


DELIVERING ON OUR PROMISES

DX (Group) plc

Annual Report and Accounts 2020


ESTABLISHED IN 1975, DX IS A MARKET LEADER IN THE DELIVERY OF MAIL, PARCELS, PALLETS AND FREIGHT VIA OUR UK-WIDE COLLECTION AND DELIVERY NETWORKS.

OUR MISSION

Collect it, sort it, trunk it, deliver it, prove it, bill it.

Our mission is to make every conceivable effort to get our customers' deliveries to their final destination in accordance with the promised service level and with the greatest of care. So what we are really saying is "If you want to be sure it'll get there on time, every time, we are DX – Delivered Exactly".

OUR APPROACH

DX's approach is straight-forward and no nonsense. We seek to provide an excellent service at great value to our customers. Our goal is to deliver exactly to our customers' requirements, whether via a next-day, scheduled or tracked, secure service and provide assurance through proof of delivery.

OUR PEOPLE

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

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Read more at www.dxdelivery.com

Highlights

FINANCIAL HIGHLIGHTS

Revenue
£329.3m
(2019: £322.5m)
2020 329.3
2019 322.5

Reported PBT
£(1.3)m
(2019: £(1.7)m)
2020 (1.3)
2019 (1.7)

Reported LPS
(0.3)p
(2019: (0.4)p)
2020 (0.3)
2019 (0.4)

EBITDA[1]
£4.4m
(2019: £3.3m)
2020 4.4
2019 3.3

Adjusted EPS[1]
0.2p
(2019: (0.2)p)
2020 0.2
2019 (0.2)

Adjusted PBT[1]
£1.8m
(2019: £(0.2)m)
2020 1.8
2019 (0.2)

Net Cash[1,2]
£12.3m
(2019: £1.3m net debt)
2020 12.3
2019 (1.3)

Cash Inflow from Operating Activities
£16.9m
(2019: £3.2m)
2020 16.9
2019 3.2

OPERATIONAL HIGHLIGHTS

- Return to adjusted pre-tax profit.
- Focus on rebuilding profitability through volume growth and margin expansion.
- DX maintained operations throughout the lockdown period which demonstrated the resilience of our business model.
- Volumes have returned and are now exceeding levels expected pre-lockdown.
- DX Express launched new ‘Expected Time of Arrival’ technology featuring two-hour delivery window and in-flight changes.
- DX Freight returned to EBITDA profitability in second half of the financial year.
- Embarked on £10 million investment programme to upgrade IT systems, invest in new service centres and upgrade existing ones and improve productivity and efficiency through new operational parcel handling systems.

1 See notes 3 and 33 to the Financial Statements and the Financial Review for details of alternative performance measures (“APMs”) used, including reconciliations of APMs to IFRS reported measures.
2 The cash balance includes deferred payments of £10.4 million, thereby underlying cash is £1.9 million (2019: net debt £1.3 million).

At a Glance

CONTINUING TO BUILD ON SUCCESS

WHO WE ARE

DX is a market leading provider of a wide range of delivery services, including parcel freight, secure, courier and logistics services.

WHAT WE DO

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

OUR DIVISIONS

DX FREIGHT

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

Read more on **page 16.**

FREIGHT
- 1-Man
- 2-Man & Logistics

DX EXPRESS

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

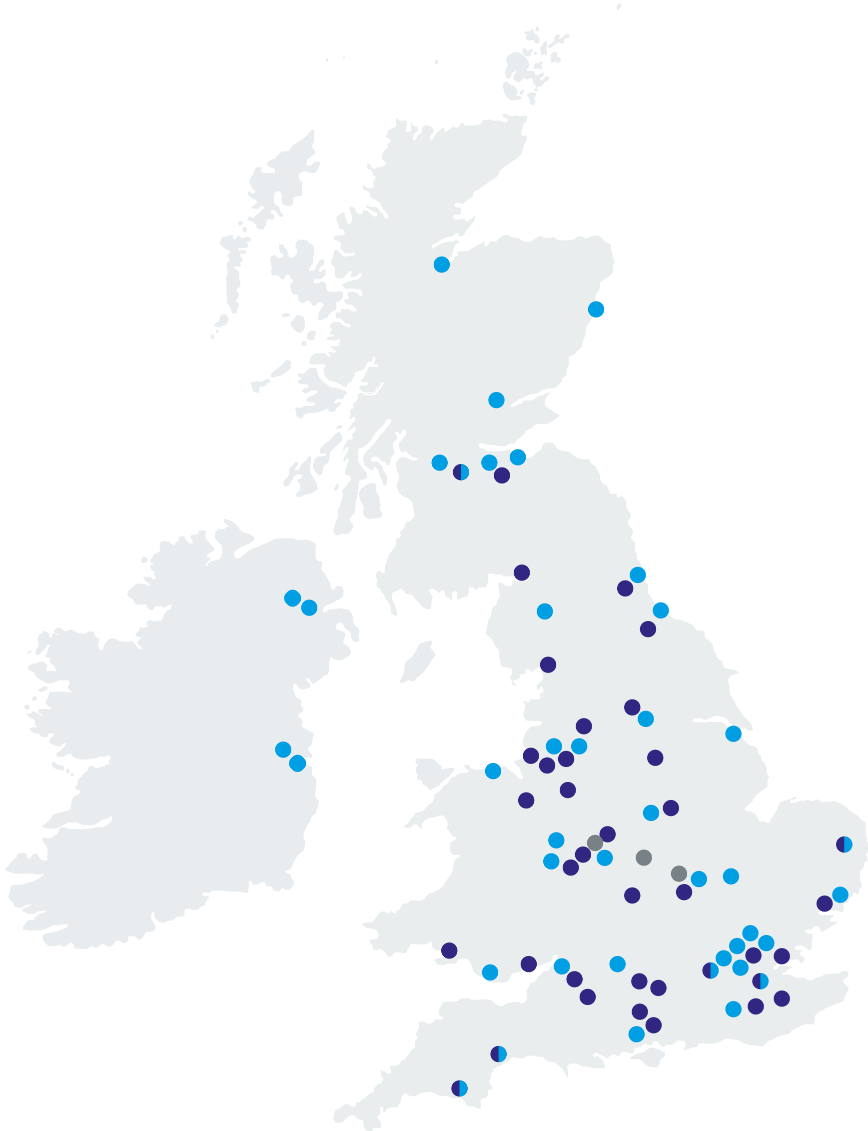
Read more on **page 18.**

EXPRESS
- Secure Courier
- Document Exchange

DX KEY LOCATIONS

Locations in the UK and Ireland

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



DX IN NUMBERS

100 million
Items delivered every year

77
Depots and service centres across the UK and Ireland

2,600
Daily delivery and collection routes

3,600
Employees

Strategic Report

Governance Report

Financial Statements

Chairman's Statement

REBUILDING PROFITABILITY

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.

Introduction

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 are on a comparative IAS 17 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 of 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 as 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.

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.

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.

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

OUR INVESTMENT CASE

Highly experienced management team with proven track record

The Board has extensive industry expertise and a record of success in developing and growing parcel freight businesses.

The leadership team is supported by a highly effective, motivated senior management team, which has considerable relevant sector experience.

First phase of turnaround is complete

The Group is now operationally and commercially stronger.

Adjusted profitability has been restored.

Firm foundations are in place for sustainable, profitable growth

Restructuring and reorganisation has devolved responsibility and accountability to general and regional managers.

Commercial processes are stronger.

Service standards are higher.

Clear growth plan

DX Freight has the potential to develop a significant position in the overnight/next-day delivery of irregular dimensions and weight ("IDW") market.

DX Express is expanding next-day, tracked courier services, focusing on B2C and B2B business, and revitalising DX Exchange.

Significant scope to improve Group margins.

Volume growth, operational efficiency and productivity are a key focus.

Investment programme underway to support growth and efficiency

IT systems, sites, equipment.

Technology will drive improvements and productivity.

The Group is financially robust

Strong balance sheet.

Improved cash generation.

Significant liquidity headroom.

RELIABILITY, QUALITY AND VALUE

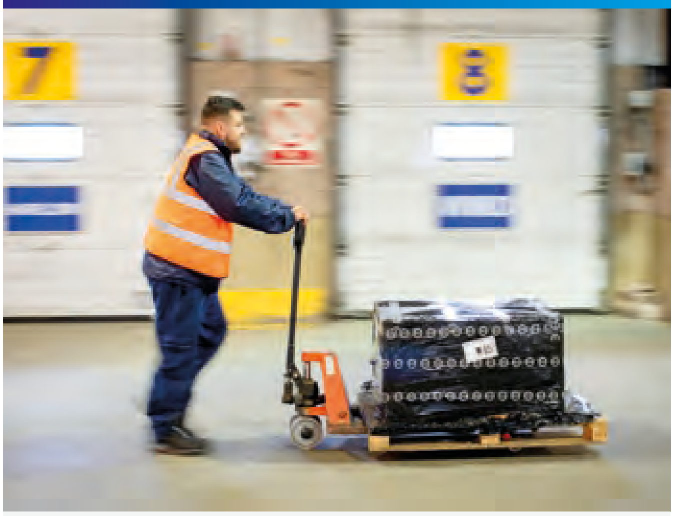
We are experts in the next-day delivery of goods that are time-sensitive, mission-critical, valuable, or classed as irregular dimension and weight ("IDW").

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

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

In Delivering Exactly, we aim to provide:

GREAT SERVICE



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

INDUSTRY-LEADING SECURITY

We look after customers' parcels as if they were our own, giving our customers confidence that their parcels will arrive safely and securely. We have an industry-leading vetting process, giving our customers additional security reassurance.

Heritage
45 years

Trading Accounts
21k

Items delivered
100m

CUSTOMER CHOICE

We offer a wide range of services delivering to both consumers and businesses, built to meet the needs of our customers. Whatever our customers' consignment shape or size, whether it is a small letter, a large item requiring a 2-Man delivery, or a pallet of motor parts, we have the solutions to meet customers' demands.

'THE EXTRA MILE'

We pride ourselves in going 'the extra mile' with our localised customer service rather than distant central call centres. This differentiator enables us to develop strong trusted relationships with customers.

We are continuously looking for ways to improve our customer proposition and, over the year, have been pleased to see our Trustpilot rating move to 'Great'. It is a rating we aim to keep or beat.

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 payment 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 takes a big stride forward

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 improves 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 effect 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 exciting new delivery capabilities

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 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.

Divisions Supported by Central Teams

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

Business Model

DX is a leading provider of a wide range of delivery solutions, covering both business and residential addresses throughout the UK and Ireland.

The Group focuses strongly on customer service and flexibility and is able to cater for a wide cross-section of customer requirements through its two divisions, DX Freight and DX Express.

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

DX Express specialises in the overnight, secure, express delivery by courier of time-sensitive, mission-critical or high-value items for B2B and B2C customers. The division operates a nationwide network of service centres, sortation hubs and trunking vehicles.

WHAT WE DO

DX FREIGHT

- **1-Man:** DX 1-Man has the capability to move all types of freight, from document satchels and parcels to IDW items, including lengths up to six metres. Deliveries are primarily business-to-business and next-day. European and International delivery can also be accommodated.
- **2-Man & Logistics:** 2-Man services are mainly focused on delivery of high-value, larger and heavier products to residential addresses. A two-hour delivery window is offered together with delivery to the consumer's room of choice. Logistics provides a complete range of supply chain solutions for most market sectors. Warehouse and transport solutions include dedicated own-fleet management across all vehicle types, mechanical handling delivery, storage and customer order preparation.

