

Adjusted PBT[1]

£12.0m

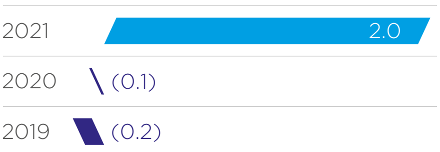
(2020: £0.2m)



Adjusted EPS[1]

2.0p

(2020: (0.1)p)



1 See notes 3 and 33 to the Financial Statements for details of alternative performance measures ("APMs") used, and details of where reconciliations of APMs to IFRS reported measures can be found.

> "The Group's excellent results are underpinned by our continuing focus on high customer service levels and the initiatives we took to improve efficiencies and productivity."

Ronald Series
Executive Chairman

was focused on expanding the depot network, upgrading operational equipment, and strengthening our IT systems. We are now embarking on a second, larger investment programme, which we expect to amount to between £20 million and £25 million. This will be invested broadly evenly over the next three years, and will support our ambitious growth plans for the Group.

The focus of the investment will remain on the depot network, parcel-handling equipment, and IT infrastructure. Over the next two years, we plan to accelerate depot openings by adding 15 new depots across the business.

In addition, we believe that there are opportunities for us to acquire strategic sites in key locations and to increase our hub sortation capacity. In the current market, we also believe that there may be acquisition opportunities, and will consider appropriate opportunities as they become available.

The Board continues to keep under review the reinstatement of a dividend as part of its overall approach to capital allocation. Now that DX has returned to statutory pre-tax profit and the turnaround has established solid foundations for ongoing profitable growth and cash generation, the Board will review growth plans during the current financial year, and confirm its dividend policy as part of the overall capital allocation policy. Our intention is to make a return to the dividend lists as soon as it is appropriate and prudent to do so.

Performance Overview

The coronavirus pandemic had significantly less of an impact on trading than in the previous financial year. As in the prior year, we remained fully operational as an essential service provider, and those parts of our business exposed to B2C markets benefited from the rise in online shopping. The main adverse impact of the pandemic environment was felt by the DX Express division (see further explanation below).

DX Freight, which specialises in the delivery of irregular dimension and weight ("IDW") items, continued its strong growth momentum, with revenue up by 32% to £223.0 million (2020: £169.0 million). This was primarily fuelled by 46% revenue growth at our 1-Man service and our continued focus on customer service levels, which helped to support new customer wins and customer retention. Operating profit for the year increased by £23.5 million to £22.9 million (2020: loss of £0.6 million), benefiting from increased volumes, and productivity and efficiency improvements. Operating margins recovered to 10.3% (2020: (0.4)%).

Chairman's Statement continued

DX Express, which specialises in the next-day delivery of time-sensitive, mission-critical and higher-value items, was adversely affected by the impact of the coronavirus pandemic and the second national lockdown. This hit the division's activities for Legal and High Street customers in particular. Taken together with the cessation of the HMPO contract in the last quarter of the previous financial year, it meant that the division's mix of revenue was very different compared to the prior year, and that the DX Exchange network in particular was underutilised. Strong new business in Parcels meant that revenue was down only 1% at £159.1 million (2020: £160.3 million). However, operating profit decreased to £12.4 million (2020: £22.9 million). We took the strategic step during the year of separating the DX Exchange delivery network from the Parcels network. Although DX Exchange accounts for an increasingly smaller proportion of revenue, it nonetheless remains an important service that we provide and the stand-alone network now in place will better support this offering. We recently piloted a new portal for our DX Exchange members, enabling secure digital sharing of fully-encrypted files, with data hosted in the UK. The new portal enhances our service to our members and is included in their membership. The portal will also enable members to send physical documents and parcels by creating despatch labels for secure delivery to business and residential addresses across the UK, as well as to other DX Exchange members. Plans are also under way to introduce an international express offering to members in 2022, via the portal, working alongside a global delivery partner.

Environmental, Social and Governance

We plan to publish our carbon reduction plan during 2022. This will be a key step forward for the Group, and brings together a number of initiatives, already under way, into a coordinated programme that will guide our approach over the coming five years. We are fully committed to fulfilling our part in helping the transport sector and the UK meet its net zero target by 2050. I have every confidence we can manage this transition while continuing to grow the business into the medium term.

In addressing the corporate governance matter, the Board is clear in its objective of ensuring the highest standards of corporate and individual conduct. It is committed to taking corrective actions to improve certain internal processes and training in specific areas so as to ensure best practice in corporate governance. Further details of the actions being taken are disclosed in the Audit & Risk Committee Report on pages 43 to 45.

Our People

In a year when the pandemic continued to dominate both professional and home lives, our employees have worked very hard to deliver a consistently high level of customer service, and have shown great commitment to customers and colleagues alike. On behalf of the Board, I would like to acknowledge everyone's hard work and efforts in the face of these extra challenges, and to thank all our staff and subcontractors. We have a very talented team, and look forward to further successes in the new financial year ahead.

Board changes

Subsequent to the year end, Liad Meidar joined the Board as a Non-executive Director on 13 December 2021. On 1 February 2022, Ian Gray and Paul Goodson, Non-executive Directors, resigned from the Board. On 12 July 2022, Jon Kempster and Mike Russell joined the Board as independent Non-executive Directors. Jon was appointed chair of the Audit & Risk Committee and a member of the Remuneration Committee. Mike was appointed to chair the Remuneration Committee and as a member of the Audit & Risk Committee. I welcome Liad, Jon, and Mike to the Board.

Lloyd Dunn, Chief Executive Officer, resigned from the Board on 6 September 2022. The current Divisional Managing

Directors, Paul Ibbetson and Martin Illidge, will continue to run the DX Freight and DX Express divisions respectively.

The Board has also asked me to return to my previous role as Executive Chairman and in this role I will provide additional support to Paul and Martin. I have agreed to serve in this capacity until the permanent appointment of a new Chief Executive Officer is made. The search for the new Chief Executive Officer will consider internal as well as external candidates.

Outlook and Opportunities

DX made strong progress over the financial year, and the parcels market for both DX Express and DX Freight continues to grow. We remain focused on increasing our market share whilst increasing the Group's adjusted operating profit margin significantly over the next three years. As we utilise existing capacity across our networks, scale capacity through new depot openings, and invest in parcel handling equipment, we expect to drive efficiency and productivity improvement through the business, which will underpin margin expansion. Margin growth will also be assisted by operational leverage. We have a very healthy pipeline of new business opportunities, which helps to support our confidence that DX remains in a very good position to achieve its growth objectives for the current financial year.

Reflecting this confidence, we have launched our second major capital expenditure programme, which will invest around £20 to £25 million in the business over the next three years.

In late 2021 new challenges emerged and the macro-economic environment became more volatile. As well as shortages of HGV drivers and other logistics industry workers, the disruption to global supply chains led to a number of customers experiencing stock shortages. We implemented a number of self-help measures to address pressures, and there were some early signs that issues are beginning to resolve themselves. Despite these additional challenges, DX continues to win new business and to increase market share, and we believe that the Company remains well-positioned to exploit market opportunities and to make progress in line with our targets.

Ronald Series
Executive Chairman

Our Investment Case

Highly experienced management team with a proven track record

- The Group's management has extensive industry expertise and a record of success in developing and growing parcel freight businesses.
- The leadership team is supported by a highly effective, motivated senior management team, which has considerable relevant sector experience.

Initial phase of turnaround successfully completed

- Firm foundations are in place for sustainable, profitable growth.
- Profitability and cash generation have been restored.
- The Group is operationally and commercially stronger.
- Service standards are higher.

Growth phase of the turnaround is progressing well against a clear growth plan

- DX Freight has the potential to develop a significant position in the irregular dimension and weight ("IDW") market.
- DX Express is expanding next-day, tracked courier services, focusing on B2C and B2B business, and revitalising DX Exchange.
- There is significant scope to improve Group margins.
- Volume growth, operational efficiency and productivity are a key focus.

Investment programme under way to support growth and efficiency

- New depot programme to open 15 sites over next two years.
- IT systems and parcel handling equipment.
- Technology will drive improvements and productivity.

The Group is financially robust

- Strong balance sheet.
- Improved cash generation.
- Significant liquidity headroom.

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 irregular dimension and weight ("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 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 and pallets. We aim to go out of our way to provide customers with dedicated and responsive support, giving them total peace of mind.

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.

Industry-leading Security

45+ years
of industry experience

Trustpilot

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.

Customer Choice

'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, led by a Board with significant industry experience. All employees are thoroughly vetted to maintain high levels of security.
- **Networks:** DX provides national coverage through its 81 hubs and depots, and plans to further expand its networks over the next five years.
- **Technology:** significant investment has been made in the Group's technology in recent years, in particular in the Group's parcel tracking systems and handheld devices. DX has developed its own technology, allowing it to offer customers the highest levels of service.
- **Fleet:** the Group operates a fleet of over 750 vehicles, which is one of the most modern in the industry. These vehicles meet the strictest environmental and safety standards of their class.
- **Suppliers:** the delivery networks are supported by committed, appropriately security-cleared and experienced subcontractors.
- **Financial strength:** over the last three years, DX has improved its financial performance and strengthened financial systems. The Group now has a robust financial platform for the next phase of its development.

What we do and how we do it

DX Freight

Specialises in the delivery of irregular dimension and weight ("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:** DX 1-Man has the capability to move all types of freight, from document satchels and parcels to IDW items, including lengths up to six metres. Deliveries are primarily business-to-business 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

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 a nationwide network of depots, document exchanges, sortation hubs and trunking vehicles.

- **Parcels & Mail:** provides a B2B and B2C tracked next-day service for pouches and parcels. Both services provide proof of delivery signature service. Our B2C service offers either a mandatory signature, neighbour signature or leave safe options and further provides a 2-hour ETA delivery window with pre- and in-flight options for customers.

DX Exchange

- **DX Exchange:** 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.

> **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**

4,000

employees focused on delivering a high-quality customer service.

> **Long-term sustainable profit and cash generation**

£12.0m

adjusted profit before tax of £12.0 million and net cash generated from operating activities of £28.1 million is a significant step forwards towards our longer-term goal.

> **An improving market position**

46%

growth in 1-Man revenue has strengthened DX's position in the IDW market.

> **A growth business with expanding margins**

4.4%

achieved an adjusted operating profit margin of 4.4% which takes us towards our longer-term goal of 7.5-10%.

> **Satisfied customers**

80%

a rising Trustpilot score that is now 4/5.

> **Attractive returns to shareholders**

2.0p

Adjusted EPS of 2.0p delivered in FY21 supports a move towards a progressive dividend policy at the appropriate point in time.

All underpinned by strong corporate governance and risk management procedures. Read more on **pages 40 to 42**

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. The goal remains the same; to move the business back to long-term sustainable profit and positive cash generation.

Strategic objective	Detailed objectives
Continually develop capacity within an optimal network	> Measure, monitor and manage network capacity and optimise utilisation to facilitate growth over next three years.
Improve margins across both DX Freight and DX Express	> DX Freight operating margin to increase to between 10-12%. > DX Express to grow operating margins to >10%. > Target of achieving adjusted Group operating margin after overheads of 7.5-10% within five years.
Embed local responsibility and accountability in the DNA of DX	> Local General Managers supported by Sales and Operations Managers. > Link reward to performance. > Local customer service relationships.
Invest in Sales and Commercial capabilities	> Recruit additional sales resources. > Divisional commercial teams to approve all new business. > Increase B2B mix in DX Freight. > 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.
Extend the footprint of the business through new depots	> Develop network capacity and productivity to open up market opportunities and reduce stem mileage. > Establish regional sortation hubs to improve productivity.
Improve operational efficiency	> Move balance of fleet in DX Freight to 7.5 tonne vehicles. > Improve hub, trunking and delivery productivity. > Develop network capacity at DX Express through increased use of transit vans.

Progress during 2021	Objectives for 2022
> Basic mechanisation introduced into Central and Regional Hubs improved efficiencies. > Exchange & Mail delivery network separated from Parcels network in DX Express. > National Trunking Director appointed to DX Freight.	> Major extension planned to DX Freight central hub. > Enhance DX Express capacity following separation of delivery networks.
> DX Freight significantly increased operating margin in 2021 achieving 10.3%. > DX Express operating margin was 7.8%. > Group adjusted operating profit margin increased from 1.4% to 4.4%.	> Further contribution towards longer-term sustainable profitability through growth in margins.
> Continued to strengthen management team through the appointment of new General Managers and Regional Directors. > 50 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.
> Successfully developed system and procedures to deal with post-Brexit regulations for moving freight into and out from Ireland. > Estimated Time of Arrival technology helped to improve delivery performance for DX Express. > Another year of strong sales growth, particularly DX 1-Man at DX Freight. > Sales and business development team restructured at DX Express.	> Build upon the launch of the new digital portal for our DX Exchange members, by widening its usage and developing its functionality.
> £1.7 million invested in IT infrastructure and systems. > Group IT infrastructure refreshed and renewed using modern, cloud-based technologies.	> Planned £3 million of investment in IT systems including new handheld scanning devices for depots.
> DX Freight opened new depots as planned at Burnley, Westbury and Oxford and undertook major upgrade at Hoddesdon. > DX Express opened new depots at Glasgow, Rotherham and Middlesbrough. > £3.5 million invested in new sites and improvements to the existing depot network. > Head office moved to smaller premises within Ditton Park.	> 15 new depots planned over next two years. > New DX Freight depots planned in Dewsbury, Farnborough, Paisley and Bodmin. > New DX Express depots planned in Luton, Verwood, Plymouth and Preston. > Major upgrades to DX Freight depot at Thatcham and to the Central Hub at Willenhall.
> 366 new delivery and trunking vehicles delivered during the year for DX Freight. > £0.7 million invested in operational improvements including in new cages and basic sorting mechanisation. > Further changes to hub and trunking has maintained levels of customer service as the business has expanded. > Delivery and hub productivity further improved, which has driven improved profitability.	> £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. > Repurpose secure sortation bureau as Exchange & Mail sortation hub.

Group Operational Review

Growth phase progressing well

We made substantial progress over the past financial year, and while our longer-term objective for the Group is to deliver an adjusted operating margin of 7.5-10%, we restored Group margin to 4.4% from 1.4% in the prior financial year. This is a substantial step forward and has been built on the foundations we put in place since starting the turnaround of the Group in 2018. The Group's commercial and operational processes are significantly stronger now, and the management structure put in place in 2018 continues to go from strength to strength.

The year was not without its challenges. The coronavirus pandemic continued to adversely impact certain areas of our business, and we experienced local disruption at times due to staff illness or isolation requirements. However, the Group has been resilient and adapted to the challenges and we have continued to implement our strategic growth initiatives.

We would like to thank everyone for their hard work and dedication in dealing with the challenges of the last year. Their efforts and contributions have supported these very strong results.

The parcel and freight markets are growing at 10%+ per annum, and we believe that there is a substantial opportunity for us to expand and increase our market share. To support our growth ambitions, we have launched a major new capital investment programme worth £20 million to £25 million over the next three years. This will be targeted across depots, equipment, and IT. The expansion of our delivery networks is central to our growth plans. We have opened or upgraded 12 depots over the financial year, and now plan to increase the capacity of our networks by up to a third over the next two years, adding 15 new depots across both divisions and upgrading nine existing depots. As well as increasing our capacity, this will improve the service we provide to our customers by becoming increasingly local to their business. It will also drive greater efficiency and productivity by reducing the delivery distances we have to travel.

Coronavirus Pandemic

The lessons learnt from the first national lockdown were invaluable, and our response to the ongoing coronavirus crisis over the year as a whole was not on the scale of the previous financial year. Only a few of our employees were on furlough in the period, and this was largely at the start of the financial year. Accordingly, we took the decision in May 2021 to repay the £0.6 million we had claimed under the Government's Coronavirus Job Retention Scheme in respect of the financial year to 3 July 2021. From March 2021, we also started VAT repayments, having made use of the Government's VAT payment deferral scheme in the prior financial year, 2020. At its peak, around £9.4 million of VAT payments were deferred. Approximately £6.0 million of deferred VAT remained outstanding at the financial year end, which was fully repaid by February 2022.

We continued to ensure that we operated in a safe manner, keeping risk assessments and our operating protocols up to date as guidance changed. We continue to remain vigilant so that we can respond effectively to any local outbreaks.

The coronavirus has affected everyone in the DX family at some point and those who have lost loved ones are in our thoughts.

Divisional Review

DX Freight

DX Freight performed very strongly with revenue increasing by 32% to £223.0 million (2020: £169.0 million) and the division moving robustly into profit, generating £22.9 million of operating profit (2020: operating loss of £0.6 million). This strong growth was driven by the expansion of the division's 1-Man service, which increased revenue by 46% to £164.2 million (2020: £112.4 million). Revenue at 2-Man & Logistics services grew by 4%, and generated a higher profit contribution than last year. This reflected productivity improvements as well as its broader customer base. The division's operating margin was 10.3% (2020: (0.4)%), helped by the operational leverage benefits that flowed through from increased volumes. Higher delivery productivity and parcel sortation efficiencies also supported the improvement in margins.

"The Group's commercial and operational processes are significantly stronger now, and our revised management structure works effectively."

We expanded the division's depot network during the year, opening three new depots at Oxford, Westbury and Burnley, enlarging the Glasgow site, completing a major refurbishment at Hoddesdon, and installing new docks at our sites in Heathrow and Glasgow. A total of £2.4 million was invested in this major capex programme. This has helped to support the almost 50% increase in 1-Man volumes and generated further customer service improvements. In addition, we invested £0.5 million in parcel-handling equipment and upgraded scanning devices, which has further improved efficiency and productivity. Since the year end, we have opened a depot at Dewsbury, and we are planning to open a further seven new depots and substantially upgrade five existing sites in the next two years to support the division's growth plans.

DX Freight has strengthened its market position from a year ago, capitalising on a growing market, its improved service levels and our very capable sales force. The irregular dimension and weight ("IDW") market remains dominated by a small number of players. This is because the need to provide national coverage and increasing regulatory demands create relatively high barriers to entry. The division has recently benefitted from a major competitor drawing back from certain parts of the IDW market. We have taken advantage of this, securing new IDW business as well as additional parcel volumes. The increase in volumes has improved efficiency and productivity through greater delivery densities and improved utilisation of existing capacity. The high operational leverage has led to a significant recovery in the division's margins, as additional volumes do not require a commensurate rise in fixed costs.

We estimate that the market for parcel freight is expanding at approximately 10% per annum, with Brexit driving some of this growth as businesses increasingly 'on-shore' their supply chains in reaction to the frictions of cross-border trading and the impact of coronavirus pandemic. Our growth of 32% compares favourably with the overall parcel freight marketplace, and our strategy for DX 1-Man is to continue to expand its market share and to improve margins by increasing efficiency and productivity. As we have previously outlined, opening new depots has several beneficial effects: it reduces stem miles; improves our ability to win new business in the local area; enhances service levels by being closer to our customers; and increases vehicle productivity by enabling double delivery runs on certain routes.

