3 October 2023
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 audited results for the 52 weeks ended 1 July 2023

Another year of strong growth – well-positioned for further progress

Financial Highlights

	52 weeks to 1 July 2023	52 weeks to 2 July 2022	Change
Revenue	**£471.2m**	£428.2m	+10%
EBITDA[1]	**£60.2m**	£50.3m	+20%
Adjusted profit from operating activities[1]	**£31.4m**	£24.9m	+26%
Reported profit from operating activities	**£30.0m**	£22.1m	+36%
Adjusted profit before tax[1]	**£26.8m**	£20.2m	+33%
Statutory profit before tax	**£25.4m**	£17.4m	+46%
Adjusted earnings per share	**4.1p**	2.9p	+41%
Basic earnings per share	**3.9p**	2.4p	+63%
Net cash[1]	**£37.6m**	£27.0m	+39%
Cash flow from operating activities	**£54.9m**	£36.5m	+50%

- Revenue up 10%, driven by strong performances at both DX Freight and DX Express
- Group operating margin[1] up to 6.7% (2022: 5.8%); target remains 7.5% -10.0%
- Capital investment of £10.9m (2022: £6.2m) in depot network expansion, parcel handling equipment, electric vehicles ("EVs") and IT
- Net cash up 39% to £37.6m (2022: £27.0m)
- Reported basic earnings per share up 63% to 3.9p (2022: 2.4p)
- Proposed final dividend of 1.0p per share, giving a total of 1.5p per share for FY23 (2022: nil)

Operational Highlights

- DX Freight:
  - Revenue up 10% to £282.8m (2022: £256.9m) and operating profit up 22% to £37.8m (2022: £31.1m)
  - Divisional operating margin up to 13.4% (2022: 12.1%), driven by further improvements in productivity and operational efficiency
  - Strong customer retention levels and significant new customer wins supported by continued achievement of high levels of customer service
  - Two new depots opened at Paisley and West Bromwich, and two depots expanded at Plymouth and Heathrow
  - Secured 15 new sites from the Administrators of Tuffnells Parcels Express in June 2023 – a major development for the Group, with benefits for DX Express as well as DX Freight
    - Over 700 former Tuffnells customers added; and over 350 former Tuffnells employees have joined DX

- DX Express:
  - Revenue up 10% to £188.4m (2022: £171.3m) and operating profit up 22% to £17.7m (2022: £14.5m)
  - Divisional operating margin increased to 9.4% (2022: 8.4%), driven by healthy levels of new business in Parcels, which outweighed expected revenue erosion at Document Exchange
  - Continued investment in IT platform to enhance customer experience
  - Five new depots were opened at Basildon, Plymouth, Haydock, Bracknell and Deeside

- Overheads:
  - Overheads as a percentage of revenue increased slightly to 5.5% (2022: 5.1%, excluding the exceptional items). This reflected improvements to IT infrastructure, Board changes and legal costs

Outlook

- Q1 FY24 trading was in line with management expectations
- Final year of three-year c.£20-25m investment programme to be completed in FY24 together with the construction of a new regional hub in Nottingham for c.£12m
  - Supports achievement of growth plans and margin targets
- DX expected to make further progress underpinned by a strong balance sheet

Paul Ibbetson, Chief Executive Officer of DX (Group) plc, commented:

"The Group has delivered another strong performance, above our original expectations. Both divisions contributed increased revenue, margin and profit, which supported our return to the dividend list.

"The financial strength of the business, with its strong cash generation and balance sheet, has been key to our ongoing success, enabling us to continue to invest significantly in both divisions. We have invested across all areas of operations – including the depot network, parcel handling equipment, electric vehicle fleet and IT – and this will continue in the new financial year.

"We are mindful of the current economic headwinds, however, given the strong platform that we have established and the encouraging levels of new business that we have secured in the opening months of the new financial year, we look forward to another year of further progress."