Read more on **page 16.**

DX EXPRESS

- **Secure Courier:** offers a highly secure, next-day B2B and B2C delivery solution for mail, packets and small parcels. The operation serves a range of sectors including finance, pharmaceuticals, optical and online.
- **Document Exchange:** is a private, member-to-member, next-day, pre-9am mail and parcels network serving members within the legal, financial and public sectors.
- **Mail:** a cost-effective second-class mail service, which moves postcode-addressed mail from customers through the DX network to 'final mile' delivery by Royal Mail.

Read more on **page 18.**

OUR RESOURCES

> **People:** the Group has strength in depth, with a highly skilled management team, led by a Board with significant industry experience. All employees are thoroughly vetted to maintain high levels of security.

> **Networks:** DX provides national coverage through its 77 hubs, depots and services centres, and plans to further expand our networks over the next five years.

> **Technology:** significant investment has been made in the Company's technology in recent years, in particular in the Group's parcel tracking systems and handheld devices. DX has developed its own technology, allowing it to offer customers the highest levels of service.

> **Fleet:** the Group operates a fleet of over 700 vehicles, which is one of the most modern in the industry. These vehicles meet the strictest environmental and safety standards of their class.

> **Suppliers:** the delivery networks are supported by committed, appropriately security-cleared and experienced subcontractors.

> **Financial strength:** over the last three years, DX has improved its financial performance and strengthened financial systems. The Company now has a robust financial platform for the next phase of its development.

HOW WE DO IT

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

> **Local customer service:** every customer has a local point of contact, making DX's service distinctive.

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

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

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

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

WHAT WE AIM TO DELIVER

> **A motivated workforce**

> **Satisfied customers**

> **An improving market position**

> **A growth business with expanding margins**

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

> **Attractive returns to shareholders, which includes a progressive dividend policy at an appropriate point in the future**

All underpinned by strong corporate governance and risk management procedures.

Read more on **pages 14, 15 and 33 to 35.**

Strategic Objectives

As we focus on growth and margin expansion, and with the right organisational structure now in place we have revised the strategic objectives to drive the next phase of growth and to widen margins across the business. The goal remains the same; to move the business back to long-term sustainable profit and positive cash generation.

Strategic objective	Detailed objectives
CONTINUALLY DEVELOP CAPACITY WITHIN AN OPTIMAL NETWORK	> Measure, monitor and manage network capacity and optimise utilisation to facilitate growth over next three years.
IMPROVE MARGINS ACROSS BOTH DX FREIGHT AND DX EXPRESS	> DX Freight EBITDA margin to increase to between 8-10%. > DX Express to maintain EBITDA margins at >10%. > Target of achieving Group EBITDA margin after overheads of 6-8% within five years.
EMBED LOCAL RESPONSIBILITY AND ACCOUNTABILITY IN THE DNA OF DX	> Local General Managers supported by Sales and Operations Managers. > Link reward to performance. > Local customer service relationships.
INVEST IN SALES AND COMMERCIAL CAPABILITIES	> Recruit additional sales resources. > Divisional commercial teams to approve all new business. > Increase B2B mix in DX Freight. > Leverage strong portfolio of services to provide customers with flexible service to match their requirements. Continued development of customer confidence in, and recognition of, the DX brand.
INVEST IN IT SYSTEMS AND NETWORK EQUIPMENT IMPROVEMENTS	> Improve commercial and sales tools. > Improve quality of management information. > Improve utilisation of our data. > Develop functionality of operational systems. > Renew IT infrastructure.
EXTEND THE FOOTPRINT OF THE BUSINESS THROUGH NEW DEPOTS AND SERVICE CENTRES	> Develop network capacity and productivity to open up market opportunities and reduce stem mileage. > Establish regional sortation hubs to improve productivity.
IMPROVE OPERATIONAL EFFICIENCY	> Move balance of fleet in DX Freight to 7.5 tonne vehicles. > Improve hub, trunking and delivery productivity. > Develop network capacity at DX Express through increased use of transit vans.

Progress during 2020	Objectives for 2021
> New target for FY21.	> Appoint new Trunking Director. Invest in basic mechanisation in Central Hub and regional sortation hubs to drive efficiencies. Identify potential site for new 2-Man hub. Open four new depots and continue to progress longer-term target sites.
> DX Freight reduced loss by 85% in FY20 and was profitable in the second half, achieving an EBITDA margin of 1.2%. > DX Express EBITDA margin was 14.5%. > Group EBITDA margin was 1.3%.	> Further contribution towards longer-term sustainable profitability through growth in margins.
> Continued to strengthen management team through the appointment of new General Managers and Regional Directors. > 28 managers' rewards linked to achievement of local performance targets.	> Continue to strengthen and develop management team, aiming for around 100 managers to succeed in achieving local performance targets.
> Estimated Time of Arrival functionality launched as planned at DX Express. > Business mix of B2B reduced in DX Freight as a consequence of coronavirus but B2B slowing reverting back to pre-lockdown levels. > Retained B2C volume at commercially sensible rates. > New business quotes produced and reviewed in a prompt and timely manner. > Strong sales growth, particularly DX 1-Man at DX Freight. > New Sales Director appointed at DX Express.	> Address potential contractual and commercial changes following end of transitional period under Brexit. > Further development of the Group's commercial systems.
> £1.2 million invested in IT infrastructure and systems. > New handheld devices introduced in DX Express. > Finance system upgraded and new Personnel system implemented. > Further £0.9 million invested in operational improvements including in new cages and basic sorting mechanisation.	> Planned £3 million of investment in IT systems including new Digital Document Exchange, customer website and new handheld devices for depot and service centres. > £0.9 million earmarked for further investment in the network.
> DX Freight opened new depot at Ipswich and the depot at Newport relocated to new facility. > £1.3 million invested in new sites and improvements to the existing network. > DX Express relocated to new service centre in Ipswich.	> New DX Freight depots in Burnley, Westbury and Oxford. > New DX Express service centre planned in Glasgow. > Major upgrades to DX Freight depots at Hoddesdon, Glasgow and Manchester.
> 93 new delivery and trunking vehicles delivered during the year. > Investment into basic mechanisation at sorting hubs within DX Freight. > Further changes to hub and trunking has maintained levels of customer service as the business has expanded. > Delivery and hub productivity further improved, which has driven improved profitability.	> Further investment in basic sorting mechanisation to further improve levels of productivity and customer service. > Investment in cages and stillages to support growth of the business. > Repurpose secure sortation bureau following completion of HMPO contract.

Principal Risks and Uncertainties

The Board has overall responsibility for DX's approach to risk management and its system of internal controls to safeguard the Group's assets and shareholders' interests.

The risk management process and systems of internal controls are designed to identify the main risks that the Group faces in delivering its strategy, and ensure that appropriate policies and procedures are in place to minimise these risks to the Group. The Group maintains a risk management register which is reviewed and discussed every six months with the Operating Board and the Audit & Risk Committee.

The Board has identified the following principal risks and uncertainties to the Group's successful performance and delivery of its strategy:

Risk	Impact	Mitigation
Market Risk		
LETTER AND PARCEL VOLUMES IN THE UK	The market for letters is in structural decline which in particular affects the DX Exchange service. If the decline of letter volumes in the UK is at a faster rate than forecast or the growth in parcel volumes is lower than DX forecasts (or DX fails to maintain or increase its share of the parcel markets in which it operates), there may be a material adverse effect on DX's operations and future financial condition. Risks from a hard Brexit or a pandemic relate to the potential impact on our customers' business and general business confidence.	DX seeks to win business in new sectors and develop new services, recognising the general move to digital and electronic alternatives.
Price Risk		
THE PARCEL MARKET IN WHICH DX OPERATES IS HIGHLY COMPETITIVE	The parcels market is highly competitive and DX may be adversely affected by aggressive pricing strategies.	DX provides high levels of customer service at prices that offer customers best value. It also seeks to maintain strong relationships with major customers and develop new service attributes, such as real-time delivery vehicle tracking, in response to customer needs.
Operational Risk		
IT SYSTEMS ARE CRITICAL TO DX'S BUSINESS OPERATIONS	Any material failure in DX's IT applications, systems, certain key suppliers and infrastructure may lead to operational and systems disruptions, with an adverse effect on DX's operations, financial condition and future prospects. While its software is being updated, DX's operational effectiveness could be impaired if its existing bespoke software failed.	DX has a business continuity plan in the event of IT systems failure and ongoing investment is being made to continuously enhance its capability. Further protections are in place to protect DX's systems against attacks. These protections are to a level acceptable to government departments. Prior to new systems going live, DX conducts significant testing in non-live environments.
CONFIDENTIAL AND SENSITIVE ITEMS	DX Express collects, sorts and delivers a range of confidential and sensitive letters and parcels for a variety of customers, including government departments, local authorities and examination boards. If confidential consignments were to be misplaced the reputation and brand of DX may be adversely affected. If a high-profile incident of this nature arose, existing or potential customers may be unwilling to use DX for the delivery of confidential or sensitive items.	All DX Express staff are fully vetted. All parcels processed through our secure network are tracked from end to end.

Risk	Impact	Mitigation
Operational Risk continued		
DRIVER CERTIFICATE OF PROFESSIONAL COMPETENCE ("CPC")	The DX network requires the use of 7.5 tonne vehicles which must be driven by CPC-qualified drivers. A shortage of such drivers would impact the ability of DX to operate its network and this could have a material adverse effect on DX's results of operations, financial condition and prospects.	DX has resources specifically focused on recruiting suitably qualified drivers and the current level of vacancies is not impeding the business' ability to operate.
DELIVERY OF NEW BUSINESS	Having successfully implemented its turnaround strategy, DX is aiming to secure significant new business to utilise capacity in its networks in order to grow revenue and margins to help return the Group to sustainable profitability. If core parts of this plan are not successfully delivered it would put a strain on DX's financing arrangements, which could result in liquidity risk and the need to raise additional funds.	DX has invested in an experienced management and operational team to deliver the strategy, has robust measures in place to track the day-to-day performance of the business and reports regularly against key initiatives.
A CORONAVIRUS SECOND WAVE AND/OR ANOTHER PANDEMIC	DX adapted very quickly to the challenges of coronavirus and the Government's lockdown, but both the risk to employees and others from a pandemic and the constraints introduced by any form of lockdown or restriction on business activities needs to be planned for, monitored and reacted to as this risk impacts on other risk areas.	DX has learned from the experience of the coronavirus pandemic how to flex its operational capacity to meet increased demand in certain areas and reduced demand elsewhere as well as how to manage health and safety effectively (as noted elsewhere in this risk management summary).
Compliance Risk		
STANDARDS AND REGULATORY COMPLIANCE	DX holds several standards and regulatory accreditations including ISO 27001 Information Security Management and Cyber Essentials Plus. Maintenance of these standards is required to be able to provide services to public sector bodies and other key markets. If DX were to lose these accreditations it would put major contracts at risk and jeopardise existing and future revenues. Fleet compliance is central to meeting our operator ("O") licence obligations, which allows DX to operate its delivery and trunking fleet. Loss of O licences would significantly impact DX's ability to operate. The safety of our employees, agency labour and suppliers is of paramount importance. Compliance with regulations and development of a positive health and safety culture is key to achieving this. There is a risk of serious injury or fatality if safe practices are not adhered to.	DX trains staff in accordance with these standards and performs internal assessments to ensure the required processes and standards are maintained. DX is also subject to external audits of our compliance with these standards. Regular maintenance and inspection of vehicles and audit of compliance with regulations. Regular risk reviews of operations, a dedicated team of safety professionals, and targeted training seeks to engage employees to work safely and avoid injury. We have also invested in appropriate measures to protect our employees to ensure they are able to operate safely and in line with Government guidance and regulations in the light of the coronavirus pandemic.

