8 November 2021
AIM: DX.

DX (Group) plc
("DX" or "the Group" or "the Company")
A leading provider of delivery solutions,
including parcel freight, secure courier and logistics services

Final Unaudited results for the 53 weeks ended 3 July 2021

Very strong results
Group is well-positioned and further progress is expected

Financial Key Points

	53 weeks to 3 July 2021 Unaudited	52 weeks to 27 June 2020 Audited	Change
Revenue	**£382.1m**	£329.3m	+16%
EBITDA[1]	**£38.6m**	£24.9m	+55%
Underlying profit from operating activities[1]	**£16.5m**	£4.5m	+266%
Reported profit from operating activities	**£15.1m**	£3.0m	+403%
Adjusted profit before tax[1]	**£12.0m**	£0.2m	+6000%
Statutory profit /(loss) before tax	**£10.6m**	£(1.3)m	+£11.9m
Adjusted earnings/(loss) per share	**2.0p**	(0.1)p	+2.1p
Basic earnings/(loss) per share	**2.7p**	(0.3)p	+3.0p
Net cash[1,2]	**£16.8m**	£12.3m	+37%
Cash flow from operating activities	**£28.1m**	£33.5m	- £5.4m

- 16% revenue growth primarily driven by very strong performance at DX Freight
- Group EBIT margin[1] increased to 4.4% (2020: 1.2%); longer-term target remains 7.5% - 10.0%
- First full year statutory PBT achieved, in line with turnaround plans
- Capital investment of £6.0m (2020: £3.4m) in depot network expansion, equipment and IT
- £0.6m of coronavirus-related furlough payments in respect of 2020/2021 repaid

Operational Key Points

- DX Freight:
  - Revenue up 32% to £223.0m (2020: £169.0m) and operating profit of £22.9m (2020: loss of £0.6m)
  - Divisional operating margin increased to 10.3% (2020: (0.4%)), reflecting higher volumes, operational leverage and efficiency improvements
  - Focus on customer service supported new business wins and customer retention
  - Three new depots were opened, at Oxford, Westbury and Burnley, and three depots upgraded, at Glasgow, Heathrow and Hoddesdon

- DX Express:
  - Revenue of £159.1m (2020: £160.3m) and operating profit of £12.4m (2020: £22.9m)
  - Division was significantly impacted by coronavirus restrictions, including further national lockdowns, which affected its Legal and High-street activities
  - Very strong wins in Parcels offset cessation of HMPO contract in Q4 FY 2020
  - Separation of Document Exchange and Parcels delivery network completed

- Pilot of new Digital Portal for Exchange members launched, enabling secure digital file sharing and easy access to Parcels service
- Three new depots were opened, at Glasgow, Rotherham and Middlesbrough, with Grimsby moving to larger premises

Outlook

- Three-year capital investment programme costing £20m - £25m launched to support growth
- Reinstatement of the dividend will be considered as soon as appropriate and alongside capital allocation plans
- Although there are ongoing trading challenges, including HGV driver shortages and global supply chain disruptions, the Board remains confident of further progress and DX continues to win new business and increase its market share

Lloyd Dunn, CEO of DX (Group) plc, commented:

"Results are significantly ahead of our original expectations, and we have achieved a key milestone of full year statutory pre-tax profits, in line with our turnaround plans set in 2018.

"DX Freight fuelled this excellent performance while DX Express was significantly impacted by coronavirus restrictions, which affected our Legal and High-street activities in particular, although the division's Parcels operations grew significantly.

"Despite the ongoing challenges, including driver shortages and global supply chain disruptions, we remain confident of further progress over the new financial year. We have now launched a second major capital investment programme of between £20m-£25m to be invested over the next three years to support our growth plans. We believe DX remains well-placed to continue to increase its market share."

Notes

[1] See notes 2 and 17 to the Financial Statements for details of alternative performance measures ("APMs") used, and details of where reconciliations of APMs to IFRS reported measures can be found.

