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DX (Group) plc Annual Report and Accounts 2022

Delivering our customers' promises

Annual Report and Accounts 2022 -ESG Section

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.

Read more about our strategy on page 12

Contents

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Highlights of the Year

Financial highlights for the year ended 2 July 2022

Revenue
£428.2m
(2021: £382.1m, 2020: £329.3m)

2022	£428.2m
2021	£382.1m
2020	£329.3m

Adjusted PBT[1]
£20.2m
(2021: £12.0m, 2020: £0.2m)

2022	£20.2m
2021	£12.0m
2020	£0.2m

Reported PBT/(LBT)
£17.4m
(2021: £10.6m, 2020: £(1.3)m)

2022	£17.4m
2021	£10.6m
2020	£(1.3)m

Net Cash[1,2]
£27.0m
(2021: £16.8m, 2020: £12.3m)

2022	£27.0m
2021	£16.8m
2020	£12.3m

Profit from Operating Activities
£22.1m
(2021: £15.1m, 2020: £3.0m)

2022	£22.1m
2021	£15.1m
2020	£3.0m

Adjusted EPS/(LPS)[1]
2.9p
(2021: 2.0p, 2020: (0.1)p)

2022	2.9p
2021	2.0p
2020	(0.1)p

Reported EPS/(LPS)
2.4p
(2021: 2.7p, 2020: (0.3)p)

2022	2.4p
2021	2.7p
2020	(0.3)p

Net Cash Generated from Operating Activities
£36.5m
(2021: £28.1m, 2020: £33.5m)

2022	£36.5m
2021	£28.1m
2020	£33.5m

Operational highlights

> DX's excellent results were supported by efficiencies and productivity initiatives, as well as a strong focus on customer service levels

> Group operating profit margin[1] increased to 5.8% from 4.3%, against medium-term target of 7.5%-10%

> DX Freight division grew strongly, with an excellent performance by 1-Man service, which specialises in irregular dimension and weight ("IDW") delivery
  - significant new customer wins

> DX Express division returned to growth; increased Parcels volumes more than offset the expected revenue attrition at Document Exchange
  - Separation of the Document Exchange and Parcels delivery network improved service levels. and increased Parcels capacity
  - New Portal launched for Document Exchange customers, which enables secure digital sharing of files and access to other DX services

> Delivery networks expanded, with ten depots opened or upgraded. Further expansion is planned over the next two years

> Three-year, £20-25 million capital investment programme launched, with first year now completed. Investment focused on depots, handling equipment and IT

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 (ESG) seriously and we look to improve and strengthen our approach year-by-year. Further details can be found on pages 22 to 28.

1 See notes 3 and 34 to the Financial Statements for details of alternative performance measures ("APMs") used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

2 The cash balance included agreed coronavirus-related deferred payments of £nil million (2021: £6.0 million; 2020: £10.4 million); thereby, net underlying cash was £27.0 million (2021: £10.8 million, 2020: £1.9 million).

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 parcels, freight, secure courier and logistics services.

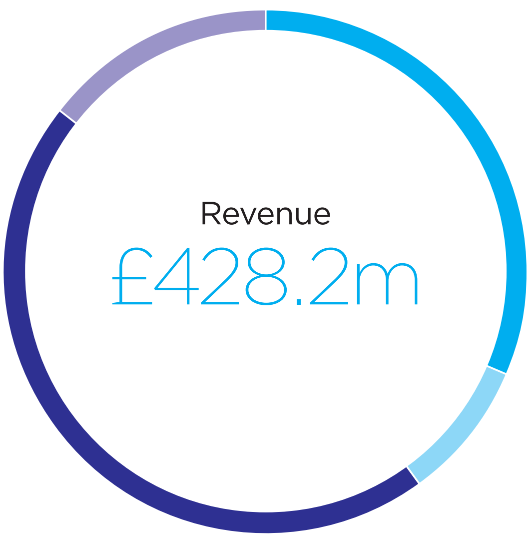
What we do
DX provides a wide range of specialist delivery services to both business and residential addresses across the UK and Ireland. The Group operates through two divisions, DX Freight and DX Express.

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

Our divisions

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

Read more on **page 18**



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

Read more on **page 20**

FREIGHT
- 1-Man
- 2-Man & Logistics

EXPRESS
- Parcels
- Exchange & Mail

Depots across the UK and Ireland

87

Employees

4,100

Daily delivery and collection routes

2,600

Items delivered in the past year

95 million

DX key locations

Locations in the UK and Ireland

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

Chairman's Statement

DX continues to make very strong progress

"I am very pleased to highlight in particular the progress we have made with our goal of increasing Group operating margin towards 7.5-10%."

Introduction

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

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

These results were helped by the initiatives we have taken to increase efficiencies and productivity and were underpinned by our focus on maintaining and improving our high customer service levels. In addition, after a challenging first half with supply chain restrictions impacting customers and a shortage of driver and warehouse resource, trading conditions improved. The labour market stabilised and supply chains returned to a degree of normality.

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

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

Share suspension

As previously reported, the Company's shares were suspended from trading on AIM on 4 January 2022. The suspension resulted from the Company's inability to meet its statutory deadline for the completion and publication of its 2021 Annual Report & Accounts after a corporate governance inquiry ("Inquiry") was raised by the Group's Audit & Risk Committee. The Inquiry related to an internal investigation started in the 2021 financial year ("Investigation").

On 20 September 2022, we reported the findings of the Inquiry and Investigation, which centred on an allegation of bribery. We also detailed the key measures we had taken, or proposed to take, in order to strengthen the Group's corporate governance and ensure that we meet the highest standards of corporate and individual conduct. Further information on this is provided in the Audit & Risk Committee Report on pages 45 to 48. It has been a highly unsettling period for shareholders and the Company, and we were pleased to see the Company's shares readmitted to trading on AIM on 19 October 2022.

"This strong performance was led by DX Freight, where revenue increased by 15% year-on-year, with DX Express growing by 8% as expected."

Ronald Series
Executive Chairman

Financial Results

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

Net cash generated by operating activities grew strongly, up 30% to £36.5 million (2021: £28.1 million). The Group's financial position remains very robust, with net cash at the year end up by 61% to £27.0 million (3 July 2021: £16.8 million, which is after coronavirus-related deferred payments amounting to £6.0 million (3 July 2021: £16.8 million, after £4.4 million of coronavirus-related repayments).

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

Capital Allocation and Dividend Policy

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

Our capital allocation priorities are as follows:

- **Investment for organic growth:** the Board intends to continue its focus on driving organic growth across the business, and will continue to invest in new depots, operational equipment and IT systems to support the growth of the existing depot network in line with previously announced plans. Current requirements are forecast at £8-10 million per annum;

- **Regular returns to shareholders:** the Board intends to reinstate a dividend and maintain a progressive dividend policy that will take into account growth in earnings and cash generation. It will seek to maintain dividend cover of between two- and three-times adjusted earnings per share through the economic cycle and to ensure that dividend payments are funded by operating free cash flow. (Adjusted earnings per share comprise earnings adjusted for amortisation of any acquired intangibles, exceptional items and share-based payment charges, including related tax where applicable). Further details on dividends are set out below;
- **Strategic investments:** in the medium term, the Board will consider selective property investment to support the Group's operations and the acquisition of operating businesses that are accretive to earnings and which support growth over the long term; and
- **Other returns to shareholders:** the Board is committed to ensuring that the balance sheet remains efficient. Given the relatively high operational leverage of the business, it will maintain a positive cash balance. As and when appropriate, it will return surplus capital to shareholders in the form of special dividends or share buy-backs.

Recommencement of dividend and share buy-back

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

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

Chairman's Statement continued

Performance Overview

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

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

Environmental, Social and Governance

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

As reported in our announcement on 20 September 2022, the Board is clear in its objective of ensuring the highest standards of corporate and individual conduct. We have taken corrective actions to improve certain internal processes and training in specific areas so as to ensure best practice in corporate governance. Further details of the actions being taken and the progress we are making against them are disclosed in the Audit & Risk Committee Report on pages 45 to 48.

Our People

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

Board Changes

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

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

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

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

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

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

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

Outlook and Opportunities

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

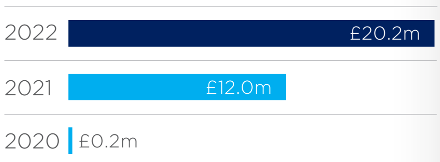
Trading in the first quarter of the new financial year remained in line with management expectations, and we have a very healthy pipeline of new business opportunities as we enter the seasonally busier second quarter. Despite the uncertainties facing the economy at present, the Board believes that the Group remains in a strong position to achieve its growth objectives for the current financial year. Our proposed return to the dividend list in the new financial year signals the Board's confidence in DX's growth prospects.

Ronald Series
Executive Chairman

Adjusted PBT[1]

£20.2m

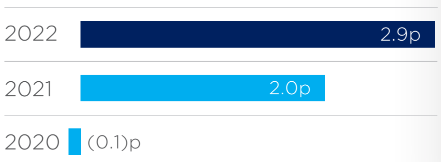
(2021: £12.0m, 2020: £0.2m)



Adjusted EPS[1]

2.9p

(2021: 2.0p, 2020: (0.1)p)



1 See notes 3 and 34 to the Financial Statements for details of APMs used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

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

First phase of turnaround successfully completed with return to profitability

> 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 high and continually improving

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 IDWmarket
> 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

£20-25 million investment programme under way to support growth and efficiency

> New depot programme to open 12 sites over next two years
> IT systems improvement and parcel handling equipment installation
> Technology will drive improvements and productivity

The Group is financially robust with a clear approach to capital allocation

> Strong balance sheet
> Improved cash generation
> Significant liquidity headroom
> Plans to pay progressive dividend

Our Customer Proposition

Reliability, quality and value

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

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

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

"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."

Iain McKillop
Operations Manager
Häfele UK

In Delivering Exactly, we aim to provide:

Great Service

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

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 with significant industry experience. All employees are thoroughly vetted to maintain high levels of security.
- **Networks:** DX provides national coverage through its 87 hubs and depots, and plans to further expand its networks over the next two years.
- **Technology:** significant investment has been made in the Group's technology in recent years, in particular in the Group's parcel tracking systems, handheld devices and fleet telemetry. DX has developed its own technology, allowing it to offer customers the highest levels of service.
- **Fleet:** the Group operates a fleet of over 850 vehicles, which is one of the most modern in the industry. These vehicles meet the strictest environmental and safety standards of their class and DX has recently added 12 electric vehicles to the fleet.
- **Suppliers:** the delivery networks are supported by committed, appropriately security-cleared and experienced subcontractors.
- **Financial strength:** over the last five years, DX has significantly improved its financial performance and strengthened financial systems. The Group now has a robust financial platform for the next phase of its growth and development.

What we do and how we do it

DX Freight

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

- **1-Man:** 1-Man has the capability to move all types of freight, from document satchels and parcels to IDW items, including lengths of up to six metres. Deliveries are primarily 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 its own nationwide network of depots, document exchanges, sortation hubs and trunking vehicles.

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

What we aim to deliver

How we do it

> **Commercial discipline:** strong commercial discipline is applied to every quote to ensure the price is right for the nature of the freight to be delivered.

> **Local customer service:** every customer has a local point of contact, making DX's service distinctive, and highly valued by our customers.

> **Reliable, next-day service:** high standards are set to ensure the Group delivers a reliable, first-time, next-day service.

> **'Can-do' culture:** a 'can-do' attitude underpins DX's approach and ensures that customers feel that DX people will go 'the extra mile' for them.

> **High-quality information:** improved information management systems help to ensure that timely and insightful decisions are made when managing operations and customer service.

> **Compelling proposition:** the Group's ability to handle a wide variety of delivery options and to flex its service to match customer requirements using modern technology makes for a compelling proposition.

> **A motivated workforce**

4,100

employees focused on delivering a high-quality customer service.

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

£20.2m

the Company is now generating profit and cash with adjusted profit before tax of £20.2 million and net cash generated from operating activities of £36.5 million.

> **An improving market position**

2x

1-Man revenue has more than doubled in the past four years and strengthened DX's position in the IDW market

> **A growth business with expanding margins**

5.8%

achieved an adjusted operating profit margin of 5.8% which takes us towards our longer-term goal of 7.5-10%.

> **Satisfied customers**

4/5

a 'great' Trustpilot score of 4/5.

> **Attractive returns to shareholders**

1.5p

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

All underpinned by strong corporate governance and risk management procedures. Read more on **pages 42 to 44**

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 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 quantitative and qualitative performance. > Local customer service relationships.
Invest in Sales and Commercial capabilities	> Recruit additional top-quality sales resources. > Divisional commercial teams to approve all new business. > 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 2022	Objectives for 2023
> Expansion of DX Freight central hub ongoing. > 2-Man now delivering from five dedicated supersites. > Separation of Exchange and Parcels delivery networks within DX Express helping to deliver high levels of customer service.	> Completion of major extension to DX Freight Central Hub. > Continued development of regional sortation hubs across both DX Freight and DX Express.
> DX Freight significantly increased operating margin in 2022 achieving 12.1%. > DX Express operating margin was 8.5%. > Group operating profit margin increased from 4.3% to 5.8%.	> Look to expand margins further with continued focus on operational efficiency and the addition of profitable new business.
> 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.
> Appointment of Group Sales Director from within the business to coordinate revenue generation across both divisions. > Commercial teams across DX Freight and DX Express integrated into a single Group Commercial function. > Document Exchange Portal launched as part of membership subscription. > Launch of liveried vehicles with subcontractors branded 'Working in Partnership' with DX, which raises the profile of DX brand on the road.	> Invest in 2-Man Sales team within DX Freight to support the growth of this service line. > Continue to expand usage of Document Exchange Portal.
> £1.7 million invested in IT infrastructure and systems, including new handheld scanning devices for depots. > Continued investment in the modernisation and upgrade of key systems to replace legacy ones.	> Planned £2.0 million of investment in IT systems.
> DX Freight opened new depots as planned at Dewsbury, Bodmin, Coventry and Cannock with expansion at Maidstone and Swanley. Major upgrade completed at Thatcham. > DX Express opened new depots at Grimsby, Luton, Verwood and Dartford. > £3.7 million invested in new sites and improvements to the existing depot network.	> 12 new depots planned over next two years. > New DX Freight depots opened in Paisley and West Bromwich and planned in Leeds, with expansion at Heathrow, and Plymouth. > New DX Express depots planned in Basildon, Plymouth, Preston and Haydock.
> 276 new delivery vehicles and 61 trailers for DX Freight and 90 new delivery vehicles for DX Express deployed during the year. > £0.8 million invested in operational improvements including new cages, basic sorting mechanisation and an upgrade to the CCTV system. > Delivery and hub productivity further improved, which has driven improved profitability.	> £1.5 million earmarked for further investment in operational capacity and parcel handling equipment. > Investment in cages and stillages to support growth of the business.