There are growth opportunities for the 2-Man & Logistics business, boosted by the trend towards outsourcing, and we intend to focus on appropriate opportunities as demand for value-added delivery services continues. As the division grows, we also expect to further improve operating margins.

DX Express

DX Express' performance was impacted by the coronavirus second national lockdown, which affected its Legal and High Street customers in particular, and a change in revenue mix. The level of new business secured was very encouraging. It substantially offset both the reduction in volume following the cessation of the HMPO contract at the end of the previous financial year and the impact on DX Exchange of lower levels of legal sector activity. In total, divisional revenue decreased slightly to £159.1 million (2020: £160.3 million), and operating profit reduced to £12.4 million (2020: £22.9 million). The reduction in operating profit reflected the change in revenue mix and the sub-optimal utilisation of the DX Exchange network. Excluding HMPO volumes from comparatives, underlying Parcels' revenue grew by 29% year-on-year. Total Parcels revenue grew by 6% to £118.8 million (2020: £112.1 million), while revenue from Exchange & Mail services decreased by 16% to £40.3 million (2020: £48.2 million). This largely accounted for the significant contraction in the division's operating margin to 7.8% (2020: 14.3%).

We made a key operational change towards the end of the financial year and separated the Exchange & Mail delivery network from the Parcels network. This was to ensure that we more easily maintain our pre-9am delivery service for our DX Exchange members, which had been adversely impacted by the integration into the Parcels delivery network some years ago. The separation will also free up capacity within the Parcels network to allow for planned growth. These changes coupled with the launch of the division's Estimated Time of Arrival ("ETA")

Group Operational Review continued

capability in the previous financial year means the division has a much stronger market proposition as it focuses on the significant opportunities in the parcels market, which is growing at around 10% per annum.

In an exciting development, we piloted a new online Exchange Portal that allows digital documents to be shared securely. This service complements the physical collection and delivery of documents, and will give members the choice of how they wish to have their documents delivered. The enhanced service is offered as part of customers' membership fees.

We opened three new depots at Glasgow, Rotherham and Middlesbrough during the year, supporting growth plans, and relocated our depot at Grimsby to larger premises. Since the year end, depots have been opened at Luton and Verwood. We are currently planning to add seven new depots and complete four major upgrades to existing sites over the next two years.

This will increase our network capacity by around a third, and will drive the recovery of the division's operating margins as we increase critical mass and improve efficiencies and delivery productivity in the same way we have at DX Freight.

Our growth strategy for DX Express is focused on developing it as a leading parcel delivery service for SMEs and large national customers that value a high-quality, next-day service. At the heart of this approach is our local customer service proposition. We believe that our local presence means that our customer service is typically more responsive and flexible and feels more personal.

We also believe that proximity to customers generates closer relationships over the long term, and provides an important point of differentiation in the marketplace.

The parcels market is large and growing strongly, driven by the increase in online buying. It is presenting plenty of new opportunities albeit the market is very competitive with a large number of providers. However, we are confident that our differentiated approach puts us in a good position to grow the division's presence in this part of the market as we continue to build a profitable, high-quality, service-orientated parcels delivery service.

Divisions Supported by Central Teams

Central overheads for the year (including the share-based payments charge) increased in absolute terms to £20.2 million (2020: £19.3 million), although reduced as a percentage of revenue to 5.3% (2020: 5.9%). The year-on-year rise reflected four main factors: higher performance-related bonuses; increased spending on the Group's IT systems and infrastructure; higher branding costs as we launched a scheme for our subcontractors to carry the DX livery

on their vehicles; and a slightly increased share-based payments charge following the launch of the SAYE scheme. As the Group grows, we do not expect central overheads to increase proportionately.

Environmental, Social and Governance

In the 2022 Annual Report & Accounts we will publish our carbon reduction plan, which will outline the steps we plan to take to reduce the carbon footprint of the business. At the heart of this will be the decarbonisation of our vehicle fleet. While we are very much reliant on vehicle manufacturers to produce electric vehicles with the range and capacity to deal with the nature of the freight and parcel traffic we carry, we are working closely with them and expect to begin the electrification of our fleet within the next 12 months. In the medium-to-long term, the potential transition of our trunking vehicles to hydrogen awaits a national infrastructure to refuel such vehicles.

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

Summary

2021 was a very successful year for DX and we took a major step forward in returning the business to long-term, sustainable profit growth and cash generation. Our hard work has seen DX Freight's operating margin rebound closer to where it should be in the long term. DX Express was disrupted by the coronavirus crisis, but we are investing in the network and growing its next-day parcel delivery services while supporting its traditional Document Exchange business, built around the delivery of documents. Like the rest of the sector, we faced the challenges presented by the disruption to global supply chains, the squeeze on driver and warehouse resources and energy prices. Nonetheless, we are excited by the market opportunities we see and have ambitious growth plans for the next five years. These will be supported by our recently launched £20 to £25 million capital investment programme. We continue to win market share, and we look forward to reporting on further progress over the course of the coming year.

Operational Review

DX Freight

Specialists in IDW

Our Performance in 2021
Trading at DX Freight continued to improve, building on the progression made in the previous years. This was despite the extra pressures created by the coronavirus pandemic and lockdowns.

Revenues increased by 32% to £223.0 million (2020: £169.0 million) helped by both new business wins and increased trading from the existing customer base. The division generated a profit from operating activities of £22.9 million (2020: loss of £0.6 million).

DX Freight saw considerable growth within the building, construction, home furnishings, leisure, fitness, retail and automotive sectors, and the division now has 4,400 trading accounts. Our 1-Man consignment volumes grew by 45% year-on-year, with approximately 25 million items delivered. The 2-Man & Logistics services performed strongly, supported by high customer service levels, key customers expanding their business with us and new customers coming on board.

Our Customer Service teams, which are locally based at each depot, remain a key differentiator when retaining existing customers and attracting new customers. We continue to build strong working relationships with our customers and go the extra mile to resolve any issues, as opposed to having a centralised, call centre model.

We have made significant investments in our fleet over the last 12 months and have increased its size, with the introduction of 157 3.5 tonne bespoke, long-wheelbase vans, 117 7.5 tonne trucks, 12 12 tonne/18 tonne trucks, 80 articulated trucks and 32 trailers including 20 curtain-sided trailers. This comprehensive transformation of our fleet has resulted in DX having one of the youngest fleets in our industry.

We opened three new depots during the year, in Oxford, Westbury and Burnley. The last 12 months has also seen £0.7 million of capital investment in our existing depots at Hoddesdon and Glasgow. These investments have created additional capacity and improved our network, getting us closer to our customers and their customers.

Our Areas of Focus in 2022
The focus for 2022 was to open further new depots to strengthen our presence across the UK. We opened depots at Dewsbury, Coventry, Bodmin, West Bromwich, Paisley, a 2-Man depot at Wolverhampton and a new Logistics depot at Tankersley as well as expanding operations at Maidstone and Swanley. We also relocated the current Edinburgh depot, doubling the current capacity and completed major refurbishment projects in Heathrow, Hoddesdon, Motherwell, Thatcham, and Durham. Alongside this, we have a significant refurbishment and extension project now in progress for our Central Hub in Willenhall. This will create an additional 40 bays and add capacity to our network, better positioning us for increased volumes while maintaining high service standards. In the summer of 2021, there were challenges around driver and labour shortages, exacerbated by the pandemic; however, we addressed the challenge and have a number of self-help initiatives in place, including training and incentive programmes that put us in a better position to navigate these issues.

We continued to upgrade our technology and our IT programme including the complete replacement of our 'under the roof' warehouse scanners, which improved the speed and quality of tracking information. Our in-house IT team developed all the applications associated with the new devices.

Market Trends
The parcel and logistics sector experienced significant growth in the 2021 financial year, reflecting the change in buying habits adopted during the coronavirus pandemic. Over the summer holiday months in 2021, volumes in the market slightly reduced as a result of supply chain disruptions, but overall the market remains buoyant into 2022.

Brexit also had a significant impact on our industry, both positively and negatively. It has created growth opportunities for the industry as supply chains have been on-shored, but also created some pressures on driver and warehouse staff availability. We expect these pressures to continue for some time whilst the industry trains and qualifies new drivers and the labour market settles after the impact of Brexit and the coronavirus pandemic.

Items delivered by DX Freight
37m

Increase in 1-Man consignment volume
45%

Overall investment
£2.9m

Case Study

Working in partnership with our customers

Häfele is an internationally trusted name supplying furniture fittings, ironmongery and hardware to the trade, they are recognised for their quality of product and expertise in the industry. Häfele stock over 25,000 specialist products from hinges, handles and door furniture to storage solutions, sliding door systems and lighting, all available to order for next day delivery.

During the Christmas period of 2012, Häfele's incumbent carrier suspended their Next Day delivery, letting Häfele and their customers down at a very important time of year.

Häfele had been looking at several delivery service providers over the course of that year, but none were able to handle their vast and varied products profile, they required a carrier that could deliver all the products, a "one stop" solution.

DX have a very diverse range of services, so can carry anything that Häfele need to ship. The company currently use DX's 1-Man service for the next day delivery of their larger, more awkward shaped (irregular dimension and weight) items and DX Express for their smaller items, to both business and residential addresses nationwide, as well as premium timed delivery options for more urgent consignments.

Iain McKillop, Operations Manager at Häfele commented "After sales service is extremely important to Häfele given our customer base and their expectations, and the DX Customer Services Team are second to none. All of our customers expect a Next Day service from Häfele and we have worked closely with DX to maintain our first-time attempt delivery service level at 98.5%".

The partnership with DX is key for Häfele, knowing they can rely on DX to deliver when they say they will. As a result, the partnership goes from strength to strength and is now approaching it's 10-year anniversary.

Iain explained "The reason is quite simple; we have used other carriers for our freight, but none of them come close to providing anything comparable to the after sales service that Häfele UK get from DX."

Operational Review continued

DX Express

Specialists in secure delivery

Our Performance in 2021

DX Express was most impacted by the pandemic and lockdowns, particularly across certain customer segments. Revenues decreased slightly to £159.1 million (2020: £160.3 million) and operating profit reduced to £12.4 million (2020: £22.9 million) as volumes were impacted and the network operated at sub-optimal levels. Our specialist service, DX Exchange, was most affected, with legal and financial institutions, its main customers, continuing to work from home. However, our Parcels business grew strongly. On a like-for-like basis, excluding volumes from the HMPO contract, which concluded in the previous financial year, Parcels consignment volumes grew by 29% year-on-year, delivering approximately 35 million items.

The launch of the two-hour Estimated Time of Arrival (“ETA”) product in April 2020 helped to drive significant new business wins in our Parcels business, as well as supporting services to existing customers, particularly in the B2C sector.

We completed a number of key operational milestones during the financial year. This included the introduction of 90 DX branded 3.5 tonne vans, which now creates a more visible presence of the DX brand on the road. We also started a full transformation exercise with our master subcontractors, by introducing a ‘Working in Partnership’ initiative, which includes uniforms and DX branded vehicles.

We have expanded DX Express’s network of depots, opening new depots in Glasgow, Rotherham, Middlesbrough and Grimsby.

These investments have increased our capacity and means that we are in closer proximity to our customers. We also invested in 800 new cross-dock cages and over 250 metres of new roller conveyor, which has improved our depots’ efficiencies.

We completed the separation of the DX Exchange delivery operations from the core DX Express delivery network in the year. In doing so, we also set-up new and dedicated trunking to and from a standalone hub in Northampton. This has enabled us to utilise a proportion of our new vehicle investments during both the day and night. The separation has further improved the reliability of critical early morning mail deliveries to our DX Exchange members, and provides additional capacity for the Parcels network to grow.

Our Areas of Focus for 2022

DX Express continued to focus on optimising its network and we achieved this by relocating an existing depot at Livingston to larger premises, and by opening new depots in Luton, Verwood (Dorset) and Dartford, thereby increasing the network’s capacity. Together with other initiatives, this supported further growth in Parcels and supported our drive towards higher levels of operational productivity and enhanced levels of customer service.

Our in-house IT team commenced work on the introduction of a single operational tracking system, whilst our Hub team continued to focus on optimising our existing network, with additional investment going into certain hub locations.

We piloted a new digital platform for DX Exchange in the summer of 2021, which went live in the autumn of that year. This platform reinforces our existing service proposition in secure physical deliveries in the legal sector, by offering an additional service that enables secure digital exchange of documents. It also enables us to cross-sell the broader range of DX Express services to our 15,000+ loyal DX Exchange members.

Market Trends

The parcels market experienced record volumes in the last financial year, partly driven by the pandemic. This has not been without challenges, and the sector has also experienced labour shortages in both drivers and warehouse staff. As with DX Freight, we have self-help initiatives in place.

We are focusing on new business sales in the higher margin B2B space while continuing to increase our presence in the B2C space.

Items delivered by DX Express

63m

Underlying growth of Parcels

29%

Overall investment

£1.3m

Case Study

Building long-term customer relationships

Lassic Limited is part of a long-established, family-run group of companies that sources, imports, distributes and supplies a vast range of high quality household products and occasional furniture to national and independent retailers at competitive prices.

Guaranteeing overnight delivery to their retailer customers has proved difficult over the years, with previous logistics providers proving inconsistent, with failed or misrouted deliveries.

Lassic engaged DX Express in September 2020 following a rigorous selection process and a detailed consultation to discuss specific requirements. DX appointed a dedicated team to manage the account, and proved day-to-day support, backed by our localised customer services team. Lassic was given competitive rates with regular reviews of Service Level Agreements.

The benefits of engaging with DX have been clear, with Lassic experiencing fewer complaints from their customers. The relationship between the DX and Lassic teams is highly productive, and DX was able to offer full support to Lassic when it opened a new warehouse to support growth.

Raj Handa, Joint Managing Director of Lassic Ltd, commented, "We have found DX to be a very proactive partner, who is keen to help develop and support our business. It was quite clear from the outset that DX was keen to establish a long-term partnership with us, which is not something we had experienced from all our previous parcel carriers."

Environment, Social and Governance

Corporate responsibility – our ESG focus

With the turnaround of DX now firmly secured, the Group on a growth path, and the worst pressures created by the coronavirus pandemic now over with the introduction of vaccination programmes, the Group has increased its focus on environmental, social and governance ("ESG") issues.

The Group recognises the importance of working towards the goal of net-zero greenhouse gas 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. It is, therefore, now working towards reviewing and establishing its long-term strategy for the attainment of its ESG goals and priorities.

1. Environmental

The Group is committed to minimising its environmental impact. We fully recognise the significant environmental impact that logistics has and want to play our part towards the UK Government's ambitious carbon reduction strategy.

In December 2020, the Financial Conduct Authority ("FCA") published its rules and guidance to promote better climate-related financial disclosures. While this applies to UK premium-listed companies only, we intend to work towards meeting its rules and guidance. Our environmental policies and reporting will also be informed by the Task Force on Climate-related Financial Disclosures ("TCFD"), which was created by the Financial Stability Board to improve and increase reporting of climate-related financial information, and by the UK Government's newly-launched procurement rules.

Our target is to formulate and publish a comprehensive Carbon Reduction Plan during 2022. The Plan will set out in detail how we intend to achieve net-zero greenhouse gas emissions by 2050. A recruitment process is currently under way for a dedicated Environmental Manager who will assume primary operational responsibility on environmental management and reporting.

Our Framework

SECR and Greenhouse Gas ("GHG") Emissions

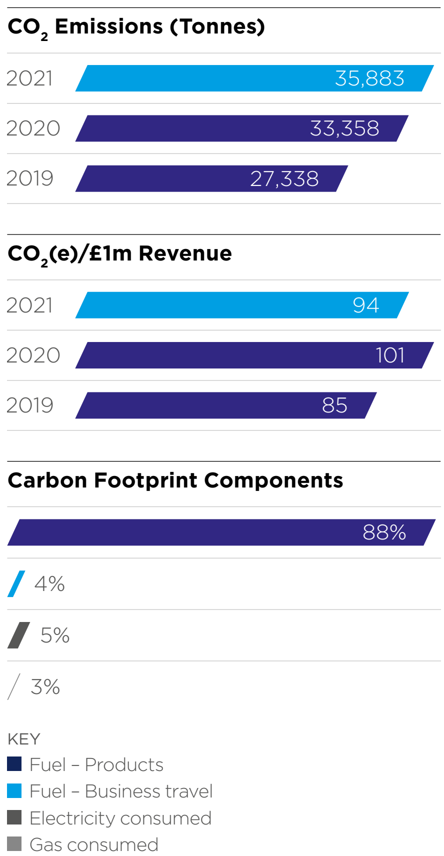
At the heart of meeting the Group's obligations is the adoption of a framework that governs the disclosure of climate-related risks and opportunities, and goals and metrics to measure progress. The Group currently measures and reports its Scope 1 and Scope 2 emissions under the Streamlined Energy and Carbon Reporting ("SECR") regime. Mandatory reporting of Scope 3 emissions relating to business travel in rental cars and employee owned vehicles, which is a relatively small part of our overall emissions, is included within the calculation of Scope 2 emissions and shown within the Business Travel element of our carbon footprint. We are now assessing the implications of broadening the measurement of our GHG emissions, by adopting voluntary Scope 3 Greenhouse Gas (GHG) emissions reporting. This would include reporting on the GHG emissions of our subcontractors, employees' commuting, waste disposal and business travel. It would be a significant step and an important cornerstone of our overall Carbon Reduction Plan. We plan to set targets and intend to adopt Scope 3 GHG emissions reporting over the next 12-24 months.

The Group uses the framework of the international environmental management standard ISO 14001 to underpin its approach to setting objectives and targets for improvement against our significant environmental aspects.

The Group maintains an annual environmental reporting regime, which measures our Scope 1 and 2 Carbon Footprint in CO_2(e) – carbon dioxide equivalent. We use the GHG Protocol as a framework to capture data on the environmental aspects we are able to directly influence, measure and control more effectively. This includes the fuel consumption of our own delivery vehicles and company cars as well as emissions from energy used to operate our properties. We also capture performance details and other metrics on waste and water consumption, training on environmental matters and environmental management system performance.

Decarbonising the DX Fleet

The greatest challenge in the transition to a zero-carbon economy will be decarbonising the fleet of delivery and trunking vehicles. The fleet strategy and progress to date is summarised on the opposite page. Customer deliveries account for approximately 88% of our carbon footprint.



"We are fully committed to do our part to help the transport sector and the UK to meet its obligations to net-zero by 2050 and I have every confidence we can manage the transition and continue to grow the business into the medium term."

Ronald Series
Executive Chairman

It should be noted that our two operating divisions use different business models, with our DX Freight division utilising predominantly DX vehicles and drivers and our DX Express division using predominantly subcontractors to deliver goods. Our Scope 2 measurements encapsulate our own vehicles and are, therefore, heavily influenced by DX Freight's performance. Scope 3 measurements of the vehicle emissions of subcontractors for DX Express do not form part of our formal reporting, but we are currently considering effective ways of capturing this information in the future.

