

Preliminary Results

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DX (Group) PLC
17 September 2020

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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*

Preliminary Results for the Period Ended 27 June 2020

Return to Adjusted Pre-tax Profit Marks Completion of First Phase of Turnaround

| | Period ended 27 June 2020 | Period ended 27 June 2020 | Year ended 30 June 2019 | Change |
|---|--|------------------------------------|----------------------------------|---------|
| | IAS17¹ | IFRS16 ¹ | IAS17 | IAS17 |
| Revenue | £329.3m | £329.3m | £322.5m | + £6.8m |
| EBITDA ² | £4.4m | £24.9m | £3.3m | +£1.1m |
| Underlying results from operating activities ² | £2.2m | £4.5m | £0.2m | +£2.0m |
| Reported results from operating activities | £0.7m | £3.0m | £(1.3)m | +£2.0m |
| Adjusted profit/(loss) before tax ² | £1.8m | £0.2m | £(0.2)m | +£2.0m |
| Profit /(loss) before tax | £0.3m | £(1.3)m | £(1.7)m | +£2.0m |
| Adjusted earnings/(loss) per share ² | 0.2p | (0.1)p | (0.2)p | +0.4p |
| Basic earnings/(loss) per share | 0.0p | (0.3)p | (0.4)p | +0.4p |
| Net cash/(debt) ² | £12.3m | £12.3m | £(1.3)m | +£13.6m |
| Cash flow from operating activities | £16.9m | £33.5m | £3.2m | +£13.7m |

Discussion of the results for the period ended 27 June 2020 is on a comparable IAS 17 basis unless stated otherwise.

Financial Key Points

- Revenue growth of 2% and first adjusted pre-tax profit since turnaround began
- Continuing performance improvement at DX Freight division contributed to the turnaround
- Net cash of £12.3m at 27 June 2020 was better than expected (2019: net debt of £1.3m)
- Capital expenditure of £3.4m (2019: £3.5m), part of a £10m investment programme in IT systems, the depot/service centre network, and new operational parcel handling systems

Coronavirus Impact & Response

- Group revenue fell by approximately a third immediately post-lockdown, but volumes steadily recovered from April and are now above levels anticipated pre-lockdown
- Resources switched to busier areas of Group, with increased demand for B2C services
- £10.4m of payments, principally VAT, deferred to preserve cash
- Utilised Coronavirus Job Retention Scheme

Operational Key Points

- DX Freight:
 - o revenue up 7% to £169.0m (2019: £158.6m) and EBITDA loss down 85% to £1.2m (2019: £7.8m loss and 2018: loss of £14.2m)

- o achieved EBITDA profitability in H2 of £0.7m(H2 2019: loss of £2.3m)
- o Improved performance driven by expansion and enhancement of 1-Man service, and increased productivity and efficiency across the division
- DX Express:
 - o revenue of £160.3m (2019: £163.9m) and EBITDA of £23.3m (2019: £26.2m), reflects completion of HMPO contract and coronavirus impact in H2
 - o focus now on expansion of Secure Courier service, with approximately 50% of available capacity filled and strong pipeline of opportunities, boosted by launch of 'Estimated Time of Arrival' technology in H2
- Ronald Series to become Non-executive Chairman (from Executive Chairman) at the forthcoming AGM, reflecting the successful conclusion of the first phase of the Group's turnaround

Outlook

- The parcels market continues to grow strongly and we see the opportunity for the Group to increase volumes and further expand our margins
- Trading in the first months of the new financial year is ahead of the same period last year, and there is a healthy pipeline of new business opportunities

Ronald Series, Chairman, commented:

"DX has made significant progress and the Company's return to adjusted pre-tax profit, despite the challenges of the coronavirus pandemic, marks the completion of the first phase of its turnaround. These strong results were largely driven by the improved performance of DX Freight, and reflects the hard work we have put into this division over the past two years.

"The rapid response of our teams to the dramatic change in trading conditions caused by the coronavirus lockdown was excellent, and allowed DX to conserve cash and maintain operations safely. Delivery volumes are now above levels anticipated pre-lockdown.

"We have now established solid foundations upon which to move into our growth phase. We believe that there are significant opportunities for both divisions, and that we are in a strong position to rebuild profitability, by improving efficiency, productivity and margins.

"I have agreed with the Board that this would be an appropriate time for me to step back from an executive chairmanship to non-executive chairman, confident that we are well set for future growth and increased profitability."

Lloyd Dunn, CEO, commented:

"The business has been transformed and revitalised under the turnaround plan we put in place in early 2018. I would like to thank everyone for their contribution to a successful outturn and for their response to the unprecedented situation that we have navigated over the last few months. I also extend my personal thanks to Ron, who has elected to step down from his executive role to become Non-executive Chairman at the Company's AGM. I am delighted that we will continue to benefit from his valuable input and experience as we continue with the next stage of DX's turnaround."

Notes

- 1 IFRS16 Lease was adopted on 1 July 2019 using the modified retrospective, without restating prior year figures. As a result, the discussion of results for the period to 27 June 2020 is based on the previous standard IAS 17 Leases unless otherwise stated.
- 2 The Group uses alternative performance measures ("APMs") to measure performance. See notes 2 and 13 to the Financial Statements and the Financial Review for details of APMs used, including reconciliations of these APMs to IFRS reported measures.

From 1 July 2019 the Group changed its reporting periods from a calendar basis to a '4-5-4 weekly' basis, which better reflects its cost base and operations. The period to 27 June 2020 is consequently from 1 July 2019 to 27 June 2020 (52 weeks less one day), whereas the comparative annual period was from 1 July 2018 to 30 June 2019 (52 weeks plus one day).

The current year financial statements will be prepared for the 53 week period from 28 June 2020 to 3 July 2021. 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.

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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

INTRODUCTION

I am pleased to report that DX made excellent progress in its second full year of turnaround, despite the significant challenges of the coronavirus pandemic that emerged in the second half of our financial year. The Group's return to adjusted pre-tax profit (adjusted for amortisation of acquired intangibles and share based payments charge) at a time of crisis is all the more pleasing and reflects on the high degree of commitment and effort from our teams across the business.

We have now established very solid foundations from which to move forwards. Our focus in the next phase of the Group's development is on rebuilding profitability. This will be based on volume growth and margin expansion, supported by continuing efficiency and productivity improvements.

FINANCIAL RESULTS

Results for the period ended 27 June 2020 is on a comparative IAS17 basis unless stated otherwise.