Group Operational Review

Continuing to grow strongly

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

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

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

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

Coronavirus Pandemic

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

Divisional Review

DX Freight

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

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

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

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

As we have previously outlined, opening new depots has several beneficial effects. It reduces stem miles, improves our ability to win new business in the

"As well as delivering the strong trading performance, we have significantly strengthened our commercial and operational processes and are using our strong financial position to invest in the business to underpin future growth prospects."

Ron Series
Executive Chairman

local area, enhances service levels by being closer to our customers, and increases vehicle productivity by enabling double delivery runs on certain routes.

DX Freight continued to strengthen its market position over the course of the financial year, benefitting from market growth, further improvements in its service levels and its strong sales force, which secured very good levels of new business. With the requirement for national coverage and the ever-increasing regulatory demands, the IDW market has relatively high barriers to entry. As an established player in the IDW market, these factors continue to work to our advantage and we increased our market share further, securing new IDW business as well as additional parcel freight volumes. Any increase in volumes typically improves efficiency and productivity, principally through greater delivery densities. The high operational leverage within the business has therefore led to the further growth in the division's margin, as growth in volumes over time do not require a commensurate rise in fixed costs.

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

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

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

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

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

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

In the second half of the financial year, we launched a Digital Portal for Document Exchange members. The new Portal enables documents to be shared securely and digitally. It complements the existing physical collection and delivery of documents, giving our members the choice of how they wish to have their documents delivered. It also enables them to access our nationwide tracked delivery service to

Group Operational Review continued

send documents and parcels easily, with self-generated despatch labels. We are also working with a global delivery partner on an international express delivery option via the Portal. The enhanced Portal service is offered as part of customers' membership fees.

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

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

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

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

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

Divisions Supported by Central Teams

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

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

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

We continue to expect regulation to change in the near future and that DX will come under the requirements of the Taskforce for Climate-related Financial Disclosures ("TCFD"). In anticipation of this, we are taking the preparatory steps to meet TCFD requirements. We expect that it will take up to two years before we are fully compliant. We have already made progress with changes to the way we operate, including using telematics to improve fuel consumption, renewing the fleet so we have the most up-to-date, fuel-efficient vehicles and installing LED lighting across the estate. Further details of our approach can be found in the ESG section of this report on pages 22 to 28.

Summary
It has been another highly successful year for DX. We have increased Group profitability, generated significant increased cash flows and continued to drive Group operating margin closer to our target.

DX Freight has outperformed our expectations while DX Express has advanced, recovering from the disruption of the coronavirus crisis and building its next-day parcels delivery activity while supporting its traditional Document Exchange business. We are continuing to invest in sites, equipment and IT to lay the ground for further growth and development.

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

Ronald Series
Executive Chairman

Operational Review

DX Freight review

Specialists in irregular dimension and weight items

Another year of outperformance as the division continues to grow

Our Performance in 2022
Revenue increased by 15% to £256.9 million (2021: £223.0 million) and operating profit by 36% to £31.1 million (2021: £22.9 million). This excellent performance was helped by new business wins and increased volumes from the existing customer base. In particular, the division saw significant revenue growth from the automotive, building & construction, home furnishings, leisure/fitness and retail sectors.

1-Man revenue grew by 19% year-on-year, with approximately 25 million items delivered over the year. The 2-Man & Logistics business units performed well, expanding trading with key customers and adding new customers, with revenue growth at 4%.

Our localised Customer Service Teams remain a key differentiator, helping to attract and retain new customers. This localised approach stands in contrast to call centre models, where often there are long response times and a much more impersonal form of engagement. We have continued to work hard to build strong relationships with customers and our local presence enables us to solve service issues faster and to 'go the extra mile' for our customers.

We have continued to invest significantly in our fleet. In the year, we introduced our first electric vehicles, working in partnership with our valued 2-Man & Logistics customer, IKEA. (Further details on this partnership can be found page 25).

We have also continued to expand our depot network, opening five new depots in Dewsbury, Bodmin, Coventry, West Bromwich and Paisley. We also completed a refurbishment programme at our depot in Thatcham in Berkshire, as well as a significant dock extension at our Heathrow depot. Our 2-Man & Logistics operation launched a new dedicated 2-Man solution, creating five 2-Man 'supersites' strategically located across the UK, which focus wholly on our 2-Man service proposition. They will support the further expansion of our 2-Man activity and help to promote high customer service levels. These investments in the depot network have created additional capacity and improve our customer service proposition by locating us closer to our customers and, in turn, to their customers.

Our IT and equipment investment programmes are progressing well. We introduced new and more efficient 'Under the Roof' scanners as well as a new multi-purpose 'Under the Roof' and 'Driver On the Road EPod' scanners. These new scanners complement our existing estate of 'Driver On the Road EPod' devices. We have now taken in-house all maintenance and buffer stock control, enabling us to manage more effectively buffer stocks held centrally and across depots and ensure consistency of supplies, including spares.

Our Areas of Focus in 2023
Despite the current challenges around driver and labour shortages, we expect DX Freight to continue its growth trajectory. In order to support future growth, we plan to open two new depots in Warrington and Slough, and two depot refurbishment projects are currently under way at Plymouth and Exeter, where we are installing raised docks. We will also be refurbishing the welfare facilities at our Heathrow depot. Alongside this, the significant refurbishment and extension of our Central Hub in Willenhall continues.

Market Trends
The Parcel and Logistics sector continues to grow. This is due to the ongoing shift in buying habits from physical in-store purchases to online transactions. The trend was considerably accelerated by the coronavirus pandemic, and internet sales as a percentage of total retail sales remains higher than just before the pandemic. While the current cost of living crisis has reduced volumes in the marketplace from their height, the increasing shift to online remains.

The issue of driver shortages has been a feature of the UK marketplace over the last several years. While the acute shortage following the pandemic has abated in recent months, we expect driver shortages to remain a major challenge for our industry. We continue to work hard to address this with new initiatives, including an internal recruitment campaign.

Items delivered by DX Freight
37m

New 2-Man supersites
5

Overall investment
£3.6m

Case Study

Delivering to consistently high standards for our customers

Kirkby Tyres is a specialist distributor of a broad range of tyres, including tyres for trucks, agricultural vehicles and quad bikes. The company has over 70 years' experience in tyre import, wholesale and distribution, and has won numerous industry awards, including the National Tyre Distributors Association's award for "Truck & Agri Supplier of the Year Award". From its headquarters in Liverpool and its newly-relocated distribution centre in Dublin, the business focuses its products and services on the tyre trade, including tyre distributors, original equipment manufacturers (OEM) and export customers.

Kirkby Tyres has been working in partnership with DX for over 20 years. Previously, Kirby operated an in-house distribution model, but as the company grew, it took the decision to move from a fixed-cost solution to a variable-cost model and engage a carrier that fitted its specific needs.

Owing to the challenging nature of its products, which include out-sized tractor tyres, Kirkby Tyres needed a specialist IDW partner, able to transport its wide range of products. DX Freight's 1-Man service provided the ideal solution. The long-standing partnership with 1-Man has been extended recently to include a dedicated logistics solution, which is provided by DX Freight's specialist Logistics operation.

Kirby Tyres requires a minimum key performance indicator measure of 95.4% on first-time deliveries, and our 1-Man unit has consistently exceeded this benchmark.

Carl Lee, Operations Director of Kirby Tyres, commented: "DX Freight ticks all of our delivery service boxes with their capability across the entire UK providing a predominantly next-day service. DX also recognised the growth we were experiencing and offered a bespoke delivery solution via their DX Logistics Division.

"Over the last few years, we have also been able to deliver an improved service experience to our customers through our interaction with the localised DX Customer Service Team. We see the DX Customer Service Team as an extension of our own as they are willing to speak to our customers directly when specific queries arise. It is a valuable partnership."

Operational Review continued

DX Express review

Specialists in secure delivery

Parcels growing strongly

Our Performance in 2022

DX Express experienced a successful year, returning to revenue and profit growth. Revenue increased to £171.3 million from £159.1 million, with operating profit rising to £14.5 million from £12.4 million. This performance was driven by the continued expansion in our Parcels activity, where revenue grew by 14% year-on-year, which offset the expected attrition at Document Exchange and Mail. Parcels' growth also drove the improvement in DX Express's profit margin to 8.5% from 7.8%.

Document Exchange continued to face challenges. The pandemic had a material impact on the working practices of the legal and financial sectors, which has resulted in an acceleration in the adoption of electronic communication, digital file sharing and e-signatures to facilitate home-working. This has eroded mail volumes across the industry. During the year, we introduced a new product, the Exchange Portal. This new digital platform offers the secure digital exchange of documents and enables our c.15,000 Document Exchange members to access the broader range of DX Express services. To support this initiative, we recruited a dedicated sales team focused on cross-selling DX services to the Document Exchange customer base. The new Portal is included as part of members' annual subscription fee. We have also improved service levels for members, with last year's initiative to create a dedicated Document Exchange and Mail network yielding the expected benefits. While we expect to see ongoing attrition, Document Exchange remains an important service, and provides an unrivalled proposition.

Over the financial year, we made significant investment in the parcels network, which will support ongoing growth. We opened new depots in Luton, Verwood and Dartford. This has increased our delivery and collection capacity, provided a platform to drive efficiencies by taking us closer to our customers, and helped to improve service levels by reducing stem mileages.

To support one of the division's key differentiators, of being a fully caged network with local sortation of customers' freight, we added 800 cages across the trunking network, and upgraded or installed new mechanisation at 11 depots in the network.

We also upgraded courier handhelds to support better and faster on-route optimisation to aid driver productivity and introduced a new tool for managing doorstep photo compliance by couriers. In Customer Services, we introduced a system that enables parcel tracking in real-time, which has enhanced our service proposition.

Our Areas of Focus for 2023

We will continue to invest in the delivery network to support parcel growth, replacing and adding new locations to the division's existing footprint. This will not only increase capacity, but also bring our drivers closer to our customers, enhancing service levels and improving efficiency. We are currently in advanced stages of relocating and increasing capacity at five existing depots in Heathrow, Warrington, Swindon, Shrewsbury and Plymouth. We have already opened a new depot in Basildon to increase capacity in Essex and plan to increase capacity at Penrith over the coming 12 months. We are now looking for suitable depot sites in other strategic areas.

We are further investing in mechanisation and other improvements to depots, including the DX Express central hub, and will continue with plans to build our electric van fleet for London deliveries. An important initiative is the ongoing development of a single operating system for our parcel customers, which should significantly improve the customer experience as well as simplify operational processes and improve compliance.

Market Trends

The significant expansion of the Business to Consumer (B2C) parcel market experienced during the pandemic has reversed over the past 12 months. Fast-Fashion apparel, footwear, electronics and toys have seen the most significant downturn, which is expected to continue in the current economic environment. As a whole, the B2C market remains very competitive, with surplus capacity in many areas. DX Express focuses on B2C sectors that value our secure/high service level proposition as well as on B2B solutions where we have long-standing partnerships.

Both B2B and B2C customers are demanding faster resolution in the event of a parcel query. This can be more difficult to achieve with centralised, automated or outsourced customer services models. Our localised customer services approach enables our customers to communicate directly with their local depot and rapidly resolve any issues that may arise.

Items delivered by DX Express

58m

Growth of Parcels

14%

Overall investment

£2.0m

Case Study

DX partners with Mi Hub to ensure that Britons are ready for work

Mi Hub is an international supplier of corporate clothing uniform solutions to businesses and individuals, and trades through its Dimensions, Alexandra, Yaffy and Affinity brands. The company has a turnover of approximately £140 million and supplies over 17 million garments every year to around 4 million wearers.

DX has been working with Mi Hub for more than a decade, ensuring that garments arrive on time to workers at thousands of UK employers across the country. Mi Hub requires a secure, trackable delivery service given the importance of its items.

DX provides Mi Hub with a first-time delivery rate of 97%. As a result, Mi Hub now uses DX for more than 80% of all its deliveries.

Steve Cassapi, Logistics Director at Mi Hub, explains: “For us, customer satisfaction is everything. Organisations across the UK rely on us to provide them with the garments that their employees need to go to work every day. If that doesn’t happen for any reason, we’ve got a problem, regardless of whose fault it is. That is why we needed a logistics partner that understands our business and who we can trust implicitly. That is why we chose to work with DX.

“Because of this incredibly high success rate, we can now say to our customers: don’t keep a storeroom packed full of 500 or 600 uniforms that you’re not using; just tell us exactly what you need and where you need it, and we will ship them overnight.

“DX has become an integral part of our business. Other delivery companies will tell you how they like to do things, but DX is different; they have really taken the time to understand our business and what our customers expect, so that they can offer a consistent service that meets our needs precisely.”

Environment, Social and Governance

Corporate responsibility – our ESG focus

The Group recognises the importance of working towards the UK's 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 reviewing and establishing its long-term strategy for the attainment of its ESG goals and priorities.

With the turnaround of DX secured, and the Group now firmly on a growth path, we are in a position to increase our focus on ESG issues. We are now working towards establishing the Group's long-term plan for attaining our ESG goals.

1. Managing and reducing our environmental impact

The Group is committed to minimising its environmental impact and sharing its progress in this important area. We understand the significant impact logistics can make on the environment, and we want to play our part towards the UK Government's ambitious carbon reduction strategy. During the 2022 financial year, we created a new role within the Group of Environmental Manager, which further marks the commitment of dedicated resource to achieving our environmental goals.

Our Framework

Historically, the Group has measured and reported its Scope 1 and 2 emissions under the SECR (Streamlined Energy and Carbon Reporting) requirements. In this year's report because data availability has improved, we have added a number of additional Scope 3 emissions measures, in alignment with the UK Government's purchasing policy note PPN 06/21. We will continue to develop our carbon reporting measures and disclosures.

We use the framework of the international environmental management standard ISO14001 (certified at two locations) to guide our approach to setting our environmental objectives and targets for improvement.

We maintain an annual environmental reporting schedule which measures the Group's Scope 1 and 2 carbon footprint in CO_2e – carbon dioxide equivalent. The key performance indicators (KPIs) disclosed are measured over DX's financial year, which runs from July to June. We utilise a financial control boundary, with our non-staffed DX Exchange locations excluded. These excluded locations represent a small physical and energy footprint (primarily lighting).

In the 2022 financial year, our boundary included 88 depots, hubs and administrative sites. We use the Greenhouse Gas Protocol (GHG) as a framework to capture data on the environmental elements that we can directly measure, control or influence effectively. We utilise location-based emission factors and the UK's Department for Business, Energy & Industrial Strategy (BEIS) emission factors. The 2022 financial year utilises the latest set of factors available at the time of reporting (BEIS 2022).