We have seen a small increase in the amount of fuel consumed to make deliveries, which has led to an increase in absolute emissions for the Group. The total energy use for the Group during the year based on the in scope emissions was 153,721,530 kWh (2020: 139,513,998 kWh). It is important, however, to view the increase in absolute emissions in the context of the Group's significant organic growth over the year, the surge in volumes driven by the coronavirus pandemic, and the Group's role as an essential service provider.

Whilst our absolute emissions have increased, our benchmark intensity ratio when compared with revenue shows an efficiency improvement by 8%. This was driven predominantly by our programme to modernise our fleet and the enhanced telematics solutions that we deployed to reduce fuel consumption and improve efficiency across the fleet.

Case Study

Decarbonising the DX fleet

The Group uses a mix of 3.5 tonne long-wheelbase vehicles ("LWBV"), 7.5 tonne lorries, and trunking tractor units. Whilst none of our fleet is currently electric we expect to take delivery of our first electric LWBV by the end of 2021 and transition the fleet towards greater use of electric vehicles as they become more commercially available. We expect electric vehicles to be more widely available as follows:

- 3.5 tonne vehicles during 2022; and
- 7.5 tonne vehicles from 2023/24 at the earliest.

For trunking vehicles, we expect that these longer range vehicles will be fuelled by hydrogen in the future. The viability of these vehicles relies upon the development of a national hydrogen refuelling infrastructure. In the meantime we are operating the latest Euro 6-compliant commercial vehicles and have one of the youngest fleets in the industry, with an average vehicle age of a little over one-year. We are also working with our subcontractors to ensure they have modern, compliant vehicles whilst delivering on behalf of DX.

During the financial year, the Group introduced a 'Driver of the Year' award, with cash and other prizes for our top three drivers, judged on a number of key performance indicators, including measurements from our telemetry system. Amongst the key performance indicators that we look at are vehicle speed, engine over-revving, harsh braking, harsh acceleration and idling since these all impact on fuel efficiency. We have already seen a 12% improvement in recorded miles per gallon, on an annual fleet fuel spend of around £11 million.

In addition, the Group has undertaken a review of its policy regarding company cars and car allowances. Those roles that do not require frequent travel have been assessed and those in post have moved from a car allowance to a travel allowance, in part to encourage a greater use of public transport. The Group's car scheme now focuses on hybrid ("PHEV") and fully electric vehicles, which also provides tax benefits to employees as well as reducing carbon emissions.

Environment, Social and Governance continued

"Over the past six months, we have had greater than 94% landfill diversion."

Ronald Series
Executive Chairman

Carbon Footprint
In addition to its fleet, the Group operates 81 depots across the UK. We have a programme in place to upgrade existing sites and this includes a switchover to LED lighting, which reduces energy consumption by between 20-30%. When a new site is opened, LED lighting is installed as standard. The majority of our sites now operate LED lighting and proximity sensors, and we plan for all sites to utilise LED lighting by the end of 2023.

We measure our waste generation and seek ways to reduce the waste, and over the past six months, we have had greater than 94% landfill diversion.

We look for discussions with landlords on the use of solar energy, air-sourced or ground-sourced heat pumps and rainwater harvesting systems (utilising the significant roof space typical of our depots), which will further improve our carbon footprint.

Longer term, we recognise that logistics sites will need to have the technology in place to manage their energy requirements and the challenge is how to store valuable electricity on site for use locally when a renewable energy source is absent or when the demand for power outstrips the capacity of the renewable technology.

2. Social

Our Employees
We aim to maintain an environment where all our employees feel appreciated, recognised and valued.
During the pandemic crisis, the need for clear, two-way communication with our employees was even more important than in more normal times. Some of our employees were on furlough during the pandemic while others were working remotely or in ways that were different from their normal pre-pandemic working patterns. We, therefore, sought to increase our communication levels and maintain a consistent and regular connection.

Equally, it was important to continue to encourage staff engagement at all levels and to seek the views of employees across a wide range of matters. We did and continue to do this through local, regional and Group-wide initiatives, which are designed to ensure two-way communication and employee involvement. The Operating Boards of both our divisions (DX Freight and DX Express) are involved and regular news bulletins are distributed throughout the Group, together with an in-house magazine, which is produced quarterly and which carries a mixture of business and employee news.

We strive to go beyond our obligations under the Equality Act 2010, and have policies and proactive programmes in place that cover recruitment, career development and promotion. These are aligned to the needs of the Group and are based wholly on the ability and performance of the individual.

We always seek to promote from within, and training and development is an important part of the Group's DNA.

Full apprenticeships have been a highly successful route for some of our employees to enter the business, and we run bespoke, in-house programmes, which are available for all of our employees. These are focused on enhancing skills within current roles and developing new skills for future roles. Our induction programme also ensures that all our new employees understand our product range as well as the Group's vision and the training opportunities available, including online learning, which we continue to develop.

All employees are offered a competitive benefits package. The package includes access to counselling and advice services. There are a number of additional benefits, including healthcare plans and gym discounts, which support employee welfare and wellbeing. A variety of pension schemes are provided, which support our employees to plan financially for their future.

Senior management attend 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.

Keeping Our People Safe
Ensuring the welfare and safety of all our colleagues, visitors and contractors is critically important and was a top priority during the pandemic.

In a very challenging year, there was an increase in the number of reportable accidents under the Reporting of Incident, Disease and Dangerous Occurrences Regulation ("RIDDOR") and a very small increase in our incidence rate. This reflected the disruption to normal routines during the coronavirus pandemic, which posed some significant challenges as we continued to operate. During the pandemic, we were also obliged to scale down our internal audit programmes for safety, suspend our behavioural campaigns, and reduce face-to-face training sessions due to the close contact nature of these activities. While it was

RIDDOR Accidents

40

14% change

2021	40
2020	35
2019	42

Incidence Rate*

889

2% change

2021	889
2020	873
2019	1,094

* RIDDOR incidents per 100,000 employees.

Case Study

Driver of the Year Awards 2020

In our first annual 'Driver of the Year' Awards, we recognised three drivers for their good driving technique and high driving standards, as evidenced by telemetry data.

In third place was Ian, a 7.5 tonne driver from our Liverpool depot. Ian joined Nightfreight, that became part of DX, as a trainee mechanic in July 1974, just before his 16th birthday, and so is just three years short of a staggering 50 years of service.

In runner-up position was David, a 7.5-tonne driver from our Durham depot. David joined DX in 2007 and is commended for his driving record and attendance.

In first place and the winner of the 'DX Driver of the Year 2020' is Andrew, another 7.5 tonne driver from our Liverpool depot. Andrew joined us in 2010, has an outstanding driving record and has shown excellent attendance. We are delighted to congratulate him again for his achievement.

disappointing to see the increase in RIDDOR accidents, given the unprecedented challenges, the incidence rate gives us optimism that we will continue to see improvements as we return to normal operating practices and 'business as usual'.

Despite close contact processes being suspended for most of the year, the Group continued to work extremely hard to embed safe working practices and continue to train colleagues. Our Safety Academy, the Group's bespoke safety eLearning system, now in its third year, became the primary mechanism of training due to the restrictions imposed by the pandemic. Over 7,000 individual training sessions were completed using our Safety Academy during the year.

We plan to regain momentum with our safety campaigns in the current financial year and will continue to deliver a safe working environment for our colleagues.

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 staff'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 reportedly the most dangerous work activity that most people do, and the number of vehicles using the UK road network (pre-lockdown) at its highest ever level. With the UK's roads now starting to return to normal, we have had to take into account the risk created by the high number of on-road foot workers, such as maintenance workers, postal workers, vehicle breakdown technicians, motor-cyclists and cyclists. Their numbers have increased due to coronavirus-related concerns around public transport as well as campaigns to encourage people to reduce their carbon footprint by considering other forms of transport other than their own cars, such as cycling.

We reviewed our Road-Risk Management Policy in October 2019. This Policy provides guidance for our drivers in identifying and evaluating potential risks and implementing solutions to reduce any identified risk to its lowest practicably attainable level. We are committed to the highest standards of road safety and 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. The Seminar is a forum for the discussion of fleet management, road safety, and current and future legislation changes. We work with The Royal Society for the Prevention of Accidents ("ROSPA") to deliver training and qualifications to all of our drivers. In addition, we are working closely with Logistics UK, (formerly the Fleet Transport Association) to deliver our Driver Certificate of Professional Competence ("DCPC") training across the business.

During the financial year, we took delivery of an additional 366 new commercial vehicles and 32 new trailers as part of our fleet replacement programme. As a result, the average age of our entire leased fleet is now 2.12 years, and our own vehicle fleet has an exceptionally low average age of 1.09 years. New vehicles are fitted with the latest technology including forward-facing camera systems. These have already been shown to help reduce incidents and improve safety by promoting higher driving standards and identifying areas in which more work is required, for instance with refresher training and driving assessments.

New vehicles are also fitted with the latest automatic braking technology, Version 2 Emergency Brake Assist, which ensures that a safe distance is maintained with another vehicle. If necessary, the technology will automatically initiate braking should the set distance be breached. The system reduces rear-end incidents, enhances overall driving performance and improves fuel efficiency. The latest

Environment, Social and Governance continued

"Engagement with the Group's drivers is critical to our approach to road safety, and we seek employee comment and feedback."

Ronald Series
Executive Chairman

Generation 3 vehicles are fitted with Lane Assist to prevent lane deviation. The vehicles are also fitted with the latest Euro 6 fuel-efficient engines to further increase fuel efficiency.

Our telemetry system allows us to review driver behaviour and we use this data to carry out in-depth risk analysis, allowing us to reward good 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 across the business 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. The Fleet Management team issues weekly updates on driver performance in a Telematics Performance Summary Report.

Our focus remains driver safety and competence through both DCPC and Driver Assessors, who are qualified through ROSPA. Investment in management training covering areas such as transport regulations and fleet management ensures operator licence ("O licence") compliance and a pipeline of talent for these critical areas.

The Fleet Management team's Regional Transport Managers ("RTMs") are each allocated to a number of depots. They engage with depot management teams, giving professional guidance, advice and support in a number of key areas. These include driver and fleet compliance, vehicle maintenance and repairs, telematics, licensing, accident management and driver behaviour.

Each RTM attends an approved Logistics UK Driving Assessors Course, which is run through our training partner, TTC. As a result of lockdown these courses were delayed, but are now under way again. High-risk drivers and drivers of concern are identified through the many online management reporting suites available to Fleet Management. Our online management systems allow for Regional and Group-wide 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.

Engagement with the Group's drivers is critical to our approach to road safety, and we seek employee comment and feedback as part of all of our processes and on an ad-hoc basis when we connect with our drivers and other stakeholders.

Our first annual 'Driver of the year' Awards is also having an encouraging impact, as explained in the case study on the previous page.

Our contribution to society

The Group encourages local charitable and volunteering initiatives in the communities in which it operates.

Nationally, we encourage support for Save the Children's Christmas Jumper Day and the Macmillan Coffee Morning.

We are very pleased that many of our colleagues set up their own individual fundraising and volunteering efforts, including running marathons, taking part in 'Movember' and acting as charity trustees.

Many colleagues who were furloughed during the coronavirus pandemic devoted time to good causes, for example, by volunteering for the NHS and making headbands for the NHS through a Facebook group called 'Sewing for the NHS'.

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 36 to 42. With regards to environmental matters the Board believes that the creation and implementation of a long-term and sustainable Carbon Reduction Plan will benefit society and make a contribution to the global efforts to tackle climate change. It also offers the opportunity to bring direct benefits to the Group, in particular as we seek to utilise energy and resources more efficiency, and implement new initiatives that reduce our carbon footprint.

Chief Financial Officer, David Mulligan, has the responsibility of leading an environmental steering group of leaders from across the business to progress matters and report to the Board. This environmental steering group includes representatives from the DX Freight and DX Express Operating Boards, the Group's Health & Safety Manager, and the Fleet & Compliance Director. Once recruited, the new Environmental Manager (referred to on page 22) will also join the steering group. The Audit & Risk Committee also has oversight of ESG matters as part of its risk remit.

As previously announced, during the 2021 financial year and in the period up to the date of this report, the Group had to address a corporate governance matter that led to the delay in publishing this Annual Report & Accounts. Further details of this matter are disclosed in the Audit & Risk Committee Report on pages 43 to 45.

Key Performance Indicators

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

Statutory measures

Revenue

£382.1m

(2020: £329.3m)

2021	382.1
2020	329.3
2019	322.5

Reported PBT/(LBT)

£10.6m

(2020: £(1.3)m)

2021	10.6
2020	(1.3)
2019	(1.7)

Reported EPS/(LPS)

2.7p

(2020: (0.3)p)

2021	2.7
2020	(0.3)
2019	(0.4)

Net Cash Generated from Operating Activities

£28.1m

(2020: £33.5m)

2021	28.1
2020	33.5
2019	3.2

1 See notes 3 and 33 to the Financial Statements for details of alternative performance measures ("APMs") used, and details of where reconciliations of APMs to IFRS reported measures can be found.

2 The cash balance includes deferred payments of £6.0 million (2020: £10.4 million); thereby, underlying cash is £10.8 million (2020: £1.9 million).

Alternative performance measures

Group Adjusted Operating Profit[1]

£16.7m

(2020: £4.5m)

2021	16.7
2020	4.5
2019	0.2

Adjusted PBT/(LBT)[1]

£12.0m

(2020: £0.2m)

2021	12.0
2020	0.2
2019	(0.2)

Net Cash/(Net Debt)[1,2]

£16.8m

(2020: £12.3m)

2021	16.8
2020	12.3
2019	net debt 1.3

DX Freight Operating Profit

£22.9m

(2020: £0.6m)

2021	22.9
2020	0.6

DX Express Operating Profit

£12.4m

(2020: £22.9m)

2021	12.4
2020	22.9

Central Overheads

£20.2m

(2020: £19.3m)

2021	20.2
2020	19.3

Financial Review

Strong return to profitability supported by positive cash generation

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

These financial statements are for the period 28 June 2020 to 3 July 2021, i.e. a 53-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 3 July 2021 was £382.1 million (2020: £329.3 million) and the profit before taxation was £10.6 million (2020: loss of £1.3 million). The earnings per share was 2.7p (2020: loss of 0.3p).

Summary
Revenue of £382.1 million was 16% ahead of the prior financial year, and again reflects strong growth at DX Freight, where revenue increased by £54.0 million to £223.0 million, driven by expansion of its 1-Man service. This growth was slightly offset by a small reduction in revenue at DX Express of £1.2 million to £159.1 million, which resulted from the expected decline of revenue from DX Exchange subscriptions, the cessation of the HMPO contract and the impact of the coronavirus, offset in large part by securing new business for Parcels.

Earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA") for the year was £38.6 million (2020: £24.9 million).

Adjusted operating profit increased to £16.5 million (2020: £4.5 million). Adjusted profit before tax increased to £12.0 million (2020: £0.2 million).

Net cash at 3 July 2021 increased to £16.8 million (2020: £12.3 million), which included deferred VAT of £6.0 million repayable under the Government's new payment scheme by January 2022. Operating cash flow was £28.1 million (2020: £33.5 million) and the cash outflow from capital expenditure was £5.9 million (2020: £3.3 million).

	2021 £m	2020 £m
Revenue	**382.1**	329.3
Earnings before interest, tax, depreciation, amortisation and share-based payments ("EBITDA")[1]	**38.6**	24.9
Depreciation	**(21.5)**	(20.0)
Amortisation of software and development costs	**(0.4)**	(0.4)
Share-based payment charge – SAYE	**(0.2)**	–
Underlying operating profit[1]	**16.5**	4.5
Amortisation of acquired intangibles	**(0.2)**	(0.3)
Share-based payments charge – Award shares	**(1.2)**	(1.2)
Reported profit/(loss) from operating activities	**15.1**	3.0
Finance costs	**(4.5)**	(4.3)
Profit/(loss) before tax	**10.6**	(1.3)
Tax	**4.8**	(0.5)
Profit/(loss) for the year	**15.4**	(1.8)
Other comprehensive expense	**–**	–
Total comprehensive income/(expense) for the year	**15.4**	(1.8)
EPS – adjusted (pence)[1]	**2.0**	(0.1)
– basic (pence)	**2.7**	(0.3)
– diluted (pence)	**2.3**	(0.3)
Adjusted operating profit margin[2]	**4.4%**	1.4%

1 See notes 3 and 33 to the Financial Statements for details of alternative performance measures ("APMs") used, and details of where reconciliations of APMs to IFRS reported measures can be found.
2 Adjusted operating profit margin is calculated by dividing adjusted operating profit by revenue.

Revenue by Segment

A breakdown of Group revenue is shown to the right and further 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 £28.1 million, which included the repayment of £4.4 million of VAT and other payments. These payments had been deferred in the prior year.

Working capital decreased by £6.0 million in the year, partly because of the deferred payments referred to above. Other working capital movements included an expected £2.8 million decrease in DX Exchange deferred income, and a net decrease in trade debtors and creditors.

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 the Group's Irish operations.

Net Assets

Net assets increased by £16.8 million to £39.8 million (2020: £23.0 million), reflecting the profit for the year excluding the share-based payments charge.

Net Cash

Net cash at 3 July 2021 was better than expected at £16.8 million (2020: £12.3 million), reflecting the profit for the year, a net cash outflow on working capital, £5.9 million of capital expenditure, and the repayments of £4.4 million of deferred VAT payments referred to above.

The Group's only borrowing facility is a £20.0 million invoice discounting facility. This is a new facility put in place during the year with Barclays Bank plc and replaced an existing £20.0 million facility. Drawings on the invoice discounting facility at 3 July 2021 were £nil (2020: £nil).

Capital Expenditure

Capital expenditure for the year was £6.0 million (2020: £3.4 million). Capital expenditure consisted principally of investment in IT equipment and development, operational equipment, leasehold improvements at new depots and property improvements.

Revenue by Segment

	2021 £m	2020 £m	Change %
DX Express	159.1	160.3	-1%
DX Freight	223.0	169.0	+32%
Revenue	**382.1**	329.3	+16%

Cash Flow

	2021 £m	2020 £m
EBITDA	38.6	24.9
Loss on disposal	0.8	0.1
Movement in working capital excluding deferred payments	(1.7)	2.7
Movement in working capital relating to deferred payments	(4.4)	10.4
Interest paid	(4.6)	(4.2)
Tax (paid)	(0.6)	(0.4)
Net cash from operating activities	**28.1**	33.5

Net Assets

	3 July 2021 £m	27 June 2020 £m
Non-current assets	146.6	123.9
Current assets excluding cash	40.2	33.6
Cash	16.8	12.3
Invoice discounting facility	–	–
Current liabilities excluding debt	(76.7)	(73.5)
Non-current liabilities	(87.1)	(73.3)
Net assets	**39.8**	23.0

Net Cash

	3 July 2021 £m	27 June 2020 £m
Cash and cash equivalents	16.8	12.3
Loans and borrowings	–	–
Net cash[1]	**16.8**	12.3

1 See notes 3 and 33 to the Financial Statements for details of alternative performance measures ("APMs") used, and details of where reconciliations of APMs to IFRS reported measures can be found.