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

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About DX (Group) plc:

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

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

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

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

CHAIRMAN'S STATEMENT

STRONG OPERATIONAL AND FINANCIAL PROGRESS

Introduction

Last year's full year results marked the completion of the first phase of DX's turnaround with the Group's return to adjusted pre-tax profit. We reported at the time that the business was in a strong position to increase sales and rebuild profitability by focusing on efficiency, productivity and margins. I am now very pleased to announce annual results that are significantly ahead of our original expectations and also ahead of revised market expectations.

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

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

Financial Results

Revenue for the 53 weeks ended 3 July 2021 increased by 16% to £382.1 million (2020: £329.3 million), adjusted pre-tax profit showed a marked improvement, rising to £12.0 million (2020: £0.2 million), and adjusted earnings per share recovered to 2.0p (2020: loss of 0.1p). The statutory profit before taxation was £10.6 million (2020: loss £1.3 million) and earnings per share was 2.7p (2020: loss 0.3p).

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

In light of the Group's strengthening performance and financial position during the year, we also took the decision to repay the £0.6 million of Government furlough payments received in support of the 2020/21 financial year.

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

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

Capital allocation and dividend policy

During the financial year, we invested £5.9 million in the business (2020: £3.4 million), completing the £10 million capital investment programme launched in the prior financial year. The investment was focused on expanding the depot network, upgrading operational equipment, and strengthening our IT systems. We are now embarking on a second, larger investment programme, which we expect to amount to between £20 million and £25 million. This will be invested broadly evenly over the next three years, and will support our ambitious growth plans for the Group. The focus of the investment will remain on the depot network, parcel-handling equipment, and IT infrastructure. Over the next two years, we plan to accelerate depot openings by adding 15 new a across the business.

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

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

Performance Overview

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

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

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

Environmental, Social and Governance

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

Our People

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

Outlook and Opportunities

DX made strong progress over the financial year, and the parcels market for both DX Express and DX Freight continues to grow. We remain focused on increasing our market share, and at the same time, we intend to increase the Group's EBIT margin significantly over the next three years. As we utilise existing capacity across our networks, scale capacity through new depot openings, and invest in parcel handling equipment, we expect to drive efficiency and productivity improvement through the business, which will underpin margin expansion. Margin growth will also be assisted by operational leverage. We have a very healthy pipeline of new business opportunities, which helps to support our confidence that DX remains in a very good position to achieve its growth objectives for the current financial year. Reflecting this confidence, we have launched our second major capital expenditure programme, which will invest around £20 to £25 million in the business over the next three years.

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

Ronald Series
Chairman

CHIEF EXECUTIVE'S REVIEW

GROWTH PHASE PROGRESSING WELL

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

The year was not without its challenges. The coronavirus pandemic continued to adversely impact certain areas of our business, and we experienced local disruption at times due to staff illness or isolation requirements. However, the Group has been resilient and adapted to the challenges and we have continued to implement our strategic growth initiatives. I would like to thank everyone for their hard work and dedication in dealing with the challenges of the last year. Their efforts and contributions have supported these very strong results.

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

Coronavirus Pandemic

The lessons learnt from the first national lockdown were invaluable, and our response to the ongoing coronavirus crisis over the year as a whole was not on the scale of the previous financial year. Only a few of our employees were on furlough in the period, and this was largely at the start of the financial year. Accordingly, we took the decision in May 2021 to repay the £0.6 million we had claimed under the Government's Coronavirus Job Retention Scheme in respect of the financial year to 3 July 2021. From March 2021, we also started VAT repayments, having made use of the Government's VAT payment deferral scheme in the prior financial year, 2019/20. At its peak, around £9.4 million of VAT payments were deferred. Approximately £6.0 million of deferred VAT remained outstanding at the financial year end, which will be fully repaid by February 2022.

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

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

Divisional Review

DX Freight

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

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

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

We estimate that the market for parcel freight is expanding at approximately 10% per annum, with Brexit driving some of this growth as businesses increasingly 'on-shore' their supply chains in reaction to the frictions of cross-border trading and the impact of coronavirus pandemic. Our growth of 32% compares favourably with the overall parcel freight marketplace, and our strategy for DX 1-Man is to continue to expand its market share and to improve margins by increasing efficiency and productivity. As we have previously outlined, opening new depots has several beneficial effects: it reduces stem miles; improves our ability to win new business in the local area; enhances service levels by being closer to our customers; and increases vehicle productivity by enabling double delivery runs on certain routes. There are growth opportunities for the 2-Man & Logistics business, boosted by the trend towards outsourcing, and we intend to focus on appropriate opportunities as demand for value-added delivery services continues. As the division grows, we also expect to further improve operating margins.