Decarbonising the DX Fleet

Our core business provides delivery services to our customers. Fuel is therefore one of our most significant environmental considerations and also one of the most challenging to manage. Transport movements (including business travel) within DX's Scope 1 boundary represent over 91% of the traditional Scope 1 & 2 boundary.

DX operates two distinctive business models. While it predominantly uses PAYE drivers within DX-operated-and-leased vehicle fleets, we also use subcontractors (Scope 3 upstream transport and distribution) for final-mile deliveries. A wide variety of vehicles are used, depending on the type and weight of items being delivered, from tractor tyres and lampposts to letters and small delicate and high value items. The fuel-related emissions reported predominantly relate to the DX Freight division.

A key area of focus in the 2023 financial year will be to establish the footprint of our Scope 3 fleet movements as the business works towards its Net Zero carbon reduction plan in alignment with the UK Government's PPN 06/21 requirements.

In the year under review, fleet diesel consumption (products) decreased by 2.8%. We believe this decrease in fuel consumption is mainly a result of the change in reporting methodology to utilise 'actuals' from estimates. However, the following factors are also relevant:

- The use of vehicle telematics. These are installed in the majority of the directly operated fleet. Monthly reports are generated and used by hub management teams to engage drivers on driving styles and performance. This initiative has improved miles per gallon by over 3 miles.
- Aerodynamic semi-trailers. Approximately 87% of our 750-strong semi-trailer fleet are aerodynamic, having been designed to improve fuel economy and reduce carbon emissions. We continue to replace older trailers with aerodynamic models.
- New vehicles. We continue to refresh the directly operated fleet with more efficient vehicles. In 2022, 366 vehicles and 61 trailers have been replaced with newer versions. This has reduced breakdowns as well as maintenance requirements.
- Plug-in hybrid electric vehicles ("PHEV"). Since July 2021, only PHEV vehicles have been ordered for the company car fleet. This has resulted in an 8% reduction in internal combustion engine vehicles, with hybrids and PHEVs increasing by 1% and 7% respectively across the fleet.

"DX is now reviewing and establishing its long-term strategy for the attainment of its ESG goals and priorities."

Ronald Series
Executive Chairman

Conversion factors	Scope	2022 BEIS 2022 full set Units	kWh	2022 tCO_2e	2021 – Base year BEIS 2021 full set Units	kWh	2021 tCO_2e
Estate^							
Total gas (kWh)	1	6,901,528	6,901,528	1,260	5,952,212	5,952,212	1,090
WTT gas	3			215			187
Total electricity (kWh)	2	8,939,886	8,939,886	1,729	8,058,143	8,058,143	1,711
Electricity T&D	3			158			151
Electricity WTT (generation)	3			413			446
Electricity WTT T&D	3			38			39
Fleet Vehicles							
DX operated fleet diesel (litres)^^	1	12,283,473	130,327,649	31,419	12,640,000	134,110,400	31,756
WTT diesel	3			7,491			7,709
FLT LPG (litre)***	1	97,534	659,329	152	97,534	659,329	152
WTT LPG	3			18			18
Business travel							
Company car and allowance mileage claims (litre)*	1	469,496	4,981,353	1,201	527,877	5,600,775	1,326
Fuel – People (company cars/allowance drivers/fuel receipts) diesel WTT	3			286			322
			kWh	**tCO_2e**		**kWh**	**tCO_2e**
	Total		**151,809,744**	**44,380**		**154,380,859**	**44,907**
Additional carbon disclosures not included in above total							
Flights (KM)	3	36,434		7.05	2,470		0.45
Trains (KM)	3	38,782		1.72	17,273		7.67
Hotels (nights)**	3	5,760		79.98	3,624		53.51
Additional KPIs							
Recycling percentage^^^		62%					
Landfill percentage		2.4%					
Intensity ratios							
Revenue £million		427.18			382.40		
KG CO_2e per £million revenue				104			117

Notes:
No heating oil reported (assumed small impact on footprint).
* Company car and car allowance mileage claims cannot be split.
** Supplier CO_2e values as no conversion factor available for Irish hotels at the time of reporting.
*** LPG not reported for 2021, 2022 value utilised to fill the data gap.
^ Estate energy includes estimation where invoices do not cover a complete year or are not available. Non-staffed exchange locations are not included within our energy disclosure (basic lighting/heating).
^^ Fleet diesel methodology improved to replace average calculations with an actual purchased volume in 2022.
^^^ Includes off site waste segregation where data is available through our waste contractors.

Environment, Social and Governance continued

"The use of vehicle telematics has improved miles per gallon by over 3 miles."

Ronald Series
Executive Chairman

Property
Energy consumption by the Group's property estate energy increased by 13% in the 2022 financial year compared to the baseline established in 2021. This rise is partly attributable to the impact of the coronavirus, with staff working from home and our building occupancy reduced. However, it also reflects the expansion of the Group's estate footprint, which increased by 19% as new depots were opened to improve service productivity, offerings to customers and to optimise business movements.

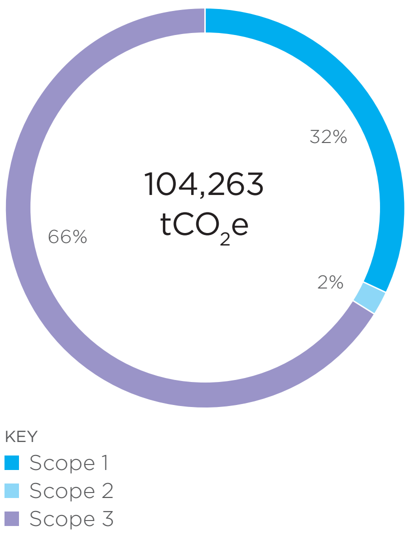
> We also continued to replace old inefficient lighting systems with LED and sensors.
> At our Durham, Coventry, and Paisley sites, we upgraded 105 large sodium lights with efficient LED equivalents.

Carbon reduction
We are progressing with the Group's carbon reduction plan and intend to publish it by the end December 2022. This will be in line with PPN 06/21. We have begun to map additional Scope 3 emission sources and our current progress is presented below. We expect data sources to widen as we improve our monitoring.

The utilisation of subcontractors to support our fleet operations provides us with the flexibility to adapt to our customers' needs. Nonetheless, subcontractor emissions represent a significant element of the Group's overall carbon footprint and have not been reported historically because they fall outside of Scope 1. These contracts represent approximately 85% of Scope 3 upstream transport and distribution emissions.

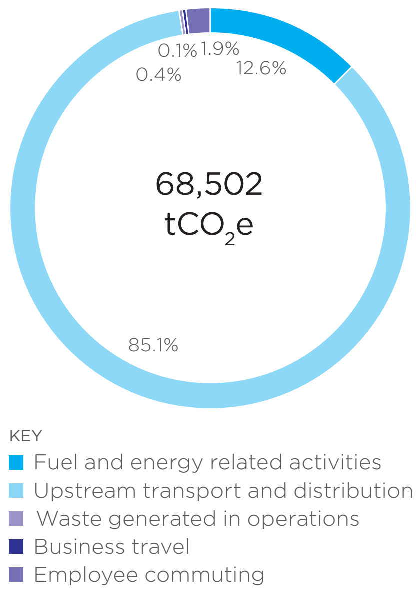
Significant Scope 1 and 3 fleet emissions reductions have been limited previously by the lack of availability of technology and the feasibility of this to meet the Group's operational needs. The steps we have taken recently to reduce fleet emissions are expected to decrease emissions by 190 tCO_2e in the 2023 financial year.

DX Carbon footprint 2022*



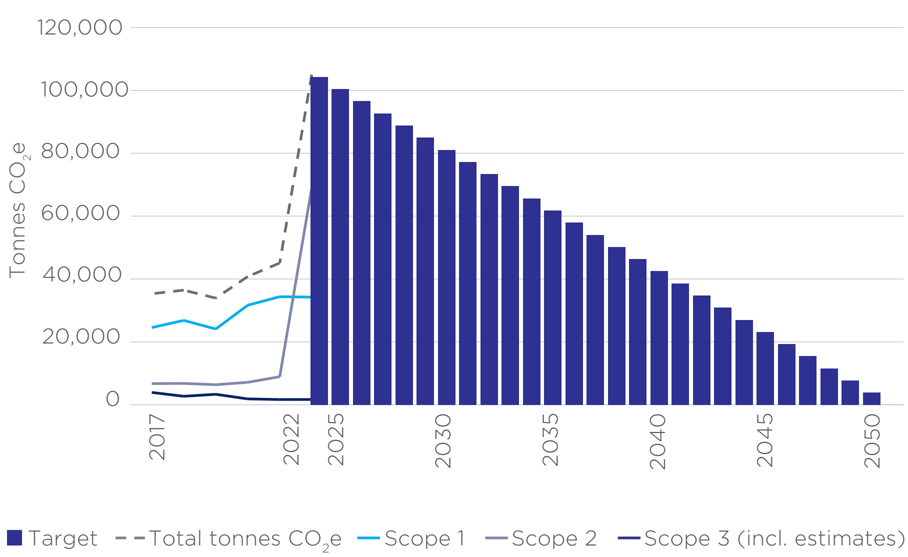
* Scope 3 emissions only represent five key categories. This includes estimated values and some omissions as we develop our monitoring process.

DX Carbon footprint Scope 3 2022*



* Scope 3 only covers the stated emission categories as there are some omissions as we develop our monitoring process. Please note, no emissions for downstream transportation and distribution are currently reported.

Current DX Scopes 1-3 tonnes of CO_2e



Case Study

DX launches £750,000 electric vehicle programme with IKEA

In the last 12 months, DX announced the launch of a three-year project to acquire a fleet of electric vehicles for use in its delivery and logistics partnership with IKEA.

The Company has invested £750,000 with further investment planned over the next three years to establish an initial fleet of over 60 electric vehicles for IKEA's home-delivery services. The first phase, launched in August 2022, was an initial 12 electric vans operating from DX depots in Southampton and Warrington.

The new fleet comprises the award-winning Maxus e DELIVER 9 marque vans, which have an operational carrying capacity of 1,162kg and a single-charge range of around 219 miles, with zero output emissions. The vehicles are dual-liveried with DX and IKEA branding.

IKEA has been a customer of DX 2-Man & Logistics for over seven years, with DX providing delivery and logistics services to support IKEA's online and retail operations. DX is IKEA's largest provider of 2-Man home delivery services in the UK. This project marks the continuing evolution of this successful partnership.

Paul Ibbetson, Managing Director of DX Freight, commented: "We are very pleased to have launched our first fleet of electric vehicles for IKEA. Over the next three years we will be building on this to provide IKEA with continued, first-class delivery and logistics services that are more environmentally friendly."

John Welsh, Fulfilment Sourcing Manager at IKEA UK & Ireland, commented: "DX is the largest provider of 2-person home delivery services for IKEA in the UK and we are excited to have their first electric vans with zero-output emissions on the road for us and our customers. IKEA's goal of reaching 100% zero emission last mile deliveries by 2025 will be achieved through working together with those who share our vision, and I am delighted that DX have already been fundamental in delivering some of the first milestones in our journey."

- For IKEA, we are working towards achieving a final-mile delivery fleet that is wholly electric by 2025. The electric fleet will comprise around 110 vehicles and we estimate that it will reduce CO_2e emissions by 1,600 tonnes in its first year. To date, 12 vehicles have been delivered to this fleet.
- Within the London area, DX Express, in partnership with Silva Brothers Limited, is rolling-out a fleet of electric delivery vans. These will service six delivery routes. We expect to see approximately 11 tonnes of CO_2e avoided through this initial project. We have identified approximately 450 additional routes that may be suitable for these vehicles and intend to expand their usage where possible.

A programme of works to enhance energy efficiency across our estate is under way.

To support our work towards Net Zero, we have established a Sustainability Committee consisting of key leaders across the business. The Committee will ensure that our targets to reduce emissions are reviewed and suitable resources made available to support the delivery of efficiency and reduction programmes.

2. Social

Our Employees

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

Staff engagement at all levels is a priority for us. We aim to ensure communication and engagement through local, regional and Group-wide initiatives, with the Operating Boards of our two divisions (DX Freight and DX Express) involved. Senior management participate in regular calls, meetings and conferences to ensure cohesive engagement throughout the Group, and to raise awareness of the financial and economic factors affecting the Group's performance. Regular news bulletins are also distributed throughout the Group, and our in-house magazine, which is produced quarterly, carries a mixture of business and employee news.

We have recently updated our Equality and Diversity training. The aim of this is to ensure that recruitment, career development and promotions are based entirely on the ability and performance of an individual.

Training and development is an integral part of our vision for the future, and most higher level position within the Group are internal promotions, as we seek to promote a culture where hard work and skill is valued and nurtured.

A new Learning Management System has been introduced for all employees. All regulatory and compliance training is delivered through this platform, which enables us to monitor the rate of uptake of the modules and provide support when required. This new system also acts as a central location for all policy and procedure documents, enabling all

Environment, Social and Governance continued

"We are very pleased to have launched our first fleet of electric vehicles for IKEA."

Paul Ibbetson
Managing Director
DX Freight

our employees to have access to any information they may require when they need it.

The number of full apprenticeships engaged by the Group has more than doubled in the past 12 months, with the number of existing employees completing apprenticeship qualifications also doubling. We are very pleased with this result and remain committed to these apprenticeship initiatives.

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

We have an employee assistance programme in place that offers counselling, medical assistance and advice services, including some financial advice, which with the current cost of living crisis is especially relevant. We provide a variety of pension schemes, which support our employees to plan financially for their future. We will shortly be launching an employee benefits platform in partnership with Aon, the financial services firm. This will also offer all our employees the opportunity to receive substantial discounts on high street shopping.

Progressing our Health & Safety agenda

The Board is committed to achieving the highest standards of Health & Safety and ensuring that the appropriate resources are available in this regard. Health & Safety is a standing agenda item at all Board meetings.

The Group maintains a dedicated Health & Safety team that provides guidance, hands-on support and practical training to both divisions. The aim is to embed a positive safety culture throughout all of our operations. All our safety colleagues are NEBOSH (National Examination Board in Occupational Safety and Health) qualified, and refresher training is completed routinely to ensure we retain high levels of technical competence alongside practical operational experience.

Our Safety Academy, a DX-designed interactive e-learning platform, has been effective in delivering training across the business, and has become a high-quality training tool for colleagues. It is used on a daily basis as the 'go to' resource for effective learning. The Safety Academy focuses on the physical risks that typically exist within dynamic operations and provides colleagues with simple and clear approaches to reducing the risk of serious injuries.

We continue to develop our 'Take 5' behavioural campaign, which is structured around our key risks, to influence behaviours and reduce risks of serious accidents. The campaign, like our Safety Academy, is designed to be simple and practical.