Capital Expenditure

	2021 £m	2020 £m
IT hardware and development costs	1.8	1.2
Property costs	3.2	1.3
Operations and service development	1.0	0.9
Total capex	**6.0**	3.4

Financial Review continued

"As a consequence of the improving results and a reforecasting of the three-year business plan, DX is now confident of future taxable profits."

David Mulligan
Chief Financial Officer

Deferred Taxation

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

Management considers that DX is eligible to recognise the deferred tax asset on losses carried forward. In the current year this has resulted in a deferred tax asset at 3 July 2021 of £7.5 million (2020: £2.3 million) with a credit to the income statement of £5.5 million being recognised.

Adjusted Profit and Earnings per Share

Adjusted earnings per share, which excludes amortisation of acquired intangibles, share-based payments charge and one-off impact of recognising deferred tax on historic losses, was 2.0p (2020: loss per share of 0.1p).

Dividends

In line with previous guidance, the Board will not be recommending the payment of a dividend for the year ended 3 July 2021.

David Mulligan
Chief Financial Officer

Adjusted Profit and Earnings per Share

	2021 £m	2020 £m
Profit from operating activities	**15.1**	3.0
Add back:		
– Amortisation of acquired intangibles	**0.2**	0.3
– Share-based payments charge	**1.2**	1.2
Adjusted profit from operating activities	**16.5**	4.5
– Finance costs	**(4.5)**	(4.3)
Adjusted profit before tax	**12.0**	0.2
Tax	**4.8**	(0.5)
Adjusted profit after tax	**16.8**	(0.3)
Adjusted earnings/(loss) per share (pence)	**2.0**	(0.1)
Basic earnings/(loss) per share (pence)	**2.7**	(0.3)

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 ensure that appropriate controls, policies and procedures are in place to minimise these risks to the Group.

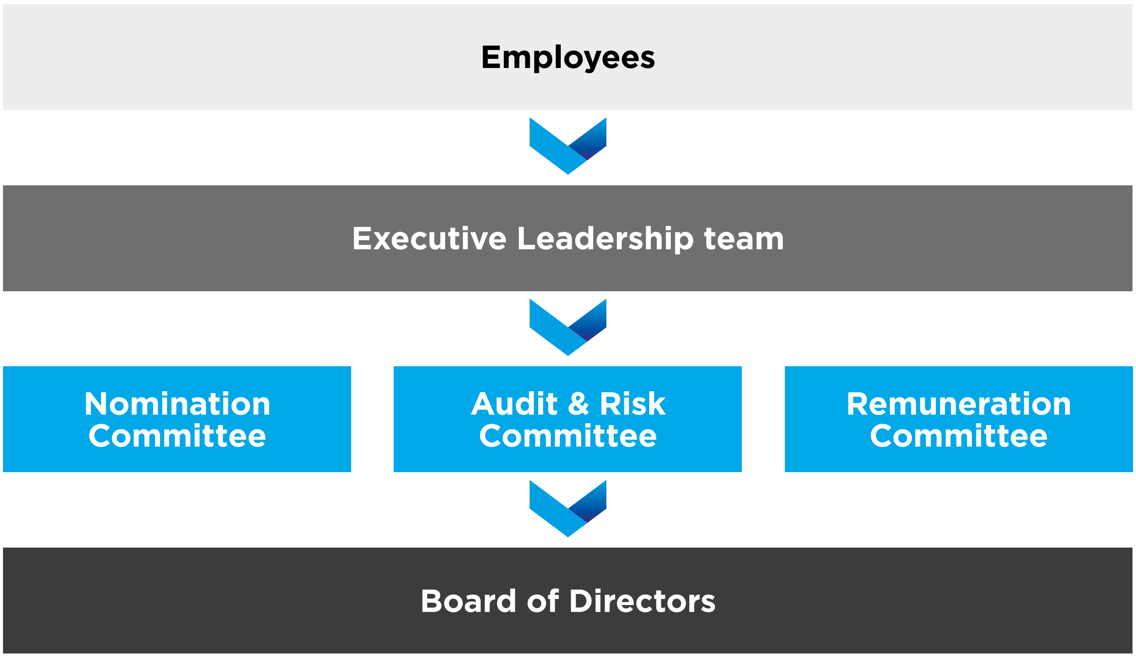
As with any business, DX is exposed to a number of risks and uncertainties at any given time. Managing these risks appropriately is key to delivery of DX's overall strategy. The Group maintains a risk management register which is reviewed and discussed every six months by the Operating Boards of the 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 Audit & Risk Committee has asked for and received presentations covering the most significant risk concerns for the Group in order to test that the identification, consideration, weighting (in terms of likelihood and impact) of each risk and (where possible) the mitigation of that risk is kept under review. The Audit & Risk Committee ensures that it has input from across the business in a 'bottom up' as well as a 'top down' approach.

The Committee believes that this approach ensures that the topic of risk is a live and developing issue and the detailed risk register it reviews then informs the Board's consideration of principal risks and uncertainties.

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 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 structural decline which, in particular, affects the DX 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.	
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 7.5 tonne 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. The impact of Brexit and the COVID-19 pandemic has raised specific concerns over a shortage of drivers across many industries.	DX has resources specifically focused on recruiting suitably qualified drivers. DX's recruitment and retention polices, and its ethical values seek to ensure that DX remains a great place to work.	

Risk change

Increasing Decreasing No change

Risk	Impact	Mitigation	Movement
Operational Risk			
Delivery of new business	Having successfully implemented the initial phase of the turnaround strategy, DX is aiming to secure significant new business to utilise capacity in its networks in order to grow revenue and margins to help return the Group to sustainable profitability. If core parts of this plan are not successfully delivered it would put a strain on DX's financing arrangements, which could result in liquidity risk and the need to raise additional funds.	DX has invested in an experienced management and operational team to deliver the strategy, has robust measures in place to track the day-to-day performance of the business, and reports regularly against key initiatives.	No change
A further coronavirus wave and/or another pandemic	DX adapted very quickly to the challenges of coronavirus and the Government's lockdown, but both the risk to employees and others from a pandemic and the constraints introduced by any form of lockdown or restriction on business activities needs to be planned for, monitored and reacted to as this risk impacts on other risk areas.	DX has learned from the experience of the coronavirus pandemic how to flex its operational capacity to meet increased demand in certain areas and reduced demand elsewhere as well as how to manage health and safety effectively (as noted elsewhere in this risk management summary).	Decreasing
Decarbonisation of fleet	The transition to the greater use of electric vehicles, 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.	New
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.	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 they are able to operate safely and in line with Government guidance and regulations in the light of the coronavirus pandemic.	No change

s172 Statement

The Directors are required by law (s172 of the Companies Act 2006) to act in a way which promotes the success of the Company for the benefit of its shareholders as a whole. In doing so the Board must also have regard to other factors (the "s172 Matters").

This is the Company's second 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 advisors, 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. During the 2021 financial year and in the period up to the date of this report, the Group had to address a corporate governance matter. Further details of this matter are disclosed in the Audit & Risk Committee Report on pages 43 to 45.

An illustration of the Company's approach to the s172 Matters, which identifies our stakeholders, outlining the Company's customer centric approach to health and safety, is set out opposite.

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 and discussed in our Governance Report on pages 40 to 42. During the year, the Directors had to address a corporate governance matter, in which certain behaviour fell short of the standards normally expected. The matter has been thoroughly investigated, and further details are disclosed in the Audit & Risk Committee Report on pages 43 to 45.

It is noted that the Directors took the decision to repay monies claimed under the Coronavirus Job Retention Scheme given the out-performance of the Company in the financial year.

The Likely Consequences of Any Decision in the Long Term

The Directors understand the business and the evolving environment in which we operate, including the continuing challenge presented by coronavirus and the risk of further waves and of future pandemics, as well as the impact which lockdowns have had on economic activity. Based on the Company's Mission (inside front cover) and with our initial turnaround complete, 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.

The Interests of the Company's Employees

Our employees are interested in subjects such as opportunities for development and progression, working arrangements (especially as a result of the coronavirus pandemic), opportunities to share ideas, diversity and inclusion, and compensation and benefits, and we have developed various communication channels to help meet their needs. 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 24. We always seek to promote from within and training and development is an important part of DX's DNA.

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

We and our business partners are interested in long-term partnerships and a collaborative approach. In particular, local customer service is central to our approach, allowing a point of contact who understands our customers' requirements and can develop a relationship over time. Our engagement with our suppliers, customers and other stakeholders is critical and is discussed in more detail under Customer Proposition on pages 8 to 9, in the Case Studies on pages 19 and 21 and in the Governance Report on pages 40 to 42. In the 2022 financial year we further developed our engagement with our supply chain to further improve relationships and protect against supply chain compliance risk in areas such as modern slavery, bribery & corruption, and other fraud. This included further training on our approach to compliance for our supply chain. We encourage regular and open dialogue with all stakeholders.

"Our reputation remains vital to our continued success."

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 is discussed in more detail in our Governance Report on pages 36 to 42 and the case study on decarbonisation of our fleet on page 23.

We recognise that ESG matters are becoming increasingly central to investment decisions and we are evolving our approach to environmental reporting and disclosure.

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 40 to 42 and our approach is illustrated by our Remuneration Policy which was tabled at last year's Annual General Meeting. 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 basic salary and pension that is fair, reasonable and affordable for the Company. They are incentivised to deliver growth of the business by way of a discretionary annual bonus scheme, which rewards the Executive Directors based on achieving year-on-year targets and longer-term incentives through the Performance Share Plan, introduced in December 2017 in order to create and protect long-term shareholder value. During the year the Board also engaged positively with major shareholders regarding the changes to the Performance Share Plan.

A customer centric approach to health and safety

This approach is an example of how we meet our s172 duties. We recognise that our seven stakeholders have different needs so the approach tries to balance those needs by treating each stakeholder as a customer.

We design systems and processes to genuinely support stakeholder needs in a balanced way.

Read more about how this works in practice on **page 24**

Chairman's Introduction to Corporate Governance

"We recognise the growing importance of disclosures with regard to ESG matters and, in particular, the decarbonisation of the DX fleet. We are making this a priority of DX."

Dear Shareholder,

I am pleased to introduce the Group's corporate governance report for 2021.

Amongst my responsibilities as Chairman, are ensuring that the Group maintains appropriate standards of corporate governance, and reviewing the corporate governance structures, including the various Board Committees, to ensure they remain appropriate to the size and complexity of the Group as the business grows and evolves.

As Chairman, 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 is to be updated with the addition of one further independent director in the near term) 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 at this time of continued uncertainty as a result of the impact of both Brexit and the coronavirus pandemic, and our Board has a depth of experience of business disruption to help shape DX's response to these challenges.

In order to meet the requirement to follow a recognised corporate governance code, the Board has adopted the Quoted Companies Alliance corporate governance code (the "QCA Code"). As a Board we believe that by complying with the QCA Code the Group maintains an appropriate level of governance for its continued development, as well as providing a suitable framework in the medium to long term. The QCA Code supports the Group's approach to managing risks and transparent communications with stakeholders. Where appropriate, this corporate governance statement and report have been prepared to comment on the application of the QCA Code's ten principles and to address the disclosure requirements recommended by it.

The ten principles are:

Principle 1	Establish a strategy and business model which promote long-term value for shareholders
Principle 2	Seek to understand and meet shareholder needs and expectations
Principle 3	Take into account wider stakeholder and social responsibilities and their implications for long-term success
Principle 4	Embed effective risk management, considering both opportunities and threats, throughout the organisation
Principle 5	Maintain the Board as a well-functioning balanced team, led by the Chair
Principle 6	Ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities
Principle 7	Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
Principle 8	Promote a corporate culture that is based on ethical values and behaviours
Principle 9	Maintain governance structures and processes that are fit for purpose and support good decision making by the Board
Principle 10	Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

DX is committed to full compliance with the QCA Code principles. As previously announced, the Group had to address a corporate governance matter that led to the delay in publishing this Annual Report & Accounts. It also led to the Company appointing PKF Littlejohn LLP as its new auditors following the resignation of Grant Thornton UK LLP on 2 February 2022. Further details of this matter are disclosed in the Audit & Risk Committee Report on pages 43 to 45.

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

In keeping the corporate governance structures under review, during the year we have continued to recognise the importance of the Audit & Risk, Remuneration and Nomination Committees, and reviewed the terms of reference for all of those Committees (Principle 9). Each of the Committees' terms of reference are published on our website. We have also reviewed the list of matters specifically reserved for decision by the full Board (Principle 9). Overall, this structure ensures proper independent scrutiny, challenge and support to the continued delivery of the growth strategy.

During the year, the Group's corporate governance arrangements were unchanged, with the structure and members of the Board and Committees remaining the same. Subsequent to the year end, there have been a number of changes to the composition of the Board and its committees, and these are outlined in the Governance Report on page 40.

Following a formal assessment of the Board's effectiveness undertaken in the spring (Principle 7), the review's recommendations were:
- As DX progresses from its turnaround phase into a growth-oriented business, increased focus needs to be directed to future strategy.
- With the growth of the business, and the increased regulatory and other requirements being imposed on companies, it is accepted there is going to be increased pressure on the various Committees.
- To keep all Board members updated with future regulatory/statutory developments impacting Directors.

In following up the recommendations the Chairman, therefore, reviewed with each Committee's Chairman any need to extend the membership of Board Committees and/or invite other Non-executive Directors to Committee meetings as appropriate. These recommendations are being implemented and we shall update on progress in next year's Annual Report and Accounts.

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; to develop a carbon reduction plan, to improve the information disclosed and to adopt the approach recommended by the Task Force on Climate-related Financial Disclosures ("TCFD").

Subsequent to the year-end, the Board has engaged with one of the 'Big Four' professional services firms to assist the Company's review and improvement of the Company's compliance policies and procedures and to develop training material. This is to ensure that the Company's compliance framework reflects current best practice and that it is well understood by management and employees.

Ronald Series
Executive Chairman

Board of Directors

Our Board is critical to the ongoing success of the business and it's made up of two Executive Directors and four Non-executive Directors. The composition of the Board is structured to ensure that no one individual can dominate decision making.

Name and Title	**Ronald Series** Executive Chairman	**David Mulligan** Chief Financial Officer	**Russell Black** Non-executive Director
Date of Appointment	19 October 2017	9 April 2018	19 October 2017
Experience and Skills	Ron joined DX as Executive Chairman. By December 2020, the Company had been stabilised and set for growth under a normal Board and management structure, at which point he stepped back to a non-executive role. On 6 September 2022, following the resignation of the Company's Chief Executive Officer, he returned to his previous role of Executive Chairman. He has previously held executive and non-executive positions with a number of listed and private companies with international operations in transport, logistics, shipping, real estate and information technology. Included among them was Tuffnells Parcels Express Limited where he was chairman during its turnaround in the period 2002 to 2005. Ron recently served as chairman of Braemar Shipping Services plc from 2019 until April 2021. Ron is a Chartered Accountant (FCA), and holds an MBA from the University of Cape Town. Ron chairs the Nomination Committee.	David has over 20 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. The 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.	Russell has over 40 years of experience in the transport industry both internationally and in the UK. Russell was founder and CEO of Nightfreight plc from 1984 to 1998, then becoming Deputy Chairman until 2002, during which time it was listed on the London Stock Exchange. After retiring from Nightfreight Plc in 2002, Russell completed a PhD in International Business, while serving as Non-executive Chairman of Birket Engineering Inc, the US-based engineering and construction group, and a Non-executive Director of Instepay, the Florida-based financial services provider.
Other Appointments	None	None	None
Committees	N	–	N R

Liad Meidar Non-executive Director	**Jon Kempster** Non-executive Director	**Mike Russell** Non-executive Director
13 December 2021	12 July 2022	12 July 2022
Liad is Co-founder and Managing Partner of Gatemore Capital Management LLP. Prior to forming Gatemore in 2005, Liad had a background in both finance and operations, including running a Seattle-based technology incubator. Liad began his career in New York in leveraged finance at BT Alex Brown. He has experience as a board member of companies undergoing turnarounds, including Jazz Technologies, a publicly traded semiconductor wafer foundry based in Newport, California, and MAG Industrial Automation Systems, a privately held global machine tool builder with dual headquarters in Michigan and Germany.	Jon is 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. 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 10 years. During this time, he was Chair of the Audit and Risk Committee and the Remuneration Committee and a member of the Nomination Committee.
Liad is a board member of three Gatemore portfolio companies: GSE Worldwide, Inc., Factorial, Inc., and SurvivorNet, Inc. Liad also serves on the Dean's Advisory Council at Princeton University and on the Board of Trustees of the American School in London.	Jon is currently Non-executive Director of Ted Baker plc, the fashion retailer, Bonhill Group plc, the B2B media business, Fireangel Safety Technology plc, the home safety products group, and Serinus Energy plc, the international oil and gas company. He is also a Trustee of the Delta plc pension plan.	None
–	R A	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. With the resignation of the Chief Executive Officer on 6 September 2022, the Chairman will assume responsibilities for both roles until a permanent replacement is appointed.

The Chairman provides leadership to the Board. He is responsible for chairing the Board meetings and for setting the agenda for the Board meetings (in consultation with the Chief Executive Officer and other Directors) and ensuring that the Board has sufficient time to discuss issues on the agenda, especially those relating to strategy. The Chairman is also responsible for ensuring that the Directors receive all of the necessary information and reports, 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, the composition of the Board was unchanged. After the end of the financial year, Liad Meidar joined the Board on 13 December 2021, Paul Goodson and Ian Gray resigned from the Board on 1 February 2022 and Mike Russell and Jon Kempster joined the Board on 12 July 2022. Lloyd Dunn resigned from the Board on 6 September 2022. As at the date of this Annual Report, the Board comprised the Executive Chairman (Ronald Series), an Executive Director (David Mulligan) and four Non-executive Directors (Russell Black, Liad Meidar, Mike Russell and Jon Kempster).

Details of each Director's background and experience can be found on pages 38 to 39. 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. 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 the Directors are kept up to date with the latest regulation and compliance requirements.

Whilst the Company's turnaround strategy has been successfully implemented, 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 31 to 33).

The Board has reviewed the effectiveness of the system of internal control for the year ended 3 July 2021 and up to the date of the signing of the Annual Report and Accounts. In addressing the corporate governance matter, a series of actions are being taken by the Board to ensure high standards of corporate governance, which include the following:

- the appointment of three non-executive directors to the Audit and Risk Committee (two currently) with an amendment to its Terms of Reference to reflect the numerical composition;
- the appointment of a "Big Four" professional services firm (the "Firm") to review the Group's compliance policies and procedures, with the Company being committed to implementing any subsequent recommendations to the fullest extent reasonably possible;
- a detailed risk assessment, by the Firm, of DX's exposure to bribery, consistent with the UK Government guidance on compliance with the Bribery Act 2010. The Company will review this risk assessment annually and update the Group's policies and procedures accordingly. Internal policies on related matters will be updated to make sure that DX adopts 'best practice', which is to include updating the induction of new employees to emphasise compliance training;

> mandatory training relating to the Group's compliance policies and procedures for all employees in the Group. This will cover, but will not be limited to, fraud, anti-bribery and corruption, whistleblowing and general ethical business practices. In particular, the Board will seek:
  - clear and regular communication of its commitment to anti-bribery and ethical business practices generally to the Company's employees to ensure that employees have a good understanding of what is suitable behaviour; and
  - ensure that the Company's whistleblowing policy is known to employees so any suspected incidents can be reported promptly and dealt with quickly and appropriately.