DX Express

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

We made a key operational change towards the end of the financial year and separated the Exchange & Mail delivery network from the Parcels network. This was to ensure that we more easily maintain our pre-9am delivery service for our DX Exchange members, which had been adversely impacted by the integration into the Parcels delivery network some years ago. The separation will also free up capacity within the Parcels network to allow for planned growth. These changes coupled with the launch of the division's Estimated Time of Arrival ("ETA") capability in the previous financial year means the division has a much stronger market proposition as it focuses on the significant opportunities in the parcels market, which is growing at around 10% per annum.

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

We opened three new depots at Glasgow, Rotherham and Middlesbrough during the year, supporting growth plans, and relocated our depot at Grimsby to larger premises. Since the year end, depots have been opened at Luton and Verwood. We are currently planning to add seven new depots and complete four major upgrades to existing sites over the next two years. This will increase our network capacity by around a third, and will drive the recovery of the division's operating margins as we increase critical mass and improve efficiencies and delivery productivity in the same way we have at DX Freight.

Our growth strategy for DX Express is focused on developing it as a leading parcel delivery service for SMEs and large national customers that value a high-quality, next-day service. At the heart of this approach is our local customer service proposition. We believe that our local presence means that our customer service is typically more responsive and flexible and feels more personal. We also believe that proximity to customers generates closer relationships over the long term, and provides an important point of differentiation in the marketplace.

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

Divisions Supported by Central Teams

Central overheads for the year (including the share-based payments charge) increased in absolute terms to £20.2 million (2020: £19.3 million), although reduced as a percentage of revenue to 5.3% (2020: 5.9%). The year-on-year rise reflected four main factors: higher performance-related bonuses; increased spending on the Group's IT systems and infrastructure; higher branding costs as we launched a scheme for our subcontractors to carry the DX livery on their vehicles; and a slightly increased share-based payments charge following the launch of the SAYE scheme. As the Group grows, we do not expect central overheads to increase proportionately.

Environmental, Social and Governance

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

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

Summary

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

Lloyd Dunn
Chief Executive Officer

FINANCIAL REVIEW

STRONG RETURN TO PROFITABILITY SUPPORTED BY POSITIVE CASH GENERATION

STATUTORY RESULTS

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

These financial statements are for the period 28 June 2020 to 3 July 2021, i.e. a 53-week period. Future years will be for 52 weeks or occasionally 53 weeks in order to keep the financial year-end date as close as possible to 30 June.

Revenue generated in the year to 3 July 2021 was £382.1 million (2020: £329.3 million) and the profit before taxation was £10.6 million (2020: loss of £1.3 million). The earnings per share was 2.7p (2020: loss of 0.3p).

SUMMARY

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

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

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

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

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

1 See notes 2 and 17 to the Financial Statements for details of alternative performance measures ("APMs") used, and details of where reconciliations of APMs to IFRS reported measures can be found.

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

REVENUE BY SEGMENT

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

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

CASH FLOW

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

Cash flow from operating activities was £28.1 million, which included the repayment of £4.4 million of VAT and other payments. These payments had been deferred in the prior year.

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

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

NET ASSETS

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

	3 July 2021 £m	27 June 2020 £m
Non-current assets	**146.6**	123.9
Current assets excluding cash	**44.5**	33.6
Cash	**16.8**	12.3
Invoice discounting facility	**-**	-
Current liabilities excluding debt	**(81.0)**	(73.5)
Non-current liabilities	**(87.1)**	(73.3)
Net assets	**39.8**	23.0

NET CASH

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

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

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

1 See notes 2 and 17 to the Financial Statements for details of alternative performance measures ("APMs") used, and details of where reconciliations of APMs to IFRS reported measures can be found.