Each site is subject to a robust internal audit process (a Risk Review), which is designed to drive continual improvement through benchmark performance and gap analysis against our risk assessments. Results from such audits are shared with the local operational teams and used to focus on more safety critical aspects of the operation.

Measurement and analysis is key to success and we measure safety performance routinely through a combination of both leading and lagging indicators, which are published at regional level each quarter, and nationally each month. The Audit Committee and Board conduct regular reviews of incidents, trends and overall performance. Our reporting processes are considered to be effective and mature, providing an accurate insight into risk.

This year, we have seen a small increase in the overall number of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) accidents (resulting in more than seven days' absence) across the Group and a small increase in the corresponding Incidence Rate. This is disappointing, however the Group has also grown significantly and the small upwards trend is therefore not considered to be indicative of significantly increased risk.

	2020	2021	**2022**	**% Change**
RIDDOR accidents	35	40	**44**	**+10**
Incidence Rate*	873	889	**1025**	**+15**

* RIDDOR incidents per 100,000 employees (full-time equivalent).

Through the use of dedicated expert advice, robust safety training, effective behavioural tools and internal audits, we aim to improve our safety performance and embed a positive culture.

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 the most dangerous work activity that most people do.

We are committed to the highest standards of road safety, and our Road-Risk Management Policy was reviewed in September 2021. This Policy provides guidance for our managers and drivers in identifying and evaluating potential risks and implementing solutions to reduce any identified risk to its lowest practicably attainable level.

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

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

We recognise the importance of direct depot management support for road safety, driver and fleet compliance, vehicle maintenance and repairs, telematics, licensing, accident management and driver behaviour. As the business has grown, we have increased the number of Regional Transport Managers ("RTMs") within the Fleet Team. Our RTMs provide professional guidance to depot staff in all matters concerning fleet compliance and road safety, with each RTM allocated a number of depots for which they are responsible.

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

High-risk drivers and drivers of concern are identified through our online management reporting suites, which are available to the Fleet Team. Our online management systems allow for Group-wide, regional risk analysis to be established through accurate information and reporting of trends and concerns at all levels, including to individual driver level. This also enables a more targeted approach to on-road training and refresher programmes, which are implemented across the Group.

Our online management systems, including telemetry reporting, allows us to review driver behaviour using data to conduct in-depth risk analysis, and to reward defensive driving technique and identify where driving standards may be lacking. We implement driving assessments and additional on-road driver training accordingly. Telematics management training is ongoing 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.

Even with the global delay of the delivery of new vehicles into the UK, due in part to the shortage of microchips, parts, and labour, we have taken delivery of several new vehicles and trailers during this period, with 366 commercial vehicles and 61 new trailers deployed within the last financial? year. As a result, the average age of our entire leased fleet is now 3.1 years, and the average age of our own vehicle fleet is low at 2.0 years.

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

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

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

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

Environment, Social and Governance continued

Case Study

Warehouse to wheels

During the last 12 months, DX like many companies has experienced pressures around employment, in particular the well-publicised recruitment of qualified drivers.

In order to address this, DX introduced an initiative called "Warehouse to Wheels". This scheme was launched to encourage and provide financial support for training colleagues into better paid driving jobs. The scheme covered all driving classes, including 3.5t, 7.5t, class 2 and class 1 categories. Existing 3.5t (van) drivers were included in the scheme to encourage further training, improving their driving classification. With over a third of DX employees having five years or more of service, it was evident that there is a loyalty to the company. Senior management saw this as an opportunity to further invest in our people and offer a training model leading to clear career progression. Since the launch of this initiative, 33 colleagues have either started new or enhanced driving roles and 46 colleagues are currently in training, all of which has been fully funded by DX. We are committed to further investing in our colleagues and producing our next generation of drivers to deliver our commitments to our customers.

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

Our Contribution to Society

We are delighted to be supporting Hospice UK by using our Apprenticeship Levy to fund four apprenticeships. Two employees of Hospice UK will be trained in fundraising and two trained in leadership skills. We hope to encourage our colleagues to make Hospice UK the 'charity of choice' in the next 12 months and to raise further funds.

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

3. ESG Governance

The Board has ultimate responsibility for the Group's ESG strategy and policies. The Group's approach to Corporate Governance is covered in greater details on pages 42 to 45. The Board believes that the 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.

The 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, the Fleet & Compliance Director the Head of Legal & Company Secretary, and the Environmental Manager. The Audit & Risk Committee also has oversight of ESG matters as part of its risk remit.

As previously announced, during the 2021 and 2022 financial years, the Group had to address a corporate governance matter further details of which are disclosed in the Audit & Risk Committee Report on pages 45 to 48.

Key Performance Indicators

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

Statutory measures

Revenue

£428.2m

(2021: £382.1m, 2020: £329.3m)

2022	£428.2m
2021	£382.1m
2020	£329.3m

Reported PBT/(LBT)

£17.4m

(2021: £10.6m, 2020: £(1.3)m)

2022	£17.4m
2021	£10.6m
2020	£(1.3)m

Reported EPS/(LPS)

2.4p

(2021: 2.7p, 2020: (0.3)p)

2022	2.4p
2021	2.7p
2020	(0.3)p

Net Cash Generated from Operating Activities

£36.5m

(2021: £28.1m, 2020: £33.5m)

2022	£36.5m
2021	£28.1m
2020	£33.5m

Alternative performance measures

Group Adjusted Operating Profit[1]

£24.9m

(2021: £16.5m, 2020: £4.5m)

2022	£24.9m
2021	£16.5m
2020	£4.5m

Adjusted PBT[1]

£20.2m

(2021: £12.0m, 2020: £0.2m)

2022	£20.2m
2021	£12.0m
2020	£0.2m

Net Cash[1,2]

£27.0m

(2021: £16.8m, 2020: £12.3m)

2022	£27.0m
2021	£16.8m
2020	£12.3m

DX Freight Operating Profit

£31.1m

(2021: £22.9m)

DX Express Operating Profit

£14.5m

(2021: £12.4m)

Central Overheads

£23.5m

(2021: £20.2m)

1 See notes 3 and 34 to the Financial Statements for details of APMs used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

2 The cash balance includes deferred payments of £nil million (2021: £6.0 million; 2020: £10.4 million); thereby, underlying cash was £27.0 million (2021: £10.8 million, 2020: £1.9 million).

Financial Review

Strong profit growth underpinned by expanding margin and healthy cash generation

Statutory Results

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

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

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

Summary

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

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

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

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

Revenue by Segment

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

Cash Flow

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

		2022 £m	2021 £m
Revenue		**428.2**	382.1
EBITDA[1]		**50.3**	38.6
Depreciation		**(24.4)**	(21.5)
Amortisation of software and development costs		**(0.6)**	(0.4)
Share-based payments charge – SAYE award shares		**(0.4)**	(0.2)
Adjusted operating profit1[1]		**24.9**	16.5
Amortisation of acquired intangibles		**–**	(0.2)
Exceptional items		**(1.6)**	–
Share-based payments charge – PSP award shares		**(1.2)**	(1.2)
Reported profit from operating activities		**22.1**	15.1
Finance costs		**(4.7)**	(4.5)
Profit before tax		**17.4**	10.6
Tax		**(3.4)**	4.8
Profit for the year		**14.0**	15.4
Other comprehensive expense		**–**	–
Total comprehensive income for the year		**14.0**	15.4
EPS	– adjusted (pence)[1]	**2.9**	2.0
	– basic (pence)	**2.4**	2.7
	– diluted (pence)	**2.2**	2.3
Operating profit margin[2]		**5.8%**	4.3%

1 See notes 3 and 34 to the Financial Statements for details of APMs used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

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

payments were originally deferred in the 2020 financial year.

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

During the 2021 and 2022 financial years and the subsequent period to 20 September 2022 the Group had to address a corporate governance matter as described on pages 45 to 46 of this annual report. In the 2022 financial year, the Group incurred £1.6 million of legal and advisory costs on the investigation of and inquiry into the matter. The costs of this one-off event are not expected to occur in future periods and have been charged as exceptional items to not distort to the Group's underlying costs.

Interest paid was slightly higher than in the previous financial year, reflecting an increase in interest on lease payments, linked to a rise in right-of-use assets. Tax paid was in relation to instalments on account for UK corporation tax and in relation to the Group's Irish operations.

Net Assets

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

Net Cash

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

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

Capital Expenditure

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

Revenue by Segment

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

Cash Flow

	2022 £m	2021 £m
EBITDA[1]	50.3	38.6
Loss on disposal	0.3	0.8
Movement in working capital excluding deferred payments	(0.9)	(1.7)
Movement in working capital relating to deferred payments	(6.0)	(4.4)
Exceptional items	(1.6)	–
Interest paid	(4.7)	(4.6)
Tax paid	(0.9)	(0.6)
Net cash from operating activities	36.5	28.1

Net Assets

	2 July 2022 £m	3 July 2021 £m
Non-current assets	145.3	146.6
Current assets excluding cash	44.6	40.2
Cash and cash equivalents	27.0	16.8
Current liabilities excluding debt	(74.9)	(76.7)
Non-current liabilities	(86.6)	(87.1)
Net assets	55.4	39.8

Net Cash

	2 July 2022 £m	3 July 2021 £m
Cash and cash equivalents	27.0	16.8
Net cash[1]	27.0	16.8

1 See notes 3 and 34 to the Financial Statements for details of APMs used, which are non-IFRS measure. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

Capital Expenditure

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

Financial Review continued

"The Board intends to recommence dividend payments in the current financial year ending 1 July 2023, and is targeting a total dividend for the financial year of 1.5p per share."

David Mulligan
Chief Financial Officer

Deferred Taxation

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

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

Adjusted Profit and Earnings per Share

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

Dividends

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

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

Adjusted Profit and Earnings per Share

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

David Mulligan
Chief Financial Officer

Principal Risks and Uncertainties

Risk management – how we identify, evaluate and mitigate risks

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

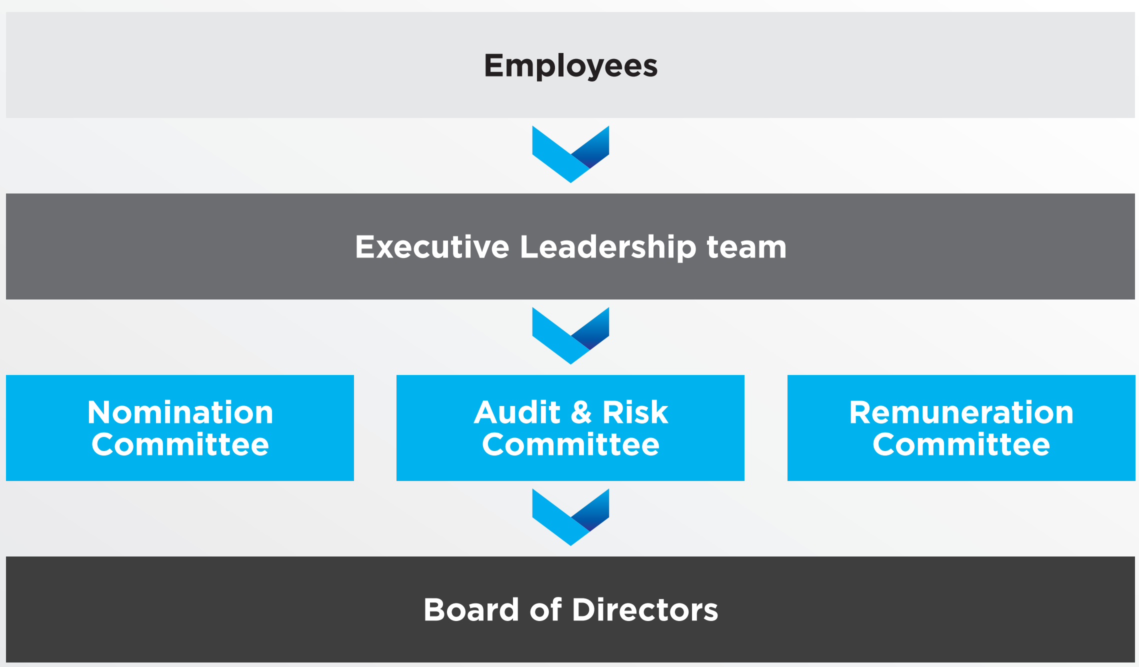
As with any business, DX is exposed to a number of risks and uncertainties at any given time. Managing these risks appropriately is key to the delivery of DX's overall strategy. The Group maintains a risk management register which is reviewed and discussed every six months by the Operating Boards of the DX Freight and DX Express divisions. It is also reviewed at least every six months, and more frequently as appropriate, by the Audit & Risk Committee. The Committee then updates the Board.

In the last year, the 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 coronavirus pandemic has raised specific concerns over a shortage of drivers across many industries.	DX has resources specifically focused on recruiting and training suitably qualified drivers. DX's recruitment and retention polices, and its ethical values seek to ensure that DX remains a great place to work. The 'Warehouse to Wheels' initiative seeks to train warehouse staff to become qualified, professional drivers.	

Risk change

Increasing | Decreasing | No change

Risk	Impact	Mitigation	Movement
Operational Risk			
Delivery of new business	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.	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. The introduction of the first electric vehicles is the first step in the Group's transition to Net Zero.	No change
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 that 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 that 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 third s172 Statement. Here, we summarise our activities, explain how the Company has considered the s172 Matters and engaged in constructive dialogue with employees, suppliers, customers and others; and has had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that consideration, including on the principal decisions taken by the Company during the financial year. We also signpost where more detail can be found on the s172 Matters in this Annual Report and Accounts.

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

During the year, the Board reviews corporate governance issues as part of its regular meetings. During the 2022 financial year, the Group had to address a corporate governance matter. The conclusion to the Investigation and Inquiry were announced on 20 September 2022 and the Board considers both the Investigation and the Inquiry as concluded. In light of the of the Board's review of the Investigation and Inquiry and having taken advice from its advisors, the Board commenced a number of key initiatives. Further details of this matter and progress against the key initiatives are disclosed in the Audit & Risk Committee Report on pages 45 to 48.

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

Our reputation remains vital to our continued success and our approach to business conduct is identified in our Mission and Approach to ESG and discussed in our Governance Report on pages 42 to 44. 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 45 to 48.

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 risk of further coronavirus waves and of future pandemics. Based on the Company's Mission (shown on the inside front cover of this report) 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 issues such as opportunities for development and progression, working arrangements, opportunities to share ideas, diversity and inclusion, and compensation and benefits, and we have developed various communication channels to help meet their needs. We have recently released our updated Equality and Diversity training and are enjoying a high success rate of compliance and uptake of the training in this area. This means that we continue to ensure that in all areas including recruitment, career development and promotion are based entirely on the ability and performance of the individual.