Despite the impact of the coronavirus, DX returned to profitability, delivering £1.8 million of adjusted pre-tax profit (2019: loss of £0.2 million), its first full year adjusted pre-tax profit since the turnaround began at the end of 2017. This was generated on revenue that was up 2% year-on-year to £329.3 million (2019: £322.5 million). Operating cash flow was very strong at £16.9 million (2019: £3.2 million) supported by £10.4 million of agreed payment deferrals (mainly VAT), in response to the coronavirus crisis. Notwithstanding these deferred payments, the underlying cash performance was better than expected, resulting in net cash at 27 June 2020 of £12.3 million (2019: net debt of £1.3 million). This leaves the Group in a financially sound position, with a strong level of liquidity and significant headroom within its invoice discounting facility.

CORONAVIRUS CRISIS

The coronavirus and subsequent government measures to contain its spread, including a nationwide 'lockdown' at the end of March, tested the resilience and flexibility of our

business. As an essential service provider DX maintained its operations at all its depots and service centres. At the same time, the safety and welfare of our staff, partners and customers were our top priority, and protective measures were put in place as rapidly as possible.

The response of our teams to the dramatic change in trading conditions was tremendous, and we were able to react swiftly with great flexibility and resilience. Overall delivery volumes initially fell by around a third and there was a shift in demand to B2C services. We acted quickly to reallocate drivers and vehicles to busier activities and routes, and reduced the use of subcontractors to ensure that our own resources were fully utilised. Even so, a number of employees were furloughed and we made use of the Government's Coronavirus Job Retention Scheme. We recognise the importance to the economy and to our Group of this support. The vast majority of the furloughed employees have now returned to work.

Since Easter, volumes have steadily recovered and they are now above the levels we had anticipated before the lockdown. This strong rebound was helped by remaining fully operational throughout the period and continuing to provide customers with high levels of service.

PERFORMANCE OVERVIEW

The improving performance of DX Freight has been a key component in restoring the Group to adjusted pre-tax profits. I am pleased to highlight the strong progress that was made in this division over the year. Revenue improved by 7% to £169.0 million (2019: £158.6 million), and the EBITDA loss for the year was reduced by 85% to £1.2 million (2019: loss of £7.8 million). This substantial advancement was mainly driven by the expansion and improvements in productivity of our 1-Man service, and the division achieved EBITDA profitability of £0.7 million in the second half of the year (1H 2020: loss of £1.9 million).

As expected, results from DX Express were affected by the cessation of the HMPO contract during the year, and revenue was down 2% at £160.3 million (2019: £163.9 million), with EBITDA at £23.3 million (2019: £26.9 million). Adjusting for the HMPO contract, revenue was flat year-on-year despite the impact of the coronavirus. In the summer, we went live with our new Estimated Time of Arrival ("ETA") capability, which provides the end-customer with a two-hour delivery window and the ability to re-schedule deliveries. This investment in ETA brings the division up to the mark in terms of the technology that this market demands, and will underpin growth as we target the significant opportunities available for a high quality service in the market for small parcels.

INVESTMENT

During the financial year, we announced the commencement of a £10 million capital investment programme over two years to strengthen our IT systems, expand the network and deliver operational equipment to handle the increasing volumes and improve efficiency. Spending in the period to 27 June 2020 amounted to £3.4 million (2019: £3.5 million), with an additional £1.5 million of our planned expenditure deferred after the onset of the coronavirus crisis. However, we remain on track to complete our £10 million programme and to invest the remaining sums during the current financial year.

DIVIDEND POLICY

We are making good progress with restoring DX to longer term sustainable profit and cash generation, and having returned the Group to profitability, the Board will be reviewing the dividend policy again. Our objective is to return to the dividend list as soon as it is appropriate for us to do so and we will keep the reinstatement of dividends under close review.

OUR PEOPLE

Our employees have shown significant commitment to our customers and to the business over the course of the year, and in particular in the months since the pandemic. The Board is hugely grateful, and on behalf of the Directors, I would like to pay tribute to the remarkable people we have at DX and their response to the challenges created by the coronavirus outbreak.

THE BOARD

Now that the Group has successfully completed the first phase of its turnaround and is on

a very firm footing with clear growth prospects ahead, I am confident that I can now relinquish my role as Executive Chairman and continue as Non-executive Chairman. This change is planned to take effect at the Group's forthcoming Annual General Meeting. I look forward to continuing to work closely with the Board and the Executive team in supporting the Group in its next phase of development as we rebuild profitability.

OUTLOOK AND OPPORTUNITIES

The overall parcels market for both DX Express and DX Freight continues to grow strongly and we see the opportunity for the Group to increase volumes ambitiously and to grow the EBITDA margin significantly over the next three to five years. By utilising the existing capacity across our two networks and further scaling up this capacity, we are in a position to drive improvements in efficiency and productivity and further expand our margins.

Trading in the first months of the new financial year is ahead of the same period last year and we have a healthy pipeline of new business opportunities. We believe that DX is well-positioned to exploit these market opportunities and expect to make good progress over the year, in line with our targets.

Ronald Series
Executive Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

FIRST PHASE OF TURNAROUND COMPLETE

It has been another year of substantial progress. This has been built on the structural and cultural changes we put in place over the past two years, which centred on devolving responsibility and accountability to depots and service centres, and establishing more disciplined commercial processes. Those changes have helped to make us operationally and commercially much stronger, underpinning the year's performance.

Despite the impact of the coronavirus crisis in the second half of the year, we have been able to continue with new initiatives and investments. The further improvements we have made over the year means that our customer proposition is now more compelling.

We have maintained consistently high service levels, introduced new Estimated Time of Arrival ("ETA") capabilities and with our strong portfolio of services, we can flex our offering to match our customers' requirements.

The business is much more resilient as we continue to increase the number of SME customers we serve and reduce our reliance on any single customer or sector of the market.

We are growing in confidence and having delivered an adjusted profit for the year, we now bring our focus to growing revenue and expanding margins in the next phase of the turnaround.

CORONAVIRUS RESPONSE

The impact of the UK lockdown was initially significant, with revenue falling by around a third in a very short period of time. The swift and decisive action from teams across the business meant we quickly made locations safe to operate under the legal frameworks and guidance provided by the Government. We undertook risk assessments of those processes that were impacted and rapidly developed safe delivery protocols and implemented safe methods of working in both our warehouse and office environments, enabling us to remain operational.