CAPITAL EXPENDITURE

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

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

DEFERRED TAXATION

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

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

ADJUSTED PROFIT AND EARNINGS PER SHARE

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

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

DIVIDENDS

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

David Mulligan
Chief Financial Officer

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 3 JULY 2021

	Notes	Year ended 3 July 2021 Unaudited £m	Year ended 27 June 2020 Audited £m
Revenue	5	**382.1**	329.3
Operating costs	7	**(367.0)**	(326.3)
Profit from operating activities		**15.1**	3.0
Analysis of profit from operating activities			
Earnings before interest, tax, depreciation, amortisation and share-based payments ("EBITDA")		**38.6**	24.9
Depreciation		**(21.5)**	(20.0)
Amortisation of software and development costs		**(0.4)**	(0.4)
Amortisation of acquired intangibles		**(0.2)**	(0.3)
Share-based payments charge		**(1.4)**	(1.2)
Profit from operating activities		**15.1**	3.0
Finance costs	8	**(4.5)**	(4.3)
Profit/(loss) before tax		**10.6**	(1.3)
Tax credit/(expense)	9	**4.8**	(0.5)
Profit/(loss) for the year		**15.4**	(1.8)
Other comprehensive income/(expense) not subsequently reclassified			
Other comprehensive income/(expense)		**-**	-
Total comprehensive income/(expense) for the year		**15.4**	(1.8)
Earnings/(loss) per share (pence):			
Basic	11	**2.7**	(0.3)
Diluted		**2.3**	(0.3)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 3 JULY 2021

	Notes	**3 July 2021 Unaudited £m**	27 June 2020 Audited £m
Non-current assets			
Property, plant and equipment		**12.3**	10.4
Right-of-use assets	10	**95.4**	80.2
Intangible assets and goodwill		**31.4**	31.0
Deferred tax assets	13	**7.5**	2.3
Total non-current assets		**146.6**	123.9
Current assets			
Trade and other receivables		**44.4**	33.5
Current tax receivable		**0.1**	0.1
Cash and cash equivalents		**16.8**	12.3
Total current assets		**61.3**	45.9
Total assets		**207.9**	169.8
Equity			
Share capital		**5.7**	5.7
Share premium		**25.2**	25.2
Translation reserve		**-**	-
Retained earnings		**8.9**	(7.9)
Total equity		**39.8**	23.0
Non-current liabilities			
Provisions		**5.8**	5.0
Lease liabilities	14	**81.3**	68.3
Total non-current liabilities		**87.1**	73.3
Current liabilities			
Trade and other payables		**48.3**	42.0
Lease liabilities	14	**19.3**	15.8
Deferred income		**11.4**	14.2
Provisions		**2.0**	1.5
Total current liabilities		**81.0**	73.5
Total liabilities		**168.1**	146.8
Total equity and liabilities		**207.9**	169.8

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 3 JULY 2021

	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 July 2019 (audited)	5.7	25.2	-	(7.3)	23.6
Total comprehensive expense for the year					
Loss for the year	-	-	-	(1.8)	(1.8)
Other comprehensive expense	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(1.8)	(1.8)
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions	-	-	-	1.2	1.2
Total transactions with owners of the Company	-	-	-	1.2	1.2
At 27 June 2020 (audited)	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 (unaudited)	**5.7**	**25.2**	**-**	**8.9**	**39.8**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 3 JULY 2021

	Notes	**Year ended3 July 2021 Unaudited £m**	Year ended 27 June 2020 Audited £m
Cash generated from operations	15	**33.3**	38.1
Interest paid		**(4.6)**	(4.2)
Tax paid		**(0.6)**	(0.4)
Net cash generated from operating activities		**28.1**	33.5
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(5.1)**	(2.7)
Software and development expenditure		**(0.8)**	(0.6)
Net cash used in investing activities		**(5.9)**	(3.3)
Net increase in cash before financing activities		**22.2**	30.2
Cash flows from financing activities			
Movement on invoice discounting facility		**-**	(3.1)
Lease repayments		**(17.7)**	(16.6)
Net cash used in financing activities		**(17.7)**	(19.7)
Net increase in cash and cash equivalents		**4.5**	10.5
Cash and cash equivalents at beginning of year		**12.3**	1.8
Effect of exchange rate fluctuations on cash held		**-**	-
Cash and cash equivalents at end of year		**16.8**	12.3

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 3 JULY 2021

1 Reporting entity

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

2 Basis of preparation

This preliminary unaudited consolidated financial information has been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. They were authorised for issue by the Board of Directors on 7 November 2021.