Our leadership team is approachable and has regular visits at depots, and other sites. Our engagement with our employees is discussed in more detail in the Our Employees section of our Corporate Responsibility Report on page 25. We always seek to promote from within and training and development is an important part of our DNA.

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

We 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 42 to 44. In the 2022 financial year, we further developed our engagement with our supply chain to 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 employees are interested in issues such as opportunities for development and progression, working arrangements, opportunities to share ideas, diversity and inclusion, and compensation and benefits, and we have developed various communication channels to help meet their needs.

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

Our commitment to address matters of concern in the communities in which we operate and the wider environmental concerns are discussed in more detail in our Governance Report on pages 42 to 44 and the case study on fleet electrification on page 25.

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 38 to 44. 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.

Chairman's Introduction to Corporate Governance

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

Dear Shareholder,

I am pleased to introduce the Group's corporate governance report for 2022.

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 Non-executive 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 following the corporate governance matter and the developing economic uncertainty, 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 has concluded an investigation and inquiry into a corporate governance matter. Further details of this matter are disclosed in the Audit & Risk Committee Report on pages 45 to 48.

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 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 42.

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 TCFD.

During the year, 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 two 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
Date of Appointment	19 October 2017	9 April 2018
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.	David has over 25 years of experience in senior financial positions in a number of listed companies, and joined DX in April 2018. Prior to joining DX, David was CFO at Hornby plc, where he was involved in delivering the restructuring and turnaround of the business. A major part of his career was at Morgan Sindall Group plc, the construction and regeneration group, which he joined in 1997. He became CFO in 2004, a position he held until his departure in 2013. David qualified as a chartered accountant with Ernst & Young in 1995.
Other Appointments	None	None
Committees		–

Jon Kempster Non-executive and Senior Independent Director	Mike Russell Non-executive Director
12 July 2022	12 July 2022
Jon is the Senior Independent Director and Chairman of the Audit & Risk Committee. He has over 30 years' senior financial and commercial experience, including as Group Finance Director of industry-leading FTSE-listed companies across a number of sectors, including logistics, retail, and manufacturing. Most recently, he was Finance Director of Frasers Group plc, the retail group and, before that, Group Finance Director of Wincanton plc, the logistics provider.	Mike is Chairman of the Remuneration Committee and Chairman of the Nomination Committee. He has over 35 years' experience in leadership and financial roles with major companies. During his executive career, he was Chief Executive of Prize Food Group plc, the food production group, Group Finance Director of Nurdin and Peacock plc, the food wholesaler, and Finance Director of Asda Stores Limited, the supermarket subsidiary of Asda Group plc. He has significant experience of the logistics industry, having been a Non-executive Director of Clipper Group plc, the retail logistics firm, for almost ten years. During this time, he was Chair of the Audit and Risk Committee and the Remuneration Committee and a member of the Nomination Committee.
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	N R A

Committee Membership Key

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

Governance Report

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

The Board

The roles of the Chairman and Chief Executive Officer are separate with each having clearly defined duties and responsibilities. With the resignation of the Chief Executive Officer on 6 September 2022, the Chairman has temporarily assumed 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, 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. Subsequent to the year end, Lloyd Dunn resigned from the Board on 6 September 2022, and Leid Meidar and Russell Black left the Board on 19 October 2022. As at the date of this Annual Report, the Board comprised the Executive Chairman (Ronald Series), an Executive Director (David Mulligan) and two Non-executive Directors (Mike Russell and Jon Kempster).

Details of each Director's background and experience can be found on pages 40 to 41. The Board's mix of skills and business experience is important to the Company at this stage of its development and ensures an informed review and debate of performance and strategy. It is noted that the Board is currently seeking a Chief Executive Officer and a third independent Non-executive Director to further strengthen it. Each Director is responsible for keeping their skills up to date and relevant to being a director of a listed company. In particular, Board briefings from the major professional advisory firms are a useful and informative source of information to ensure that the Directors are kept up to date with the latest regulation and compliance requirements.

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 33 to 35).

The Board has reviewed the effectiveness of the system of internal control for the year ended 2 July 2022 and up to the date of the signing of the Annual Report and Accounts. In addressing the corporate governance matter, a series of actions have been taken or are being taken by the Board to ensure high standards of corporate governance. Progress against these actions is reported in the Audit & Risk Committee Report on pages 45 to 48. The actions being taken include the following:

> the appointment of three Non-executive Directors to the Audit & 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"), which reviewed the Group's compliance policies and procedures, with the Company currently implementing their recommendations to the fullest extent reasonably possible;

> a detailed risk assessment has been undertaken, 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 Firm engaged by the Board to assist with these actions has helped 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
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. The Operating Board meets 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 ten scheduled Board meetings during the financial year. Any specific actions arising during meetings, as agreed by the Board are followed up and reviewed at subsequent Board meetings to ensure their completion. The Board also keeps in close contact between formal meetings and will conduct ad hoc meetings as required. If a Director is unable to attend a Board meeting, the Chairman will canvass his views in advance and ensure that the Director is promptly advised of the outcome of the matters under discussion.

	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings	8	6	9	5
Attendance:				
Ronald Series	8/8	3/3	4/4	5/5
Lloyd Dunn	8/8	–	–	–
David Mulligan	8/8	–	–	–
Ian Gray	3/3	3/3	–	–
Paul Goodson	3/3	3/3	4/4	–
Russell Black	8/8	2/2	9/9	5/5
Liad Meidar	6/6	3/3	2/2	–

There were a number of changes to the Board's composition during the year. There was full attendance at the requisite Board or committee meetings for all directors during the period of their respective tenure.

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.

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 current 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 45 to 48.

Remuneration Committee
The current members of the Remuneration Committee are Mike Russell (Chairman) and Jon Kempster. 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 49 to 53.

Nomination Committee
The current members of the Nomination Committee are Mike Russell (Chairman), Jon Kempster and Ronald Series. 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 institutional shareholders throughout the year and formal presentations after the interim and preliminary results. During the year to 3 July 2022, investor relations activity was limited whilst the Company's shares were suspended. Ordinarily, presentations are 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. We are also committed to the highest standards of corporate and individual conduct. The Board and senior management help to support and reinforce this culture through their own personal behaviour and commitment, by being highly visible in the business, by making timely and informed decisions and by adopting an attitude of continuous improvement.

Strategy
A description of the Group's strategy can be found in the section on Strategic Objectives on pages 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

"The Board is clear in its objective of ensuring the highest standards of corporate and individual conduct."

Dear Shareholder,

This report gives an overview of how the Audit & Risk Committee ("ARCo") 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 2022 financial year and as reported on 20 September 2022, 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 management override of controls (including the Corporate Governance matter) 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 saw 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 are being taken, to resolve the matters identified.

The Company's ordinary shares were restored to trading on AIM on 19 September 2022. The Annual Report and Accounts for the year ended 3 July 2021 has now been filed with the Registrar of Companies.

The Board is clear in its objective of ensuring the highest standards of corporate and individual conduct. Further disciplinary action was 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.

Audit & Risk Committee Report continued

In light of its review of the Investigation and Inquiry and having taken advice from its advisers, the Board commenced the following key initiatives and now reports progress against those key initiatives:

Key initiative	Progress
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;	Two new independent Non-executive Directors appointed to the Board and now constitute ARCo. Process to appoint a third independent, Non-executive Director to the Board is underway. The Terms of Reference will be updated on their appointment to reflect the change to the numerical composition of ARCo.
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;	This has been clearly communicated in the updated Anti-fraud Policy that was issued to all employees in October 2022 and in the Fraud Response Plan.
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;	Clause 12.5 was added to ARCo's terms of reference. This has been reviewed by ARCo and they are satisfied it gives them the necessary authority to investigate. A new Anti-Fraud Policy and Fraud Response Plan were approved by the Board on 26 September 2022, which outlines that the primary responsibility to investigate any suspected breaches of DX policy rests with the ARCo.
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;	These responsibilities have been included and made clear in a letter issued to the CEO and CFO in August 2022 regarding the qualitative bonus for the 2023 financial year.
Amendment of the Company's Anti-fraud Policy Statement and Fraud Response Plan to ensure that all Group employees understand their 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;	Company's Anti-fraud Policy was amended and approved by the Board on 26 September 2022. Mandatory Anti-fraud training making clear to all employees their responsibilities to raise any matters of concern launched in October 2022 and will be refreshed annually.
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;	Review of compliance policies and procedures was completed in October 2022, and the recommendations implemented with the issuance of a revised suite of compliance policies and procedures.
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;	Fraud risk workshops led by the Firm held in September 2022, with attendance by senior managers from across the business. The output from these workshops was used to revise the Group's Fraud Risk Assessment, which was approved by the Board on 27 October 2022. This will be reviewed annually by the Board.
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.	Mandatory training videos covering Anti-fraud, Anti-bribery and Corruption policies and the Gifts & Hospitality procedure, accompanied by the relevant policy, were launched in October 2022 through the Company's internal training platform. Mandatory training is undertaken by employees on joining the Company. Training to cover the Whistleblowing, Code of Conduct Policy, Conflicts of Interest, and Inside Information to be launched in November 2022. This training will be refreshed annually.

The Board now considers both the Investigation and the Inquiry as concluded.

Committee Structure

The membership of the Committee is two independent Non-executive Directors, with plans to add a third member once an additional independent Non-executive Director is appointed to the Board. At the start of the 2022 financial year, the membership was 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 (from 16 March 2022) 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 members have been appointed with the aim of providing the range of financial and commercial expertise necessary to meet its responsibilities. The Board is confident that the collective experience of the Audit & Risk Committee members enables them to function as an effective Committee.

Meetings

The Committee had six meetings during the year. The attendance by members is on page 43. 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, Head of Health, Safety and the external auditor are invited to attend some meetings of the Committee.

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 external auditor.
> Committee governance.
> Review of 2021 Annual Report.
> External audit plan and strategy for 2022 Annual Report.
> An update of the compliance policies, including Anti-fraud, Anti-Bribery and Corruption, Whistleblowing, the Code of Conduct, Conflicts of Interest, the Fraud Response Plan, and the Gifts & Hospitality procedure.
> Modern Slavery policy and statement.
> Review of the Group risk register.
> Cyber security.
> Health and safety.
> Fleet risk, maintaining a modern fleet of vehicles and the O Licences to operate.

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;
> Cyber security;
> Appointment of new external auditors; and
> Assessing the continued independence of the external auditors.

Security, Risk & Audit

The Group's internal audit function is overseen by the Director of Security, Risk & Audit and ordinarily reports independently three times a year to the Committee. In the 2022 financial year, this normal level of reporting was disrupted by the changes in the composition of the Committee during the year.

Whistleblowing

The Company's Whistleblowing Policy was updated during the year, and encourages and protects legitimate whistleblowing. An independent, third-party, whistleblowing helpline number, secure web portal and mobile app, allows employees to report concerns about 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

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

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

Audit & Risk Committee Report continued

External Auditor

Grant Thornton was appointed as the Group's auditor on 14 October 2020. On 25 November 2021, the Company announced that 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 their 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.

To ensure the auditor's independence and objectivity, the Committee annually reviews DX's relationship with the auditor. Following the review in 2022, DX concluded that it has an objective and professional relationship with PKF Littlejohn LLP and that there are sufficient controls and processes in place to ensure the required level of independence. In addition, the auditor is required to review and confirm its independence to the Audit & Risk Committee on a regular basis.

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

Audit Process

PKF Littlejohn LLP prepares an audit plan which sets out the scope of and approach to the audit, significant risks and other areas to be targeted. This plan is reviewed and agreed in advance by the Audit & Risk Committee. Following its review, the auditor presents its findings to the Audit & Risk Committee for discussion.

Committee effectiveness

The 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)

"DX's approach to remuneration remains the same, which seeks to align the interests of the Executive Directors with the shareholders."

Dear Shareholder,

Chairman's Annual Statement
The past year has been a period of considerable change for the Group. However, DX's approach to remuneration remains the same, which seeks to align the interests of the Executive Directors with the shareholders. Our approach is to attract, develop and retain the best possible people who have the capacity and drive to meet the Company's strategic and financial objectives. To attract and retain the Executive Directors, we offer them a basic salary 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 as well as certain qualitative measures, and longer-term incentives through the Performance Share Plan, introduced in December 2017 in order to create and protect long-term shareholder value.

Following the resignation of the Chief Executive Officer, Lloyd Dunn, on 6 September 2022, the search for a new Chief Executive Officer is progressing, with internal as well as external candidates being considered.

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, 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 Ronald Series and Liad Meidar (from 4 May 2022) as its other members. Since 12 July 2022 to the date of this report, the Remuneration Committee is chaired by Mike Russell, with Jon Kempster and Russell Black (up until his leaving the Board on 19 October 2022) being its other members. Any other attendees are at the invitation of the Committee Chairman only and may include other Non-executive Directors, the Chief Executive Officer and the Chief Financial Officer. The Remuneration Committee meets according to DX's requirements. There were nine meetings held in the financial year. The Remuneration Committee determines the remuneration packages for the Chairman, the Executive Directors and senior managers, and 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 investors.dxdelivery.com under About DX/Publications.

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

The main items of business considered by the Remuneration Committee during the financial year included:
> Awards to senior managers under the Performance Share Plan 2017; and
> Salary and annual bonus for Executive Directors and other senior managers.

Executive Directors' Service Contracts and Termination Policy
Executive Directors hold a service agreement with an indefinite term and a fixed maximum termination period of six months for the Chairman, twelve months for the Chief Executive Officer and six months for the Chief Financial Officer. 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

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

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 it was decided that from 1 September 2022, the Chief Executive Officer's base salary moved from £327,000 to £360,000 and the Chief Financial Officer's from £236,500 to £247,500. The Chairman was appointed as an Executive Director from 6 September 2022 and received an addition to his monthly base salary of £15,833 from that date with no further allowances.

The base annual salaries for the Executive Directors for the 52 weeks to 1 July 2023 will be as follows:

	2023 £000	2022 £000	Change %
Lloyd Dunn (Chief Executive Officer)[1]	60	323	N/a
David Mulligan (Chief Financial Officer)	246	230	7

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

The Chief Executive Officer and Chief Financial Officer are eligible to participate in a discretionary annual bonus scheme, should one be put in place for any given year, with the potential to receive bonus payments 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. The Executive Chairman will not participate in an annual bonus scheme. 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 the financial year to 2 July 2022 with targets being met in full leading to a bonus payment to the Chief Executive Officer of £100,000 and to the Chief Financial Officer of £73,000.

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 and Paul Goodson resigned on 1 February 2022 and Russell Black left the Board on 19 October 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. Following their appointment on 12 July 2022, Jon Kempster receives £50,000, £44,000 as a base fee and an additional £6,000 as Chairman of the Audit & Risk Committee; Mike Russell receives £50,000, £44,000 as a base fee and an additional £6,000 for chairing the Remuneration Committee.