By order of the Board

Ronald Series
Executive Chairman
16 September 2020

DX FREIGHT

SPECIALISTS IN PARCEL FREIGHT

The improved performance of DX Freight continued to progress very well over the financial year, building on last year's advances, despite the coronavirus crisis, which impacted the second half.

Revenue increased by 7% to £169.0 million (2019: £158.6 million) helped by new business acquisition, and the EBITDA loss reduced to £1.2 million (2019: £7.8 million loss). Our 1-Man consignment volumes grew by 14% year-on-year, with DX Freight delivering approximately 29 million items over the year. The Logistics service performed strongly driven by the expansion of key customers, and increased revenue through the coronavirus lockdown.

The division grew across a number of sectors, including retail, building & construction, home furnishings, electrical wholesale, and automotive. An important differentiator is our localised Customer Service Teams, who engage directly with customers and are readily available to respond rapidly to customer needs. Currently, DX Freight has in the region of 4,000 trading accounts, encompassing both B2B and B2C markets.

We continued with growth initiatives under our turnaround plan, including the ongoing development of the nightly line-haul operation. As part of its development we introduced regional hubs in key geographical locations in Manchester, Heathrow, Northampton and Bristol. This has increased capacity across the whole network, whilst maintaining manageable volumes at our Central Hub in Willenhall.

We also continued our investment programme in basic mechanisation and equipment, completing £1.4 million of capital spending over the year. Approximately £0.5 million of this was spent on a bespoke automated parcel sortation system and structural improvements to the Central Hub.

Alongside this, we also installed new mechanised handling solutions at the regional hubs in Manchester and Northampton, and made a further major investment in new cages and stillages at depots across the network.

Our fleet replacement programme continued, and we have introduced new livery, incorporating our slogan, "Delivered Exactly – Parcel & Freight Solutions" and blue ribbon design. DX Freight now has one of the most modern vehicle fleets in the industry.

Following prior investment in IT infrastructure, we were able to upgrade handheld devices, which deliver improved real-time 'proof of delivery' capture. Our in-house IT team developed the associated application software, including driver assistance modules, which were installed on all devices across the network.

We have expanded the division's capacity, opening a new depot in Ipswich in January 2020, relocating the Newport depot to larger premises and creating additional capability at the Northampton depot by moving DX Express to its own location. We also opened a new 'No ID' centre in Willenhall to help return to customers items that have lost their labels or delivery instructions.

We estimate that these new depot openings, combined with the planned major £3 million capital investment in existing depots at Thatcham, Hoddesdon, Manchester and Glasgow, will provide us with approximately 30% of extra capacity. Over the remainder of the 2020 calendar year, we are opening depots at Burnley, Westbury and Oxford, and will continue to look for further strategically placed depots to support the division's expansion.

Items delivered by Freight

29m

Increase in 1-Man consignment volume

14%

Overall Investment

£1.6m

CASE STUDY

FREIGHT REACHING NEW HEIGHTS FOR LADDER MANUFACTURER

T B Davies, based in Cardiff have been manufacturing ladders for 75 years and have been a satisfied DX Freight customer since 2018. Their products range from normal step, loft and garden ladders to more specialist lines such as scaffold towers and specialist access ladders, designed for specific needs.

Ladders of any description can definitely be described as IDW (Irregular Dimension and Weight) so need a specialist carrier. T B Davies who send on average 2,500 consignments per month needed a carrier who had the ability to transport without damaging their stock.

During the March 2020 COVID-19 lockdown T B Davies saw a spike to orders received and were also suppliers to the several Nightingale Hospitals built across England. All of their orders during this critical period were delivered by DX Freight.

> **"We were experiencing poor service and damage issues from our incumbent carrier, so moved to DX Freight, who were offering a reliable next day service and had a wealth of experience in dealing with ugly freight like ours. We definitely weren't disappointed and their localised customer service and account management was an added bonus."**
>
> **James Gray, Director at T B Davies**

DX EXPRESS

SPECIALISTS IN SECURE DELIVERY

DX Express continued to make steady progress with initiatives to support the long-term growth of our Secure Courier service, which is exposed to the growing parcels market.

We are pleased in particular with the technology improvements we have made during the year, including the launch of our two-hour Estimated Time of Arrival ("ETA") services, which will open up opportunities for us, especially in the B2C sector. However, as expected, the planned cessation of the HMPO contract was also a key feature of the financial year for the division, with the winding down process proceeding in a controlled and orderly way. The coronavirus crisis also adversely affected in particular our specialist document exchange operation, DX Exchange. Customers of this service are mainly legal and financial institutions. These challenges were reflected in lower revenue of £160.3 million (2019: £163.9 million) and reduced EBITDA of £23.3 million (2019: £26.9 million).

Across the division's areas of operation, Document Exchange, and Secure Courier, we now have approximately 17,000 trading accounts and during the year we delivered approximately 71 million items.

A key operational milestone that we completed in the financial year was the roll-out of new mobile devices for drivers. Approximately 1,100 new devices went live across the division's network of 31 service centres across the UK. The roll-out of this latest technology is part of the Group's wider, ongoing transformation and development strategy, and lays the platform for our programme of product launches and service enhancements for customers over coming months. At the same time it is helping to unlock further efficiencies in the DX Express network.

The launch of our two-hour ETA service, with pre-flight and in-flight notifications, in the summer was another important event completed by our in-house IT Team. After a rigorous test period with a small group of customers, we commenced full deployment with the wider customer base. The new capabilities this system brings strengthens our market proposition and will support future new business initiatives.

As part of our response to the coronavirus pandemic, we were pleased to be a key partner in the Carrier Consortium for COVID-19 test collections. Organised by The Delivery Group, the Carrier Consortium, brings together over 10,000 vehicles, 200 facilities and more than 16,000 people in a highly co-ordinated effort to deliver a strictly-controlled operation, ensuring the secure transportation of testing kits from pick-up to delivery at testing laboratories. The results of the testing programme will feed into a study coordinated by Ipsos MORI, in partnership with Imperial College London, for The Department of Health and Social Care ("DHSC") to assist in understanding the prevalence of the coronavirus across England.

We continued with initiatives to improve network and operational efficiency. In January 2020, we moved the Aberdeen service centre to larger premises and similarly in May moved to a larger service centre in Ipswich. Both relocations went very well, and the Ipswich move represents the final piece in the jigsaw for a service centre boundary alignment across the entire east coast. Over the new financial year, we will implement a new, single-network system across our all service centres, which will improve efficiencies and benefit customers.

We have started work on a digital platform for DX Exchange and plan to launch this new service in the new financial year. The new digital platform will offer a broader range of additional services for our DX Exchange members.

Items delivered by DX Express

71m

Growth in B2C parcel volumes

17%

Overall investment

£1.0m

CASE STUDY

A SECURE NETWORK: KEY FACTOR WHEN APPOINTING DX EXPRESS

Huxloe Logistics provide entire supply-chain solutions to help retailers and e-commerce companies all over the world grow their businesses. With a track-record and decades of experience, Huxloe Logistics are the number one choice for their clients who are looking to streamline their logistics operations, improve their customer experience, while reducing costs.

Huxloe Logistics have been a DX Express customer since 2015 and undertake logistics and e-fulfilment for various global high-end brands. DX Express deliver circa 3 million parcels for Huxloe Logistics' customers annually. Due to the many high-end brands they work with and the associated prices of the goods they ship, Huxloe are always looking to work with the best in the carrier world, who offer a first-class, and most importantly secure service.

"When appointing any new delivery partners, we always consider the time sensitive nature of the deliveries and the high value of the actual goods. We have always found DX Express to be a reliable partner and their new two hour ETA and pre-flight and in-flight notifications will be of interest to many of our clients."

Paul Walker, Chief Operating Officer at Huxloe Logistics

Key Performance Indicators

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

STATUTORY MEASURES

Revenue

£329.3m

(2019: £322.5m)

2020 329.3

2019 322.5

Reported PBT

£(1.3)m

(2019: £(1.7)m)

2020 (1.3)

2019 (1.7)

Reported LPS

(0.3)p

(2019: (0.4)p)

2020 (0.3)

2019 (0.4)

ALTERNATIVE PERFORMANCE MEASURES

Group EBITDA[1]

£4.4m

(2019: £3.3m)

2020 4.4

2019 3.3

Adjusted PBT[1]

£1.8m

(2019: £(0.2)m)

2020 1.8

2019 (0.2)

Net Cash[1,2]

£12.3m

(2019: net debt £1.3m)

2020 12.3

2019 (1.3)

Cash Inflow from Operating Activities[1]

£16.9m

(2019: £3.2m)

2020 16.9

2019 3.2

DX Freight EBITDA[1]

£(1.2)m

(2019: £(7.8)m)

2020 (1.2)

2019 (7.8)

DX Express EBITDA[1]

£23.3m

(2019: £26.9m)

2020 23.3

2019 26.9

Central Overheads

£17.7m

(2019: £15.8m)

2020 17.7

2019 15.8

1 See notes 3 and 33 to the Financial Statements and the Financial Review for details of APMs used, including reconciliations of APMs to IFRS reported measures.
2 The cash balance includes deferred payments of £10.4 million, thereby underlying cash is £1.9 million (2019: net debt £1.3 million).

Financial Review

DELIVERED EXPECTATIONS AND MAINTAINED HEALTHY CASH POSITION

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 was £1.3 million (2019: £1.7 million comparative on IAS 17 basis). The loss per share was 0.3p (2019: 0.4p on IAS 17 basis).

Transition to IFRS 16 'Leases'

A key change to our financial reporting was the transition to reporting property, vehicles, and equipment leases. 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 33 to the Financial Statements.

	IFRS 16 2020 £m	**IAS 17 2020 £m**	IAS 17 2019 £m
Revenue	329.3	**329.3**	322.5
Earnings before interest, tax, depreciation and amortisation ("EBITDA")[1]	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 profit[1]	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)[1]	(0.1)	**0.2**	(0.2)
– basic (pence)	(0.3)	**0.0**	(0.4)

1 See notes 3 and 33 to the Financial Statements and the Financial Review for details of alternative performance measures ("APMs") used, including reconciliations of these APMs to IFRS reported measures.

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 IAS 17 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 the 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 at the end of this financial year.

> "Revenue of £329.3 million was 2% ahead of the 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 albeit held back by the impact of the coronavirus."

David Mulligan, Chief Financial Officer

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

(Prepared under IAS 17)	2020 DX Express £m	2020 DX Freight £m	2020 Central £m	2020 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)

(Prepared under IAS 17)	2019 DX Express £m	2019 DX Freight £m	2019 Central £m	2019 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 £m	2019 £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 £m	2019 £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 3 and 33 to the Financial Statements and the Financial Review for details of APMs used, including reconciliations of these APMs to IFRS reported measures.

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 16 2020 £m	IAS 17 2020 £m	IAS 17 2019 £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 tax	**0.2**	**1.8**	(0.2)
Tax	(0.5)	(0.5)	(0.8)
Adjusted (loss)/profit after tax	**(0.3)**	**1.3**	(1.0)
Adjusted (loss)/earnings per share (pence)	**(0.1)**	**0.2**	(0.2)
Basic loss per share (pence)	**(0.3)**	**0.0**	(0.4)

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 £m	2019 £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

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

Corporate Responsibility

CONTINUED PROGRESS IN OUR CSR PROGRAMMES

Managing and Reducing our Environmental Impact

We recognise the significant impact that logistics companies have on the environment and as a consequence the Group remains committed to minimising our own impacts and sharing our progress in a simple and transparent way.

The Group maintains UKAS certification to the international environmental management standard ISO14001 which continues to underpin our approach to setting objectives and targets for improvement against our significant environmental aspects. Our certification is now mature, having been initially implemented in 2016, and is an effective way to benchmark our performance consistently.