With the initial fall in demand we faced challenges to flex the cost base. We switched resources to busier areas of the business, where we saw an uptick in demand for B2C delivery services. In addition, we made use of the Government's Coronavirus Job Retention Scheme ("CJRS") and furloughed approximately 25% of our employees. Jobs have been protected by the CJRS and affected employees returned to the business between late April and August in line with recovering volumes, and the vast majority are now back working in the business. The steady recovery meant that we were able to trade profitably through the lockdown period, and, by early summer, overall volumes were back to pre-coronavirus levels, led by DX Freight and followed by DX Express. Volumes have since exceeded those expected pre-lockdown.

As well as our operational response to the coronavirus, we also took steps to protect and

preserve our cash resources. We made use of the Government's VAT payments deferral scheme, which deferred around £8.4 million of payments. We also agreed a three month payment holiday totalling £2.0 million with certain suppliers. Finally, the senior managers and Directors across the Group sacrificed 20% of their salary for a short period, which helped support the business through this turbulent time.

The coronavirus has affected us all but some more than others and we pay tribute to those in the DX family who were badly affected.

DIVISIONAL REVIEW

DX FREIGHT

DX Freight delivered another substantial improvement in its performance with revenue increasing by 7% to £169.0 million (2019: £158.6 million) and EBITDA losses reducing significantly to £1.2 million (2019: loss of £7.8 million, 2018: loss of £14.2 million). The strong revenue growth was driven in particular by the expansion of the division's 1-Man service and the increase in EBITDA was from improving performance across the division. DX Freight was profitable through the second half of the year, and reported EBITDA of £0.7 million for this period, which was a remarkable performance given the impact of the lockdown.

In the second half, we extended the division's network, opening a new depot at Ipswich. We also established a unit to assist with the identification and return to customers of freight that has lost its labels or delivery instructions. This has helped to reduce the cost of claims and improved customer service. We also invested in basic mechanisation at the Central Hub and at regional sortation hubs, which has increased the network's capacity and throughput of parcel freight and improved the efficiency of the sortation process. We will continue to invest in operational systems to underpin our ambitious revenue and margin targets for this division.

The market for parcel freight is expanding and our strategy for DX Freight is to grow market share and improve margins through increased efficiency and productivity. As additional volumes do not require a commensurate rise in fixed costs, there is a relatively high operational gearing that boosts margins. Margin expansion will be further achieved by extending the network of depots. This has several beneficial effects: it reduces stem miles; improves our ability to sell new business into the local area; enhances service levels by being closer to our customers; and increases vehicle productivity by enabling double delivery runs on certain routes.

The market for freight of Irregular Dimensions and Weight ("IDW") is currently dominated by a small number of players. This is because the need to provide national coverage together with the increasing regulatory demands create relatively high barriers to entry into this market. We believe that there is scope for the division to significantly increase its market share and have invested in a very capable sales force to deliver new business. We have existing capacity, which is scalable by expanding the number of depots in the network and by improving efficiencies, partly through basic mechanisation.

We recently opened two new depots at Westbury and Oxford, and plan to open a depot in Burnley in the coming weeks. A further seven new depots are scheduled to be opened over the next three years. The coronavirus pandemic has also stimulated demand for the division's 2-Man and Logistics service and we have recently appointed a new Sales Director to address the opportunities.

DX EXPRESS

The division's performance was impacted by the planned completion of the contract with HMPO as well as by the coronavirus crisis in the second half. As a result, revenue decreased to £160.3 million (2019: £163.9 million), and EBITDA reduced to £23.3 million (2019: £26.9 million). With the exit from the HMPO contract completed in the second half, we have refocused our capacity on the expansion of our Secure Courier service within the growing parcels market. We have performed well, filling around 50% of available capacity following the contract's cessation, and the pipeline of opportunities for Secure Courier is significant.

An important milestone completed in the second half was the launch of the division's ETA capability. This enables a 2-hour delivery window, 'in-flight' re-scheduling options and keeps customers informed of the progress of their delivery. This new technology significantly strengthens the division's market proposition and has opened up opportunities.

I am pleased to report that since March our Secure Courier service has been supporting

the national coronavirus effort by handling medical specimens and collecting COVID-19 testing kits.

Our 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. Embracing a culture of accountability and responsibility, our service centres are able to provide customers with a service that is typically more responsive and flexible, and which feels more personal. Although the parcels market is very competitive, it is seeing strong expansion from increased on-line purchasing and we are confident in our ability to develop the division's presence in this area.

We are currently planning to expand the network with a new service centre in Glasgow, and, as with DX Freight, efficient utilisation of capacity will help to drive margin expansion over the longer term.

CENTRAL OVERHEAD

Central overheads for the year increased to £17.7 million (2019: £15.8 million). The year-on-year rise was from planned spending on additional IT resource to refresh and renew the Group's IT systems and infrastructure. Technology is key to supporting our growth initiatives and we expect central overheads to remain at this level as we continue to invest in systems to increase efficiency. I am pleased to report that we are already benefitting from improved data management and reporting, and expect further improvements as our technology upgrade programme continues.

SUMMARY

Despite all the challenges, it has been another year of significant progress and we are in a position to build upon the hard work of the last three years and the sound foundations we have created. We are excited by the market opportunities and look forward to reporting on further progress.

I would like to finish by thanking everyone for their hard work and commitment over the past year. I am proud of our achievements and am looking forward to our next steps ahead in the coming year.

Lloyd Dunn
Chief Executive Officer

FINANCIAL REVIEW

STATUTORY RESULTS

From 1 July 2019 the Group changed its reporting periods from a calendar basis to a '4-5-4 weekly' basis, which better reflects its cost base and operations. These financial statements were prepared for the period 1 July 2019 to 27 June 2020. 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.

Revenue for the period to 27 June 2020 was £329.3 million (2019: £322.5 million) and the loss before taxation, having implemented IFRS16, was £1.3 million (2019: £1.7 million comparative on IAS 17 basis). The loss per share was 0.3p (2019: 0.4p on IAS17 basis).

TRANSITION TO IFRS 16 'LEASES'

A key change to our financial reporting was the transition to reporting property, vehicles leases and equipment. Previously, the costs under these operating leases would have been expensed in the income statement. These assets have been capitalised as at 1 July 2019 as right-of-use assets and are depreciated through the income statement. On transition we have also recognised a discounted lease liability, on which interest is charged to the income statement. The impact on the income statement has meant that EBITDA has significantly increased. The depreciation charge has also increased significantly along with additional amounts being charged to interest. Further details of the transition to IFRS 16 and its impact are outlined in note 14 to the Financial Statements.