The financial information set out above does not constitute the Company's statutory consolidated accounts for the period ended 3 July 2021. Statutory consolidated accounts for 2020 have been delivered to the registrar of companies. The statutory accounts are subject to completion of the audit and may change before approval of the Annual Report. Statutory accounts for the period ended 3 July 2021 will be delivered to the registrar of companies following the Company's annual general meeting.

The Group uses alternative performance measures ("APMs") to measure performance. These APMs have been calculated consistently to enable comparability from one year to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and items which are not expected to recur. The Group presents EBITDA, adjusted operating profit, adjusted PBT, adjusted EPS, and net debt which are further explained in note 17.

Going concern

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate as they are confident the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. This is notwithstanding the Group's net current liabilities of £19.7 million as at 3 July 2021 (2020: £27.6 million). Included within the net liabilities is £11.4 million (2020: £14.2 million) of deferred income representing an obligation to deliver a service but not a cash liability and £19.3 million (2020: £15.8 million) representing lease liabilities whose payments are spread over the forthcoming year and not payable in the immediate short-term.

The Directors have prepared cash flow forecasts for a period from the date of approval of these financial statements up to 30 June 2023 under two different scenarios.

The base case assumes that the impact from the latest national lockdown is now in the past and that the Group achieves the expected levels of new business and overall performance.

The severe but plausible downside case assumes that there will be a further wave of disruption in January and February 2022 similar to the first lockdown from March through June 2020 in terms of severity but without any support from an extension to the Government's Coronavirus Job Retention

Scheme. The Directors have assumed that Group revenue will reduce by £15 million and profit from operating activities by £9 million compared with the base case.

The base case and the severe but plausible case indicate that the Group will have sufficient funds to meet its liabilities as they fall due for that period. This is made up the Group's net cash which stood at £16.8 million at the year-end (2020: £12.3 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 severe but plausible downside case relies on the invoice discounting facility being available. See note 12 for further information on the Group's borrowing facilities

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 £30.0 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.

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

3 Significant accounting policies

The accounting policies applied in these unaudited condensed financial statements are consistent with those set out in the annual report and accounts for the year ended 27 June 2020, except as noted in note 4 below for new standards adopted.

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.

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.

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'; and
- Annual improvements to IFRS Standards 2018-2020.

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

5 Revenue

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

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

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

6 Segment information

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

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

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

The CODM considers that assets and liabilities are reviewed on a Group basis, therefore, no segment information is provided for these balances. The CODM considers there to be only one material geographical segment, being the British Isles.

7 Operating costs

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

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

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

	2021 Unaudited £m	2020 Audited £m
Employee benefit expense	**111.3**	102.5
Depreciation of property, plant and equipment, and right-of-use assets	**21.5**	20.1
Amortisation of intangible assets	**0.6**	0.6
Loss on disposal of property, plant and equipment	**0.8**	0.1
Short-term and low-value leases	**1.0**	0.9
Other operating income	**-**	(3.1)

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

8 Finance costs

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

9 Tax credit/(expense)

(a) Analysis of charge in year

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

(b) Factors affecting the tax expense for year

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

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

(c) Factors that may affect future tax charges

Changes to UK Corporation tax rates were enacted as part of The Finance (No.2) Act 2021 which received Royal Assent on 10 June 2021. The main rate will remain at 19% before increasing to 25% from 1 April 2023. Deferred tax assets and liabilities have been calculated in accordance with the enacted rates.