The Chairman's base annual salary was £110,000 to reflect his time commitment to the Company.

The base annual fees for the Non-executive Directors for the 52 weeks to 1 July 2023 will be as follows:

	2023 £000	2022 £000	Change %
Ronald Series (Chairman)[1]	41	110	N/a
Russell Black[2]	23	44	nil
Jon Kempster	49	–	N/a
Mike Russell	49	–	N/a

1 Ronald Series was a Non-executive Director until 6 September 2022 when he was appointed as Executive Chairman.
2 Russell Black left the Board on 19 October 2022. The fees for 2023 include a three-month notice period.

Pay for all other employees is based upon external market rates, job role, internal comparators and business impact. Both DX's financial and operational performance and each person's personal performance are also taken into account when setting salaries.

Directors' interests in shares

The Directors who held office at 2 July 2022, including Persons Closely Associated ("PCA"), had the following interests in the shares of the Company:

	Total shares owned plus vested options	Ordinary shares owned outright	% of issued share capital	Options: Vested but not exercised	Options: Unvested but subject to performance	Options: Unvested and not subject to performance
Russell Black	3,454,047	2,619,382	0.46	834,665	–	–
Lloyd Dunn[1]	88,003,826	62,782,974	10.94	25,220,852	18,181,740	34,856
Liad Meidar[2]	101,503,538	101,503,538	20.00	–	–	–
David Mulligan	5,793,818	2,468,941	0.43	3,324,877	2,396,907	34,856
Ronald Series	16,014,753	2,434,294	0.42	13,580,459	9,790,167	–

1 Lloyd Dunn resigned from the Board on 6 September 2022. 16,867,825 of the unvested options subject to performance and 34,856 unvested options not subject to performance lapsed on that date.
2 Liad Meidar is Managing Partner of Gatemore Capital Management LLP. Gatemore Capital Management LLP is the investment manager of Gatemore Special Opportunities Master Fund Ltd. Liad's shareholding includes those interests in shares held by Gatemore Special Opportunities Master Fund Ltd.

During the year, Lloyd Dunn purchased 529,801 Ordinary Shares (on 25 November 2021), Russell Black (including his PCAs) purchased 24,500 Ordinary Shares (on 26 November 2021), and Ronald Series purchased 88,500 Ordinary Shares (on 26 November 2021).

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 2 July 2022 and the prior year.

	Year ended 2 July 2022					Year ended 3 July 2021
	Basic salary and fees £000	Allowances £000	Benefits £000	Bonus £000	Total £000	Total £000
Lloyd Dunn[1]	322	18	2	100	442	457
David Mulligan	230	17	1	73	321	325
Ronald Series	110	–	3	–	113	158
Russell Black[2]	44	–	3	–	47	45
Paul Goodson[3]	48	–	1	–	49	43
Ian Gray[3]	58	–	2	–	60	42
Liad Meidar[4]	24	–	–	–	24	–
Total	836	35	12	173	1,056	1,069

1 Lloyd Dunn resigned from the Board on 6 September 2022.
2 Russell Black left the Board on 19 October 2022.
3 Paul Goodson and Ian Gray resigned from the Board on 1 February 2022.
4 Liad Meidar was appointed to the Board on 13 December 2021. He resigned from the Board on 12 October 2022.

Allowances comprise a car allowance for Lloyd Dunn and David Mulligan. Up until 31 August 2021, David Mulligan received an allowance of 10% of his basic salary in lieu of a pension contribution and this is also shown within allowances. From 1 September 2021, this amount is included as part of his basic salary.

Bonus targets in the 2022 financial year were met in full leading to a bonus payable to Lloyd Dunn of £100,000 and to David Mulligan of £73,000.

Ian Gray and Paul Goodson received £30,000 and £21,000 respectively over and above their normal fees for the additional work they undertook on the corporate governance investigation and enquiry.

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.

	2022 £m	2021 £m	Change £m
Staff costs	£125.0	£112.8	£12.2
Dividends	£nil	£nil	£nil
Profit before tax	£17.4	£10.6	£7.1

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

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 previous financial 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 was on 21 December 2021 and these options are exercisable from that date.

The Share Price target was tested for the second time on 21 December 2021, which was the fourth anniversary of the commencement of the PSP in December 2017. The 30-day average share price prior to the test date was 25.8p, and consequently, the level of vesting achieved was a further 3.0% to that achieved on the first testing date. 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 2022 and these options are exercisable from that date.

The Share Price target will be further tested on 21 December 2022 (the fifth anniversary of the commencement of the PSP in December 2017), and 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 shown.

In addition to the Share Price targets stated on 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 were 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. Following Paul Goodson's resignation on 1 February 2022 and Russell Black leaving the Board on 18 October 2022, each has 12 months from their respective date of departure to exercise their Restricted Share Award.

PSP Share Awards

The following PSP Share Awards vested and became exercisable during the year.

PSP Awards	Number of awards vested
Ronald Series	13,580,459
Lloyd Dunn	25,220,852
David Mulligan	3,324,877

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 3 July 2021	Number of awards vested	**Outstanding at 2 July 2022**
Ronald Series	23,370,626	(13,580,459)	**9,790,167**
Lloyd Dunn[1]	43,402,592	(25,220,852)	**18,181,740**
David Mulligan	5,721,784	(3,324,877)	**2,396,907**

1 Lloyd Dunn resigned from the Board on 6 September 2022. 16,867,825 of the outstanding PSP Awards lapsed on that date.

No Restricted Awards remained outstanding as at 2 July 2022.

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 400 employees are participating in the scheme.

At 2 July 2022, outstanding awards to Directors under the SAYE scheme were as follows:

SAYE awards	**Outstanding at 2 July 2022**
Lloyd Dunn[1]	**34,856**
David Mulligan	**34,856**

1 Lloyd Dunn resigned from the Board on 6 September 2022. 34,856 of the outstanding SAYE Awards lapsed on that date.

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

Mike Russell
Chairman of the Remuneration Committee

Directors' Report

The names and biographical details of the Directors currently serving on the Board are set out on pages 40 to 41.

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

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. David Mulligan will offer himself for re-election at the 2022 AGM.

The powers of the Directors are determined by the Articles, the Companies Act 2006 and other relevant legislation. At the 2021 AGM, the Directors were authorised to issue and allot shares, to disapply the statutory pre-emption rights and to buy back shares. This authority remains in place until the conclusion of the 2022 AGM. It will be proposed at the 2022 AGM that the Directors will be granted a new authority to allot shares, to disapply pre-emption rights and to buy back shares. The Company may by ordinary resolution declare dividends not exceeding the amount recommended by the Board.

Results and Dividends

The results for the year ended 2 July 2022 are shown on page 62. The Group's profit for the year after tax was £14.0 million (2021: £15.4 million). As previously announced, no dividend will be payable for the 2022 financial year (2021: none).

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 37 provides a fair review of the Group's business for the year ended 2 July 2022. 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 29 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 pages 42 to 44 and Directors' Remuneration Report on page 49.

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

During the 2022 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 45 to 48. 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 28. 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.

	11 November 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	10.94%	62,782,974
Lombard Odier Investment Managers	8.46%	48,545,259
Schroders Investment Management	5.87%	33,695,687
Ruffer LLP	4.01%	23,000,000

Per shareholder register as at 11 November 2022.

Share Capital
Details of the Company's share capital are set out in note 20 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 49.

In the period from 3 July 2021 to the date of this report, Lloyd Dunn purchased 529,801 Ordinary Shares (on 25 November 2021), Russell Black (including his PCAs) purchased 24,500 Ordinary Shares (on 26 November 2021), and Ronald Series purchased 88,500 Ordinary Shares (on 26 November 2021).

Directors' Report continued

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 2 July 2022 (2021: £nil).

No payments were made to any political parties (2021: £nil).

Disclosure of Information to Auditor

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

Statement of Directors' Responsibilities in Respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law, the Directors have prepared the Group and parent Company financial statements in accordance with UK-adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent Company and of the profit or loss of the Group and the parent Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and 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
14 November 2022

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

Opinion
We have audited the financial statements of DX (Group) Plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 2 July 2022 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes In Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:
> the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 2 July 2022 and of the group's profit for the period then ended;
> the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
> the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

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

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

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

Materiality for the group financial statements as a whole was £1,720,000 (2021: £1,150,000) with performance materiality set at £1,032,000 (2021: £690,000), being 60% of group materiality. We have chosen to apply 60% (higher end of the high-risk category) to materiality for the purposes of the performance materiality calculation as this is our second audit and further, we have gained additional comfort over Key Initiatives implemented with respect to the Corporate Governance Matter (see pages 45 to 46). Materiality for the financial statements as a whole was based upon 0.4% (2021: 0.3%) of the group's revenues.

In determining the basis for materiality, we considered the Key Performance Indicators ("KPIs") used in the Annual Report and Accounts. We consider revenue to be the primary measure used by the shareholders in assessing the performance of the group, which drives profitability within the group and is expected to provide 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 45 to 46).

We agreed with the Audit & Risk Committee that we would report all individual audit differences identified for the group during the course of our audit in excess of £86,000 (2021: £57,500) together with any other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

Materiality applied to the parent company's financial statements was £340,000 (2021: £335,000) with performance materiality set at £200,000 (2021: £200,000), being 60% of the parent company's materiality (same rationale as group above with respect to percentage allocation).

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

We agreed with the Audit & Risk Committee that we would report all individual audit differences identified for the parent company during the course of our audit in excess of £17,000 (2021: £16,750) together with any other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

Our approach to the audit
In designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors, such as assessment of goodwill impairment 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 45 to 46).

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

Key audit matters

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

Key Audit Matter	How our scope addressed this matter
Management override of controls (including Corporate Governance matter) The Corporate Governance Matter, described fully in the Audit & Risk Committee Report on pages 45 to 46, confirmed evidence of the intention to seek competitor information and an isolated offer of financial payment (of de minimis amount) for such information during FY21. As referenced in that report, the company concluded that a breach of the Bribery Act 2010 occurred during the prior 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 during the prior year, including those at management level. Page 45 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 key initiatives that have been 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 during the current financial year that have not been identified and could result in material losses to the group.	Our work on this matter included: > Performing data analytic journals testing using parameters linked to the Corporate Governance Matter; > Assessing and challenging the key initiatives (following the prior year corporate governance transgression) implemented by management to understand the improvements that have been/are being made; > Concluding on whether these risk mitigating factors are effective and sufficient in preventing and/or detecting and correcting management override of controls; > A review of key estimates, judgements and assumptions within the financial statements for evidence of management bias, and agreeing to appropriate supporting documentation; and > An assessment of whether the financial results and accounting records include any significant or unusual transactions where the economic substance is 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 45 to 46, were identified in the period subject to audit.
Goodwill Impairment The group carries a material amount of goodwill (£30m) relating to subsidiary undertakings acquired in previous years (see disclosure on pages 79 to 80). Management performs assessments on the carrying value of the goodwill which include judgements and estimates about future performance. This has been considered a Key Audit Matter due to the materiality of the balance held and the level of judgement and estimation required by management in its impairment assessment and the potential for management override of controls in this respect.	Our work on this matter included: > Obtaining and reviewing the impairment assessment performed by management; > Challenging key assumptions in management's impairment review for reasonableness and performing sensitivity analysis thereon; > Considering whether there are indicators 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 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 parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
> the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
> the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
> the parent company financial statements are not in agreement with the accounting records and returns; or
> certain disclosures of directors' remuneration specified by law are not made; or
> we have not received all the information and explanations we require for our audit.

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
> We updated our understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We updated our understanding in this regard through discussions with management and industry research.
> We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
  - Companies Act 2006
  - Bribery Act 2010
  - UK and European adopted international accounting standards
  - Local tax legislation
> We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
  - Holding discussions with the senior management team and the Audit & Risk Committee and considering any known or suspected instances of non-compliance with laws and regulations or fraud. This included the instance of non-compliance with the Bribery Act 2010 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;
  - 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;

  - 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 areas of key judgement and estimation being the impairment of goodwill, deferred taxation and dilapidations provision. We addressed this by challenging the assumptions and judgements made by management when auditing those key accounting estimates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that appeared unusual or outside the normal course of business. 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,
15 Westferry Circus
Canary Wharf
London E14 4HD
14 November 2022

Consolidated Statement of Comprehensive Income
For the year ended 2 July 2022

	Notes	Year ended 2 July 2022 £m	Year ended 3 July 2021 £m
Revenue	5	**428.2**	382.1
Operating costs	7	**(406.1)**	(367.0)
Profit from operating activities		**22.1**	15.1
Analysis of profit from operating activities			
Earnings before interest, tax, depreciation, amortisation and share-based payments ("EBITDA"[1])		**50.3**	38.6
Depreciation		**(24.4)**	(21.5)
Amortisation of software and development costs		**(0.6)**	(0.4)
Amortisation of acquired intangibles		**–**	(0.2)
Exceptional items	10	**(1.6)**	–
Share-based payments charge relating to SAYE		**(0.4)**	(0.2)
Share-based payments charge relating to PSP		**(1.2)**	(1.2)
Profit from operating activities		**22.1**	15.1
Finance costs	11	**(4.7)**	(4.5)
Profit before tax		**17.4**	10.6
Tax (expense)/credit	12	**(3.4)**	4.8
Profit for the year		**14.0**	15.4
Other comprehensive income/(expense) not subsequently reclassified			
Other comprehensive income/(expense)		**–**	–
Total comprehensive income for the year		**14.0**	15.4
Earnings per share (pence):			
Basic	22	**2.4**	2.7
Diluted		**2.2**	2.3

1 See notes 3 and 34 to the Financial Statements for details of alternative performance measures ("APMs") used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

The notes on pages 68 to 91 form part of these Financial Statements.

Consolidated Statement of Financial Position
As at 2 July 2022

	Notes	2 July 2022 £m	3 July 2021 £m
Non-current assets			
Property, plant and equipment	14	**14.5**	12.3
Right-of-use assets	17	**94.2**	95.4
Intangible assets and goodwill	15	**31.1**	31.4
Deferred tax assets	25	**5.5**	7.5
Total non-current assets		**145.3**	146.6
Current assets			
Trade and other receivables	18	**44.6**	40.1
Current tax receivable		**–**	0.1
Cash and cash equivalents	19	**27.0**	16.8
Total current assets		**71.6**	57.0
Total assets		**216.9**	203.6
Equity			
Share capital	20	**5.7**	5.7
Share premium	21	**25.2**	25.2
Retained earnings	21	**24.5**	8.9
Total equity		**55.4**	39.8
Non-current liabilities			
Provisions	24	**7.0**	5.8
Lease liabilities	26	**79.6**	81.3
Total non-current liabilities		**86.6**	87.1
Current liabilities			
Trade and other payables	27	**40.7**	44.0
Current tax payable		**0.4**	–
Lease liabilities	26	**20.7**	19.3
Deferred income	27	**10.2**	11.4
Provisions	24	**2.9**	2.0
Total current liabilities		**74.9**	76.7
Total liabilities		**161.5**	163.8
Total equity and liabilities		**216.9**	203.6

The Financial Statements were approved by the Board of Directors on 14 November 2022 and signed on its behalf by:

Ronald Series
Executive Chairman

David Mulligan
Chief Financial Officer

The notes on pages 68 to 91 form part of these Financial Statements.