SUMMARY

Statutory results for the period ended 27 June 2020 are reported on an IFRS 16 basis and the comparative is under IAS 17. However, the results for the period to 27 June 2020

outlined below are on an IAS17 basis unless stated otherwise in order to aid comparability to the results for the prior year. Results for the 53 weeks ending 3 July 2021 will be presented on an IFRS 16 basis.

Revenue of £329.3 million was 2% ahead of prior year, and reflects strong growth at DX Freight of £10.4 million to £169.0 million, driven by expansion of its 1-Man service despite the impact of the coronavirus. This growth was offset by a small reduction in revenue at DX Express of £3.6 million to £160.3 million, which resulted from the expected decline of revenue from Document Exchange subscriptions, the loss of the HMPO contract and the impact of the coronavirus offset in part by securing new business.

Earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA") for the period to 27 June 2020 was £4.4 million (2019: £3.3 million). The profit before tax was £0.3 million (2019: loss before tax of £1.7 million).

Underlying operating profit was £2.2 million (2019: £0.2 million). Adjusted profit before tax was £1.8 million (2019: loss of £0.2 million).

Net cash at 27 June 2020 was £12.3 million (2019: net debt of £1.3 million), which was better than market forecasts, mostly because of deferred VAT of £8.4 million and the agreed deferral of other payments totalling £2.0 million. Operating cash flow was £16.9 million (2019: £3.2 million) and the cash outflow from capital expenditure was £3.3 million (2019: £3.4 million). It is expected that the deferred payments will be made during the current financial year, resulting in the Group being modestly cash positive by the end of this financial year.

| | IFRS16 ¹ 2020 £m | IAS17 ¹ 2020 £m | IAS17 ¹ 2019 £m |
|--|-----------------------------------|----------------------------------|----------------------------------|
| Revenue | 329.3 | 329.3 | 322.5 |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA")² | 24.9 | 4.4 | 3.3 |
| Depreciation | (20.0) | (1.8) | (2.2) |
| Amortisation of software and development costs | (0.4) | (0.4) | (0.9) |
| Underlying operating profit² | 4.5 | 2.2 | 0.2 |
| Amortisation of acquired intangibles | (0.3) | (0.3) | (0.3) |
| Share-based payments charge | (1.2) | (1.2) | (1.2) |
| Reported profit/(loss) from operating activities | 3.0 | 0.7 | (1.3) |
| Finance costs | (4.3) | (0.4) | (0.4) |
| (Loss)/profit before tax | (1.3) | 0.3 | (1.7) |
| Tax | (0.5) | (0.5) | (0.8) |
| Loss for the year | (1.8) | (0.2) | (2.5) |
| Other comprehensive expense | - | - | - |
| Total comprehensive expense for the year | (1.8) | (0.2) | (2.5) |
| EPS - adjusted (pence) ² | (0.1) | 0.2 | (0.2) |
| - basic (pence) | (0.3) | 0.0 | (0.4) |

¹ IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. As a result, the discussion of results is based on an IAS 17 basis, unless otherwise stated.

² See notes 2 and 13 to the Financial Statements and this Financial Review for details of alternative performance measures ("APMs") used, including reconciliations of APMs to IFRS reported measures.

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.

| | 2020 £m | 2019 £m | Change % |
|----------------|--------------|--------------|-------------|
| DX Express | 160.3 | 163.9 | -2% |
| DX Freight | 169.0 | 158.6 | +7% |
| Revenue | 329.3 | 322.5 | +2% |

SEGMENTAL ANALYSIS

Segmental information shown on a statutory basis is shown in note 6 to the financial information.

| | 2020 | | | |
|--|---------------------|---------------------|---------------|-------------|
| | DX Express £m | DX Freight £m | Central £m | Total £m |
| Revenue | 160.3 | 169.0 | - | 329.3 |
| Costs before overheads | (129.6) | (165.3) | - | (294.9) |
| Profit/(loss) before overheads | 30.7 | 3.7 | - | 34.4 |
| Overheads | (7.4) | (4.9) | (17.7) | (30.0) |
| EBITDA | 23.3 | (1.2) | (17.7) | 4.4 |
| Depreciation and amortisation | - | - | (2.5) | (2.5) |
| Share-based payments charge | - | - | (1.2) | (1.2) |
| Profit/(loss) from operating activities | 23.3 | (1.2) | (21.4) | 0.7 |
| Finance costs | - | - | (0.4) | (0.4) |
| Profit/(loss) before tax | 23.3 | (1.2) | (21.8) | 0.3 |
| Tax (expense)/credit | - | - | (0.5) | (0.5) |
| Profit/(loss) for the year | 23.3 | (1.2) | (22.3) | (0.2) |

| | 2019 | | | |
|--|---------------------|---------------------|---------------|-------------|
| | DX Express £m | DX Freight £m | Central £m | Total £m |
| Revenue | 163.9 | 158.6 | - | 322.5 |
| Costs before overheads | (129.5) | (161.7) | - | (291.2) |
| Profit/(loss) before overheads | 34.4 | (3.1) | - | 31.3 |
| Overheads | (7.5) | (4.7) | (15.8) | (28.0) |
| EBITDA | 26.9 | (7.8) | (15.8) | 3.3 |
| Depreciation and amortisation | - | - | (3.4) | (3.4) |
| Share-based payments charge | - | - | (1.2) | (1.2) |
| Profit/(loss) from operating activities | 26.9 | (7.8) | (20.4) | (1.3) |
| Finance costs | - | - | (0.4) | (0.4) |
| Profit/(loss) before tax | 26.9 | (7.8) | (20.8) | (1.7) |
| Tax (expense)/credit | - | - | (0.8) | (0.8) |
| Profit/(loss) for the year | 26.9 | (7.8) | (21.6) | (2.5) |

CASH FLOW

| | 2020 £m | 2019 £m |
|---|------------|------------|
| EBITDA | 4.4 | 3.3 |
| Net change in working capital | 13.3 | (0.2) |
| Interest paid | (0.4) | (0.4) |
| Tax (paid)/received/ | (0.4) | 0.5 |
| Net cash from operating activities | 16.9 | 3.2 |

Cash flow from operating activities was £16.9 million, £13.7 million better than the prior year. This was partly as a result of improved EBITDA, but mostly because of deferred VAT payments under HMRC's VAT payments deferral scheme and other deferred payments agreed with suppliers.

Working capital increased significantly by £13.3 million in the year, mostly because of the deferred payments referred to above. Other working capital movements included an expected £3.0 million decrease in DX Exchange deferred income, whilst DX maintained its excellent performance on debtor days at 23 days (2019: 25 days).