The Group maintains an annual environmental reporting campaign which measures our Scope 2 Carbon Footprint in CO_2(e) – carbon dioxide equivalent.

We measure at Scope 2, using the GHG Protocol as a framework, being the boundary that we are able to directly influence, measure and control more effectively as this includes consumption of fuels for our own delivery vehicles as well as indirect emissions from our own energy use.

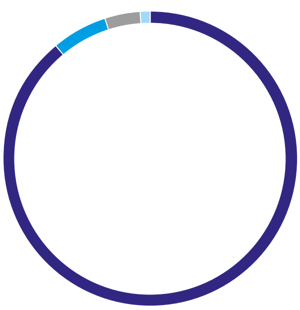
It should be noted that our two operating divisions use very different business models, with our DX Freight division utilising predominantly DX vehicles and drivers and our DX Express division using predominantly self-employed couriers and subcontractors to deliver goods. As a consequence, our Scope 2 measurements encapsulate our own vehicles and are therefore heavily influenced by DX Freight's performance. Scope 3 vehicle emissions of self-employed couriers and subcontractors for DX Express do not form part of our formal reporting.

Our Scope 2 Carbon Footprint comprises of emissions from customer deliveries, company cars, electricity use and gas use. The impact of customer deliveries accounts for 89% of our carbon footprint.

The commercial growth within the Group's DX Freight division and the practical impact of increased volume of deliveries alongside increased property footprint to accommodate that volume, has led to an overall increase in emissions and our associated carbon footprint. Compared to the previous year our absolute carbon footprint increased by 6,020 tonnes, representing a 22% increase and our intensity ratio of CO_2(e) per £1 million revenue increased by 19%.

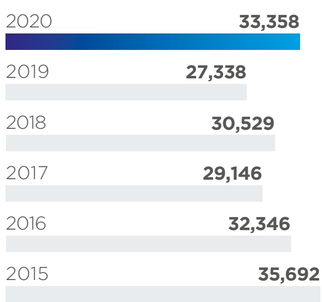
We strive, through new technologies, to improve efficiency, optimisation of routes to reduce physical mileage and driver training and engagement to continue to improve our performance.

Carbon Footprint Components

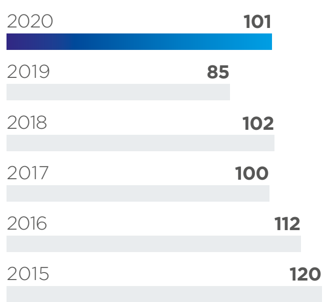


KEY
- Fuel – Commercial vehicles **89%**
- Electricity consumed **6%**
- Fuel – Company cars **4%**
- Gas consumed **1%**

CO_2 Emissions (Tonnes)



CO_2(e)/£1m Revenue



Keeping our People Safe

Making sure that our colleagues, visitors and contractors are able to go home safely at the end of the day is of paramount importance to us.

In this unprecedented year, the emergence of the coronavirus pandemic required an agile safety response as the Group continued to support our essential services. The Group adapted quickly and proactively and deployed a robust COVID Secure Process to keep our colleagues and others safe.

We have a customer centric safety management system, designed to meet the needs of our stakeholders and be agile enough to adapt and change with the business. An explanation of that approach is shown below.

Whilst the overall number of minor accidents has increased, those that are more serious, the RIDDOR reported accidents have reduced by 17%. This shows a maturing culture of accident reporting and an improved risk profile.

Our Safety Academy has been in place now for two years, a bespoke e-learning platform that provides interactive training for our top risks, developed and designed to bring to life safe systems of work and engage our colleagues in safer working practices. The Safety Academy continues to mature and provide a concise and consistent message across our business and as a consequence of the approach, led to the Group being well positioned to maintain general safety training and engagement throughout the lockdown period.

	2018	2019	2020	% Change
RIDDOR accidents	42	42	35	-17

A CUSTOMER CENTRIC APPROACH

We recognise that our seven stakeholders have different needs so the approach tries to balance those needs by treating each stakeholder as a customer.

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

To read more about how this works in practice please see our case study on page 27.

We are committed to the highest standards of road safety and hold a Fleet Management Road-Risk Management Seminar with audiences consisting of the Executive Team, Regional Directors, General Managers and Operating Centre licence holders.

The Group's Risk Review Programme is our bespoke safety audit process that is used to benchmark performance and drive continual improvement.

New this year was our behavioural safety campaign, known as 'Take 5', designed to engage colleagues to make a difference by recognising five high risk behaviours for each of our top five risks (see our case study opposite). By focusing on our 'Top 5' we can make a real difference.

Our approach to safety continues to mature and deliver improvements, making the workplace a safer place for all.

Road Safety

Use of the UK road network is an integral part of the Group's operations and we therefore view driving as a key element of our daily routine, whether it is commercial driving, company car or grey-fleet driving. Substantial mileage is covered most days of the week by the Group's employees. This presents potential risk, with driving reportedly the most dangerous work activity that most people do, and the number of vehicles using the UK road network (pre-lockdown) at its highest ever level. With the UK's roads now starting to return to normal we have had to take into account the risk created by the high number of on-road foot workers, such as maintenance workers, postal workers, vehicle breakdown technicians, motor-cyclists and cyclists, whose numbers are increasing daily due to coronavirus concerns around public transport as well as Government encouragement.

We reviewed our Road-Risk Management Policy in October 2019. This Policy provides guidance for our drivers in identifying and evaluating potential risks and implementing solutions to reduce any identified risk to its lowest practicably attainable level.

We are committed to the highest standards of road safety and hold a Fleet Management Road-Risk Management Seminar with audiences consisting of the Executive Team, Regional Directors, General Managers and Operating Centre licence holders.

The Seminar takes place bi-annually and discusses fleet management, road safety, and current and future legislation changes. We work with The Royal Society for the Prevention of Accidents ("ROSPA") to deliver training and qualifications to all of our drivers. In addition, we are working closely with Logistics UK, (formerly the Fleet Transport Association) to deliver all our Driver Certificate of Professional Competence ("DCPC") training across the business.

During the financial year, we took delivery of an additional 93 new commercial vehicles as part of our fleet replacement programme. The new vehicles are fitted with the latest technology including forward-facing camera systems. These have already been shown to help reduce incidents and improve safety by promoting high driving standards and identifying areas in which more work is required, for instance with refresher training and driving assessments.

The new vehicles are also fitted with the latest automobile braking technology, Version 2 Emergency Brake Assist, which ensures that a safe distance is maintained with a vehicle in front. If necessary, the technology will automatically initiate braking should the set distance be breached. The system reduces rear-end incidents, enhances overall driving performance and improves fuel efficiency. The vehicles are also fitted with the latest Euro 6 fuel-efficient engines to further increase fuel efficiency.

Our telemetry system allows us to review driver behaviour and we use this data to carry out in-depth risk analysis, allowing us to reward good driving technique and identify where driving standards may be lacking, and we implement driving assessments and additional on-road driver training accordingly. Telematics management training is ongoing across the business with a focus on improvements of the seven KPIs listed against each driver when driving commercially, namely Green Band driving, Harsh Braking, Cornering and Acceleration, Over-revving, Over-speed and Engine idling. This is supported by the Fleet Management team issuing weekly updates to the business as a Telematics Performance Summary Report.

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

The Fleet Management team's Regional Transport Managers ("RTM"s) have a number of Service Centres allocated to each of them, with their roles being that of a direct link to the Service Centre management teams giving professional guidance, advice and support in a number of key areas, including driver and fleet compliance, vehicle maintenance and repairs, telematics, licensing, accident management and driver behaviour.

Each RTM is required to attend an approved Logistics UK Driving Assessors Course. As a result of lockdown these courses were delayed, thus boosting the flexibility of available on-road and classroom based assessments across the

CASE STUDY

CUSTOMER CENTRIC APPROACH TO SAFETY

We believe that health and safety should have a clear purpose – to reduce risks. This is why risk assessment is the driving factor behind our approach. In practical terms, we only introduce a process if it is directly and clearly linked to an operational risk.

For any safety process to be effective, it's essential that it engages people. Good health and safety relies on engagement. We want to create a culture of openness where safety is seen as a benefit and an intrinsic part of the business and its commercial success, not a separate audit and policing function aligned exclusively to regulation.

Customer centric safety recognises that each stakeholder has a different need and that by treating each stakeholder as a genuine customer we are more likely to achieve sustainable engagement, which ultimately reduce risks.

When designing any safety process, the challenge is to try to meet the needs of all key stakeholders involved in that process and strike the right balance. Customer centricity is about understanding stakeholder needs and making sure that we always ask the question when doing something new – who are the stakeholders – what's the best solution we can design?

For example, this year we launched our 'Take 5' campaign using customer centric principles. This is a behavioural programme with the aim of engaging colleagues to avoid five acts that could help to avoid a serious accident. The campaign is very simple and a visual reminder of what we can all do to reduce risks.

Across our culturally diverse workforce, we aim to create an environment where all our employees feel appreciated, recognised and valued.

business. High-risk drivers and drivers of concern are identified through the many online management reporting suites available to Fleet Management. Our online management systems allow for Service Centre, Regional and Group-wide risk analysis to be established through accurate information and reporting of trends and concerns at all levels including to individual driver level. This also allows for a more targeted approach to an on-road training and refresher programme implemented and sustained across the Company.

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

Our Employees

Across our culturally diverse workforce, we aim to create an environment where all our employees feel appreciated, recognised and valued.

Adhering to our obligations under the Equality Act 2010, including Gender Pay Gap reporting, is a fundamental requirement, however we strive to go beyond this. We have policies and proactive programmes in place for recruitment, career development and promotion that are based solely on the ability and performance of the individual, whilst also aligning to the needs of the Group.

Apprenticeship and bespoke in-house programmes are available to all our employees. These focus on enhancing existing skill sets within current roles; as well as developing new skills for future roles. Our induction programme also ensures that all our new employees understand our full product range as well as the Group's vision. Since March 2020, we have successfully worked with our training partners and in-house team to establish new and innovative ways of continuing to deliver both existing training programmes as well as those necessary to support our managers and employees in handling the challenges of lockdown.

All employees are offered a competitive benefits package, including a provision for death-in-service payments and access to counselling and advice services. There are a number of voluntary benefits, including healthcare plans and gym discounts, which support employee welfare and wellbeing. A variety of pension schemes are provided that meet our auto-enrolment obligations as well as supporting our employees to plan for their financial future.

We encourage an interest in activities at all levels and seek to receive and consider the views of employees across a wide range of matters. This aim is promoted through local, regional and Group-wide initiatives. These initiatives ensure two-way communication and employee involvement, and include access to the Operating Board to report and discuss any issues. Regular news bulletins are distributed throughout the Group and a bi-annual magazine is produced with a mixture of business and employee news.

Senior management also attend regular calls, meetings and conferences to ensure cohesive engagement throughout the Group, and to raise awareness of the financial and economic factors affecting the Group's performance.

During the coronavirus pandemic the primary and most valued, based on employee feedback, communication channel with our employees (both in work and furloughed) was through regular two-way communication with the Group's Chief Executive. This predominantly took the form of personal emails and individual question and answer sessions, available on request. All managers were also expected to contact (ideally by telephone) all furloughed employees at least weekly (or such longer period as the furloughed employee felt was more suitable) to discuss any concerns and to seek to ensure their wellbeing during the period of furlough.

s172 Statement

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

This is the Company's first s172 Statement. Here we summarise our activities, explain how the Company has considered the s172 Matters and engaged in constructive dialogue with employees, suppliers, customers and others; and has had regard to employee interests, the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that consideration, including on the principal decisions taken by the Company during the financial year. We also signpost where more detail can be found on the s172 matters in this Annual Report and Accounts.