The Board has engaged with a 'Big Four' professional services firm to assist with these actions and to ensure that the Company's compliance framework reflects current best practice and that it is well understood by management and employees. The Board will also continue to develop and implement internal control procedures appropriate to DX's activities and scale.

The Board recognises that an essential part of its responsibility is the effective safeguarding of assets, the proper recognition of liabilities and the accurate reporting of results. The Group has a comprehensive system for regular reporting to the Board. This includes monthly management accounts, 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.

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

Independence
The actions and decisions of all the Non-executive Directors who served during the year and up to the date of this report are considered by the Board to be independent in both character and judgement. Mike Russell and Jon Kempster are considered the two 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. During the last year the Operating Board was split 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. Each Operating Board meets bi-monthly and both divisions and key functions provide the Board with detailed monthly reports.

Operation of the Board
The Board meets regularly and there were 10 scheduled Board meetings during the financial year. Any specific actions arising during meetings, and 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	10	9	8	3
Attendance:				
Ronald Series	10	–	–	3
Lloyd Dunn	10	–	–	–
David Mulligan	10	–	–	–
Ian Gray	10	9	–	–
Paul Goodson	8	9	8	–
Russell Black	10	–	8	3

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.

Governance Report continued

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

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, when coronavirus restrictions allowed, held at different Group locations in order to review local operations. During the coronavirus pandemic, several meetings were held remotely via video conference in accordance with the Company's Articles.

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).

Audit & Risk Committee
The members of the Audit & Risk Committee are Jon Kempster (Chairman) and Mike Russell. 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 43 to 44.

Remuneration Committee
The members of the Remuneration Committee are Mike Russell (Chairman), Jon Kempster and Russell Black. 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 46 to 50.

Nomination Committee
The members of the Nomination Committee are Ronald Series (Chairman) and Russell Black. The Nomination Committee recommends the appointment of Directors and is responsible for succession planning.

Investor Relations
DX places a great deal of importance on communication with all shareholders. There is regular dialogue with individual institutional shareholders throughout the year and formal presentations after the interim and preliminary results. In particular, during the year to 3 July 2021, 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 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, which 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 from finnCap (DX's Nominated Adviser and Joint Broker) and from Liberum (DX's Joint Broker) during the course of the year.

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. 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 12 to 13. An overview of the business model for DX Freight and DX Express is on pages 10 to 11.

Audit & Risk Committee Report

"Our appointment of a Director of Security, Risk & Audit is an example of our commitment to, and focus on, these critical issues."

Dear Shareholder,

This report gives an overview of how the Committee functioned, an insight into the Committee's activities 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

During the 2021 financial year and the subsequent period up to the date of this report the Group had to address a corporate governance matter as outlined below.

Inquiry and Investigation

The Investigation was into an allegation of bribery and related issues arising out of the incident. The allegation involved certain employees of a Group subsidiary who sought to obtain confidential information from another company. The Inquiry related to the conduct and process of the Investigation.

The Investigation identified evidence that confidential competitor information was obtained over a period of time and an isolated offer of payment (of de minimis financial amount) for such information by an employee. As such, the Investigation concluded that there may have been a breach of the Bribery Act 2010 by the employees concerned and that remedial work was required by the Group to ensure improved compliance procedures and to mitigate the risk of potential future incidents.

Corporate Governance

In the course of examining and reviewing the Investigation, certain actions were highlighted as falling short of good corporate governance. Insufficient importance was attached to ensuring that the Investigation was conducted according to best practice and to its fullest extent, in particular with the Investigation being curtailed and information flows restricted. Insufficient disciplinary action was taken at the time in respect of the employees involved in the allegation of bribery. These issues and management failures were identified as barriers to achieving an appropriate outcome for the Group and in a timely manner.

With regards to the Independent Auditor's Report and key audit matters, the Board noted that this incident was a breach of laws and regulations and a management override of controls in failing to prevent it from occurring in the first place.

Conclusions

The Board recognises that running both an Investigation and an Inquiry in the way it did resulted in a process far more complex and protracted than had been originally expected. The resultant time taken to deal with the matter has seen the Group unable to file its Annual Report and Accounts for the year ended 3 July 2021 with the Registrar of Companies within the required deadline, the Company's shares suspended from trading on AIM, and the resignation of its previous auditor and of two non-executive directors. As the Investigation and Inquiry have now concluded, the necessary actions have been, or will be taken, to resolve the matters identified.

The Board is clear in its objective of ensuring the highest standards of corporate and individual conduct. Further disciplinary action is being taken with certain staff involved in the relevant events, and the Board is taking additional corrective actions to improve management protocols, internal processes and training in specific areas so as to ensure best practice in corporate governance. The Board's objective is to ensure that all appropriate improvements to its processes are made, not least so that any future internal investigations are completed in full and to appropriate timescales.

In light of its review of the Investigation and Inquiry and having taken advice from its advisors, the Board has commenced or is commencing the following key initiatives:

- the appointment of three independent, non-executive directors to ARCo (two of which have already been appointed) with an amendment to ARCo's Terms of Reference to reflect the numerical composition;
- clear communication of the fact that any matters relating to compliance, whistleblowing or fraud should be brought to the attention of the ARCo at the earliest opportunity, the members of which will independently assess the necessary steps to be taken and retain conduct of any investigation;
- matters reserved for the Board and the Terms of Reference of the ARCo will be updated to provide that any matters relating to breaches or suspected breaches of DX policy by any member of senior management will be addressed in the first instance by the ARCo;

Audit & Risk Committee Report continued

- the clear assignment to the Chief Executive Officer and the Chief Financial Officer of responsibility for ensuring that matters that pose or may pose a risk to the Company's performance or reputation, or put any Group entities at risk of criminal liability, are escalated to the Board at the earliest opportunity;
- amendment of the Company's Fraud Policy Statement and Fraud Response Plan to ensure that all Group employees understand duty to raise any matters of concern with the appropriate line manager and that line managers are aware of their obligation to notify the ARCo of any incidents of fraud or bribery;
- the appointment of a "Big Four" professional services firm (the "Firm") to review the Group's compliance policies and procedures, with the Company being committed to implementing any subsequent recommendations to the fullest extent reasonably possible;
- a detailed risk assessment by the Firm of DX's exposure to bribery, consistent with UK Government guidance on compliance with the Bribery Act 2010. The Company will review this risk assessment annually and update the Group's policies and procedures accordingly. Internal policies, including employee induction policies, will be updated accordingly, in order to ensure that DX adopts best practice;
- mandatory training in the Group's compliance policies and procedures for all Group employees, including by way of induction for new employees. This will cover, but will not be limited to, fraud, anti-bribery and corruption, whistleblowing and general ethical business practices. In particular, the Board will seek to ensure that:
  - there is clear and regular communication of its commitment to anti-bribery and ethical business practices so that all Group employees have a good understanding of what is suitable behaviour, particularly in relation to competitor information;
  - the Company's whistleblowing policy is known to all employees so that any suspected incidents can be reported promptly and dealt with quickly and appropriately; and
  - all employees are aware of the Company's Inside Information Policy, understand what constitutes inside information, and follow notification policies accordingly.

Reflecting the Board's commitment to seek the lifting of the suspension of trading in the Company's shares on AIM as quickly as possible, the Board will also take such further steps as may be required to improve its internal processes and to meet its corporate governance objectives. In the meantime, trading in the Company's shares will remain suspended, with further updates to be made in due course.

The Board now considers both the Investigation and the Inquiry as concluded. An update on the initial key initiatives and any other steps taken to improve the Group's internal processes will be provided in the Annual Report and Accounts for the year ended 2 July 2022, when it is published later this year.

Committee Structure

The membership of the Committee is two independent Non-executive Directors. During the financial year, the membership remained unchanged with Ian Gray as the Chairman and Paul Goodson as the other member. Ian Gray and Paul Goodson resigned on 1 February 2022. Between 1 February and 12 July 2022, the Committee was chaired by Ronald Series with Liad Meidar and Russell Black as its other members. From 12 July 2022 and as at the date of this report the Committee comprises Jon Kempster as the Chairman and Mike Russell as its other member. The Committee has been selected 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 five scheduled meetings during the year and four additional meetings. The attendance by members is on page 41. 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 Chief Financial Officer, the Director of Security, Risk & Audit and the external auditor are invited to attend some meetings of the Committee. With a focus on risk in the last year it was beneficial for the Chairman and CEO to attend certain Committee meetings. The Committee also meets separately with the Chief Financial Officer, Company Secretary and the Director of Security, Risk & Audit four times a year.

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.

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

- Appointment of the Director of Security, Risk & Audit.
- Appointment of external auditor.
- Committee governance.
- Review of 2020 Annual Report.
- Impact of the coronavirus pandemic and going concern.
- Financial reporting (including IFRS 16 'Leases' and Making Tax Digital).
- Review of the deferred tax asset.
- External audit plan and strategy for 2021 Annual Report.
- Internal Audit Charter.
- Whistleblowing policy.
- Modern Slavery policy and statement.
- Review of the Group risk register.
- Cyber security.
- Anti-bribery and fraud.
- Health and safety.
- Fleet risk – maintaining a modern fleet of vehicles and the O Licences to operate.
- Implication of Brexit for the Group.

Areas of focus

During the year ended 2 July 2022, the Committee focused on the following areas:

- Addressing the corporate governance matter;
- Risk management and assurance;
- The adoption of IFRS 16 'Leases';
- Cyber security;
- Appointment of new external auditors; and
- Assessing the continued independence of the external auditors.

Security, Risk & Audit

Following a review, we decided that the Security, Risk and Audit functions should be united. This has led to the appointment of a Director of Security, Risk & Audit.

The Group's internal audit function is overseen by the Director of Security, Risk & Audit and reports independently three times a year to the Committee. During the year, the Committee approved an updated Internal Audit Charter, providing the Internal Audit team with the authorisation to review the Group's internal control systems, policies, procedures and risk management.

Whistleblowing

The Company's Whistleblowing Policy, approved in 2018, and updated during the year because of a change in the helpline provider, encourages and protects legitimate whistleblowing. An independent, third-party, whistleblowing helpline number, secure web portal and mobile app, allows employees to report concerns about individuals who have acted improperly. 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

KPMG LLP undertook tax accounting services for the Company as well as being its auditor. As the Group was expecting to be classified as an Other Entity of Public Interest ("OEPI"), under revised ethical standards for auditors issued in 2019, KPMG were potentially unable to supply both audit and tax accounting services for the Group after 15 December 2020. The Committee, therefore, recommended that KPMG LLP be retained as tax advisors.

External Auditor

To ensure the auditor's independence and objectivity, the Committee annually reviews DX's relationship with the auditor. Cognisant of the fact that KPMG LLP would be no longer be able to supply both audit and tax accounting services for the Group, the Committee invited three firms to tender for the audit. Following a thorough process, the Committee recommended the appointment of Grant Thornton UK LLP ("Grant Thornton") as the Group's auditor.

Grant Thornton was appointed as the Group's auditor on 14 October 2020. On 25 November 2021, the Company announced it was not in a position to publish its Annual Report and Accounts for the year ended 3 July 2021 due to this Committee raising a corporate governance inquiry relating to an internal investigation commenced during the financial year. Due to the delay in the publication of the Annual Report and Accounts, trading in the Company's shares was suspended on 2 January 2022. On 4 February 2022, the Company announced that Grant Thornton had resigned as the Company's auditors and the reasons for their resignation were set out in the announcement on that date and are outlined below.

Grant Thornton's stated reasons related to its view of the Company's governance and to executive conduct, specifically arising in connection with Grant Thornton's concerns over: (i) actual or potential breaches of law and/or regulations by the Company and/or by an entity in the DX (Group) Plc group and/or by employees; (ii) the performance of the investigation and subsequent corporate governance inquiry referred to by the Company in its announcement on 25 November 2021, and action in response to the evidence generated by that investigation and inquiry; (iii) the provision of inaccurate information, which in Grant Thornton's view did not give a full picture of the scale and seriousness of the facts referred to in (i) and (ii) above; and concerns over insufficient access to relevant information and documents, in relation to the matters being investigated by the Company.

As noted at the time, the Board of DX did not consider that the reasons provided by Grant Thornton accurately reflected the situation. As required by the Companies Act, DX sent a copy of the reasons to shareholders on 17 February 2022.

On 14 June 2022, PKF Littlejohn LLP was appointed as the Company'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 their review, the auditor presents its findings to the Audit & Risk Committee for discussion.

Committee effectiveness

The effectiveness of the Committee was considered as part of the Board and Committee Evaluation. 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)

"The Committee's particular focus over the past year has been remuneration strategy and policy, and the PSP."

Dear Shareholder,

Chairman's Annual Statement
DX's approach to remuneration aligns the interests of the Executive Directors with 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 basic salary and pension that is fair, reasonable and affordable for the Company. They are incentivised to deliver growth of the business by way of a discretionary annual bonus scheme, which rewards the Executive Directors based on achieving an annual financial target, and longer-term incentives through the Performance Share Plan, introduced in December 2017 in order to create and protect long-term shareholder value.

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 Remuneration Committee Guide and is not intended to comply with the requirements of Schedule 8 of the Statutory Instrument 2008/410.

The Remuneration Committee was chaired by Paul Goodson, with Ian Gray as the other member, during the financial year and for the period, up until their resignation on 1 February 2022. For the period from 1 February to 12 July 2022, the Committee was chaired by Russell Black with Liad Meidar and Ronald Series as its other members. Since 12 July 2022, the Remuneration Committee is now chaired by Mike Russell, with Russell Black and Jon Kempster being its other members. Any other attendees are at the invitation of the Committee Chairman only and may include other Non-executive Directors, the CEO and the CFO. The Remuneration Committee meets according to DX's requirements. There were eight meetings held in the financial year. The Remuneration Committee determines the remuneration packages for the Chairman, the Executive Directors and senior managers, and 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 were reviewed during the year. Full terms of reference for the Committee are published and are available on dxdelivery.com.

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:
- Review of remuneration strategy and policy;
- Awards to senior managers under the Performance Share Plan 2017;
- Changes to the Performance Share Plan 2017 with regard to the Company paying for the Employers' National Insurance Contributions up to an exercise price of 40p; and
- Salary and annual bonus for Executive Directors and other senior managers.

There were no changes to the Chief Executive Officer's or Chief Financial Officer's remuneration during the period.

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 CEO and six months for the CFO. Any payments in respect of termination reflect base salary only and do not include annual bonus. The Company's policy on the setting of notice periods under the Executive Directors' service agreements is considered to be in line with external market trends and is reviewed by role to protect the Company's knowledge and operations. Only the Remuneration Committee can authorise executive termination payments.

The base salaries for the Executive Directors were reviewed during the year and given the overall growth and performance of the business and the fact that neither Director had received any increase to their base salary since their appointment in 2017/18 it was decided that from 1 September 2021, the CEO's base salary will move from £300,000 to £327,000 and the CFO's from £200,000 to £215,000.

The base annual salaries for the Executive Directors for the 52 weeks to 2 July 2022 were as follows:

	2022 £000	2021 £000	Change %
Lloyd Dunn (Chief Executive Officer)[1]	323	300	7.5
David Mulligan (Chief Financial Officer)	213	200	6.5

1 Lloyd Dunn resigned from the Board on 6 September 2022.

Each of the Executive Directors is 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 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 KPI targets, as the Board may determine. A scheme was in place in respect of this financial year with targets being met in full, leading to a bonus payment to the CEO of £136,000 and to the CFO of £94,000.

Non-executive Directors

Non-executive Directors have letters of appointment, each with a term of three years (subject to re-election at the AGM) and a fixed maximum termination period of three months. Ian Gray, Russell Black and Paul Goodson were willing to continue to serve as Non-executive Directors so their appointments were extended for a further three years. Ian Gray and Paul Goodson subsequently resigned on 1 February 2022. During the year the fees paid to Non-executive Directors were reviewed by the Executive Directors. Given the increasing scale of the Group and the increasing commitments in understanding and overseeing implementation of new regulatory requirements it was decided to raise fees from 1 September 2021. As a result, the annual fees increased as follows; Ian Gray received £50,000, £44,000 as a base fee and an additional £6,000 as Chairman of the Audit & Risk Committee; Paul Goodson received £48,000, £44,000 as a base fee and an additional £4,000 for chairing the Remuneration Committee; and Russell Black received a base fee of £44,000.

The Chairman's base annual salary was changed during the year from £192,000 to £110,000 to reflect his reduced time commitment to the Company as the Chairman's role moved from being an executive to a non-executive position following the conclusion of the AGM in November 2020.

The base annual fees for the Non-executive Directors for the 52 weeks to 2 July 2022 were as follows:

	2022 £000	2021 £000	Change %
Ronald Series (Chairman)	110	144	(24)
Ian Gray	49	42	16
Paul Goodson	47	42	12
Russell Black	44	42	4

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' Shareholdings

The Directors who held office at 3 July 2021, including Persons Closely Associated ("PCA") had the following interests, in the shares of the Company (excluding any entitlements that may become due under the Performance Share Plan 2017 or Restricted Share Awards outlined below):

	Ordinary Shares 3 July 2021	%
Lloyd Dunn	62,261,793	10.85
Paul Goodson	3,478,320	0.61
Russell Black	2,594,882	0.45
David Mulligan	2,468,941	0.43
Ronald Series	2,345,794	0.41
Ian Gray	1,000,000	0.17

During the year, Lloyd Dunn purchased 312,500 Ordinary Shares (on 2 July 2021), Paul Goodson purchased 576,810 Ordinary Shares (400,000 on 26 October 2020 and 176,810 on 3 March 2021), Russell Black purchased 113,000 Ordinary Shares (60,500 on 25 September 2020 and 52,500 on 13 November 2020), David Mulligan purchased 116,000 Ordinary Shares (on 18 September 2020), Ronald Series purchased 210,500 Ordinary Shares (on 17 September 2020), and Ian Gray (including his PCAs) purchased 200,000 Ordinary Shares (on 28 September 2020).

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

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 3 July 2021 and the prior year.

	Year ended 3 July 2021						Year ended 27 June 2020
	Basic salary and fees £000	Allowances £000	Benefits £000	Pension contributions £000	Bonus £000	Total £000	Total £000
Lloyd Dunn[1]	300	20	1	–	136	457	316
David Mulligan	200	30	1	–	94	325	228
Ronald Series	144	4	2	8	–	158	230
Russell Black	42	–	2	–	–	44	45
Paul Goodson[2]	42	–	1	–	–	43	43
Ian Gray[2]	42	–	–	–	–	42	41
Total	770	54	7	8	230	1,069	903

1 Lloyd Dunn resigned from the Board on 6 September 2022.
2 Paul Goodson and Ian Gray resigned from the Board on 1 February 2022.