Interest paid was similar to the previous year, whilst tax paid was in relation to the Group's Irish operations. There was a tax rebate of £1.1 million in the previous year which more than offset the Irish tax charge.

NET ASSETS

Net assets increased by £1.0 million, reflecting the profit for the year excluding the share-based payments charge.

| | 2020 | 2019 |
|------------------------------------|-------------|-------------|
| | £m | £m |
| Non-current assets | 43.7 | 43.0 |
| Current assets excluding cash | 35.1 | 43.2 |
| Cash | 12.3 | 1.8 |
| Invoice discounting facility | - | (3.1) |
| Current liabilities excluding debt | (61.1) | (56.3) |
| Non-current liabilities | (5.4) | (5.0) |
| Net assets | 24.6 | 23.6 |

NET CASH/DEBT

Net cash at 27 June 2020 was better than expected at £12.3 million (2019 net debt of £1.3 million), reflecting the EBITDA for the year, but also the significant deferred payments referred to above.

The Group's only borrowing facility is a £20.0 million invoice discounting facility. Drawings on the invoice discounting facility at 30 June 2020 were £nil (2019: £3.1 million).

| | 2020 | 2019 |
|------------------------------------|-------------|--------------|
| | £m | £m |
| Cash and cash equivalents | 12.3 | 1.8 |
| Invoice discounting facility | - | (3.1) |
| Net cash/(debt)¹ | 12.3 | (1.3) |

¹ See notes 2 and 13 to the Financial Statements and this Financial Review for details of APMs used, including reconciliations of these APMs to IFRS reported measures.

CAPITAL EXPENDITURE

Capital expenditure for the year was £3.4 million (2019: £3.5 million). Capital expenditure consisted principally of investment in IT equipment and development, operational equipment and property improvements. In particular, the Group's finance systems were upgraded during the year to the latest version of the JD Edwards enterprise software and moved into a modern cloud-hosted environment.

| | 2020 | 2019 |
|------------------------------------|-------------|-------------|
| | £m | £m |
| IT hardware and development costs | 1.2 | 1.1 |
| Property costs | 1.3 | 1.4 |
| Operations and service development | 0.9 | 1.0 |
| Total capex | 3.4 | 3.5 |

ADJUSTED PROFIT AND EARNINGS PER SHARE

Adjusted earnings per share (on an IAS 17 basis), which excludes amortisation of acquired intangibles and share-based payments charge, was 0.2p (2019: loss per share of 0.2p).

| | IFRS | IAS | IAS |
|---|--------------|-------------|--------------|
| | 16 | 17 | 17 |
| | 2020 | 2020 | 2019 |
| | £m | £m | £m |
| Profit/(loss) from operating activities | 3.0 | 0.7 | (1.3) |
| Add back/(deduct): | | | |
| Amortisation of acquired intangibles | 0.3 | 0.3 | 0.3 |
| Share-based payments charge | 1.2 | 1.2 | 1.2 |
| Finance costs | (4.3) | (0.4) | (0.4) |
| Adjusted profit/(loss) before tax¹ | 0.2 | 1.8 | (0.2) |
| Tax | (0.5) | (0.5) | (0.8) |
| Adjusted (loss)/profit after tax¹ | (0.3) | 1.3 | (1.0) |
| Adjusted (loss)/earnings per share (pence)¹ | (0.1) | 0.2 | (0.2) |

Basic loss per share (pence) (0.3) 0.0 (0.4)

¹ See notes 2 and 13 to the Financial Statements and this Financial Review for details of APMs used, including reconciliations of these APMs to IFRS reported measures.

DIVIDENDS

In line with previous guidance, the Board will not be recommending the payment of a dividend for this financial year.

David Mulligan
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 27 June 2020

| | | Period ended 27 June 2020 ¹ | Year ended 30 June 2019 |
|---|-------|---|----------------------------------|
| | Notes | Total £m | Total £m |
| Revenue | 5 | 329.3 | 322.5 |
| Operating costs | 7 | (326.3) | (323.8) |
| Profit/(loss) from operating activities | | 3.0 | (1.3) |
| Analysis of profit/(loss) from operating activities | | | |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA") | | 24.9 | 3.3 |
| Depreciation | | (20.0) | (2.2) |
| Amortisation of software and development costs | | (0.4) | (0.9) |
| Amortisation of acquired intangibles | | (0.3) | (0.3) |
| Share-based payments charge | | (1.2) | (1.2) |
| Profit/(loss) from operating activities | | 3.0 | (1.3) |
| Finance costs | 8 | (4.3) | (0.4) |
| Loss before tax | | (1.3) | (1.7) |
| Tax expense | | (0.5) | (0.8) |
| Loss for the year | | (1.8) | (2.5) |
| Other comprehensive expense not subsequently reclassified | | | |
| Other comprehensive expense | | - | - |
| Total comprehensive expense for the year | | (1.8) | (2.5) |
| (Loss)/earnings per share (pence): | | | |
| Basic (and diluted) | 9 | (0.3) | (0.4) |
| Adjusted | 9 | 0.1 | (0.2) |

¹ IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 13 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 27 June 2020

| | | 27 June 2020 ¹ | 30 June 2019 |
|--------------------------------|-------|---------------------------------|-----------------|
| | Notes | £m | £m |
| Non-current assets | | | |
| Property, plant and equipment | | 10.4 | 9.7 |
| Right-of-use assets | 14 | 80.2 | - |
| Intangible assets and goodwill | | 31.0 | 31.0 |
| Deferred tax assets | | 2.3 | 2.3 |

| | | |
|-------------------------------------|--------------|-------------|
| Total non-current assets | 123.9 | 43.0 |
| Current assets | | |
| Trade and other receivables | 33.5 | 43.1 |
| Current tax receivable | 0.1 | 0.1 |
| Cash and cash equivalents | 12.3 | 1.8 |
| Total current assets | 45.9 | 45.0 |
| Total assets | 169.8 | 88.0 |
| Equity | | |
| Share capital | 5.7 | 5.7 |
| Share premium | 25.2 | 25.2 |
| Translation reserve | - | - |
| Retained earnings | (7.9) | (7.3) |
| Total equity | 23.0 | 23.6 |
| Non-current liabilities | | |
| Provisions | 5.0 | 5.0 |
| Lease liabilities | 68.3 | - |
| Total non-current liabilities | 73.3 | 5.0 |
| Current liabilities | | |
| Current tax payable | - | - |
| Loans and borrowings | 10 | 3.1 |
| Trade and other payables | 42.0 | 38.1 |
| Lease liabilities | 15.8 | - |
| Deferred income | 14.2 | 17.2 |
| Provisions | 1.5 | 1.0 |
| Total current liabilities | 73.5 | 59.4 |
| Total liabilities | 146.8 | 64.4 |
| Total equity and liabilities | 169.8 | 88.0 |