The Directors are satisfied that they have complied with these requirements.

An illustration of the Company's approach to the s172 matters, which identifies our stakeholders, can be found on pages 25 and 27 outlining the Company's Customer Centric Approach to health and safety.

The Likely Consequences of Any Decision in the Long Term

The Directors understand the business and the evolving environment in which we operate, including the recent challenge presented by coronavirus and the risk of a second wave or of future pandemics. Based on the Company's Mission (inside front cover) and with the first phase of the turnaround complete, the strategy set by the Board is intended to strengthen our position as a leading freight and courier business, while keeping safety and social responsibility fundamental to our business approach.

The Interests of the Company's Employees

Our employees are interested in subjects such as opportunities for development and progression, working arrangements (especially as a result of the coronavirus pandemic), opportunities to share ideas, diversity and inclusion, and compensation and benefits, and we have developed various communication channels to help meet their needs. Our leadership team is approachable and has regular visits at depots, service centres and other sites. Our engagement with our employees is discussed in more detail in the Our Employees section of our Corporate Responsibility Report on page 28.

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

We and our business partners are interested in long-term partnerships and a collaborative approach. Our engagement with our suppliers, customers and other stakeholders is critical and is discussed in more detail under Customer Proposition on pages 6 to 7, in the Case Studies on pages 17 and 19 and in the Directors' Report on pages 42 to 44.

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

Our commitment to address matters of concern in the communities in which we operate and the wider environmental concerns is discussed in more detail in our Corporate Governance Report section on pages 24 to 28.

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

Our reputation is vital to our continued success and our approach to business conduct is identified in our Mission and Approach and discussed in our Governance Report on pages 32 to 35.

The Need to Act Fairly as Between Members of the Company

We address this area in more detail in the Chairman's Introduction to Corporate Governance and the Governance Report on pages 32 to 35 and our approach is illustrated by our Remuneration Policy which is being tabled at this year's Annual General Meeting. Our approach to remuneration aligns the interest of the Executive Directors with that of the shareholders. Our approach is to attract and retain the best possible people who have the capacity and drive to meet the Company's strategic and financial objectives. To attract and retain the Executive Directors we offer them a basic salary and pension that is fair, reasonable and affordable for the Company. They are incentivised to deliver growth of the business by way of a discretionary annual bonus scheme, which rewards the Executive Directors based on achieving year-on-year targets and longer-term incentives through the Performance Share Plan introduced in December 2017 in order to create and protect long-term shareholder value.

Board of Directors

STRONG LEADERSHIP

RONALD SERIES
Executive Chairman

On 19 October 2017, Ron joined DX as Executive Chairman. He has previously held executive and non-executive positions with a number of companies with international operations in transport, logistics, shipping, real estate and information technology. Included among them are Tuffnells Parcels Express Limited where he was chairman during its turnaround in 2002 to 2005. Ron is currently chairman of Braemar Shipping Services plc.

N

LLOYD DUNN
Chief Executive Officer

On 9 October 2017, Lloyd joined DX as Chief Executive Officer; he joined the Board on 19 October 2017. Lloyd has been in transport for 45 years. In 1985, he joined Russell Black as a founding member of Nightfreight. In 2002, he joined Tuffnells, and he became Managing Director in 2003 and CEO in 2005. He led the company during its turnaround leading to its sale for £135 million in 2015.

DAVID MULLIGAN
Chief Financial Officer

David has over 20 years of experience in senior financial positions in a number of listed companies, and joined DX in April 2018. He was most recently CFO at Hornby plc, where he was involved in delivering the restructuring and turnaround of the business. The major part of his career was at Morgan Sindall Group plc, the construction and regeneration group, which he joined in 1997. He became CFO in 2004, a position he held until his departure in 2013. David qualified as a chartered accountant with Ernst & Young in 1995.

N Nomination Committee

R Remuneration Committee

A Audit & Risk Committee

RUSSELL BLACK

Non-executive Director

On 19 October 2017, Russell joined DX as a Non-executive Director. He has over 40 years of experience in the transport industry and was founder and CEO of Nightfreight from 1984 to 2002, during which time it was listed on the London Stock Exchange.

N R

PAUL GOODSON

Non-executive Director

On 19 October 2017, Paul joined DX as a Non-executive Director. He was previously executive chairman of Great Bear Distribution, a leading independent third-party logistics business, which he successfully sold to Culina to create a £400 million group. Paul spent 13 years with Barclays Private Equity.

R A

IAN GRAY

Non-executive Director

Ian joined DX as a Non-executive Director as of 1 July 2017. Over the past 30 years, he has been advising companies on business transformation and strategy development and has provided high-level counsel to UK companies across a range of industry sectors, including distribution, retail, manufacturing and pharmacies. He is currently a non-executive director at Clancy Group Holdings Limited, one of the largest privately owned construction businesses in the UK.

A

Chairman's Introduction to Corporate Governance

Dear Shareholder,

I am pleased to introduce the Group's corporate governance report. One of my key responsibilities is to ensure the Group maintains high standards of corporate governance and to review the corporate governance structures, including the various Board committees, to ensure they continue to be appropriate to the size and complexity of the Group as the business evolves.

As Executive Chairman, I lead the Board of Directors and have primary responsibility to provide the necessary leadership, input and guidance to the Company and the Board in restoring the business to a level of sustainable profitability that creates long-term shareholder value. I also have responsibility for steering the Board agenda to ensure it focuses on the important operational and financial matters.

The current Board has the appropriate blend of skills, capabilities and experience to deal with the challenges faced by the business. Industry knowledge, supported by financial experience, is particularly important for the Company at this time of continued uncertainty regarding Brexit and the coronavirus pandemic and the Board has a depth of experience in these areas.

The Board has adopted the Quoted Companies Alliance corporate governance code (the 'QCA Code'). As a Board we believe that by complying with the QCA Code the Group has an appropriate level of governance for its current stage of development, as well as providing a suitable framework in the medium to long term. The QCA Code supports the Group's approach to managing risks and transparent communications with stakeholders. Where appropriate, this corporate governance statement and report have been prepared to comment on the application of the QCA Code's ten principles and to address the disclosure requirements recommended by it. A detailed explanation of how the Group has addressed the QCA's ten principles is available on the website at investors.dxdelivery.com/websites/dxgroup/English/2010/corporate-governance.

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

During the year, the Group's corporate governance arrangements were unchanged with the structure and members of the Board and committees remaining the same.

Following a formal assessment of the Board's effectiveness undertaken in August 2019, the review's recommendations as outlined in last year's report and accounts have been implemented during the year.

David Mulligan had acted as Company Secretary as well as CFO. On 26 March 2020, Russell Deards was appointed as Company Secretary and Head of Legal, and he has now taken on David's company secretarial responsibilities.

Ronald Series
Executive Chairman

Governance Report

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

The Board

The roles of the Executive Chairman and Chief Executive Officer are separate with each having clearly defined duties and responsibilities.

The Executive Chairman provides leadership to the Board. He is responsible for chairing the Board meetings and for setting the agenda for the Board meetings (in consultation with the Chief Executive Officer) and ensuring that the Board has sufficient time to discuss issues on the agenda, especially those relating to strategy. The Executive Chairman is also responsible for ensuring that the Directors receive all of the necessary information and reports. He is also responsible for ensuring the market and regulators are kept appraised in a timely manner of any material events and developments, and along with the Chief Executive Officer that the appropriate standards of corporate governance are effectively communicated and adhered to throughout the business.

The Chief Executive Officer is responsible for leadership of the DX management and its employees on a day-to-day basis. In conjunction with the Operating Board, the Chief Executive Officer is responsible for the implementation of Board decisions.

During the financial year, the composition of the Board has been unchanged. As of the date of this Annual Report, the Board comprised the Executive Chairman (Ronald Series), two Executive Directors (Lloyd Dunn and David Mulligan) and three Non-executive Directors (Ian Gray, Paul Goodson and Russell Black).

Details of each Director's background and experience can be found on pages 30 to 31. The Board's mix of skills and business experience is important to the Company at this stage of its development and ensures an informed review and debate of performance and strategy. Each Director is responsible for keeping their skills up to date and relevant to being a director of a listed company.

Whilst the Company's turnaround strategy has been successfully implemented, the Board continues to have strict control over key areas of expenditure. For example, the threshold for approving capital expenditure by the full Board is £50,000 and the approval of all senior appointments with a base salary above £100,000 is reserved to the Remuneration Committee. This helps to ensure a high level of diligence in key capital and people decisions.

Independence

The actions and decisions of all the Non-executive Directors who served during the year and up to the date of this report are considered by the Board to be independent in both character and judgement. The three Non-executive Directors provide a balance between the Executive and independent Directors.

Role of the Board

The Board meets regularly with the aim of restoring the Company to long-term growth and profitability. Directors are supplied with a comprehensive Board pack before all Board meetings, which includes the agenda, previous minutes, detailed financial information and all other supporting papers necessary to have a fully informed discussion. The Board ensures that the necessary changes are being affected and investment being made to achieve DX's strategic priorities.

A full copy of the schedule of matters reserved for the Board is available on www.dxdelivery.com.

Day-to-day operational and financial management is delegated to DX's Operating Board. The Operating Board meets bi-monthly and provides the Board with detailed monthly reports.

Operation of the Board

The Board meets regularly and there were eight scheduled Board meetings during the financial year. Any specific actions arising during meetings agreed by the Board are followed up and reviewed at subsequent Board meetings to ensure their completion. The Board also keeps in close contact between formal meetings and will conduct ad hoc meetings as required. If a Director is unable to attend a Board meeting, the Chairman will canvass his views in advance and ensure that the Director is promptly advised of the outcome of the matters under discussion.

Attendance	Scheduled Board meetings	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Ronald Series	8/8	–	–	3/3
Lloyd Dunn	8/8	–	–	–
David Mulligan	8/8	–	–	–
Ian Gray	8/8	7/7	–	–
Paul Goodson	8/8	7/7	2/2	–
Russell Black	8/8	–	2/2	3/3

Each Director receives induction training on appointment including visits to principal sites and meetings with operational management, and all Directors have access to independent legal advice on request.

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

Operation of the Board continued
The business at each scheduled Board meeting includes regular reports from the Chief Executive Officer and the Chief Financial Officer covering business performance, markets and competition, health and safety and investor and analyst updates, as well as progress against strategic objectives and capital expenditure projects. The Board also considers reports from functional heads from across the business. Board meetings are frequently held at different Group locations in order to review local operations. During the coronavirus pandemic, several meetings were held remotely in accordance with the Company's Articles.

Board Committees
The Board has delegated certain responsibilities to the Nomination Committee, the Audit & Risk Committee and the Remuneration Committee. Each Committee operates according to its own terms of reference (available at https://www.dxdelivery.com/investor/about-dx in the publications tab).

Audit & Risk Committee
The Audit & Risk Committee has primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of DX is properly measured, ensuring the integrity of the financial statements, and reporting and reviewing reports from DX's auditor relating to DX accounting and internal controls, in all cases having due regard to the interests of shareholders. Further information on the Committee is set out in the relevant report on pages 36 to 37.

Remuneration Committee
The Remuneration Committee determines remuneration for the Executive Directors and senior managers in the Group. Further information on the work of the Committee is set out in the Directors' Remuneration Report on pages 38 to 41.

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

Investor Relations
DX places a great deal of importance on communication with all shareholders. There is regular dialogue with individual institutional shareholders throughout the year and formal presentations after the interim and preliminary results. In particular, during the year to June 2020, presentations were made to institutional investors in relation to the Group's growth plans.

The 2020 Annual General Meeting ("AGM") will be held on 26 November 2020 at 11am. The notice of the meeting is enclosed. It is also available to download from www.dxdelivery.com.