Notes

1 See notes 2 and 18 to the Financial Statements for details of alternative performance measures ("APMs") used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

Enquiries:

DX (Group) plc	www.dxdelivery.com
Paul Ibbetson, Chief Executive Officer	T : 020 3178 6378
David Mulligan, Chief Financial Officer	(c/o KTZ Communications)
Liberum (Nominated Advisor and Joint Broker to DX)	T: 020 3100 2000
Nick How	
Panmure Gordon (UK) Limited (Joint Broker to DX)	T: 020 7886 2500
Tom Scrivens/Sam Elder (Corporate Broking)	
James Sinclair-Ford (Corporate Advisory)	
KTZ Communications	T: 020 3178 6378
Katie Tzouliadis/Robert Morton	

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 conveyor.

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.

CHAIRMAN'S STATEMENT

DX CONTINUES TO MAKE VERY STRONG PROGRESS

Introduction

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

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

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

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

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

Financial Results

Revenue for the 52 weeks ended 1 July 2023 increased by 10% to £471.2 million (2022: £428.1 million), and adjusted pre-tax profit rose by 33% to £26.8 million (2022: £20.2 million). Adjusted earnings per share was up by 41% to 4.1p (2022: 2.9p). Statutory profit before taxation increased by 46% to £25.4 million (2022: £17.4 million) and statutory earnings per share increased by 63% to 3.9p (2022: 2.4p).

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

Capital Allocation and Dividend Policy

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

Final dividend

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

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

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

Net settlement of share options

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

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

Corporate Governance

Shares readmitted to AIM

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

Settlement of claim

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

Performance Overview

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

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

Environmental, Social and Governance

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

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

Our People

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

Board changes

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

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

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

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

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

Proposed Offer by H.I.G.

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

Outlook and Opportunities

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

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

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

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

Mark Hammond
Non-executive Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

STRONG GROWTH UNDERPINNED BY HIGH CUSTOMER SERVICE LEVELS

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

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

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

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

Capital Investment

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

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

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

We are now focused on the integration and reopening of the former Tuffnells depots and have already made a good start, with six depots now integrated and fully operational. Alongside this, in August 2023, we opened a new depot at Norwich for DX Express and over the remainder of the 2023 calendar year, we plan to open a dedicated DX Express depot at Preston in Lancashire, and a new super-site at

Middleton in Manchester for our 2-Man activities. Over the next 18 months, we will be further optimising the depot network.

Divisional Review

DX Freight

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

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

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

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

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

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

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

At the end of the financial year in June 2023, we secured additional new IDW business following Tuffnells entering into administration. This new business gained from former Tuffnells customers will benefit the current financial year. We estimate that DX's current market share in IDW is now around 25%, making DX the clear market leader.

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

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

DX Express

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

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

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

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

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

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

Divisions Supported by Central Teams

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

Environmental, Social and Governance

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

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

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

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

Summary

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

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

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

Paul Ibbetson
Chief Executive Officer

FINANCIAL REVIEW

STRONG PROFITS UNDERPINNED BY GROWTH IN REVENUE, EXPANDING MARGINS AND HEALTHY CASH GENERATION SUPPORTED BY INCREASING LEVELS OF INVESTMENT

Statutory results

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

These Financial Statements are for the period 3 July 2022 to 1 July 2023, i.e. a 52-week period. Future years will be for 52 weeks or occasionally 53 weeks in order to keep the financial year-end date as close as possible to 30 June.

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

Summary

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

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

Adjusted operating profit increased to £31.4 million (2022: £24.9 million). Adjusted profit before tax increased to £26.8 million (2022: £20.2 million).

Net cash at 1 July 2023 increased to £37.6 million (2022: £27.0 million). Operating cash flow was £54.9 million (2022: £36.5 million) and the cash outflow from capital expenditure was £10.9 million (2022: £6.2 million).

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

1 See notes 2 and 18 to the Financial Statements for details of APMs used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

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

Revenue by segment

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

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

Cash flow

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

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

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

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

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

Net assets

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

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

Net Cash

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

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

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

1 See notes 2 and 18 to the Financial Statements for details of APMs used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

Capital expenditure

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

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

Deferred taxation

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

Management considers that DX is eligible to recognise the deferred tax asset on losses carried forward. In the current year, this has resulted in a deferred tax asset at 1 July 2023 of £3.7 million (2022: £5.5 million). Expected utilisation of losses in the year along with other timing differences resulted in a deferred tax charge of £1.8 million (2022: deferred tax charge of £2.0 million) being recognised in the income statement.