¹IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 14 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the period ended 27 June 2020

| | Share capital £m | Share premium £m | Translation reserve £m | Retained earnings £m | Total £m |
|---|---------------------|---------------------|---------------------------|-------------------------|-------------|
| At 1 July 2018 | 5.7 | 25.2 | - | (6.0) | 24.9 |
| Total comprehensive expense for the year | | | | | |
| Loss for the year | - | - | - | (2.5) | (2.5) |
| Other comprehensive expense | - | - | - | - | - |
| Total comprehensive expense for the year | - | - | - | (2.5) | (2.5) |
| 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 30 June 2019¹ | 5.7 | 25.2 | - | (7.3) | 23.6 |
| Total comprehensive expense for the year | | | | | |
| Loss for the year | - | - | - | (1.8) | (1.8) |
| Other comprehensive expense | - | - | - | - | - |
| Total comprehensive expense for the year | - | - | - | (1.8) | (1.8) |
| Transactions with owners of the Company, recognised directly in equity | | | | | |
| Share-based payment transactions | - | - | - | 1.2 | 1.2 |
| Total transactions with owners of the Company | - | - | - | 1.2 | 1.2 |
| At 27 June 2020 | 5.7 | 25.2 | - | (7.9) | 23.0 |

¹IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 27 June 2020

| | Notes | Period ended¹ 27 June 2020 | Year ended 30 June 2019 |
|--|-------|--|----------------------------------|
| | | £m | £m |
| Cash generated from operations | 11 | 38.1 | 3.1 |
| Interest paid | | (4.2) | (0.4) |
| Tax (paid)/received | | (0.4) | 0.5 |
| Net cash generated from operating activities | | 33.5 | 3.2 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | - | - |
| Acquisition of property, plant and equipment | | (2.7) | (2.9) |
| Software and development expenditure | | (0.6) | (0.5) |
| Net cash generated used in investing activities | | (3.3) | (3.4) |
| Net increase/(decrease) in cash before financing activities | | 30.2 | (0.2) |
| Cash flows from financing activities | | | |
| Movement on invoice discounting facility | | (3.1) | - |
| Lease repayments | | (16.6) | - |
| Net cash generated used in financing activities | | (19.7) | - |
| Net increase/(decrease) in cash and cash equivalents | | 10.5 | (0.2) |
| Cash and cash equivalents at beginning of year | | 1.8 | 2.0 |
| Effect of exchange rate fluctuations on cash held | | - | - |
| Cash and cash equivalents at end of year | | 12.3 | 1.8 |

¹IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 14 to the consolidated financial statements.

NOTES TO THE FINANCIAL INFORMATION

1 General information

DX (Group) plc is incorporated in England and domiciled in the United Kingdom. The address of its registered office is Ditton Park, Riding Court Road, Datchet, Slough, SL3 9GL. The registered number of the Company is 08696699.

2 Basis of preparation

This preliminary consolidated financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS) and the IFRS Interpretations Committee (IFRIC) interpretations as endorsed by the European Union (EU).

The financial information set out above does not constitute the Company's statutory consolidated accounts for the period ended 27 June 2020 or the year ended 30 June 2019 but is derived from those accounts. Statutory consolidated accounts for 2019 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; the reports for 2019 and 2020 were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Group uses alternative performance measures ("APMs") to measure performance. These APMs have been calculated consistently on an IAS 17 basis 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 PBT, adjusted (LPS)/EPS, underlying operating profit/(loss) and net debt which are further explained in note 13.

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 £27.6 million as at 27 June 2020 and a loss for the period then ended of £1.8 million. Included within the net liabilities is £14.2 million (2019: £17.2 million) of deferred income representing an obligation to deliver a service but not a cash liability and £15.8 million representing lease liabilities whose payment 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, comprising a base case and a severe but plausible downside scenario in order to assess how any second wave of the coronavirus could impact the Group. These indicate that, even taking into account reasonably possible downsides, the Group will have sufficient funds, through its invoice discounting facility with a rolling three month notice period or similar alternative sources of finance, to meet its liabilities as they fall due for that period. 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. See note 10 for further information on the Group's borrowing facilities.

The base case assumes that the recovery from the coronavirus pandemic is complete by the end of the first quarter of the year ending 30 June 2021 and that the Group achieves the expected levels of new business and overall performance. Within the base case there are contingencies to allow for a shortfall in the expected level of performance. The severe but plausible downside case assumes that the impact of any second wave will be similar to the first in terms of length and severity but a repeat of the Government's Coronavirus Job Retention Scheme would not be available. The Directors have assumed that Group revenue will reduce by £11 million and EBITDA by £6 million compared with the budgeted levels of performance in the third quarter of the year. It is also assumed that steps would be taken to protect the Group's financial position, such as deferring capital expenditure, significantly reducing areas of expenditure, such as use of subcontractors and travel and accommodation costs, and that deferral of payments are agreed with suppliers as necessary. In both scenarios, the Group has sufficient liquidity and adequate headroom within its existing invoice discounting facilities ("IDF") and will not need to renegotiate the terms of the IDF. Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet 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 condensed financial statements are consistent with those set out in the annual report and accounts for the year ended 30 June 2019, except as noted in note 4 below for new standards adopted.

Critical accounting estimates and assumptions

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.

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 involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information, are considered to relate to:

Critical accounting estimate: Leases

In determining the lease liability in accordance with IFRS 16, the incremental borrowing rate was estimated by management using the risk free rate for differing tenors, adjusted for the Group's risk premium determined with reference to its borrowing rate on the invoice discounting facility, and an asset specific adjustment relating to asset class. There is also judgement when determining the length of the lease to be used in calculating the value of the right-of-use asset and the lease liability based on management's view as to whether a lease break clause will be exercised or not.

The lease liability at 27 June 2020 was £84.1 million. A 1.0% increase in the discount rate would lead to a reduction in the lease liability of £2.5 million.

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 27 June 2020 was £3.6 million (2019: £3.1 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 estimation of a property's dilapidation costs would lead to a £0.4 million increase in the provision as at 27 June 2020.

The amount provided for vehicle dilapidations at 27 June 2020 was £1.6m (2019: £nil) and represents management's best estimate for amounts that could be payable for leased vehicles at the end of the lease term. The amount has increased in the year after experiencing an increase in vehicle dilapidation costs in the period. A 10% increase in the estimation of a vehicles' repair cost would lead to a £0.2 million increase in the provision as at 27 June 2020.