Company registered number 08696699.

Company Statement of Financial Position
As at 2 July 2022

	Notes	2 July 2022 £m	3 July 2021 £m
Non-current assets			
Investments	16	**30.0**	30.0
Total non-current assets		**30.0**	30.0
Current assets			
Trade and other receivables	18	**18.5**	17.8
Total current assets		**18.5**	17.8
Total assets		**48.5**	47.8
Equity			
Share capital	20	**5.7**	5.7
Share premium	21	**25.2**	25.2
Retained earnings	21	**17.3**	16.8
Total equity		**48.2**	47.7
Current liabilities			
Trade and other payables	27	**–**	0.1
Provisions		**0.3**	–
Total current liabilities		**0.3**	0.1
Total liabilities		**0.3**	0.1
Total equity and liabilities		**48.5**	47.8

As at 2 July 2022 there are no non-current liabilities (2021: £nil).

The loss for the year attributable to the Company, after a share-based payments charge of £1.6 million (2021: £1.4 million), was £1.1 million (2021: £14.2 million profit).

The Financial Statements were approved by the Board of Directors on 14 November 2022 and signed on its behalf by:

Ronald Series
Executive Chairman

David Mulligan
Chief Financial Officer

The notes on pages 68 to 91 form part of these Financial Statements.

Company registered number 08696699.

Consolidated Statement of Changes in Equity

For the year ended 2 July 2022

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 27 June 2020		5.7	25.2	(7.9)	23.0
Total comprehensive expense for the year					
Profit for the year		–	–	15.4	15.4
Other comprehensive expense		–	–	–	–
Total comprehensive expense for the year		–	–	15.4	15.4
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions		–	–	1.4	1.4
Total transactions with owners of the Company		–	–	1.4	1.4
At 3 July 2021		5.7	25.2	8.9	39.8
Total comprehensive expense for the year					
Profit for the year	13	**–**	**–**	**14.0**	**14.0**
Other comprehensive expense		**–**	**–**	**–**	**–**
Total comprehensive expense for the year		**–**	**–**	**14.0**	**14.0**
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions	30	**–**	**–**	**1.6**	**1.6**
Total transactions with owners of the Company		**–**	**–**	**1.6**	**1.6**
At 2 July 2022		**5.7**	**25.2**	**24.5**	**55.4**

The notes on pages 68 to 91 form part of these Financial Statements.

Company Statement of Changes in Equity
For the year ended 2 July 2022

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 27 June 2020		5.7	25.2	1.2	32.1
Total comprehensive expense for the year					
Loss for the year		–	–	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		–	–	1.4	1.4
Total transactions with owners of the Company					
At 3 July 2021		5.7	25.2	16.8	47.7
Total comprehensive expense for the year					
Loss for the year	13	**–**	**–**	**(1.1)**	**(1.1)**
Total comprehensive expense for the year		**–**	**–**	**(1.1)**	**(1.1)**
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions	30	**–**	**–**	**1.6**	**1.6**
Total transactions with owners of the Company					
At 2 July 2022		**5.7**	**25.2**	**17.3**	**48.2**

Company Statement of Cash Flows
For the year ended 2 July 2022

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

The notes on pages 68 to 91 form part of these Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 2 July 2022

	Notes	Year ended 2 July 2022 £m	Year ended 3 July 2021 £m
Cash generated from operations	28	**42.1**	33.3
Interest paid		**(4.7)**	(4.6)
Tax paid		**(0.9)**	(0.6)
Net cash generated from operating activities		**36.5**	28.1
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(5.6)**	(5.1)
Software and development expenditure		**(0.6)**	(0.8)
Net cash used in investing activities		**(6.2)**	(5.9)
Net increase in cash before financing activities		**30.3**	22.2
Cash flows from financing activities			
Lease repayments		**(20.1)**	(17.7)
Net cash used in financing activities		**(20.1)**	(17.7)
Net increase in cash and cash equivalents		**10.2**	4.5
Cash and cash equivalents at beginning of year		**16.8**	12.3
Cash and cash equivalents at end of year	19	**27.0**	16.8

The notes on pages 68 to 91 form part of these Financial Statements.

Notes to the Financial Statements
For the year ended 2 July 2022

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

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

The Consolidated Financial Statements were authorised for issue by the Board of Directors on 14 November 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 £3.2 million as at 2 July 2022 (2021: £19.7 million). Included within the net liabilities is £10.2 million (2021: £11.4 million) of deferred income representing an obligation to deliver a service but not a cash liability and £20.7 million (2021: £19.3 million) representing lease liabilities whose payments are spread over the forthcoming year and not payable in the immediate short-term.

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

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

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

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

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

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

The Financial Statements have been prepared under the historical cost convention.

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

The Group uses alternative performance measures ("APMs") to measure performance. These APMs have been calculated consistently to enable comparability from one year to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and items which are not expected to recur. These measures are not defined by International Financial Reporting Standards ("IFRS") and therefore may not be directly comparable to similar measures adopted by other companies. These 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 cash which are further explained in note 34.

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

Basis of consolidation
The financial information comprises a consolidation of the financial information of DX (Group) plc and all its subsidiaries. The financial year ends of all entities in the Group are coterminous. The Group reports on a '4-5-4 weekly' basis, which reflects its cost base and operations. These Financial Statements were prepared for the period 4 July 2021 to 2 July 2022 and cover a 52-week period. Future years will be for either 52 weeks or occasionally 53 weeks in order to keep the year-end date as close as possible to 30 June. The Company has opted to apply Section 390 (3) of the Companies Act 2006. This permits the Company to end its financial year on 2 July 2022 (2021: 3 July 2021) as it is not more than 7 days after or before the end of the year dated 30 June 2022 (2021: 30 June 2021).

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 year ended 2 July 2022

3 Significant accounting policies continued

Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at the following annual rates in order to write off each asset on a systematic basis:

Land	Nil
Freehold buildings	2-2.5%
Leasehold improvements	4-20%
Plant, machinery and other equipment	10-33%

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

Intangible assets

(a) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. When there is a change to the composition of the cash-generating units within the Group, goodwill is reallocated within the cash-generating units affected.

(b) Other intangible assets

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

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

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

(c) Impairment of non-financial assets

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

Investments

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

Trade and other receivables

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

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

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

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

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

Interest paid is treated as an operating cash flow.

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

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

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

Leases
The Group recognises right-of-use assets (representing its right to use the underlying assets) and lease liabilities (representing its obligation to make lease payments).

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 year ended 2 July 2022

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 are as follows.

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

The amount provided for property dilapidations at 2 July 2022 was £6.5 million (2021: £5.7 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 2 July 2022.

The amount provided for vehicle dilapidations at 2 July 2022 was £1.7 million (2021: £1.3 million) and represents management's best estimate for amounts that could be payable for leased vehicles at the end of the lease term. A 10% increase in the estimation of a repair cost per vehicle would lead to a £0.2 million increase in the provision as at 2 July 2022.

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

Key estimates used in the calculation are the revenue growth rate over the next four years (DX Express 9%, DX Freight 9%), DX Express operating profit growth rate (9%), the growth rate after the next four years (1.7%) and the discount rate (11.1%). The testing did not identify any impairment. The most sensitive assumption was the operating profit growth rate for DX Express where annual growth below 5% over the next three years would result in an impairment. The Directors expect the operating profit growth to exceed this.

Critical accounting estimate: Deferred tax
The Group has recognised a deferred tax asset for deductible temporary differences and unused tax losses (tax credits) carried forward, to the extent that it is probable that future taxable profits will be available to utilise those deductions.

Given forecasts of future profitability, management consider that it is appropriate to recognise the deferred tax asset on losses carried forward. In the current year, this has resulted in a deferred tax asset at 2 July 2022 of £5.5 million (2021: £7.5 million). A reduction in the future profitability of the Group without it making losses over the next five years would lead to a delay in the recovery of the deferred tax asset at 2 July 2022 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.

Notes to the Financial Statements continued
For the year ended 2 July 2022

3 Significant accounting policies continued
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.

Capital risk management
The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents, and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 20 and 21, and the statement of changes in equity. In order to maintain or adjust the capital structure, the Group may issue new shares, raise new borrowings or sell assets to reduce debt. The Group's capital is not restricted.

4 New accounting standards
New accounting standards adopted by the Group
The following new or amended standards became effective for the financial year, none of which had a significant effect on the Group:
> Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform-Phase 2'; and
> Amendments to IFRS 16, 'COVID-19-Related Rent Concessions beyond 30 June 2021'.

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

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

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

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

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

Revenue-related assets are shown in note 18 as trade receivables and accrued income. Deferred income shown on the Consolidated Statement of Financial Position is the only respective liability and will be recognised as revenue within 12 months. Accrued income represents amounts for which the performance obligations have been satisfied but not invoiced at the reporting date.

6 Segment information

	2022			
	DX Freight £m	DX Express £m	Central £m	Total £m
Revenue	256.9	171.3	–	428.2
Costs before overheads	(202.9)	(142.4)	–	(345.3)
Profit before overheads	54.0	28.9	–	82.9
Overheads	(6.2)	(7.9)	(18.5)	(32.6)
EBITDA	47.8	21.0	(18.5)	50.3
Depreciation and amortisation	(16.7)	(6.5)	(1.8)	(25.0)
Exceptional Items	–	–	(1.6)	(1.6)
Share-based payments charge	–	–	(1.6)	(1.6)
Profit/(loss) from operating activities	31.1	14.5	(23.5)	22.1
Finance costs	–	–	(4.7)	(4.7)
Profit/(loss) before tax	31.1	14.5	(28.2)	17.4
Tax expense	–	–	(3.4)	(3.4)
Profit/(loss) for the year	31.1	14.5	(31.6)	14.0

	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 expense	–	–	4.8	4.8
Profit/(loss) for the year	22.9	12.4	(19.9)	15.4

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

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

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

Notes to the Financial Statements continued
For the year ended 2 July 2022

7 Operating costs

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

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

The following items have been charged/(credited) within operating costs:

	2022 £m	2021 £m
Employee benefit expense (see note 9)	125.0	112.8
Depreciation of property, plant and equipment	3.4	2.4
Depreciation of right-of-use assets	21.0	19.1
Amortisation of intangible assets	0.6	0.6
Loss on disposal of property, plant and equipment	–	0.8
Loss on disposal of intangible assets	0.3	–
Short-term and low-value leases	1.4	1.0

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

	2022 £000	2021 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	120	150
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	80	100
Total audit fees	200	250
Other services:		
– tax services	–	–
– other	–	–
Total non-audit fees	–	–
Total fees	**200**	250

Fees payable to PKF Littlejohn LLP in respect of 2022 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 2021 as disclosed above were payable to PKF Littlejohn LLP. Grant Thornton UK LLP were appointed as the Company's auditors also for that year 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

	2022 £000	2021 £000
Emoluments	1,056	1,069

Amounts accrued under money purchase pension schemes

	2022 £000	2021 £000
Pension benefits	3	8

Highest paid Director

	2022 £000	2021 £000
Emoluments	442	457

See the Directors' Remuneration Report sections titled Total Single Figure of Remuneration for Directors and Share Plans on page 51 (which form part of these Financial Statements), and note 33 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 (2021: one Director).

9 Employees

Employee benefit expense

	2022 £m	2021 £m
Wages and salaries	111.2	100.7
Social security costs	9.7	8.4
Other pension costs	2.5	2.3
	123.4	111.4
Share-based payment transactions	1.6	1.4
	125.0	112.8

Average number of persons employed (including Executive Directors)

	2022 Number	2021 Number
DX Express	1,211	1,104
DX Freight	2,626	2,475
Central support services	189	190
	4,026	3,769

10 Exceptional items

	2022 £000	2021 £000
Exceptional items	1.6	–

During the 2021 and 2022 financial years and the subsequent period to 20 September 2022 the Group had to address a corporate governance matter as described on page 45 of this annual report. In the 2022 financial year, the Group incurred £1.6 million of legal and advisory costs on the investigation of and inquiry into the matter. The costs of this one-off event are not expected to occur in future periods and have been charged as exceptional items to not distort to the Group's underlying costs.

11 Finance costs

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

Notes to the Financial Statements continued
For the year ended 2 July 2022

12 Tax (expense)/credit
(a) Analysis of charge in year

	2022 £m	2021 £m
Current tax		
United Kingdom corporation tax:		
Current year	(0.6)	–
Adjustments in respect of prior periods	(0.2)	–
Total United Kingdom corporation tax	(0.8)	–
Overseas taxation	(0.6)	(0.5)
Total current tax	(1.4)	(0.5)
Deferred tax		
Current year	(2.6)	(0.3)
Recognition of previously unrecognised deferred tax asset	0.6	5.5
Adjustments in respect of prior periods	–	0.1
Changes in tax rates	–	–
Total deferred tax	(2.0)	5.3
Total tax	(3.4)	4.8

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

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

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

13 Profit attributable to the Company
The profit for the year attributable to the Company, after a share-based payments charge of £1.6 million (2021: £1.4 million), was a loss of £1.1 million (2021: £14.2 million profit).

14 Property, plant and equipment

	Freehold land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 27 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
At 4 July 2021	5.0	12.1	18.8	35.9
Additions	–	3.2	2.4	5.6
Disposals	–	–	(8.4)	(8.4)
At 2 July 2022	**5.0**	**15.3**	**12.8**	**33.1**
Depreciation				
At 27 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
At 4 July 2021	2.6	5.9	15.1	23.6
Charge for the year	0.1	1.6	1.7	3.4
Disposals	–	–	(8.4)	(8.4)
At 2 July 2022	**2.7**	**7.5**	**8.4**	**18.6**
Net book value				
At 2 July 2022	**2.3**	**7.8**	**4.4**	**14.5**
At 3 July 2021	2.4	6.2	3.7	12.3

The cost of land not being depreciated is £0.6 million (2021: £0.6 million).