The Board encourages dialogue between the Directors and investors, and the Directors are available at each AGM to hear the views of all shareholders and to answer any questions about the business generally and about the resolutions proposed.

The principal methods of communication with private investors remain the Annual Report and Accounts, the interim statements and DX's website (www.dxdelivery.com). The website, which includes a DX Investor Centre, is viewed as an efficient and cost-effective way to communicate widely with all shareholders, and DX's financial reports, publications and press releases can be viewed here together with corporate governance information, key dates in the financial year, and news about DX, its services and issues affecting the industry.

The Board also received shareholder feedback from finnCap (DX's Nominated Adviser and Joint Broker) and from Liberum (DX's Joint Broker) during the course of the year.

Culture
Critical to delivery of growth of the business is ensuring we have the right culture in the business. At the heart of the plan is local responsibility and accountability for the performance of each depot and service centre, and a commitment to deliver the changes to the business to return it to longer-term, sustainable profitability. The Board and senior management help to support and reinforce this culture through their own personal behaviour and commitment, by being highly visible in the business, by making timely and informed decisions and by adopting an attitude of continuous improvement.

Internal Controls and Risk Management
DX has in place a system of internal financial controls commensurate with its current size and activities.

The Board has overall responsibility for DX's system of internal control to safeguard the Company's assets and shareholders' interests. The risk management process and systems of internal controls are designed to identify the main risks that the Group faces in delivering its strategy and growth plan, and ensure that appropriate policies and procedures are in place to minimise these risks to the Group, including the establishment of appropriate business continuity planning arrangements. The Company maintains a risk management register which is reviewed and discussed every six months with the Operating Board and the Chairman of the Audit & Risk Committee.

The Board has reviewed the effectiveness of the system of internal control for the period ended 27 June 2020 and up to the date of the signing of the Annual Report and Accounts. The Board will continue to develop and implement internal control procedures appropriate to DX's activities and scale.

The Board recognises that an essential part of its responsibility is the effective safeguarding of assets, the proper recognition of liabilities and the accurate reporting of results. The Group has a comprehensive system for regular reporting to the Board. This includes monthly management accounts, functional reports and an annual planning and budgeting system. The financial reporting system compares results against budget and against the prior year, and the Board reviews its forecasts for the financial year on a regular basis.

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

Strategy

A description of the Group's strategy can be found in the section on Strategic Objectives on pages 12 to 13. An overview of the business model for DX Freight and DX Express is on pages 16 to 19.

Audit & Risk Committee Report

Dear Shareholder,

This report provides an overview of how the Committee operated, an insight into the Committee's activities and its role in ensuring the integrity of the Group's published financial information and ensuring the effectiveness of its risk management, controls and related processes.

Committee Structure

The membership of the Committee, which remained unchanged during the year, comprises two Non-executive Directors, Ian Gray as Chairman and Paul Goodson as the other member. The Committee has been selected with the aim of providing the range of financial and commercial expertise necessary to meet its responsibilities. The Board is confident that the collective experience of the Audit & Risk Committee members enables them to act as an effective Committee.

Meetings

The Committee had four scheduled meetings during the year and three additional meetings. The attendance by members can be seen on page 33. I report to the Board, as a separate agenda item, on the activity of the Committee and matters of particular relevance and the Board receives copies of the Committee minutes. Attendance at meetings of the Committee by non-members is by invitation and at the discretion of the Committee. The Chief Financial Officer and the external auditor are invited to attend some meetings of the Committee. The Committee also meets separately with the Chief Financial Officer quarterly.

Roles and Responsibilities

The main duties of the Audit Committee are set out in its terms of reference, which are available under the publications tab at https://www.dxdelivery.com/investor/about-dx/.

This year, Committee discussions included the following key items:

> Impact of coronavirus pandemic and going concern;
> Adoption of the QCA Code;
> Review of 2019 Annual Report;
> Financial reporting (including IFRS 16 'Leases' and Making Tax Digital);
> Internal Audit Charter;
> Whistleblowing policy;
> Modern Slavery;
> Cyber Security;
> Reappointment of external auditor;
> Review of the Group risk register;
> Anti-bribery and Fraud;
> Committee governance;
> Health and safety;
> Implication of Brexit for the Group; and
> External audit plan and strategy for 2020 Annual Report.

Areas of focus

This year, the Committee focused on the following areas:

> The adoption of IFRS 16 'Lease Accounting';
> Cyber Security; and
> Assessing the continued independence of the external auditors.

Internal Audit

The Group's internal audit function is overseen by and reports independently to the Committee. During the year, the Committee has approved an updated Internal Audit Charter, providing that team with the authorisation to conduct a certain scope of work and the necessary independence to operate effectively. The scope of internal audit's coverage is based upon their Group-wide risk assessment and in the year has included a series of service centre audits with targeted reviews of DX Secure.

Whistleblowing

The Company's Whistleblowing Policy, approved in 2018, encourages and protects legitimate whistleblowing. An independent third-party whistleblowing helpline, secure web portal and mobile app, allows employees to report concerns about individuals who have acted improperly. All contacts are treated confidentially and anonymously if preferred. A small number of matters were considered by the Committee, none of which required any external legal advice.

Non-Audit Services

KPMG LLP undertakes tax accounting services for the Company as well as being its auditor. As the Group is classified as an Other Entity of Public Interest ("OEPI") under revised ethical standards for auditors issued in 2019 KPMG will no longer be able to provide both audit and tax accounting services for the Group after 15 December 2020. The Committee is cognisant of this conflict and a decision to resolve this matter will be made in the near future.

External Auditor

To ensure the auditor's independence and objectivity, the Committee annually reviews DX's relationship with the auditor. Following the review in 2020, DX concluded that it has an objective and professional relationship with KPMG LLP and that there are sufficient controls and processes in place to ensure the required level of independence. In addition, the auditor is required to review and confirm its independence to the Audit & Risk Committee on a regular basis.

Given the situation outlined above the Committee is still considering KPMG LLP's reappointment as DX's auditor or tax advisors. It is noted that the current financial year would be the last year of KPMG's tenure as the Company's auditor in line with the policy to re-tender audit services every ten years.

Audit Process

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

Committee Effectiveness

In order to ensure that the Committee remains effective, the Board will be appointing an external organisation to perform an independent review of the Committee to evaluate its performance.

Ian Gray
On behalf of the Audit & Risk Committee

Directors' Remuneration Report
(including the Remuneration Committee Report)

Dear Shareholder,

Chairman's Annual Statement
DX's approach to remuneration aligns the interests of the Executive Directors to the shareholders. Our approach is to attract and retain the best possible people who have the capacity and drive to meet the Company's strategic and financial objectives. To attract and retain the Executive Directors we offer them a basic salary and pension that is fair, reasonable and affordable for the Company. They are incentivised to deliver growth of the business by way of a discretionary annual bonus scheme, which rewards the Executive Directors based on achieving year-on-year targets and longer-term incentives through the Performance Share Plan introduced in December 2017 in order to create and protect long-term shareholder value.

Report from the Remuneration Committee
The Board has delegated certain responsibilities for Executive Directors' remuneration to the Remuneration Committee.

The Remuneration Committee is chaired by Paul Goodson, with Russell Black being its other member. Any other attendees are at the invitation of the Committee Chairman only and may include the Executive Chairman. The Remuneration Committee meets according to DX's requirements. There were three meetings held in the financial year. The Remuneration Committee determines the remuneration packages for the Executive Chairman, the Executive Directors and senior managers, and any major remuneration plans or policies for the Group. This includes implementation of the Group's share incentive plans. The Committee's role is to ensure that the principles of the Company's Remuneration Policy are aligned with the business strategy and promote long-term shareholder value.

In view of the impact of the coronavirus pandemic on our employees and other stakeholders, the CEO and CFO volunteered to waive their bonus entitlement for the period ended 27 June 2020.

Full terms of reference for the Committee are available on www.dxdelivery.com.

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

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

In line with best practice, the Remuneration Policy will be tabled at the 2020 AGM for an advisory vote.

The Executive Chairman's base annual salary was changed during the period from £240,000 to £192,000 to reflect his reduced time commitment to the Company. There were no changes to the Chief Executive Officer's or Chief Financial Officer's remuneration during the period.

Executive Directors' Service Contracts and Termination Policy
Executive Directors hold a service agreement with an indefinite term and a fixed maximum termination period of 12 months for the Executive Chairman and CEO, and six months for the CFO. Any payments in respect of termination reflect base salary only and do not include annual bonus. The Company's policy on the setting of notice periods under the Executive Directors' service agreements is considered to be in line with external market trends and is reviewed by role to protect the Company's knowledge and operations.

The base annual salaries for the Executive Directors for the 53 weeks to 3 July 2021 will be as follows:

	2021 £000	2020 £000	% change
Ronald Series (Executive Chairman)	192	200	(4%)
Lloyd Dunn (Chief Executive Officer)	300	300	–
David Mulligan (Chief Financial Officer)	200	200	–

Each of the Executive Directors is eligible to participate in a discretionary annual bonus scheme, should one be put in place for any given year, with the potential to receive bonus payments up to a maximum of 100% of salary in the case of the Executive Chairman and Chief Executive Officer and 50% of salary for the Chief Financial Officer. Any bonus payments are at the discretion of the Board and subject to such conditions, including EBITDA and KPI targets, as the Board may determine. A scheme was in place in respect of this financial year but given the coronavirus pandemic the Executive Directors have waived their entitlement to any bonus. Only the Remuneration Committee can authorise executive termination payments.

Non-Executive Directors

Non-executive Directors have letters of appointment each with a term of three years (subject to re-election at the AGM) and a fixed maximum termination period of three months.

The base annual fees for the Non-executive Directors for the 53 weeks to 3 July 2021 will be as follows:

	2021 £000	2020 £000	% change
Ian Gray	42	42	–
Russell Black	42	42	–
Paul Goodson	42	42	–

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

Directors' Shareholdings

The Directors who held office at 30 June 2020 had the following interests, including Persons Closely Associated ("PCA"), in the shares of the Company (excluding any entitlements that may become due under the Performance Share Plan 2017 or Restricted Share Awards outlined below):

	Ordinary Shares 27 June 2020
Lloyd Dunn	61,949,293
David Mulligan	2,352,941
Russell Black	2,481,882
Ronald Series	2,135,294
Paul Goodson	2,901,510
Ian Gray	800,000

During the year, Ron Series purchased 390,000 Ordinary Shares (70,000 on 18 March 2020, 140,000 on 4 June 2020 and 180,000 on 30 June 2020), Lloyd Dunn (including his PCAs) purchased 517,212 (20 March 2020), Paul Goodson purchased 701,510 Ordinary Shares (300,000 on 24 April 2020, 200,000 on 12 June 2020 and 201,510 on 26 June 2020) and Ian Gray (including his PCAs) purchased 200,000 (on 28 May 2020).

Total Single Figure of Remuneration for Directors (Audited)

The table below sets out a single figure for the total remuneration received by each Director for the period ended 27 June 2020 and the prior year.

	Period ended 27 June 2020						Year ended 30 June 2019
	Basic salary and fees £000	Allowances £000	Benefits £000	Pension contributions £000	Bonus £000	Total £000	Total £000
Ronald Series	197	10	3	20	–	230	276
Lloyd Dunn	295	19	2	–	–	316	322
David Mulligan	197	30	1	–	–	228	230
Russell Black	41	–	4	–	–	45	45
Paul Goodson	41	–	2	–	–	43	44
Ian Gray	41	–	–	–	–	41	42
Total	812	59	12	20	–	903	959

The Directors voluntarily waived 20% of their salaries and fees for the month of May 2020 to assist the business through the coronavirus pandemic. In addition, the bonus potential for the CEO and CFO was waived during the year given the impact on the business of the coronavirus pandemic. There was no bonus potential for the year ended 30 June 2019.