4 New accounting standards

New accounting standards adopted by the Group

The Group has adopted IFRS 16 'Leases' from 1 July 2019. IFRS 16 became effective in the year and has had a material impact on the consolidated financial statements of the Group. The impact of adoption of this standard and the key changes to the accounting policies are disclosed above and in Note 14 to the consolidated financial statements. IFRS 16 removes the distinction between operating and finance leases. The adoption of IFRS 16 resulted in the recognition on the balance sheet of assets and liabilities relating to leases which are currently being accounted for as operating leases. In addition, there was an increase in both finance costs and depreciation, whilst a reduction in other operating costs. A right-of-use asset and a corresponding liability are recognised for all leases except for short-term leases and leases of low value assets.

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 EU:

- IFRS 17 'Insurance Contracts';
- Amendments to IFRS 3 'Business Combinations';
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform;
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' - Definition of material; and
- Amendments to the Conceptual framework

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).

| | 2020 £m | 2019 £m |
|-----------------------------|--------------|--------------|
| DX Express: | | |
| - Secure Courier | 112.1 | 113.0 |
| - Exchange (including mail) | 48.2 | 50.9 |
| Total DX Express | 160.3 | 163.9 |
| DX Freight: | | |
| - 1-Man | 112.4 | 98.6 |
| - 2-Man and Logistics | 56.6 | 60.0 |
| Total DX Freight | 169.0 | 158.6 |
| Total revenue | 329.3 | 322.5 |

6 Segment information

| | 2020 | | | |
|--|------------------------------|------------------------------|-----------------------|---------------------|
| | DX Express £m | DX Freight £m | Central £m | Total £m |
| <i>(Prepared under IFRS 16)¹</i> | | | | |
| Revenue | 160.3 | 169.0 | - | 329.3 |
| Costs before overheads | (124.6) | (150.3) | - | (274.9) |
| Profit before overheads | 35.7 | 18.7 | - | 54.4 |
| Overheads | (7.4) | (4.9) | (17.2) | (29.5) |
| EBITDA | 28.3 | 13.8 | (17.2) | 24.9 |
| Depreciation and amortisation | - | - | (20.7) | (20.7) |
| Share-based payments charge | - | - | (1.2) | (1.2) |
| Profit/(loss) from operating activities | 28.3 | 13.8 | (39.1) | 3.0 |
| Finance costs | - | - | (4.3) | (4.3) |
| Profit/(loss) before tax | 28.3 | 13.8 | (43.4) | (1.3) |
| Tax expense | - | - | (0.5) | (0.5) |
| Profit/(loss) for the year | 28.3 | 13.8 | (43.9) | (1.8) |

| | 2019 | | | |
|--|------------------------------|------------------------------|-----------------------|---------------------|
| | DX Express £m | DX Freight £m | Central £m | Total £m |
| <i>(Prepared under IAS 17)</i> | | | | |
| Revenue | 163.9 | 158.6 | - | 322.5 |
| Costs before overheads | (129.5) | (161.7) | - | (291.2) |
| Profit/(loss) before overheads | 34.4 | (3.1) | - | 31.3 |
| Overheads | (7.5) | (4.7) | (15.8) | (28.0) |
| EBITDA | 26.9 | (7.8) | (15.8) | 3.3 |
| Depreciation and amortisation | - | - | (3.4) | (3.4) |
| Share-based payments charge | - | - | (1.2) | (1.2) |
| Profit/(loss) from operating activities | 26.9 | (7.8) | (20.4) | (1.3) |
| Finance costs | - | - | (0.4) | (0.4) |
| Profit/(loss) before tax | 26.9 | (7.8) | (20.8) | (1.7) |
| Tax expense | - | - | (0.8) | (0.8) |
| Profit/(loss) for the year | 26.9 | (7.8) | (21.6) | (2.5) |

¹ IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 14 to the consolidated financial statements.

The Board of Directors is considered to be the chief operating decision-maker ("the CODM"). The CODM considers there to be two separate reporting segments, DX Express and DX Freight. The profitability of these two divisions is reviewed and managed separately, with the exception of certain overheads which are integrated across the two divisions. EBITDA of the two divisions is shown above before any allocation of these central overheads between DX Express and DX Freight. 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.

The segmental information prepared on an IAS 17 basis for the period ended 27 June 2020 is shown in the Financial Review to aid comparability.

7 Operating costs

| | 2020 £m | 2019 £m |
|--|--------------------|------------|
| Other external charges | 205.2 | 200.7 |
| Employee benefit expense | 102.5 | 95.0 |
| Depreciation of property, plant and equipment, and right-of- | 20.1 | |

| | | |
|---|--------------|--------------|
| use assets | | 2.2 |
| Amortisation of intangible assets | 0.6 | 1.2 |
| Loss on disposal of property, plant and equipment | 0.1 | - |
| Operating lease rentals | 0.9 | 24.7 |
| Other operating income | (3.1) | - |
| Total operating costs | 326.3 | 323.8 |

Other external charges represent operating costs which include subcontractor charges, costs of temporary labour, vehicle operating costs, short-term hire of temporary vehicles, and property operating costs.

Coronavirus Job Retention Scheme grants of £3.1 million (2019: £nil) are included in 'other operating income' above. There are no unfulfilled conditions or other contingencies attaching to these grants.

8 Finance costs

| | 2020 ¹ | 2019 |
|----------------------------------|-------------------|------------|
| | £m | £m |
| Finance costs | | |
| Interest on bank loans and other | 0.3 | 0.3 |
| Amortisation of financing costs | 0.1 | 0.1 |
| Interest on lease liabilities | 3.9 | - |
| Total finance costs | 4.3 | 0.4 |

¹ IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 14 to the consolidated financial statements.

9 Earnings per share

The calculation of basic loss per share at 27 June 2020 is based on the loss after tax for the year and the weighted average number of shares in issue.

Adjusted loss per share is calculated based on the loss after tax, adjusted for certain non-cash charges and other items which are not expected to recur. Adjusted (loss)/profit per share represents an alternative performance measure. Further details about the use of alternative performance measures are detailed in notes 2 and 13 and the Financial Review.