Allowances comprise a car allowance for Lloyd Dunn and David Mulligan and for part of the year for Ronald Series. David Mulligan also receives £20,000 in lieu of a pension contribution and this is shown within allowances.

Bonus targets were met in full leading to a bonus payment to Lloyd Dunn of £136,000 and to David Mulligan of £94,000. In view of the impact of the coronavirus pandemic on our employees and other stakeholders in the previous year, the CEO and CFO waived their bonus entitlement for the year ended 27 June 2020.

In the previous year the Directors voluntarily waived 20% of their salaries and fees for the month of May 2020 to assist the business through the coronavirus pandemic.

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.

	2021 £m	2020 £m	Change £m
Staff costs	£112.8	£102.5	£10.3
Dividends	£nil	£nil	–
Profit/(loss) before tax	£10.6	£(1.3)	£11.9

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 Chairman and the Executive Directors.

The award is 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.

During the year, following consultation with the Company's major shareholders, the PSP was amended with the aim of retaining the 38 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 Employers' National Insurance Contributions ("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.

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).

The awards are subject to a Share Price performance measure as follows:

3-4-5 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%

The Share Price target was tested for the first time on 21 December 2020, which was the third anniversary of the commencement of the PSP in December 2017. The 30-day average share price prior to the test date was 24.6p, and consequently, the level of vesting achieved was 58.1%. The awards that have been achieved are subject to a holding period of 12 months, so the official vesting date of the options will be on 21 December 2021 and these options are exercisable from that date.

The Share Price target will be further tested on the fourth and fifth anniversaries of the commencement of the PSP in December 2017, and on each occasion the Share Price measurement is to be 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 award in accordance with the above table.

In addition to the Share Price targets stated above, the awards may be subject to such other terms as the Remuneration Committee may specify, including performance conditions and/or holding periods before allowing any vesting of awards on any occasion. Awards for which the Share Price target is attained at any test date will vest 12 months later (being the fourth, fifth and sixth anniversaries of the award date) provided that the participant is still a Director or employee of the Group at that time.

An award in the form of an option will normally remain exercisable until the 10th 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").

Restricted Share Awards

Restricted Share Awards made to Russell Black and Paul Goodson on 21 December 2017 vested on 21 December 2020 and are exercisable from that date. To date, neither Russell Black nor Paul Goodson has exercised a Restricted Share Award. The awards made count towards the overall 15% of issued share capital from time to time available for such awards under the PSP.

PSP and Restricted Awards Outstanding

At 3 July 2021, outstanding awards to Directors under the PSP and Restricted Awards were as follows:

PSP Awards	Outstanding at 27 June 2020	Number of awards vested	**Outstanding at 3 July 2021**
Ronald Series	23,370,626	–	**23,370,626**
Lloyd Dunn	43,402,592	–	**43,402,592**
David Mulligan	5,721,784	–	**5,721,784**

Restricted Awards	Outstanding at 27 June 2020	Number of awards vested	**Outstanding at 3 July 2021**
Russell Black	834,665	834,665	**–**
Paul Goodson	834,665	834,665	**–**

Directors' Remuneration Report continued
(including the Remuneration Committee 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 and the number of shares subject to option was 9,063,910. The impact on the income statement will be a non-cash share-based payment charge of approximately £475,000 per annum. In total, over 500 employees have elected to participate in the scheme.

At 3 July 2021, outstanding awards to Directors under the SAYE scheme were as follows:

SAYE awards	Outstanding at 3 July 2021
Lloyd Dunn	34,856
David Mulligan	34,856

See note 29 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 38 to 39.

The directors who served during the year were as follows; Ronald Series, Lloyd Dunn, David Mulligan, Ian Gray, Paul Goodson and Russell Black.

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. Ian Gray along with David Mulligan offered themselves for re-election and were re-elected at the 2021 AGM.

The powers of the Directors are determined by the Articles, the Companies Act 2006 and other relevant legislation. At the 2020 AGM, the Directors were authorised to issue and allot shares, to disapply the statutory pre-emption rights and to buy back shares. This authority remained in place until the conclusion of the 2021 AGM. It was proposed and resolved at the 2021 AGM that the Directors were granted a new authority to allot shares, to disapply the statutory 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 3 July 2021 are shown on page 62. The Group's profit for the year after tax was £15.4 million. As previously announced, no dividend will be payable for the 2021 financial year.

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 35 provides a fair review of the Group's business for the year ended 3 July 2021. 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, key performance indicators and likely future developments of the business.

The Group's activities expose it to a variety of financial risks. Notes 3 and 28 to the Financial Statements describe the Group's exposure to such risks, including the policies in place for financial risk management.

The Board recognises that the transition risks of Brexit are now receding. The regulations and procedures for the movement of goods between UK and Ireland are now well established and we are operating a daily service for moving parcels and freight. The regulations and procedures for moving goods into Northern Ireland remain to be finalised but we have the necessary internal resources and growing experience to ensure these are implemented in a planned and timely manner.

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. 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.

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 on pages 36 to 42 and Directors' Remuneration Report on page 46.

Directors' Report continued

Anti-bribery and Corruption

DX takes a zero-tolerance approach to bribery and corruption and has a written anti-bribery and corruption policy in place. Our policy was revised and updated during the year and a more detailed gifts & hospitality policy was also created. 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 2021 financial year and in the period up to the date of this report, the Group had to address a corporate governance matter, further details of which are disclosed in the Audit & Risk Committee Report on pages 43 to 45. Subsequent to the year-end, the Board has 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 is to ensure that the Company's compliance framework reflects current best practice and that it is well understood by management and employees.

Whistleblowing

DX has whistleblowing procedures under which employees are encouraged to inform the Executive Team or any Director of any concerns they may have that the practices of DX or individuals are wrongful or contravene any applicable laws or regulations. 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 transparency 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 22 to 26. 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.

	14 September 2022	
Shareholder	Percentage holding	Number of shares
Gatemore Capital Management LLP	20.00%	114,753,538
Hargreave Hale Limited	18.53%	106,300,000
Lloyd Dunn	10.95%	62,791,594
Lombard Odier Investment Managers	8.11%	46,515,351
Schroders Investment Management	5.66%	32,495,687
Ruffer LLP	4.23%	24,250,000
AXA Framlington Investment Management	3.04%	17,428,815

Per shareholder register as at 14 September 2022.

Share Capital

Details of the Company's share capital are set out in note 19 to the Financial Statements. The Company's issued share capital consists of 573,681,792 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 47.

In the period from 3 July 2021 to the date of this report, Lloyd Dunn purchased 529,801 Ordinary Shares (on 25 November 2021) and Ronald Series purchased 88,500 Ordinary Shares (on 26 November 2021).

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 3 July 2021 (2020: £nil).

No payments were made to any political parties (2020: £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 International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 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

Ronald Series
Executive Chairman
16 September 2022

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

Opinion
We have audited the financial statements of DX (Group) Plc (the 'company') and its subsidiaries (the 'group') for the period ended 3 July 2021 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes In Equity, Company Statement of Changes In Equity and Consolidated 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the 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 company's affairs as at 3 July 2021 and of the group's profit for the year then ended;
> the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
> the company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 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 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 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.

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 £1,150,000 with performance materiality set at £690,000, being 60% of group materiality. Materiality for the financial statements as a whole was based upon 0.3% of the group's revenues.

In determining 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, driving profitability within the group and revenue is expected to provide a more 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, including the Corporate Governance Matter (see pages 43 to 44).

In determining performance materiality, the significant judgements made were in respect of the Corporate Governance Matter (see pages 43 to 44) and the fact that 2021 represented the first year of our appointment as auditors to the group.

We agreed with the audit and risk committee that we would report all individual audit differences identified for the group during the course of our audit in excess of £57,500 together with any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Materiality applied to the company's financial statements was £335,000 with performance materiality set at £201,000, being 60% of the company materiality.

The benchmark for materiality of the company was 0.7% of the company's gross assets. The significant judgements used by us in determining this were that total assets are the primary measure used by the shareholders in assessing the performance of the 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, including the Corporate Governance Matter.

In determining performance materiality, the significant judgements made were in respect of the Corporate Governance Matter (see pages 43 to 44) and the fact that 2021 represented the first year of our appointment as auditors to the company.

We agreed with the Audit & Risk Committee that we would report all individual audit differences identified for the company during the course of our audit in excess of £16,750 together with any other audit misstatements below that threshold that we believe warranted 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 judgement by the Directors such as the recoverability of intangible fixed assets as outlined in the Key Audit Matter section below.

We also addressed the risk of management override of controls in light of the Corporate Governance Matter referenced in the Audit & Risk Committee Report (see pages 43 and 44).

Of the group's 3 trading components, 2 were subject to full scope audits for group purposes meaning that the scope of work accounted for 100% of the revenue and total assets of the group. The components not subject to full scope audits contained only balances that eliminated on consolidation, or balances not material to the financial statements. The company was audited separately to the materiality level noted above. The work on the reporting components and the audit of the company was performed by the group audit team.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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
Management override of controls The Corporate Governance Matter, described fully in the Audit & Risk Committee Report on pages 43 to 44, confirmed evidence of the intention to seek competitor information and an isolated offer of financial payment (of de minimis amount) for such information. As referenced in that report, the company concluded that a breach of the Bribery Act 2010 occurred during the period. Whilst the company determined it had controls in place to mitigate such a breach occurring, these controls were not followed by certain employees of the group, including those at management level. Page 43 of the Audit & Risk Committee Report describes a failure in the internal controls as a result of management overriding the controls put in place to prevent such a breach. The report also sets out the actions being implemented to mitigate such breaches occurring in the future and to ensure the company applies best practice in corporate governance going forwards. There is a risk that, outside of the breach identified and reported by the company, management have overridden other controls within the group that have not been identified and could result in material losses to the group.	Our work on this matter included: > Obtaining an understanding of the Corporate Governance Matter; > Obtaining the relevant reports published in respect of the investigation; > Performing enquiries with the relevant personnel in the entity, including those from the professional service firms involved in investigating the Corporate Governance Matter, to confirm our understanding and the consistency of reporting by the entity; > Obtaining an understanding of the nature of the management override of controls including the circumstances and timeframe in which it occurred; > Assessing the reasonableness of the investigation findings by performing focussed audit data analytics journals testing using parameters linked to the Corporate Governance Matter; > Using audit data analytics software to perform testing on the appropriateness of all journals throughout the period; > Reviewing key accounting estimates (i.e., carrying value of good will, deferred tax and dilapidation provisions), and evaluating whether the judgements and assumptions used by management in making those accounting estimates are reasonable or indicate possible management bias; and > Assessing whether the financial results and accounting records included any significant or unusual transactions where the business rationale and economic substance was not clear. Based on the work performed, no further instances of management override of controls, beyond those reported by the company in respect of the Corporate Governance Matter on pages 43 to 44, were identified in the period subject to audit.
Compliance with laws and regulations As referenced in the key audit matter above on the management override of controls, the Corporate Governance Matter, described fully in the Audit & Risk Committee Report on pages 43 to 44, related to a breach of the Bribery Act 2010. Page 43 of the Audit & Risk Committee Report describes a failure to comply with the Bribery Act 2010. The report sets out the actions being implemented to mitigate future breaches in the compliance of laws and regulations and to ensure the company applies best practice in corporate governance going forwards. There is the risk that this failure to comply with laws and regulations has not been disclosed appropriately and that other instances of non-compliance in laws and regulations have occurred which may result in possible financial penalties to the Group.	Our work on this matter included: > Obtaining an understanding of the nature of the non-compliance with the Bribery Act 2010 and the circumstances in which it occurred; > Discussions with key personnel and third parties (e.g. lawyers and the predecessor auditors) in relation to the breach of the Bribery Act 2010; > Reviewing the reports prepared for management by third parties on this matter, and considering the findings disclosed therein and the impact on our audit procedures; > Engaging our own internal experts to assist our interpretation of the report findings and discussions with the involved parties; > Ensuring that disclosures within the annual report and financial statements are sufficient and appropriate to enable users to understand the breach and the remedial actions taken by the entity; and > Reviewing minutes from board meetings of those charged with governance to identify any further instances of non-compliance with laws and regulations. Based on the work performed, no further instances of non-compliance with laws and regulations, other than the breach identified and disclosed by management in respect of the Bribery Act 2010, were identified in the period subject to audit.

Key Audit Matter	How our scope addressed this matter
Revenue recognition (Note 2) The revenue recorded by the group is one of the key determinants of the group's underlying profitability and is one of the group's Key Performance Indicators. There are differing revenue streams within the group across the various divisions meaning that revenue can be recognised either at a point in time or over time. Given the quantum of the revenue balance, the differing revenue recognition policies for the differing revenue streams and this being our first year as auditors of the entity, there is a risk that revenue has been incorrectly recorded within the financial statements.	Our audit work on this matter included: > assessing the operating effectiveness of relevant controls in respect of treasury management; > performing substantive analytical review procedures of material revenue streams; > performing substantive testing on a sample of revenue transactions during the year across each of the significant revenue streams to assess whether revenue is recognised in accordance with the contract terms and agreeing to supporting evidence; and > performing a sales to cash reconciliation.
Intangible Asset impairment (Note 14) The group carries a material amount of goodwill (£30 million) and separately identifiable intangible assets (£1.4 million) relating to subsidiary undertakings acquired in previous years. These assets are key to the future success of the group. Management perform assessments on the carrying values of the assets which include judgements and estimates about future performance. Due to the materiality of the balances held and the level of judgement and estimation required by management in their impairment assessments, including the potential for management override of controls in this respect, here is the risk that the impairment assessment has been incorrectly performed and thus the intangible assets are overstated.	Our audit work on this matter included: > As a consequence of the Corporate Governance Matter on pages 43 to 44 referenced in the key audit matters above, assessing whether further deficiencies in internal controls existed regarding the judgements and estimates made by management in respect of the goodwill balance; > Obtaining and reviewing the impairment assessment performed by management; > Gaining an understanding of the intangible assets held through discussions with management including how they will be used to deliver value to the group; > Challenging the key assumptions in management's impairment review for reasonableness and performing sensitivity analysis thereon; > Considering whether there are indications of impairment in line with IAS 36 Impairment of Assets; and > Ensuring that sufficient and appropriate disclosures have been made within the financial statements in respect of intangible assets (including goodwill) and the linked judgements and estimates.

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 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.

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the group and 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 company financial statements, the directors are responsible for assessing the group and the 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 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 obtained an understanding of the group and 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 obtained our understanding in this regard through discussions with management, industry research and discussions with the predecessor auditor.
- We determined the principal laws and regulations relevant to the group and company in this regard to be those arising from:
  - Companies Act 2006
  - 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 company with those laws and regulations. These procedures included, but were not limited to:
  - Holding discussions with the senior management team and the Audit and Risk Committee and considering any known or suspected instances of non-compliance with laws and regulations or fraud. This included the instance of non-compliance with the Bribery Act 2010 as referenced in the key audit matters section of this report;
  - Holding discussions with personnel in the other professional service firms involved in the investigation of the Corporate Governance Matter as referenced in the key audit matters section of this report;
  - Assessing the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls and the implications of the Corporate Governance Matter referred to in the Audit & Risk Committee Report as referenced in the key audit matters section of this report.
  - Considering the content of the reports linked to the Corporate Governance Matter as referenced in the key audit matters section of this report to understand the extent of the non-compliance with laws and regulations, and management override of controls and also to consider whether there were any other instances of non-compliance noted therein;
  - Engaging our own internal experts to assist our interpretation of the investigation findings and discussions with the involved parties;
  - Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud, including enhanced procedures in respect of the Corporate Governance Matter referred to in the Audit & Risk Committee Report as referenced in the key audit matters section of this report;
  - Extending inquiries to individuals outside of management and the accounting department to corroborate management's representations with regards to the Corporate Governance Matter referred to in the Audit & Risk Committee Report;
  - 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 further 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 those 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; investigating unusual adjustments to revenue that could be used to perpetrate fraud, 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. As referenced in the key audit matters section of this report, as a result of the Corporate Governance Matter reported in the Audit & Risk Committee report, specific testing was performed in respect of the identified management override of controls.

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
16 September 2022

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated Statement of Comprehensive Income

for the year ended 3 July 2021

	Notes	Year ended 3 July 2021 £m	Year ended 27 June 2020 £m
Revenue	5	**382.1**	329.3
Operating costs	7	**(367.0)**	(326.3)
Profit from operating activities		**15.1**	3.0
Analysis of profit from operating activities			
Earnings before interest, tax, depreciation, amortisation and share-based payments ("EBITDA")		**38.6**	24.9
Depreciation		**(21.5)**	(20.0)
Amortisation of software and development costs		**(0.4)**	(0.4)
Amortisation of acquired intangibles		**(0.2)**	(0.3)
Share-based payments charge		**(1.4)**	(1.2)
Profit from operating activities		**15.1**	3.0
Finance costs	10	**(4.5)**	(4.3)
Profit/(loss) before tax		**10.6**	(1.3)
Tax credit/(expense)	11	**4.8**	(0.5)
Profit/(loss) for the year		**15.4**	(1.8)
Other comprehensive income/(expense) not subsequently reclassified			
Other comprehensive income/(expense)		**–**	–
Total comprehensive income/(expense) for the year		**15.4**	(1.8)
Earnings/(loss) per share (pence):			
Basic	21	**2.7**	(0.3)
Diluted		**2.3**	(0.3)

The notes on pages 66 to 88 form part of these financial statements.

Consolidated Statement of Financial Position
as at 3 July 2021

	Notes	3 July 2021 £m	27 June 2020 £m
Non-current assets			
Property, plant and equipment	13	**12.3**	10.4
Right-of-use assets	16	**95.4**	80.2
Intangible assets and goodwill	14	**31.4**	31.0
Deferred tax assets	24	**7.5**	2.3
Total non-current assets		**146.6**	123.9
Current assets			
Trade and other receivables	17	**40.1**	33.5
Current tax receivable		**0.1**	0.1
Cash and cash equivalents	18	**16.8**	12.3
Total current assets		**57.0**	45.9
Total assets		**203.6**	169.8
Equity			
Share capital	19	**5.7**	5.7
Share premium	20	**25.2**	25.2
Retained earnings	20	**8.9**	(7.9)
Total equity		**39.8**	23.0
Non-current liabilities			
Provisions	23	**5.8**	5.0
Lease liabilities	25	**81.3**	68.3
Total non-current liabilities		**87.1**	73.3
Current liabilities			
Trade and other payables	26	**44.0**	42.0
Lease liabilities	25	**19.3**	15.8
Deferred income	26	**11.4**	14.2
Provisions	23	**2.0**	1.5
Total current liabilities		**76.7**	73.5
Total liabilities		**163.8**	146.8
Total equity and liabilities		**203.6**	169.8

The financial statements were approved by the Board of Directors on 16 September 2022 and signed on its behalf by:

Ronald Series
Executive Chairman

David Mulligan
Chief Financial Officer

The notes on pages 66 to 88 form part of these financial statements.