Executive Directors' External Appointments

Ronald Series is chairman at Braemar Shipping Services plc. No other Executive Director has an external appointment.

Relative Importance of Spend on Pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends and retained profit.

	2020 £m	2019 £m	Change £m
Staff costs	**£102.5**	£95.0	£7.5
Dividends	**£nil**	£nil	–
Loss before tax	**£(1.3)**	£(1.7)	£0.4

Share Plans (Audited)

Performance Share Plan 2017 ("PSP")

The PSP has been designed to provide an appropriate incentive for the management team at DX to deliver a turnaround in the Company; the initial awards ('Recovery Awards') were made during the year to 30 June 2018. The PSP is established as a share plan under which awards of shares, the vesting of which is subject to performance conditions, can be made to selected employees of the Company, including the Executive Chairman and the Executive Directors.

The award is made in one of two forms: a nil or nominal cost option, where a participant can decide when to exercise his/her award over Ordinary Shares in the Company during a limited period of time after it has vested; or a conditional award, where a participant will receive free shares on the vesting of their award. No awards will be granted after the tenth anniversary of the 15 December 2017 General Meeting.

Participants will bear the obligation for the payment of Employers' National Insurance Contributions ("NICs") when the awards are exercised. As a result the numbers of shares awarded were further 'grossed up' by c.16.7% to compensate the holders of awards for this transfer of liability.

The total number of shares over which all awards (including compensatory awards in respect of the transfer of Employers' NICs) are granted will not exceed 15% of the issued share capital of the Company from time to time (and as further diluted by the awards under the PSP).

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

3-4-5 Year Share Price target	% of Recovery Award that vests
Less than 12.5p	0%
12.5p	25%
Between 12.5p and 40p	Pro-rata on straight-line basis between 25% and 100%
40p	100%

The Share Price target will be tested at each of the third, fourth and fifth anniversaries of the commencement of the PSP in December 2017, and on each occasion the Share Price measurement is to be based on the 30-day average share price prior to the test date. Achievement of a Share Price measurement on a later test date which is greater than the achieved measurement on a previous test date will result in additional vesting of the award in accordance with the above table.

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

An award in the form of an option will normally remain exercisable until the tenth anniversary of the date of grant. All dealings in shares to be acquired from the PSP shall only be by arrangement with the Company's nominated broker. An award will lapse upon a participant leaving the employment of the Group, subject to normal good leaver provisions. In the event of a change of control of the Company, all awards may vest early to the extent that the performance conditions have, in the opinion of the Remuneration Committee, been satisfied at that time.

The Company retains a power to reduce the potential vesting of unvested awards (including to zero) (often referred to as 'malus') or to recoup the value of previously vested awards from a participant within three years of the date of vesting if it considers it appropriate to do so (often referred to as 'clawback').

Restricted Share Awards

Restricted Share Awards were made to Russell Black and Paul Goodson on 21 December 2017. Such awards are not linked to performance and will have the following key features:

> The proposed awards to each individual represent awards over 0.12% of current issued share capital;
> Such awards will reflect the transfer of Employers' National Insurance Contributions, and the numbers of Shares were further 'grossed up' by c.16.7% to compensate the holders of the awards for this transfer of liability;
> The share awards will vest after three years, subject to continued service as a Director;
> Good leaver and change of control provisions similar to those for PSP awards will apply; and
> The awards made will be counted towards the overall 15% of issued share capital from time to time available for awards.

PSP and Restricted Awards outstanding

At 30 June 2020, outstanding awards to Directors under the PSP and Restricted Awards were as follows:

PSP Awards	27 June 2020	30 June 2019
Ronald Series	**23,370,626**	23,370,626
Lloyd Dunn	**43,402,592**	43,402,592
David Mulligan	**5,721,784**	5,721,784

Restricted Awards	27 June 2020	30 June 2019
Russell Black	**834,665**	834,665
Paul Goodson	**834,665**	834,665

See note 29 to the Financial Statements for details of the total number of outstanding awards under the schemes.

Paul Goodson
Chairman of the Remuneration Committee

Directors' Report

The names and biographical details of the Directors currently serving on the Board are set out on pages 30 to 31.

The Company's approach to the appointment and replacement of Directors is governed by its Articles and all relevant legislation, and takes into consideration any recommendations of the QCA Code.

The Company's Articles require that all Directors should be subject to election by shareholders at the first AGM following their appointment and that one-third of the Directors (or the number nearest to but not less than one-third) retire by rotation at each AGM, with each Director also being subject to re-election at intervals of not more than three years. The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any Director so appointed by the Board holds office only until the next AGM and may then offer himself/herself for election by the shareholders. Paul Goodson along with Russell Black will offer themselves for re-election at the 2020 AGM.

The powers of the Directors are determined by the Articles, the Companies Act 2006 and other relevant legislation. At the 2019 AGM, the Directors were authorised to issue and allot shares, to disapply the statutory pre-emption rights and to buy back shares. This authority remains in place until the conclusion of the 2020 AGM. It will be proposed at the 2020 AGM that the Directors will be granted a new authority to allot shares, to disapply the statutory pre-emption rights and to buy back shares. The Company may by ordinary resolution declare dividends not exceeding the amount recommended by the Board.

Results and Dividends

The results for the period ended 27 June 2020 are shown on page 50. The Group's loss for the year after tax was £1.8 million. As previously announced, no dividend will be payable for the 2020 financial period. This policy remains under review.

Principal Activities, Risks and Review of the Business

The Group's continuing activities are the provision of delivery solutions, including parcel freight, secure courier and logistics services in the UK and Ireland. The principal activity of the Company is that of a holding company.

The Strategic Report set out on pages 1 to 29 provides a fair review of the Group's business for the period ended 27 June 2020. It also explains the objectives of the Group, its progress against those objectives, its competition and the markets in which it operates, the principal risks and uncertainties it faces, the Group's financial position, key performance indicators and likely future developments of the business.

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

The Board has continued to discuss the implications of Brexit and keeps developments under review. It has assessed the potential Brexit scenarios on existing contracts, workforce, supply chain and on the regulatory environment. We continue to believe Brexit risks have a more indirect impact on DX rather than direct for the following reasons.

> DX is predominantly a UK-based delivery network;
> Freight and parcels moving between the Group's operations in the UK and the Republic of Ireland could be disrupted but this represents about 1% of the Group's revenue;
> We have considered the knock-on impact to highways of vehicle delays at UK ports, and are satisfied that this will have little impact on our collection, delivery and trunking activities;
> Our supply chain is not reliant upon time-sensitive or critical imports;
> DX does employ foreign-national employees but these tend to be long-serving (and not seasonal) so the short-term risk of changes is not considered high;
> Our standard terms of trade allow for some cost pressures such as fuel to be passed onto our customers;
> The imposition of tariffs may affect the cost of procuring certain goods, such as vehicles, but we expect any such increases would be reflected in the prices charged to our customers and we believe we are not at any specific disadvantage compared with our competitors; and
> The risk to the wider economy from the general level of uncertainty is more likely to have an impact on our customers. This could result in lower volumes and revenue and could prolong the turnaround of the business.

Going Concern

The Group has prepared trading and cash flow forecasts for a period of three years, which have been reviewed and approved by the Board. The forecasts included a base case and a further severe but plausible downside scenario. Further details on these forecasts can be found in note 2 to the financial statements.

The Group also has in place a £20.0 million invoice discounting facility provided by BNP Paribas Commercial Finance, which was not drawn at the year end. Interest is charged at LIBOR plus 1.95%, along with a £0.2 million annual fixed charge.

On the basis of these forecasts and the invoice discounting facility, and after a detailed review of trading, financial position, assessing the impact of any potential material disruption to the business and cash flow models, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Corporate Governance
The Board is fully committed to high standards of corporate governance. Details relating to the Company's compliance with the QCA Code for the financial year and a description of the Company's management and reporting structure are given in the Report on Governance pages 33 to 35 and Directors' Remuneration Report on pages 38 to 41.

Anti-bribery and Corruption
DX takes a zero-tolerance approach to bribery and corruption and has a written anti-bribery and corruption policy in place. Training is provided to set the clear expectation that employees must act professionally and with integrity in all business dealings and they are required to complete the gift register.

Whistleblowing
DX has whistleblowing procedures under which employees are encouraged to inform the Executive Team or any Director of any concerns they may have that the practices of DX or individuals are wrongful or contravene any applicable laws or regulations. This approach is supported by an externally managed confidential whistleblowing phone line and email/online channels to ensure an open and ethical culture for the benefit of our employees, customers and other stakeholders.

Modern Slavery
DX's modern slavery transparency statement for the current financial year can be found on www.dxdelivery.com. DX also has in place a supplier code of conduct requiring all suppliers and business partners to adhere to the Modern Slavery Act 2015 and to conduct business in accordance with the standards of conduct acceptable to DX.

Corporate Responsibility
Information on corporate responsibility matters is set out on pages 24 to 28. These include disclosures on DX's environmental policies (including details of the Group's greenhouse gas emissions as required to be disclosed under the Companies Act 2006 and the new Streamlined Energy and Carbon Reporting (SECR) requirements) and of health and safety policies. Further details can also be found on the DX website, www.dxdelivery.com.

Disabled Employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that adjustments or training are provided as appropriate. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Notifiable Interests
The Company has been notified of direct and indirect interests in voting rights equal to or exceeding 3% of the Ordinary Share capital of the Company as set out in the table below.

	16 September 2020	
Shareholder	Percentage holding	Number of shares
Gatemore Capital Management LLP	35.58%	204,128,538
Hargreave Hale Limited	18.81%	107,920,000
Lloyd Dunn	10.80%	61,949,293
Ruffer LLP	5.22%	29,949,900
River and Mercantile	3.24%	18,572,929

Per shareholder register as at 16 September 2020.

Share Capital
Details of the Company's share capital are set out in note 19 to the financial statements. The Company's issued share capital consists of 573,681,792 Ordinary Shares with a nominal value of £0.01 each. All shares rank equally and are fully paid. No person holds shares carrying special rights with regard to the control of the Company. Each share carries the right to one vote at general meetings of the Company and no right to fixed income. The Company has no treasury shares.

Directors' Interests
The number of Ordinary Shares of the Company in which the Directors are beneficially interested and their dealings in the shares of the Company during the financial year are set out in the Directors' Remuneration Report on page 39.

No Director had any dealings in the shares of the Company between 27 June 2020 and the date of this report.

Director Indemnities and Insurance
In accordance with the Companies Act 2006 and the Company's Articles, the Company has purchased Directors' and Officers' liability insurance, which remains in place at the date of this report. The Company reviews its insurance policies on an annual basis in order to satisfy itself that its level of cover remains adequate.

Amendment to Company's Articles
The Company may alter its Articles by special resolution passed at a general meeting.

Donations
A total of £nil of charitable donations were made in the period ended 27 June 2019 (2019: £5,233).

No payments were made to any political parties (2019: £nil).

Disclosure of Information to Auditor
Each of the persons who were Directors of the Company at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Directors' Responsibilities in Respect of the Annual Report and Financial Statements
The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU;
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report (including a s172 Statement) and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

By order of the Board

Ronald Series
Executive Chairman
16 September 2020

Independent Auditor's Report

to the members of DX (Group) plc

1 Our opinion is unmodified

We have audited the financial statements of DX (Group) plc ("the Company") for the year ended 27 June 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, and the related notes, including the accounting policies in note 3.