Adjusted profit and Earnings per share

Adjusted earnings per share, which excludes amortisation of acquired intangibles, exceptional items, and share-based payment charge, was 4.1p (2022: 2.9p).

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

Dividends

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

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

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

David Mulligan
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 1 JULY 2023

	Notes	**Year ended 1 July 2023 £m**	Year ended 2 July 2022 £m
Revenue	5	**471.2**	428.2
Operating costs	7	**(441.2)**	(406.1)
Profit from operating activities		**30.0**	22.1
Analysis of profit from operating activities			
Earnings before interest, tax, depreciation, amortisation and share-based payments ("EBITDA"[1])		**60.2**	50.3
Depreciation	7	**(27.9)**	(24.4)
Amortisation of software and development costs	7	**(0.6)**	(0.6)
Exceptional items	8	**-**	(1.6)
Share-based payments charge relating to SAYE		**(0.3)**	(0.4)
Share-based payments charge relating to PSP		**(1.4)**	(1.2)
Profit from operating activities		**30.0**	22.1
Finance income	9	**0.5**	-
Finance costs	9	**(5.1)**	(4.7)
Profit before tax		**25.4**	17.4
Tax expense	10	**(2.6)**	(3.4)
Profit for the year		**22.8**	14.0
Other comprehensive income/(expense) not subsequently reclassified			
Other comprehensive income/(expense)		**-**	-
Total comprehensive income for the year		**22.8**	14.0
Earnings per share (pence):			
Basic	12	**3.9**	2.4
Diluted	12	**3.8**	2.2

1 See notes 2 and 18 to the Financial Statements for details of APMs used, which are non-IFRS measures. The notes include details of where reconciliations of APMs to IFRS reported measures can be found.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 1 JULY 2023

	Notes	**1 July 2023 £m**	2 July 2022 £m
Non-current assets			
Property, plant and equipment		**20.5**	14.5
Right-of-use assets	11	**111.2**	94.2
Intangible assets and goodwill		**31.0**	31.1
Deferred tax assets	14	**3.7**	5.5
Total non-current assets		**166.4**	145.3
Current assets			
Trade and other receivables		**47.2**	44.6
Current tax receivable		**0.6**	-
Cash and cash equivalents		**37.6**	27.0
Total current assets		**85.4**	71.6
Total assets		**251.8**	216.9
Equity			
Share capital		**6.0**	5.7
Share premium		**25.2**	25.2
Retained earnings		**37.4**	24.5
Total equity		**68.6**	55.4
Non-current liabilities			
Provisions		**7.1**	7.0
Lease liabilities	15	**94.5**	79.6
Total non-current liabilities		**1,016.6**	86.6
Current liabilities			
Trade and other payables		**46.0**	40.7
Current tax payable		**-**	0.4
Lease liabilities	15	**23.6**	20.7
Deferred income		**9.7**	10.2
Provisions		**2.3**	2.9
Total current liabilities		**81.6**	74.9
Total liabilities		**183.2**	161.5
Total equity and liabilities		**251.8**	216.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 1 JULY 2023

	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 3 July 2021	5.7	25.2	8.9	39.8
Total comprehensive income for the year				
Profit for the year	-	-	14.0	14.0
Total comprehensive income for the year	-	-	14.0	14.0
Transactions with owners of the Company, recognised directly in equity				
Share-based payment transactions	-	-	1.6	1.6
Total transactions with owners of the Company	-	-	1.6	1.6
At 2 July 2022	5.7	25.2	24.5	55.4
Total comprehensive income for the year				
Profit for the year	**-**	**-**	**22.8**	**22.8**
Total comprehensive income for the year	**-**	**-**	**22.8**	**22.8**
Transactions with owners of the Company, recognised directly in equity				
Equity dividends paid	**-**	**-**	**(3.0)**	**(3.0)**
Share-based payment transactions	**-**	**-**	**1.7**	**1.7**
Exercise of share options	**0.3**	**-**	**(8.6)**	**(8.3)**
Total transactions with owners of the Company	**0.3**	**-**	**(9.9)**	**(9.6)**
At 1 July 2023	**6.0**	**25.2**	**37.4**	**68.6**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 1 JULY 2023