15 Intangible assets and goodwill

			Acquired intangibles	
	Goodwill £m	Software and development costs £m	Customer relationships £m	Total £m
Cost				
At 27 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
At 4 July 2021	191.5	2.8	9.1	203.4
Additions	–	0.6	–	0.6
Disposals	–	(0.5)	–	(0.5)
At 2 July 2022	**191.5**	**2.9**	**9.1**	**203.5**
Amortisation				
At 27 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
At 4 July 2021	161.5	1.4	9.1	172.0
Charge for the year	–	0.6	–	0.6
Impairment	–	–	–	–
Disposals	–	(0.2)	–	(0.2)
At 2 July 2022	**161.5**	**1.8**	**9.1**	**172.4**
Net book value				
At 2 July 2022	**30.0**	**1.1**	**–**	**31.1**
At 3 July 2021	30.0	1.4	–	31.4

Notes to the Financial Statements continued

For the year ended 2 July 2022

15 Intangible assets and goodwill continued

Management has identified two cash-generating units within the Group, DX Freight and DX Express. Goodwill has an indefinite useful life and each cash-generating unit is subject to annual impairment testing. The carrying value of goodwill at the year end was £20 million for DX Express (2021: £20 million) and £10 million for DX Freight (2021: £10 million). The key assumptions used in this calculation are shown below.

	2022	2021
Period on which management approved forecasts are based	**Three years**	Four years
DX Express revenue growth rate	**9%**	9%
DX Express operating profit growth rate	**9%**	11%
Growth rate applied beyond approved forecast period	**1.7%**	1.7%
Discount rate	**11.1%**	9.6%

The cash flow projections are based on the budget approved by the Board for the forthcoming financial year and subsequent two years. Cash flows beyond these 36 months are extrapolated with reference to historical trends, expected developments, and using forecasts for the estimated growth rates, not exceeding the long-term growth rate stated above. The discount rate represents the Group's estimated weighted average cost of capital. Increases in risk-free interest rates have led to an increase in the discount rate compared to 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. The ongoing improving performance of the DX Freight division assumes a short-term growth rate of revenue of 9% as well as margin expansion based on the continued improvement in the business. In the longer term, the Directors consider that the appropriate growth rate to use is that issued by the Office of Budget Responsibility for the UK economy as a whole. There is substantial headroom in the value in use calculations: a negative long-term growth rate of up to 1.6% or a discount rate of up to 13.7% 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 5% 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.

16 Investments

Company	Shares in Group companies £m
Cost	
At 27 June 2020	30.1
Additions	–
Disposals	–
At 3 July 2021	30.1
At 4 July 2021	30.1
Additions	
Disposals	(0.1)
At 2 July 2022	**30.0**
Provisions	
At 27 June 2020	0.1
Impairment	–
At 3 July 2021	0.1
At 4 July 2021	0.1
Impairment reversal	(0.1)
At 2 July 2022	**30.0**
Net book value	
At 2 July 2022	**30.0**
At 3 July 2021	30.0

At 2 July 2022, DX (Group) plc owned, directly or indirectly, 100% of each class of issued shares of the following companies. All directly and indirectly owned companies form part of the consolidated results.

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

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

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

DX (Group) plc has provided the necessary guarantees under section 479A of the Companies Act 2006 entitling DX Services Limited to an audit exemption for the year ended 2 July 2022.

17 Right-of-use assets

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

18 Trade and other receivables

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Trade receivables	**28.6**	27.0	**–**	–
Other receivables	**3.2**	1.5	**–**	–
Prepayments	**4.5**	5.0	**–**	–
Accrued income	**8.3**	6.6	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**18.5**	17.8
	44.6	40.1	**18.5**	17.8

Other receivables include £2.1 million (2021: £nil) of collateral for a letter credit issued to the benefit of the Group's insurers.

Trade receivables are shown net of a provision for impairment losses of £0.4 million (2021: £0.8 million). The gross trade receivables at the year end were £29.0 million (2021: £27.8 million). The movement in the allowance for impairment losses was as follows:

	2022 £m	2021 £m
At 4 July	**0.8**	0.5
Impairment losses recognised/released	**(0.4)**	0.4
Amounts written off as irrecoverable	**–**	(0.1)
At 2 July	**0.4**	0.8

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

Notes to the Financial Statements continued
For the year ended 2 July 2022

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

	2020			2021		
	Gross trade receivables £m	Provision for impairment losses £m	Net total £m	Gross trade receivables £m	Provision for impairment losses £m	Net total £m
Current	**27.7**	**(0.2)**	**27.5**	26.1	(0.1)	26.0
Past due 1-30 days	**0.5**	**–**	**0.5**	0.9	(0.2)	0.7
Past due 31-90 days	**0.5**	**(0.1)**	**0.4**	0.6	(0.3)	0.3
Past due more than 90 days	**0.3**	**(0.1)**	**0.2**	0.2	(0.2)	–
	29.0	**(0.4)**	**28.6**	27.8	(0.8)	27.0

19 Cash and cash equivalents

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Cash at bank and in hand	**27.0**	16.8	**–**	–

20 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 3 July 2021 and year ended 2 July 2022.

21 Share premium and reserves

Group	Share premium £m	Retained earnings £m
At 27 June 2020	25.2	(7.9)
Loss for the year	–	15.4
Share-based payment transactions	–	1.4
At 3 July 2021	25.2	8.9
At 4 July 2021	25.2	8.9
Profit for the year	–	14.0
Share-based payment transactions	–	1.6
At 2 July 2022	**25.2**	**24.5**

Company	Share premium £m	Retained earnings £m
At 27 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
At 4 July 2021	25.2	16.8
Loss for the year	–	(1.1)
Share-based payment transactions	–	1.6
At 2 July 2022	**25.2**	**17.3**

22 Earnings per share

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

Adjusted earnings per share is calculated based on the profit after tax, adjusted for certain non-cash charges and other items which are not expected to recur. The Group does not adjust for share-based payments relating to the recently introduced SAYE scheme. Adjusted earnings per share represents an alternative performance measure. Further details about the use of alternative performance measures are detailed in notes 3 and 34.

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

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

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

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

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

23 Loans and borrowings

The Group has access to a £20.0 million invoice discounting facility with Barclays Bank plc. The facility is a rolling facility with three months' notice by either party. The available balance is based on 90% of the outstanding trade receivables, adjusted to exclude amounts billed in advance and old debt. The amount drawn on the invoice discounting facility at 2 July 2022 was £nil (2021: £nil). No amounts were drawn on the invoice discount facility during the year to 2 July 2022 (2021: £nil).

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

Notes to the Financial Statements continued

For the year ended 2 July 2022

24 Provisions

	Property dilapidation costs £m	Vehicle dilapidation costs £m	Other provisions £m	Total £m
At 27 June 2020	3.6	1.6	1.3	6.5
Charged 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
At 4 July 2021	5.7	1.3	0.8	7.8
Charged to income statement	0.9	0.6	1.0	2.5
Utilised	(0.1)	(0.2)	(0.1)	(0.4)
At 2 July 2022	**6.5**	**1.7**	**1.7**	**9.9**

	2022 £m	2021 £m
Current	**2.9**	2.0
Non-current	**7.0**	5.8
	9.9	7.8

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

Other provisions include management's judgement of settlement costs for ongoing legal matters and the employers national insurance contribution on the Performance Share Plan.

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

25 Deferred tax assets

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

The deferred tax asset is made up as follows:

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

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

The unrecognised deferred tax assets of the Group at 2 July 2022 total £0.5 million (2021: £0.4 million) consisting of unused tax losses. There are no unrecognised deferred tax assets for the Company at 2 July 2022 (2021: £nil).

26 Lease liabilities

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

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

	2022 £m	2021 £m
Current		
Lease liabilities	20.7	19.3
Non-current		
Lease liabilities	79.6	81.3
Lease liabilities included in the statement of financial position at 2 July	100.3	100.6

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

27 Trade and other payables, and deferred income

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Trade payables	16.1	15.1	–	–
Social security and other taxes	8.0	12.4	–	0.1
Other payables	2.0	3.0	–	–
Accruals	14.6	13.5	–	–
Total trade and other payables	40.7	44.0	–	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 2 July 2022, the total deferred income was £10.2 million (2021: £11.4 million).

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

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Cash flows from operating activities				
Profit/(loss) for the year	14.0	15.4	(1.1)	14.2
Adjustments for:				
- Depreciation	24.4	21.5	–	–
- Amortisation of intangible assets	0.6	0.6	–	–
- Net finance costs	4.7	4.5	–	–
- Tax expense/(credit)	3.4	(4.8)	0.2	–
- Loss on disposal of property, plant and equipment	–	0.8	–	–
- Loss on disposal of intangible assets	0.3	–	–	–
- Equity-settled share-based payment transactions	1.6	1.4	1.6	1.4
Net cash profit	49.0	39.4	0.7	15.6
Changes in:				
- Trade and other receivables	(4.7)	(6.6)	(0.7)	(15.6)
- Trade and other payables	(3.1)	2.0	–	–
- Deferred income	(1.2)	(2.8)	–	–
- Provisions	2.1	1.3	–	–
Net change in working capital	(6.9)	(6.1)	(0.7)	(15.6)
Cash generated from operations	42.1	33.3	–	–

Notes to the Financial Statements continued
For the year ended 2 July 2022

29 Financial instruments
Financial instruments utilised by the Group during the year ended 2 July 2022 and the year ended 3 July 2021, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

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

Borrowings and cash
The carrying values of cash and short-term borrowings approximate to their fair values because of the short-term maturity of these instruments. Cash and cash equivalents are shown in note 19. Details of the Group's invoice discount facility are shown in note 23.

Fair values of financial assets and liabilities
The fair value of all financial assets and liabilities is considered to be equal to the carrying values of these items due to their short-term nature. Cash is held with counterparties with a Moody's credit rating between a3 and baa2.

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

			Non-cash movements			
	3 July 2021 £m	Cash flow £m	Interest £m	Additions £m	Disposals £m	2 July 2022 £m
Lease liabilities	100.6	(24.8)	4.7	19.8	–	100.3

			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

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

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities. The maximum exposure to credit risk is the amount of the receivables balance shown in note 18.

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

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

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

No interest is charged on the trade receivables outstanding balance. Trade receivables overdue are provided for based on estimated irrecoverable amounts. Included in the Group's trade receivable balance are debtors with a carrying amount of £1.2 million (2021: £1.6 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.

	2022		2021	
	Trade and other payables	Lease payables	Trade and other payables	Lease payables
Less than one year	26.1	20.7	30.5	19.2
One to five years	–	54.6	–	56.1
More than five years	–	25.0	–	25.3
Total financial liabilities	26.1	100.3	30.5	100.6

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

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

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

Market risk

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

Interest rate risk

The Group is not exposed to significant interest rate risk as it does not have any long-term, interest-bearing financial liabilities. A 1% increase or reduction in the interest rate applicable to the Group's borrowings would have had a £nil (2021: £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. £2.3 million (2021: £2.2 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 2 July 2022 would have reduced equity and profit by £0.2 million (2021: £0.2 million).

30 Employee benefits

Pension commitments

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

The total cost charged to income of £2.5 million (2021: £2.4 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

Contributions amounting to £0.5 million (2021: £0.4 million) were payable to the schemes at 2 July 2022 and are included in trade and other payables.

Share-based payments

At 2 July 2022, 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.

Notes to the Financial Statements continued

For the year ended 2 July 2022

30 Employee benefits continued

The share price targets were tested on 21 December 2020 and 21 December 2021 and will be further tested on 21 December 2022. 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.

Measurement of fair values

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

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

Recovery Awards	1 September 2021	29 October 2020	28 August 2020
Options issues	220,000	200,000	600,000
Fair value at grant	7.3p	7.3p	7.3p
Share price at grant date	36.00p	18.50p	16.0p
Exercise price	1.0p	1.0p	1.0p
Expected volatility	50%	50%	50%
Expected term	0.7 years	1.7 years	1.8 years
Expected dividend yield	0%	0%	0%
Risk-free interest rate (based on government bonds)	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 3 July 2021 Number	Options exercised Number	Options lapsed Number	Options granted Number	At 2 July 2022 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	10,980,063	–	–	–	**10,980,063**
28 January 2019	1.0p	350,000	–	–	–	**350,000**
1 April 2019	1.0p	1,500,000	–	–	–	**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**
1 September 2021	1.0p	–	–	(60,000)	280,000	**220,000**
		99,168,633	–	(60,000)	280,000	**99,388,633**
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		**100,837,963**	**–**	**(60,000)**	**280,000**	**101,057,963**

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 is a non-cash share-based payment charge of £0.4 million (2021: £0.2 million), over 400 employees are participating in the scheme.

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

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

SAYE scheme	28 January 2021
Options issues	6,188,460
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:

	2022		2021
	Weighted average exercise price	Number of options	Number of options
Outstanding at the start of the year		8,524,626	–
Granted during the year	25.82p	–	9,063,910
Lapsed/opted out during the year	25.82p	(2,336,166)	(539,284)
Outstanding at the end of the year	25.82p	6,188,450	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:

	2022 £m	2021 £m
Total employee benefit expense recognised for share-based payments	1.6	1.4

31 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:

	2022 £m	2021 £m
Leasehold improvements	1.8	1.2
Plant and equipment	1.5	0.5
Software and development	0.1	0.1
Total	**3.4**	**1.8**

32 Contingencies

There were no contingent liabilities as at 2 July 2022 (2021: £nil).

Notes to the Financial Statements continued
For the year ended 2 July 2022

33 Related parties
The following transactions were carried out with connected parties:

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

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

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

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

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

APM	IFRS reported measure	Location of reconciliation	Page
EBITDA	Profit/(loss) from operating activities	Financial Review	30
Adjusted PBT/LBT	Profit or loss before tax	Financial Review	32
Adjusted EPS/LPS	Profit or loss per share	Note 22	32
Adjusted profit from operating activities	Profit/(loss) from operating activities	Financial Review	30
Adjusted operating profit margin	Profit/(loss) from operating activities	Financial Review	30
Net cash/net debt	Cash and cash equivalents/loans and borrowings	Financial Review	31

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

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

Impact in the year
The impact on the profit/(loss) for the year ended 2 July 2022 and 3 July 2021 is summarised below:

	2 July 2022 £m	3 July 2021 £m
Depreciation charge on right-of-use assets	21.0	19.1
Interest cost on lease liability	4.7	4.3
Operating lease rentals on short-term and low-value leases	1.4	1.0
Total lease costs for the year	27.1	24.4

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

	2022		2021	
	Property £m	Plant and equipment £m	Property £m	Plant and equipment £m
Expense relating to short-term leases	0.6	–	0.5	0.1
Expense relating to low-value leases	–	0.8	–	0.4
	0.6	0.8	0.5	0.5

The total cash outflow for leases is as follows:

	2 July 2022 £m	3 July 2021 £m
Lease repayments	20.1	17.7
Interest paid	4.7	4.3
Total cash outflow for leases	24.8	22.0

36 Events subsequent to the period event

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