Company registered number 08696699

Company Statement of Financial Position
as at 3 July 2021

	Notes	3 July 2021 £m	27 June 2020 £m
Non-current assets			
Investments	15	**30.0**	30.0
Total non-current assets		**30.0**	30.0
Current assets			
Trade and other receivables	17	**17.8**	2.2
Total current assets		**17.8**	2.2
Total assets		**47.8**	32.2
Equity			
Share capital	19	**5.7**	5.7
Share premium	20	**25.2**	25.2
Retained earnings	20	**16.8**	1.2
Total equity		**47.7**	32.1
Current liabilities			
Trade and other payables	26	**0.1**	0.1
Total current liabilities		**0.1**	0.1
Total liabilities		**0.1**	0.1
Total equity and liabilities		**47.8**	32.2

As at 3 July 2021 there are no non-current liabilities (2020: £nil).

The profit for the year attributable to the Company, after a share-based payments charge of £1.4 million (2020: £1.2 million), was a profit of £14.2 million (2020: £0.8 million loss).

The financial statements were approved by the Board of Directors on 16 September 2022 and signed on its behalf by:

Ronald Series
Executive Chairman

David Mulligan
Chief Financial Officer

The notes on pages 66 to 88 form part of these financial statements.

Company registered number 08696699

Consolidated Statement of Changes In Equity

for the year ended 3 July 2021

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 July 2019		5.7	25.2	(7.3)	23.6
Total comprehensive expense for the year					
Loss for the year		–	–	(1.8)	(1.8)
Other comprehensive expense		–	–	–	–
Total comprehensive expense for the year		–	–	(1.8)	(1.8)
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions		–	–	1.2	1.2
Total transactions with owners of the Company		–	–	1.2	1.2
At 27 June 2020		5.7	25.2	(7.9)	23.0
Total comprehensive expense for the year					
Profit for the year	12	**–**	**–**	**15.4**	**15.4**
Other comprehensive expense		**–**	**–**	**–**	**–**
Total comprehensive expense for the year		**–**	**–**	**15.4**	**15.4**
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions	29	**–**	**–**	**1.4**	**1.4**
Total transactions with owners of the Company		**–**	**–**	**1.4**	**1.4**
At 3 July 2021		**5.7**	**25.2**	**8.9**	**39.8**

The notes on pages 66 to 88 form part of these financial statements.

Company Statement of Changes In Equity
for the year ended 3 July 2021

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 July 2019		5.7	25.2	0.8	31.7
Total comprehensive expense for the year					
Loss for the year		–	–	(0.8)	(0.8)
Total comprehensive expense for the year		–	–	(0.8)	(0.8)
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions		–	–	1.2	1.2
Total transactions with owners of the Company		–	–	1.2	1.2
At 27 June 2020		5.7	25.2	1.2	32.1
Total comprehensive expense for the year					
Profit for the year	12	**–**	**–**	**14.2**	**14.2**
Total comprehensive expense for the year		**–**	**–**	**14.2**	**14.2**
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions	29	**–**	**–**	**1.4**	**1.4**
Total transactions with owners of the Company					
At 3 July 2021		**5.7**	**25.2**	**16.8**	**47.7**

Company Statement of Cash Flows
for the year ended 3 July 2021

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 27 for a reconciliation of profit for the year to cash generated from operations.

The notes on pages 66 to 88 form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 3 July 2021

	Notes	Year ended 3 July 2021 £m	Year ended 27 June 2020 £m
Cash generated from operations	27	**33.3**	38.1
Interest paid		**(4.6)**	(4.2)
Tax paid		**(0.6)**	(0.4)
Net cash generated from operating activities		**28.1**	33.5
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(5.1)**	(2.7)
Software and development expenditure		**(0.8)**	(0.6)
Net cash used in investing activities		**(5.9)**	(3.3)
Net increase in cash before financing activities		**22.2**	30.2
Cash flows from financing activities			
Movement on invoice discounting facility		**–**	(3.1)
Lease repayments		**(17.7)**	(16.6)
Net cash used in financing activities		**(17.7)**	(19.7)
Net increase in cash and cash equivalents		**4.5**	10.5
Cash and cash equivalents at beginning of year		**12.3**	1.8
Effect of exchange rate fluctuations on cash held		**–**	–
Cash and cash equivalents at end of year	18	**16.8**	12.3

The notes on pages 66 to 88 form part of these financial statements.

Notes to the Financial Statements

for the year ended 3 July 2021

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 international accounting standards ("IAS") in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements were authorised for issue by the Board of Directors on 16 September 2022.

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. This is notwithstanding the Group's net current liabilities of £19.7 million as at 3 July 2021 (2020: £27.6 million). Included within the net liabilities is £11.4 million (2020: £14.2 million) of deferred income representing an obligation to deliver a service but not a cash liability and £19.3 million (2020: £15.8 million) representing lease liabilities whose payments are spread over the forthcoming year and not payable in the immediate short-term.

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

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

The Directors also carried out a reverse stress test that calculates the losses that would be required to exhaust its borrowing facilities. The results of this test were that the Group's PBT would have to be at least £35.0 million per year worse than the base case to require full use of the invoice discounting facility. The Directors regard such an outcome as highly implausible given the Group's recent results and prospects. There would also be a range of mitigating actions the Directors would take to reduce the impact of such a precipitous fall in the Group's performance.

The base case and the reverse stress test indicate that the Group will have sufficient funds to meet its liabilities as they fall due for that period. This is made up the Group's net cash which stood at £16.8 million at the 2021 year-end (2020: £12.3 million), which rose to £27.0 million at the 2022 year-end, 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 22 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 Reporting Standards ("IFRS") and therefore may not be directly comparable to similar measures adopted by other companies. These alternative performance measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures but provide useful information on the performance of the group and underlying trends. The Group presents EBITDA, adjusted operating profit, adjusted PBT, adjusted EPS, and net debt which are further explained in note 33.

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. From 1 July 2019, the Group changed its reporting periods from a calendar basis to a '4-5-4 weekly' basis which better reflects its cost base and operations. These financial statements were prepared for the period 28 June 2020 to 3 July 2021 and cover a 53-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 3 July 2021 (2020: 27 June 2020) as it is not more than 7 days after or before the end of the year dated 30 June 2021 (2020: 30 June 2020).

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.

DX 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 DX 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 period ended 3 July 2021

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 and internal 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 aging.

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 which have been acquired in the commercial operations of the Group. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

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

Leases
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).

The Group has taken advantage of the amendment to IFRS 16 issued in May 2020, 'Covid-19-Related Rent Concessions', and the subsequent amendment to IFRS 16 in May 2021, 'Covid-19-Related Rent Concessions beyond 30 June 2021'. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the coronavirus pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. There is no material impact on the profit for the year as a result of this amendment.

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.

Notes to the Financial Statements continued

for the period ended 3 July 2021

3 Significant accounting policies continued

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.

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.

The Performance Share Plan 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', will be 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.

Government grants

The Group recognises an unconditional government grant related to payroll costs in the statement of comprehensive income as other operating income within operating costs (see note 7) when the grant becomes receivable. Grants that compensate the Group for expenses incurred are recognised in the Consolidated Statement of Comprehensive Income on a systematic basis in the periods in which the expenses are recognised.

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:

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 3 July 2021 was £5.7 million (2020: £3.6 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 3 July 2021.

The amount provided for vehicle dilapidations at 3 July 2021 was £1.3 million (2020: £1.6 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 £0.1 million increase in the provision as at 3 July 2021.

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 14 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 11%), the growth rate after the next four years (1.7%) and the discount rate (9.5%). The testing did not identify any impairment. The most sensitive assumption was the growth rate for DX Express where an annual decline in revenue of 10% over the next four years would result in an impairment. The directors do not consider this decline to be likely.

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. Management have forecast improving results in future years within the business plan and is now increasingly confident of future taxable profits.

Given the improvement in 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 3 July 2021 of £7.5 million (2020: £2.3 million) with a credit to the income statement of £5.5 million being recognised. 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 3 July 2021 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.

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.

Notes to the Financial Statements continued
for the period ended 3 July 2021

3 Significant accounting policies continued

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents, and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 19 and 20 and the statement of changes in equity. In order to maintain or adjust the capital structure, the Group may issue new shares, raise new borrowings 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 IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform—Phase 2'; and
> Amendments to IFRS 16, 'Covid-19-Related Rent Concessions beyond 30 June 2021'.

New accounting standards in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Amendments, which have not been applied in these financial statements, were in issue but are either not yet effective or have not yet been adopted by the UK:
> IFRS 17 'Insurance Contracts';
> Amendments to IFRS 3, 'Reference to the Conceptual Framework';
> Amendments to IAS 1, 'Classification of Liabilities as Current or Non-current', and 'Deferral of Effective Date';
> Amendments to IAS 37, 'Onerous Contracts—Cost of Fulfilling a Contract';
> Amendments to IAS 16, 'Property, Plant and Equipment—Proceeds before Intended Use';
> Amendments to IAS 8, 'Definition of Accounting Estimates';
> Amendments to IAS 12, 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction';
> Amendments to IFRS 4, 'Extension of the Temporary Exemption from applying IFRS 9';
> Annual improvements to IFRS Standards 2018-2020; and
> Initial Application of IFRS 17 and IFRS 9, 'Comparative Information (Amendment to IFRS 17)'.

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

5 Revenue

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

	2021 £m	2020 £m
DX Freight:		
– 1-Man	164.2	112.4
– 2-Man & Logistics	58.8	56.6
Total DX Freight	223.0	169.0
DX Express:		
– Parcels	118.8	112.1
– Exchange & Mail	40.3	48.2
Total DX Express	159.1	160.3
Total revenue	382.1	329.3

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

Revenue-related assets are shown in note 17 as trade receivables and accrued income. Deferred income shown on the Consolidated Statement of Financial Position is the only respective liability and will be recognised as revenue within 12 months. Accrued income represents amounts for which the performance obligations have been satisfied but not invoiced at the reporting date.

6 Segment information

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

	2020			
	DX Freight £m	DX Express £m	Central £m	Total £m
Revenue	169.0	160.3	–	329.3
Costs before overheads	(150.3)	(124.6)	–	(274.9)
Profit before overheads	18.7	35.7	–	54.4
Overheads	(4.9)	(7.4)	(17.2)	(29.5)
EBITDA	13.8	28.3	(17.2)	24.9
Depreciation and amortisation	(14.4)	(5.4)	(0.9)	(20.7)
Share-based payments charge	–	–	(1.2)	(1.2)
Profit/(loss) from operating activities	(0.6)	22.9	(19.3)	3.0
Finance costs	–	–	(4.3)	(4.3)
Profit/(loss) before tax	(0.6)	22.9	(23.6)	(1.3)
Tax expense	–	–	(0.5)	(0.5)
Profit/(loss) for the year	(0.6)	22.9	(24.1)	(1.8)

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

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

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

7 Operating costs

	2021 £m	2020 £m
Direct costs	**258.5**	226.7
Indirect costs	**52.8**	48.2
Overheads	**32.2**	29.5
Depreciation and amortisation	**22.1**	20.7
Share-based payments charge	**1.4**	1.2
Total operating costs	**367.0**	326.3

Notes to the Financial Statements continued
for the period ended 3 July 2021

7 Operating costs continued
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 relates 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:

	2021 £m	2020 £m
Employee benefit expense (see note 9)	**112.8**	102.5
Depreciation of property, plant and equipment, and right-of-use assets	**21.5**	20.1
Amortisation of intangible assets	**0.6**	0.6
Loss on disposal of property, plant and equipment	**0.8**	0.1
Short-term and low-value leases	**1.0**	0.9
Other operating income	**–**	(3.1)

Coronavirus Job Retention Scheme grants of £nil (2020: £3.1 million) are included in 'other operating income' above. There are no unfulfilled conditions or other contingencies attaching to these grants.

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

	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**150**	140
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	**100**	90
Total audit fees	**250**	230
Other services:		
– tax services	**–**	45
– other	**–**	–
Total non-audit fees	**–**	45
Total fees	**250**	275

Fees payable to PKF Littlejohn LLP in respect of 2021 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 2020 were payable to KPMG LLP. Grant Thornton UK LLP were appointed as the Company's auditors on 14 October 2020 and were paid £234,000 in audit fees for the work incurred up to their resignation on 4 February 2022.

8 Directors' emoluments
Total remuneration

	2021 £000	2020 £000
Emoluments	**1,069**	903

Amounts accrued under money purchase pension schemes

	2021 £000	2020 £000
Pension benefits	**8**	20

Highest paid Director

	2021 £000	2020 £000
Emoluments	**457**	316

See the Directors' Remuneration Report sections titled Total Single Figure of Remuneration for Directors and Share Plans on page 48 (which form part of these financial statements), and note 32 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 (2020: one Director).

9 Employees

Employee benefit expense

	2021 £000	2020 £000
Wages and salaries	100.7	91.3
Social security costs	8.4	7.7
Other pension costs	2.3	2.3
	111.4	101.3
Share-based payment transactions	1.4	1.2
	112.8	102.5

Average number of persons employed (including Executive Directors)

	2021 Number	2020 Number
DX Express	1,104	1,151
DX Freight	2,475	2,349
Central support services	190	191
	3,769	3,691

10 Finance costs

	2021 £m	2020 £m
Finance costs		
Interest on bank loans and other	0.2	0.3
Amortisation of financing costs	–	0.1
Interest on lease liabilities	4.3	3.9
Total finance costs	4.5	4.3

11 Tax credit/(expense)

(A) Analysis of charge in year

	2021 £m	2020 £m
Current tax		
United Kingdom corporation tax:		
Current year	–	–
Adjustments in respect of prior periods	–	0.1
Total United Kingdom corporation tax	–	0.1
Overseas taxation	(0.5)	(0.6)
Total current tax	(0.5)	(0.5)
Deferred tax		
Current year	(0.3)	(0.3)
Recognition of previously unrecognised deferred tax asset	5.5	–
Adjustments in respect of prior periods	0.1	0.3
Changes in tax rates	–	–
Total deferred tax	5.3	–
Total tax	4.8	(0.5)

Notes to the Financial Statements continued
for the period ended 3 July 2021

11 Tax credit/(expense) continued
(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:

	2021 £m	2020 £m
Profit/(loss) before tax	10.6	(1.3)
Tax (expense)/credit at the standard rate of UK corporation tax of 19% (2020: 19%)	(2.0)	0.2
Factors affecting charge for year:		
– UK taxable losses utilised/(carried) forward	1.1	(1.1)
– Adjustments in respect of prior years	0.1	0.1
– Effect of different tax rates	0.1	0.3
– Recognition of deferred tax on prior trading losses	5.5	–
Tax credit/(expense)	4.8	(0.5)

(C) Factors that may affect future tax charges
Changes to UK Corporation tax rates were enacted as part of The Finance (No.2) Act 2021 which received Royal Assent on 10 June 2021. The main rate will remain at 19% before increasing to 25% from 1 April 2023. Deferred tax assets and liabilities have been calculated in accordance with the enacted rates. Tax losses carried forward and available to the Group as at 3 July 2021 totalled £27.1 million.

12 Profit/(loss) attributable to the Company
The profit for the year attributable to the Company, after a share-based payments charge of £1.4 million (2020: £1.2 million), was a profit of £14.2 million (2020: £0.8 million loss).

13 Property, plant and equipment

	Freehold land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 1 July 2019	5.5	10.4	22.0	37.9
Additions	–	1.2	1.6	2.8
Disposals	(0.5)	(0.7)	(3.2)	(4.4)
At 27 June 2020	5.0	10.9	20.4	36.3
At 28 June 2020	5.0	10.9	20.4	36.3
Additions	–	2.7	2.4	5.1
Disposals	–	(1.5)	(4.0)	(5.5)
At 3 July 2021	**5.0**	**12.1**	**18.8**	**35.9**
Depreciation				
At 1 July 2019	2.8	5.2	20.2	28.2
Charge for the year	0.1	0.9	0.8	1.8
Disposals	(0.4)	(0.5)	(3.2)	(4.1)
At 27 June 2020	2.5	5.6	17.8	25.9
At 28 June 2020	2.5	5.6	17.8	25.9
Charge for the year	0.1	1.1	1.2	2.4
Disposals	–	(0.8)	(3.9)	(4.7)
At 3 July 2021	**2.6**	**5.9**	**15.1**	**23.6**
Net book value				
At 3 July 2021	**2.4**	**6.2**	**3.7**	**12.3**
At 27 June 2020	2.5	5.3	2.6	10.4

The cost of land not being depreciated is £0.6 million (2020: £0.6 million).

14 Intangible assets and goodwill

	Goodwill £m	Software and development costs £m	Acquired intangibles: Customer relationships £m	Total £m
Cost				
At 1 July 2019	191.5	22.6	9.1	223.2
Additions	–	0.6	–	0.6
Disposals	–	(17.5)	–	(17.5)
At 27 June 2020	191.5	5.7	9.1	206.3
At 28 June 2020	191.5	5.7	9.1	206.3
Additions	–	0.9	–	0.9
Disposals	–	(3.8)	–	(3.8)
At 3 July 2021	**191.5**	**2.8**	**9.1**	**203.4**
Amortisation				
At 1 July 2019	161.5	21.9	8.8	192.2
Charge for the year	–	0.4	0.2	0.6
Impairment	–	–	–	–
Disposals	–	(17.5)	–	(17.5)
At 27 June 2020	161.5	4.8	9.0	175.3
At 28 June 2020	161.5	4.8	9.0	175.3
Charge for the year	–	0.4	0.1	0.5
Impairment	–	–	–	–
Disposals	–	(3.8)	–	(3.8)
At 3 July 2021	**161.5**	**1.4**	**9.1**	**172.0**
Net book value				
At 3 July 2021	**30.0**	**1.4**	**–**	**31.4**
At 27 June 2020	30.0	0.9	0.1	31.0

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 (2020: £20 million) and £10 million for DX Freight (2020: £10 million). The key assumptions used in this calculation are shown below.

	2021	2020
Period on which management approved forecasts are based	**Four years**	Three years
DX Express revenue growth rate	**9%**	4%
DX Express operating profit growth rate	**11%**	(2)%
Growth rate applied beyond approved forecast period	**1.7%**	2.0%
Discount rate	**9.6%**	11.8%

The cash flow projections are based on the budget approved by the Board for the forthcoming financial year and subsequent three years. Cash flows beyond these 48 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. The change in the assumptions from 2020 is as a result of the improved outlook for DX Express due to its performance in 2021.

Forecasts assume that there is a continued decline in the market for DX 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 and operating margins are also forecast to recover. The ongoing improving performance of the DX Freight division assumes a short-term growth rate of revenue of 11% as well as margin expansion based on the continued improvement in the business seen over the past three years. 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 3.5% or a discount rate of up to 13.3% would not result in any impairment. The key estimate is the short-term growth rate for DX Express over the next four years; an annual increase of less than 7% in operating profit would result in an impairment. Given the current trajectory of the business, the Directors expect the operating profit in DX Express to exceed this.