	Notes	**Year ended 1 July 2023 £m**	Year ended 2 July 2022 £m
Cash flow from operating activities			
Profit for the year		**22.8**	14.0
Adjustments for:			
- Depreciation	7	**27.9**	24.4
- Amortisation of intangible assets	7	**0.6**	0.6
- Interest receivable	9	**(0.5)**	-
- Interest payable	9	**5.1**	4.7
- Tax expense	10	**2.6**	3.4
- Loss on disposal of intangible assets		**-**	0.3
- Equity-settled share-based payment transactions		**1.7**	1.6
Net cash profit		**60.2**	49.0
Changes in:			
- Trade and other receivables		**(2.6)**	(4.7)
- Trade and other payables		**5.2**	(3.1)
- Deferred income		**(0.5)**	(1.2)
- Provisions		**(0.5)**	2.1
Net change in working capital		**1.6**	(6.9)
Net cash generated from operations		**61.8**	42.1
Interest paid		**(5.1)**	(4.7)
Tax paid		**(1.8)**	(0.9)
Net cash generated from operating activities		**54.9**	36.5
Cash flows from investing activities			
Interest received		**0.5**	-
Acquisition of property, plant and equipment		**(10.4)**	(5.6)
Software and development expenditure		**(0.5)**	(0.6)
Net cash used in investing activities		**(10.4)**	(6.2)
Net increase in cash before financing activities		**44.5**	30.3
Cash flows from financing activities			
Lease repayments – capital element		**(22.6)**	(20.1)
Share options exercise costs paid		**(8.6)**	-
Equity dividends paid		**(3.0)**	-
Issue of shares		**0.3**	-
Net cash used in financing activities		**(33.9)**	(20.1)
Net increase in cash and cash equivalents		**10.6**	10.2
Cash and cash equivalents at beginning of year		**27.0**	16.8
Cash and cash equivalents at end of year		**37.6**	27.0

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 1 JULY 2023

1 Reporting entity

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

2 Basis of preparation

This preliminary consolidated financial information has been prepared in accordance with UK-adopted International Accounting Standards. They were authorised for issue by the Board of Directors on 2 October 2023.

The financial information set out above does not constitute the Company's statutory consolidated accounts for the period ended 1 July 2023 or the year ended 2 July 2022 but is derived from those accounts. Statutory consolidated accounts for 2022 have been delivered to the registrar of companies, and those for 2023 will be delivered following the Company's AGM. The auditor has reported on those accounts; the reports for 2022 and 2023 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 to enable comparability from one year to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and items which are not expected to recur. These measures are not defined by International Financial Reporting Standards ("IFRS") and therefore may not be directly comparable to similar measures adopted by other companies. These APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures but provide useful information on the performance of the group and underlying trends. The Group presents EBITDA, adjusted operating profit, adjusted PBT, adjusted EPS, and net cash which are further explained in note 18.

Going concern

The Financial Statements have been prepared on a going concern basis, which the Directors consider to be appropriate as they are confident the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

The Directors have prepared cash flow forecasts for a period from the date of approval of these Financial Statements up to 28 June 2025 under two different scenarios.

The base case assumes that the Group achieves its budgeted levels of new business and overall performance in the year to 29 June 2024 and then maintains its positive momentum in the following year. For the period from the year end to the date of this report, the Company has performed in line or better than its forecasts. This gives the Board confidence that the Company will continue to meet its forecasts.

The Directors also carried out a reverse stress test that calculates the losses that would be required to exhaust its cash reserves. The results of this test were that the Group's profit from operating activities would have to be at least £32.0 million per year worse than the base case to require any use of the invoice discounting facility. The Directors regard such an outcome as highly implausible given the Group's recent results and prospects. There would also be a range of mitigating actions the Directors would take to reduce the impact of such a large fall in the Group's performance.