Diluted 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.

| | 2020 ¹ | 2019 |
|--|-------------------|--------------|
| | £m | £m |
| Loss for the period | (1.8) | (2.5) |
| Adjusted for: | | |
| - Amortisation of acquired intangibles | 0.3 | 0.3 |
| - Share-based payments charge | 1.2 | 1.2 |
| Adjusted loss for the period | (0.3) | (1.0) |

| | 2020 | 2019 |
|---|------------------|------------------|
| | Number (million) | 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 |

| | 2020 | 2019 |
|-------------------------|-------|-------|
| | p | p |
| Basic loss per share | (0.3) | (0.4) |
| Diluted loss per share | (0.3) | (0.4) |
| Adjusted loss per share | (0.1) | (0.2) |

These following instruments were not included in the calculation of diluted earnings per

share because to do so would have been anti-dilutive.

| | 2020 | 2019 |
|------------------------------------|------------------|-----------|
| | Number | Number |
| | (million) | (million) |
| Potentially dilutive share options | 0.7 | 0.7 |

¹ IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 14 to the consolidated financial statements.

10 Loans and borrowings

| | 2020 | 2019 |
|-----------------------------------|-------------|------------|
| | £m | £m |
| Invoice discounting facility | - | 3.1 |
| Total loans and borrowings | - | 3.1 |

The Group's only borrowing is a £20.0 million invoice discounting facility. 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 27 June 2020 was £nil (2019: £3.1 million). Outstanding borrowings as at 30 June 2019 were repaid in full during the period ended 27 June 2020.

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.

11 Reconciliation of loss for the period to cash generated from operations

| | 2020¹ | 2019 |
|---|-------------------------|------------|
| | £m | £m |
| Cash flows from operating activities | | |
| Loss for the year | (1.8) | (2.5) |
| Adjustments for: | | |
| - Depreciation | 20.1 | 2.2 |
| - Amortisation of intangible assets | 0.6 | 1.2 |
| - Net finance costs | 4.3 | 0.4 |
| - Tax expense | 0.5 | 0.8 |
| - Loss on disposal of property, plant and equipment | 0.1 | - |
| - Equity-settled share-based payment transactions | 1.2 | 1.2 |
| Net cash profit | 25.0 | 3.3 |

Changes in:

| | | |
|---------------------------------------|-------------|--------------|
| - Trade and other receivables | 8.2 | (1.2) |
| - Trade and other payables | 6.3 | 1.5 |
| - Deferred income | (3.1) | (1.6) |
| - Provisions | 1.7 | 1.1 |
| Net change in working capital | 13.1 | (0.2) |
| Cash generated from operations | 38.1 | 3.1 |

¹ IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 14 to the consolidated financial statements.

12 Related party transactions

The nature of other related party transactions of the Group have not changed from those described in the annual report and accounts for the year ended 30 June 2019.

All transactions undertaken with related parties were undertaken at arms' length and on normal commercial terms.

13 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 underlying operating profit/(loss), 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 also presents 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 9 |
| Underlying operating profit/(loss) | Profit/(loss) from operating activities | Financial Review |
| Net cash/net debt | Net cash/net debt | Financial Review |

¹ IFRS 16 was adopted on 1 July 2019 using the modified retrospective approach, without restating prior year figures. Information on the impact of adopting IFRS 16 is presented in note 14 to the consolidated financial statements.

14 IFRS 16 Adoption

The Group has previously prepared its financial statements in accordance with IAS 17 'Leases' which classified leases into operating leases or finance leases, and expensed operating lease rentals within operating costs. IAS 17 was superseded by IFRS 16 'Leases' which is effective for periods beginning on or after 1 January 2019.

The Group has adopted IFRS 16 from 1 July 2019. IFRS 16 introduced a single, 'on balance sheet' accounting model for lessees. As a result, the Group has recognised 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 applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment at 1 July 2019 with no restatement of comparative information. Comparative information continues to be reported under IAS 17 and related interpretations.

The Group leases many assets, including properties, vehicles and equipment. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

The Group has 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 presents lease liabilities in current and non-current liabilities in the statement of financial position. 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, and subsequently at cost less any accumulated depreciation (straight line) and impairment losses, and adjusted for remeasurement of the lease liability.

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. 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 re-measured 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 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.

Transition

Previously, the Group classified property leases and equipment leases as operating leases under IAS 17. Leases are typically made for fixed periods of time. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Some leases provide for additional rent payments that are based on an index which is not yet known.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 30 June 2019. On transition, the Group's weighted average incremental borrowing rate was estimated to be 4.5%.

The Group used the practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17 on a lease-by-lease basis:

- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous applying IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' as at 30 June 2019 as an alternative to performing an impairment review;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impact on transition

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities. There was no net impact on retained earnings as the right-of-use assets were measured at an amount equal to the lease liability, allowing for prepayments and accruals. The impact on transition is summarised below:

| | 1 July 2019 |
|--|--------------------|
| | £000 |
| Right of use asset | 80.0 |
| Lease liabilities | (82.6) |
| Prepayments | (1.4) |
| Rent free accrual | 2.8 |
| Onerous lease provision | 1.2 |
| Net impact on retained earnings | - |

| | 1 July 2019 |
|--|--------------------|
| | £m |
| Operating lease commitments disclosed at 30 June 2019 | 75.3 |
| Difference between non-cancellable lease term and lease term used to calculate the IFRS 16 liability | 19.9 |
| Short term and small leases excluded | (0.6) |
| Discounted using the lessee's incremental borrowing rate as at 1 July 2019 | (12.0) |
| Lease liability recognised as at 1 July 2019 | 82.6 |

| | |
|--------------------------------|-------------|
| Comprising: | |
| Current lease liabilities | 15.8 |
| Non-current lease liabilities | 66.8 |
| Total lease liabilities | 82.6 |

The carrying amount of the right-of-use assets are as below:

| | 27 June 2020 | 30 June 2019 |
|----------------------------------|--------------|--------------|
| | £m | £m |
| Right-of-use assets | | |
| Properties | 53.4 | 56.9 |
| Plant, equipment and vehicles | 26.8 | 23.1 |
| Total right-of-use assets | 80.2 | 80.0 |

Impact in the period

As a result of applying IFRS 16 the Group recognised £80.2 million of right-of-use assets and £84.1 million of lease liabilities as at 27 June 2020. Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the period ending 27 June 2020, the Group recognised £18.2 million of depreciation charges and £3.9 million of interest costs from these leases.

The impact on the profit/(loss) for the period is summarised below:

| | £m |
|--|--------------|
| Profit before tax before IFRS16 adjustments | 0.3 |
| Add back IAS17 rental charge | 20.5 |
| Depreciation charge on right-of-use assets | (18.2) |
| Interest cost on lease liability | (3.9) |
| Net impact on loss for the period | (1.6) |
| Loss before tax | (1.3) |

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.

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