Notes to the Financial Statements continued
for the period ended 3 July 2021

15 Investments

Company	Shares in Group companies £m
Cost	
At 1 July 2019	30.1
Additions	–
Disposals	–
At 27 June 2020	30.1
At 28 June 2020	30.1
Additions	–
Disposals	–
At 3 July 2021	**30.1**
Provisions	
At 1 July 2019	0.1
Impairment	–
At 27 June 2020	0.1
At 28 June 2020	0.1
Impairment	–
At 3 July 2021	**0.1**
Net book value	
At 3 July 2021	**30.0**
At 27 June 2020	30.0

At 3 July 2021, 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 (VCP) Limited (*)	Intermediate holding company
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
DX Holdings Limited (*)	Dormant
DX Secure Mail Limited (*)	Dormant
DX McBride Limited (*)	Dormant
Ewenny Limited (*)	Dormant
QYJ Limited (*)	Dormant
DX (EBT Trustees) Limited (*)	Dormant
DX Business Direct Limited (*)	Dormant
DX Electronic Services Limited (*)	Dormant
Special Mail Services Limited (*)	Dormant

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

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 3 July 2021. All the subsidiaries marked (*) are in the process of being struck off through members' voluntary liquidations so will not file statutory accounts for the year ended 3 July 2021.

16 Right-of-use assets

	Property £m	Non-property £m	Total £m
Cost			
At 1 July 2019	–	–	–
Recognised on transition to IFRS 16	56.9	23.1	80.0
Additions	6.2	12.3	18.5
Depreciation	(9.6)	(8.6)	(18.2)
Disposals	(0.1)	–	(0.1)
Net book value as at 27 June 2020	53.4	26.8	80.2
Additions	20.5	15.3	35.8
Disposals	(1.0)	(0.5)	(1.5)
Depreciation	(10.0)	(9.1)	(19.1)
Net book value as at 3 July 2021	**62.9**	**32.5**	**95.4**

17 Trade and other receivables

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Trade receivables	**27.0**	21.9	**–**	–
Other receivables	**1.5**	1.0	**–**	–
Prepayments	**5.0**	3.6	**–**	–
Accrued income	**6.6**	7.0	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**17.8**	2.2
	40.1	33.5	**17.8**	2.2

Included within amounts owed by subsidiary undertakings in the Company's trade and other receivables as at 27 June 2020 was an amount totalling £186.7 million that was fully impaired and had a carrying value of £nil. This loan receivable from a subsidiary undertaking was waived during the period with a nil impact on the Consolidated Statement of Comprehensive Income.

Trade receivables are shown net of a provision for impairment losses of £0.8 million (2020: £0.5 million). The gross trade receivables at the year end were £27.8 million (2020: £22.4 million). The movement in the allowance for impairment losses was as follows:

	2021 £m	2020 £m
At 28 June	**0.5**	0.6
Impairment losses recognised	**0.4**	0.1
Amounts written off as irrecoverable	**(0.1)**	(0.2)
At 3 July	**0.8**	0.5

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.

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

	2021 Gross trade receivables £m	**2021 Provision for impairment losses £m**	**2021 Net total £m**	2020 Gross trade receivables £m	2020 Provision for impairment losses £m	2020 Net total £m
Current	**26.1**	**(0.1)**	**26.0**	20.3	(0.1)	20.2
Past due 1-30 days	**0.9**	**(0.2)**	**0.7**	1.0	(0.1)	0.9
Past due 31-90 days	**0.6**	**(0.3)**	**0.3**	0.9	(0.2)	0.7
Past due more than 90 days	**0.2**	**(0.2)**	**–**	0.2	(0.1)	0.1
	27.8	**(0.8)**	**27.0**	22.4	(0.5)	21.9

Notes to the Financial Statements continued
for the period ended 3 July 2021

18 Cash and cash equivalents

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Cash at bank and in hand	**16.8**	12.3	**–**	–

19 Share capital
Allotted, called up and fully paid

Group and Company	Number (000)	£000
Ordinary Shares of £0.01 each	573,682	5,737

There was no change to the Group's share capital during the year so the numbers above are for the year ended 27 June 2020 and year ended 3 July 2021.

20 Share premium and reserves

Group	Share premium £m	Retained earnings £m
At 1 July 2019	25.2	(7.3)
Loss for the year	–	(1.8)
Share-based payment transactions	–	1.2
At 27 June 2020	25.2	(7.9)
At 28 June 2020	25.2	(7.9)
Profit for the year	–	15.4
Share-based payment transactions	–	1.4
At 3 July 2021	**25.2**	**8.9**

Company	Share premium £m	Retained earnings £m
At 1 July 2019	25.2	0.8
Loss for the year	–	(0.8)
Share-based payment transactions	–	1.2
At 27 June 2020	25.2	1.2
At 28 June 2020	25.2	1.2
Profit for the year	–	14.2
Share-based payment transactions	–	1.4
At 3 July 2021	**25.2**	**16.8**

21 Earnings per share
The calculation of basic earnings per share at 3 July 2021 is based on the profit after tax for the year and the weighted average number of shares in issue.

Adjusted earnings/(loss) per share is calculated based on the profit/(loss) after tax, adjusted for certain non-cash charges and other items which are not expected to recur. The Group does not adjust for share-based payments relating to the recently introduced SAYE scheme. Adjusted earnings/(loss) per share represents an alternative performance measure. Further details about the use of alternative performance measures are detailed in notes 3 and 33.

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

	2021 £m	2020 £m
Profit/(loss) for the year	**15.4**	(1.8)
Adjusted for:		
– Amortisation of acquired intangibles	**0.2**	0.3
– Share-based payments charge	**1.2**	1.2
– Impact of recognition of deferred tax on historic losses	**(5.5)**	–
Adjusted profit/(loss) for the year	**11.3**	(0.3)

	2021 Number (million)	2020 Number (million)
Weighted average number of Ordinary Shares in issue	**573.7**	573.7
Potentially dilutive share options	**92.2**	–
Weighted average number of diluted Ordinary Shares	**665.9**	573.7

	2021 p	2020 p
Basic earnings/(loss) per share	**2.7**	(0.3)
Diluted earnings/(loss) per share	**2.3**	(0.3)
Adjusted earnings/(loss) per share	**2.0**	(0.1)

	2021 Number (million)	2020 Number (million)
Potentially dilutive share options	**92.2**	0.7

22 Loans and borrowings

The Group's only borrowing is a £20.0 million invoice discounting facility which was put in place during the year 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 3 July 2021 was £nil (2020: £nil). No amounts were drawn on the invoice discount facility during the year to 3 July 2021 (2020: £3.1 million of drawings were repaid).

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.

23 Provisions

	Property dilapidation costs £m	Vehicle dilapidation costs £m	Other provisions £m	Total £m
At 1 July 2019	3.1	–	2.9	6.0
Charged/(credited) to income statement	0.6	1.6	(0.1)	2.1
Utilised	(0.1)	–	(0.3)	(0.4)
Transition to IFRS 16	–	–	(1.2)	(1.2)
At 27 June 2020	3.6	1.6	1.3	6.5
At 28 June 2020	3.6	1.6	1.3	6.5
Charged/(credited) to income statement	2.1	0.2	(0.5)	1.8
Utilised	–	(0.5)	–	(0.5)
At 3 July 2021	**5.7**	**1.3**	**0.8**	**7.8**

	2021 £m	2020 £m
Current	**2.0**	1.5
Non-current	**5.8**	5.0
	7.8	6.5

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.

Notes to the Financial Statements continued
for the period ended 3 July 2021

23 Provisions continued
Other provisions include management's judgement of settlement costs for ongoing legal matters. Included within other provisions as at 1 July 2019 was an amount of £1.2 million for onerous lease provision which was reclassified to right-of-use assets on the adoption of IFRS 16 on 1 July 2019.

Provisions are expected to be utilised over the period to June 2030.

24 Deferred tax assets

	Group £m	Company £m
At 1 July 2019	2.3	–
Credited to the income statement	–	–
At 27 June 2020	2.3	–
At 28 June 2020	2.3	–
Credited to the income statement	5.2	–
At 3 July 2021	**7.5**	**–**

The deferred tax asset is made up as follows:

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Intangible assets	**–**	(0.1)	**–**	–
Capital allowances	**1.6**	2.2	**–**	–
Other temporary differences	**0.4**	0.2	**–**	–
Trading losses	**5.5**	–	**–**	–
	7.5	2.3	**–**	–

The main rate for corporation tax is set to increase to 25% from 1 April 2023. The deferred tax asset is expected to be utilised by 30 June 2024, therefore, a blended rate of 22% has been used to determine the deferred tax asset balance.

The unrecognised deferred tax assets of the Group at 3 July 2021 total £0.4 million (2020: £6.2 million) consisting of unused tax losses. There are no unrecognised deferred tax assets for the Company at 3 July 2021 (2020: £nil).

25 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	**2021 £m**	2020 £m
Less than one year	**23.3**	19.1
One to five years	**66.7**	54.2
More than five years	**30.6**	25.0
Total undiscounted lease liabilities at 3 July	**120.6**	98.3

	2021 £m	2020 £m
Current		
Lease liabilities	**19.3**	15.8
Non-current		
Lease liabilities	**81.3**	68.3
Lease liabilities included in the statement of financial position at 3 July	**100.6**	84.1

Details of the maturity analysis of discounted liabilities recognised in the Group's statement of financial position are in note 28 'Financial instruments'.

26 Trade and other payables, and deferred income

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Trade payables	15.1	11.6	–	–
Social security and other taxes	12.4	14.5	0.1	0.1
Other payables	3.0	2.4	–	–
Accruals	13.5	13.5	–	–
Total trade and other payables	**44.0**	42.0	**0.1**	0.1

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 DX Exchange's subscriptions invoiced in advance. As at 3 July 2021, the total deferred income was £11.4 million (2020: £14.2 million). The change relates to falling revenue from subscriptions and the timings of certain large invoices around the year end.

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

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Cash flows from operating activities				
Profit/(loss) for the year	15.4	(1.8)	14.2	(0.8)
Adjustments for:				
– Depreciation	21.5	20.1	–	–
– Amortisation of intangible assets	0.6	0.6	–	–
– Net finance costs	4.5	4.3	–	–
– Tax expense	(4.8)	0.5	–	–
– Loss on disposal of property, plant and equipment	0.8	0.1	–	–
– Equity-settled share-based payment transactions	1.4	1.2	1.4	1.2
Net cash profit	**39.4**	25.0	**15.6**	0.4
Changes in:				
– Trade and other receivables	(6.6)	8.2	(15.6)	(0.4)
– Trade and other payables	2.0	6.3	–	–
– Deferred income	(2.8)	(3.1)	–	–
– Provisions	1.3	1.7	–	–
Net change in working capital	**(6.1)**	13.1	**(15.6)**	(0.4)
Cash generated from operations	**33.3**	38.1	**–**	–

28 Financial instruments

Financial instruments utilised by the Group during the year ended 3 July 2021 and the year ended 27 June 2020, 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 18. Details of the Group's invoice discount facility are shown in note 22.

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 credit rating between a3 and baa2.

Notes to the Financial Statements continued
for the period ended 3 July 2021

28 Financial instruments continued
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			
	27 June 2020 £m	Cash flow £m	Interest £m	Additions £m	Disposals £m	**3 July 2021 £m**
Lease liabilities	84.1	(22.0)	4.3	35.8	(1.6)	**100.6**

			Non cash movements				
	1 July 2019 £m	Cash flow £m	Interest £m	Recognised on transition £m	Additions £m	Disposals £m	27 June 2020 £m
Lease liabilities	–	(20.5)	3.9	82.3	18.5	(0.1)	84.1
Invoice discounting facility	3.1	(3.1)	–	–	–	–	–

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 17.

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 17.

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 £1.6 million (2020: £2.1 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.

	2021		2020	
	Trade and other payables	**Lease payables**	Trade and other payables	Lease payables
Less than one year	**30.5**	**19.2**	28.5	15.8
One to five years	**–**	**56.1**	–	47.0
More than five years	**–**	**25.3**	–	21.3
Total financial liabilities	**30.5**	**100.6**	28.5	84.1

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 chased 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 (2020: £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 to not to hedge foreign currency transactions. £2.2 million (2020: £1.9 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 3 July 2021 would have reduced equity and profit by £0.2 million (2020: £0.2 million).

29 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 £2.4 million (2020: £2.2 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

Contributions amounting to £0.4 million (2020: £0.4 million) were payable to the schemes at 3 July 2021 and are included in trade and other payables.

Share-based payments
At 3 July 2021 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 2021 and will be further tested on 21 December 2022 and 21 December 2023 and on each occasion the share price measurement is to be 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.

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 provided that the participant is still a Director or employee of the Group at that time.

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

Notes to the Financial Statements continued
for the period ended 3 July 2021

29 Employee benefits continued
Measurement of fair values
The fair values of the PSP are measured using the Monte Carlo 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	29 October 2020	28 August 2020	30 April 2020	28 November 2019	1 July 2019
Options issues	200,000	600,000	400,000	950,000	250,000
Fair value at grant	7.3p	7.3p	7.3p	7.3p	7.3p
Share price at grant date	18.50p	16.0p	10.0p	11.8p	13.0p
Exercise price	1.0p	1.0p	1.0p	1.0p	1.0p
Expected volatility	50%	50%	50%	50%	50%
Expected term	1.7 years	1.8 years	2.2 years	2.6 years	2.9 years
Expected dividend yield	0%	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	0.7%	0.7%	0.7%	0.7%	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	At 28 June 2020 Number	Options exercised Number	Options lapsed Number	Options granted Number	At 3 July 2021 Number
PSP Recovery Awards						
21 December 2017	1.0p	27,340,000	–	–	–	27,340,000
25 May 2018	1.0p	50,876,786	–	–	–	50,876,786
25 May 2018	1.0p	5,721,784	–	–	–	5,721,784
25 July 2018	1.0p	12,030,063	–	(1,050,000)	–	10,980,063
28 January 2019	1.0p	350,000	–	–	–	350,000
1 April 2019	1.0p	1,650,000	–	(150,000)	–	1,500,000
1 July 2019	1.0p	250,000	–	–	–	250,000
28 November 2019	1.0p	950,000	–	–	–	950,000
30 April 2020	1.0p	400,000	–	–	–	400,000
24 August 2020	1.0p	–	–	–	600,000	600,000
29 October 2020	1.0p	–	–	–	200,000	200,000
		99,568,633	–	(1,200,000)	800,000	99,168,633
Restricted Share Awards						
21 December 2017	1.0p	583,500	–	–	–	583,500
25 May 2018	1.0p	1,085,830	–	–	–	1,085,830
		1,669,330	–	–	–	1,669,330
Total		**101,237,963**	**–**	**(1,200,000)**	**800,000**	**100,837,963**

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 and the number of shares subject to option was 9,063,910. The impact on the income statement will be a non-cash share-based payment charge of approximately £475,000 per annum. In total, over 500 employees have elected to participate 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.

The inputs used in the measurement of the fair values at grant date of the SAYE scheme issued in the current year were as follows:

SAYE scheme	28 January 2021
Options issues	9,063,910
Fair value at grant	15.73p
Share price at grant date	34.20p
Exercise price	25.82p
Expected volatility	54%
Expected term	3.25 years
Expected dividend yield	0%
Risk-free interest rate (based on government bonds)	0.7%

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

	2021	
	Weighted average exercise price	Number of options
Granted during the year	25.82p	9,063,910
Lapsed/opted out during the year	25.82p	(539,284)
Outstanding at the end of the year	25.82p	8,524,626
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:

	2021 £m	2020 £m
Total employee benefit expense recognised for share-based payments	1.4	1.2

30 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:

	2021 £m	2020 £m
Leasehold improvements	1.2	–
Plant and equipment	0.5	0.1
Software and development	0.1	–
Total	1.8	0.1

31 Contingencies

There were no contingent liabilities as at 3 July 2021 (2020: £nil).

32 Related parties

The following transactions were carried out with connected parties:

Key management personnel

During the year management reassessed key management as defined by IAS24, 'Related Party Disclosures'. Key management now comprises the Executive Directors and the Non-executive Directors of the Group, where previously the Statutory Directors of DX Network Services Limited were included. Social security costs are also now included, where previously they were omitted. The comparative has been restated to reflect the reduced number of people now included within the definition. The key management compensation is as follows:

	2021 £000	Restated 2020 £000	Previously reported 2020 £000
Salaries, fees and other short-term employee benefits	1,061	883	1,594
Pension contributions	8	20	71
Social security costs	383	122	–
Share-based payments	842	870	1,030
	2,294	1,895	2,695

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.

Notes to the Financial Statements continued
for the period ended 3 July 2021

33 Alternative Performance Measures ("APMs")
The Group uses APMs to measure performance. These APMs are applied consistently from one year to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and other items which are not expected to recur. These measures are not defined by International Reporting Standards ("IFRS") and therefore may not be directly comparable to similar measures adopted by other companies. These alternative performance measures should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures but provide useful information on the performance of the Group and underlying trends. Various measures of performance and profitability are industry standard and are used by shareholders and potential investors to compare performance with industry peers. The Group presents EBITDA, adjusted profit or loss before tax ('adjusted PBT/LBT'), adjusted profit or loss per share ('adjusted EPS/LPS') and adjusted profit from operating activities, which are calculated as the statutory measures stated before amortisation of acquired intangibles, any exceptional items and share-based payments charge, 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 recently introduced 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/(loss) from operating activities	Financial Review	28
Adjusted PBT/LBT	Profit or loss before tax	Financial Review	30
Adjusted EPS/LPS	Profit or loss per share	Note 21	80
Adjusted profit from operating activities	Profit/(loss) from operating activities	Financial Review	30
Adjusted operating profit margin	Profit/(loss) from operating activities	Financial Review	28
Net cash/net debt	Cash and cash equivalents/loans and borrowings	Financial Review	29

34 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 16 and details of the lease liabilities are shown in note 25. The maturity analysis of lease liabilities is also shown in note 25.

Further details of the accounting policy for leases can be found in note 3, 'Significant accounting policies' on page 69.

Impact in the year

The impact on the profit/(loss) for the year ended 3 July 2021 and 27 June 2020 is summarised below:

	3 July 2021 £m	27 June 2020 £m
Depreciation charge on right-of-use assets	**19.1**	18.2
Interest cost on lease liability	**4.3**	3.9
Operating lease rentals on short-term and low-value leases	**1.0**	0.9
Total lease costs for the year	**24.4**	23.0

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

	2021		2020	
	Property £m	Plant and equipment £m	Property £m	Plant and equipment £m
Expense relating to short-term leases	**0.5**	**0.1**	0.4	0.3
Expense relating to low-value leases	**–**	**0.4**	–	0.2
	0.5	**0.5**	0.4	0.5

The total cash outflow for leases is as follows:

	3 July 2021 £m	27 June 2020 £m
Lease repayments	**17.7**	16.6
Interest paid	**4.3**	3.9
Total cash outflow for leases	**22.0**	20.5

35 Events subsequent to the period event
There were no events subsequent to the period end requiring disclosure (2020: no events).

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