The base case and the reverse stress test indicate that the Group will have sufficient funds to meet its liabilities as they fall due for that period. This is made up of the Group's net cash which stood at £37.6 million at the 2023 year end (2022: £27.0 million), and access to a £20 million invoice discounting facility. While the invoice discounting facility is cancellable by either party on a three-month notice period, the Directors are confident that it will remain available throughout the forecast period. It is noted that neither the base case nor the reverse stress test relies on the invoice discounting facility being available. See note 13 for further information on the Group's borrowing facilities.

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

3 Significant accounting policies

The 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 2 July 2022, except as noted in note 4 below for new standards adopted.

4 New accounting standards

New accounting standards adopted by the Group

The following new or amended standards became effective for the financial year; none of which had a significant effect on the Group:

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

New accounting standards in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and amendments, which have not been applied in these financial statements, were in issue but are either not yet effective or have not yet been adopted by the UK:

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

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

5 Revenue

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

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

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

Deferred income shown on the Consolidated Statement of Financial Position will be recognised as revenue within 12 months.

6 Segment information

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

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

The Executive Directors are considered to be the 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

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

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

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

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

8 Exceptional items

	2023	2022
	£m	£m
Exceptional items	-	1.6

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

9 Net finance costs

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

10 Tax expense

(a) Analysis of charge in year

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

(b) Factors affecting the tax expense for year

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

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

(c) Factors that may affect future tax charges

Changes to UK corporation tax rates were enacted as part of The Finance (No.2) Act 2021, which received Royal Assent on 10 June 2021. The main rate increased from 19% to 25% on 1 April 2023. Deferred tax assets and liabilities have been calculated in accordance with the enacted rates. Tax losses carried forward and available to the Group as at 1 July 2023 totalled £12.7 million (2022: £19.1 million).

11 Right-of-use assets

	Property £m	**Non-property £m**	**Total £m**
Cost			
At 4 July 2021	62.9	32.5	95.4
Additions	15.3	4.5	19.8
Depreciation	(10.5)	(10.5)	(21.0)
Net book value as at 2 July 2022	67.7	26.5	94.2
Additions	22.3	18.2	40.5
Depreciation	(11.9)	(11.6)	(23.5)
Net book value as at 1 July 2023	**78.1**	**33.1**	**111.2**

12 Earnings per share

The calculation of basic earnings per share at 1 July 2023 is based on the profit after tax for the year and the weighted average number of shares in issue.

Adjusted earnings per share is calculated based on the profit after tax, adjusted for certain non-cash charges and other items which are not expected to recur. The Group does not adjust for share-based payments relating to the Save As You Earn (“SAYE”) scheme. Adjusted earnings per share represents an APM. Further details about the use of APMs are detailed in notes 2 and 18.

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

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

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

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

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

13 Loans and borrowings

The Group has access to a £20.0 million invoice discounting facility with Barclays Bank plc. The facility is a rolling facility with three months' notice by either party. The available balance is based on 90% of the outstanding trade receivables, adjusted to exclude amounts billed in advance and old debt. The amount drawn on the invoice discounting facility at 1 July 2023 was £nil (2022: £nil). No amounts were drawn on the invoice discount facility during the year to 1 July 2023 (2022: £nil).

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

14 Deferred tax assets

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

The deferred tax asset is made up as follows:

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

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

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

15 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.

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

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

16 Dividends

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

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

17 Related party transactions

The following transactions were carried out with connected parties:

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

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

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

18 Alternative performance measures ("APMs")

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

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

APM	IFRS reported measure	Location of reconciliation
EBITDA	Profit from operating activities	Financial Review
Adjusted PBT	Profit before tax	Financial Review
Adjusted EPS	Profit per share	Note 22
Adjusted profit from operating activities	Profit from operating activities	Financial Review
Adjusted operating profit margin	Profit from operating activities	Financial Review
Net cash/net debt	Cash and cash equivalents/loans and borrowings	Financial Review

19 Events subsequent to the period event

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

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.