10 Right-of-use assets

	Property £m	Non-property £m	Total £m
Cost			
At 1 July 2019 (audited)	-	-	-
Recognised on transition to IFRS 16	56.9	23.1	80.0
Additions	6.2	12.3	18.5
Depreciation	(9.6)	(8.6)	(18.2)
Disposals	(0.1)	-	(0.1)
Net book value as at 27 June 2020 (audited)	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 (unaudited)	**62.9**	**32.5**	**95.4**

11 Earnings per share

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

Adjusted earnings/(loss) per share is calculated based on the profit/(loss) after tax, adjusted for certain non-cash charges and other items which are not expected to recur. The Group does not adjust for share-based payments relating to the recently introduced SAYE scheme. Adjusted earnings/(loss) per share represents an alternative performance measure. Further details about the use of alternative performance measures are detailed in notes 2 and 17.

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

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

	2021 Unaudited Number (million)	2020 Audited Number (million)
Weighted average number of Ordinary Shares in issue	573.7	573.7
Potentially dilutive share options	-	-
Weighted average number of diluted Ordinary Shares	573.7	573.7

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

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

12 Loans and borrowings

The Group's only borrowing is a £20.0 million invoice discounting facility which was put in place during the year with Barclays Bank Plc. The facility is a rolling facility with three months' notice by either party. The available balance is based on 90% of the outstanding trade receivables, adjusted to exclude amounts billed in advance and old debt. The amount drawn on the invoice discounting facility at 3 July 2021 was £nil (2020: £nil). No amounts were drawn on the invoice discount facility during the year to 3 July 2021 (2020: £3.1 million of drawings were repaid).

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

13 Deferred tax assets

	£m
At 1 July 2019 (audited)	2.3
Credited to the income statement	-
At 27 June 2020 (audited)	2.3
At 28 June 2020	2.3
Credited to the income statement	5.2
At 3 July 2021 (unaudited)	**7.5**

The deferred tax asset is made up as follows:

	2021 Unaudited £m	2020 Audited £m
Intangible assets	-	(0.1)
Capital allowances	1.6	2.2
Other temporary differences	0.4	0.2
Trading losses	5.5	-
	7.5	2.3

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

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

14 Lease liabilities

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

Maturity analysis – contractual undiscounted cash flows	**2021 Unaudited £m**	2020 Audited £m
Less than one year	23.3	19.1
One to five years	66.7	54.2
More than five years	30.6	25.0
Total undiscounted lease liabilities at 3 July	**120.6**	**98.3**

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

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

	2021 Unaudited £m	2020 Audited £m
Cash flows from operating activities		
Profit/(loss) for the year	15.4	(1.8)
Adjustments for:		
- Depreciation	21.5	20.1
- Amortisation of intangible assets	0.6	0.6
- Net finance costs	4.5	4.3
- Tax expense	(4.8)	0.5
- Loss on disposal of property, plant and equipment	0.8	0.1
- Equity-settled share-based payment transactions	1.4	1.2
Net cash profit	39.4	25.0
Changes in:		
- Trade and other receivables	(10.9)	8.2
- Trade and other payables	6.3	6.3
- Deferred income	(2.8)	(3.1)
- Provisions	1.3	1.7
Net change in working capital	(6.1)	13.1
Cash generated from operations	33.3	38.1

16 Related party transactions

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

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

Sales and purchases of goods and services

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

17 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. Various measures of performance and profitability are industry standard and are used by shareholders and potential investors to compare performance with industry peers.

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

APM	**IFRS reported measure**	**Location of reconciliation**
EBITDA	Profit/(loss) from operating activities	Financial Review
Adjusted PBT/LBT	Profit or loss before tax	Financial Review
Adjusted EPS/LPS	Profit or loss per share	Note 11
Adjusted profit from operating activities	Profit/(loss) from operating activities	Financial Review
Adjusted operating profit margin	Profit/(loss) from operating activities	Financial Review
Net cash/net debt	Cash and cash equivalents/loans and borrowings	Financial Review

18 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 10 and details of the lease liabilities are shown in note 14. The maturity analysis of lease liabilities is also shown in note 14.

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 3 July 2021 and 27 June 2020 is summarised below:

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

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

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

The total cash outflow for leases is as follows:

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

19 Events subsequent to the period event

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

Forward-looking statements

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

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