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 27 June 2020 and of the Group's loss for the year then ended;

> the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

> the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality: Group financial statements as a whole		**£1.0 million (2019:£1.0 million)** 0.33% (2019: 0.32%) of revenue
Coverage		100% (2019: 100%) of revenue
Key audit matters vs 2019		
Event driven	**New:** Going Concern	▲
	New: IFRS 16 lease arrangements	▲
Recurring risks	Parent Company Investment Valuation	◄►

2 Key audit matters: our assessment of risks of material misstatement

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

	The risk	Our response
Going concern – the impact of uncertainties due to the global spread of COVID-19 *Refer to page 36 (Audit Committee Report), and page 57 (accounting policy).*	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model, including the impact of COVID-19 and how those risks might affect the Group's and Company's financial resources or ability to continue operations in the foreseeable future. As a result of the COVID-19 pandemic, uncertainty about the immediate outlook for many companies has increased sharply. The risk includes the potential effect on customers and cash collections, the availability of debt and other financing arrangements, the impact on the wider supply chain, and, ultimately, the potential of adversely affecting on the Group's and Company's available financial resources over this period.	**Our procedures included:** > **Historical comparisons:** Evaluating whether the assumptions are realistic, achievable and consistent when compared to past performance and other forecast information used during the audit; > **Our sector experience:** Critically assessing the directors' going concern assessment, including the reasonableness of the key assumptions used in the cash flow forecasts and the level of downside sensitivities applied using our industry knowledge of COVID-19 risks; > **Funding assessment:** Reviewing the terms and the adequacy of the Group's invoice discounting facility compared to the Group's forecasts and confirmed with the lender that there is no intention to recall the facility; > **Sensitivity analysis:** Considering the downside sensitivities to ensure that these represented severe but plausible scenarios based on our knowledge of the business, the associated risk exposure and we considered the most recent trading results compared to forecasts; and > **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosure, to confirm whether they sufficiently explain the judgements made by the Directors in assessing whether the going concern basis of preparation is appropriate.
IFRS 16: Recognition of lease arrangements on adoption of IFRS 16 (£80 million) *Refer to page 36 (Audit Committee Report), pages 60 and 61 (accounting policy) and page 78 (financial disclosures).*	**Subjective estimate:** There is significant estimation and judgment in determining the discount rate used to calculate the right of use asset and the lease liability. Given the materiality of the balances being recognised a small change in the inputs will have a material change on the financial statements.	**Our procedures included:** > **Benchmarking assumption:** Comparing key inputs, such as the risk free rate, risk premium and asset specific rate to external data such as market information; > **Sensitivity analysis:** Performing a sensitivity analysis by changing various key inputs on the assumptions above; > **Assessing transparency:** Assessing whether the Group's disclosures about the key judgments and estimation uncertainty are reflected in the financial statements.

	The risk	Our response
Recoverability of parent Company's investment in subsidiaries Parent: £30 million; (2019: £30 million) *Refer to page 36 (Audit & Risk Committee Report), page 59 (accounting policy) and page 68 (financial disclosures).*	**Low risk, high value:** The carrying amount of the parent Company's investments in subsidiaries represents 94% (2019: 94%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	**Our procedures included:** > **Test of detail:** Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. > **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit team on all subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets.

We continue to perform procedures over DX Freight goodwill valuation, however, following improvement in the results of this cash generating unit and the headroom in the value in use calculation prepared by management we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

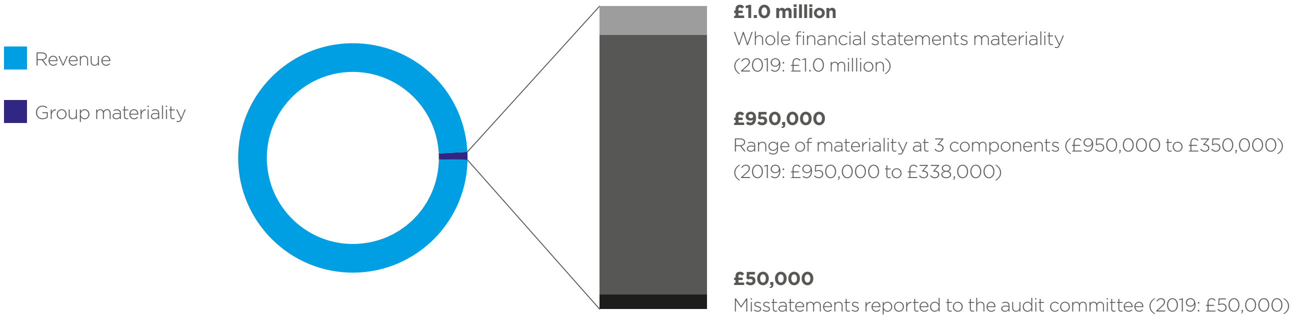
3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1,000,000 (2019: £1,000,000), determined with reference to a benchmark of revenue (of which it represents 0.33% (2019: 0.32%)). We consider total revenue to be the most appropriate benchmark as loss before tax cannot be used without making significant adjustments and revenue is expected to provide a more stable measure year on year. Materiality for the parent Company financial statements as a whole was set at £900,000 (2019: £900,000), determined with reference to total assets of which it represents 2.8% (2019: determined with reference to total assets of which it represents 2.8%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £50,000 (2019: £50,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

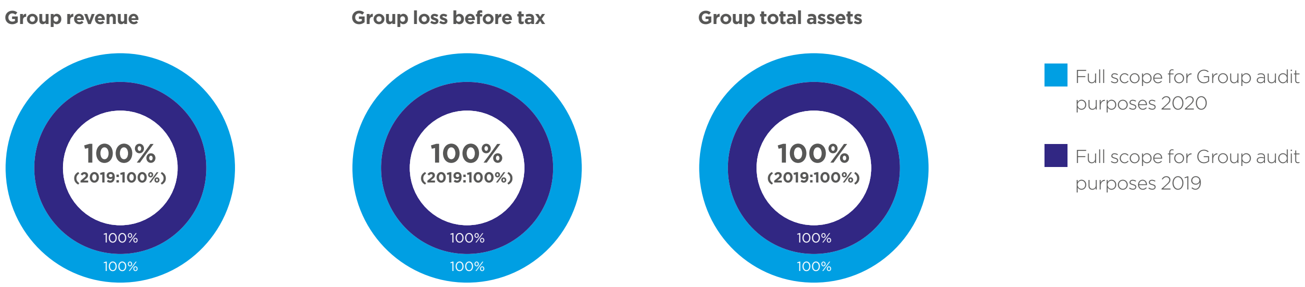
Revenue
£329.3 million
(2019: £322.5 million)

Group Materiality
£1.0 million
(2019: £1.0 million)



Of the Group's 15 (2019: 15) reporting components, we subjected 3 (2019: 3) to full scope audits for group purposes. The components within the scope of our work accounted for the following percentages of the Group's results:

> Group revenue – 100%
> Group loss before tax – 100%
> Group total assets – 100%



3 Our application of materiality and an overview of the scope of our audit continued

The Group audit team approved the following component materialities, having regard to the mix of size and risk profile of the Group across the components.

> DX Group (parent Company) – £900,000 (2019: £900,000)
> DX Network Services – £950,000 (20189 £950,000)
> DX Network Services Ireland – £350,000 (2019: £359,000)

The components not subject to full scope audits contained only balances that eliminated on consolidation, or balances not material to the financial statements. The parent Company was audited separately to the materiality level noted above. The work on the 2 reporting components (2019: 2) and the audit of the parent Company was performed by the Group team.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

> we have not identified material misstatements in the strategic report and the directors' report;
> in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
> in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

> adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
> the parent Company financial statements are not in agreement with the accounting records and returns; or
> certain disclosures of directors' remuneration specified by law are not made; or
> we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 44, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

James Ledward
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD
17 September 2020

Consolidated Statement of Comprehensive Income
for the period ended 27 June 2020

	Notes	Period ended[1] 27 June 2020 Total £m	Year ended 30 June 2019 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	10	**(4.3)**	(0.4)
Loss before tax		**(1.3)**	(1.7)
Tax expense	11	**(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)	21	**(0.3)**	(0.4)
Adjusted		**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 34 to the consolidated financial statements.

The notes on pages 57 to 79 form part of these financial statements.

Consolidated Statement of Financial Position
as at 27 June 2020

	Notes	27 June 2020[1] £m	30 June 2019 £m
Non-current assets			
Property, plant and equipment	13	**10.4**	9.7
Right-of-use assets	16	**80.2**	–
Intangible assets and goodwill	14	**31.0**	31.0
Deferred tax assets	24	**2.3**	2.3
Total non-current assets		**123.9**	43.0
Current assets			
Trade and other receivables	17	**33.5**	43.1
Current tax receivable		**0.1**	0.1
Cash and cash equivalents	18	**12.3**	1.8
Total current assets		**45.9**	45.0
Total assets		**169.8**	88.0
Equity			
Share capital	19	**5.7**	5.7
Share premium	20	**25.2**	25.2
Translation reserve	20	**–**	–
Retained earnings	20	**(7.9)**	(7.3)
Total equity		**23.0**	23.6
Non-current liabilities			
Provisions	23	**5.0**	5.0
Lease liabilities	25	**68.3**	–
Total non-current liabilities		**73.3**	5.0
Current liabilities			
Current tax payable		**–**	–
Loans and borrowings	22	**–**	3.1
Trade and other payables	26	**42.0**	38.1
Lease liabilities	25	**15.8**	–
Deferred income	26	**14.2**	17.2
Provisions	23	**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

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 34 to the consolidated financial statements.

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

Ronald Series
Chairman

David Mulligan
Chief Financial Officer

The notes on pages 57 to 79 form part of these financial statements.

Company registered number 08696699

Company Statement of Financial Position
as at 27 June 2020

	Notes	27 June 2020[1] £m	30 June 2019 £m
Non-current assets			
Investments	15	**30.0**	30.0
Total non-current assets		**30.0**	30.0
Current assets			
Trade and other receivables	17	**2.2**	1.8
Total current assets		**2.2**	1.8
Total assets		**32.2**	31.8
Equity			
Share capital	19	**5.7**	5.7
Share premium	20	**25.2**	25.2
Retained earnings	20	**1.2**	0.8
Total equity		**32.1**	31.7
Non-current liabilities			
Loans and borrowings	22	**–**	–
Trade and other payables	26	**–**	–
Total non-current liabilities		**–**	–
Current liabilities			
Current tax payable		**–**	0.1
Trade and other payables	26	**0.1**	–
Total current liabilities		**0.1**	0.1
Total liabilities		**0.1**	0.1
Total equity and liabilities		**32.2**	31.8

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 34 to the consolidated financial statements.

The financial statements were approved by the Board of Directors on 16 September 2020 and signed on its behalf by:

Ronald Series
Chairman

David Mulligan
Chief Financial Officer

The notes on pages 57 to 79 form part of these financial statements.

Company registered number 08696699

Consolidated Statement of Changes in Equity
for the period ended 27 June 2020

	Notes	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 2019[1]		**5.7**	**25.2**	**–**	**(7.3)**	**23.6**
Total comprehensive expense for the year						
Loss for the year	12	–	–	–	(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	29	–	–	–	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**

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 34 to the consolidated financial statements.

The notes on pages 57 to 79 form part of these financial statements.

Company Statement of Changes in Equity
for the period ended 27 June 2020

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1 July 2018		5.7	25.2	0.6	31.5
Total comprehensive expense for the year					
Loss for the year		–	–	(1.0)	(1.0)
Total comprehensive expense for the year		–	–	(1.0)	(1.0)
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 2019[1]		**5.7**	**25.2**	**0.8**	**31.7**
Total comprehensive expense for the year					
Loss for the year	12	–	–	(0.8)	(0.8)
Total comprehensive expense for the year		–	–	(0.8)	(0.8)
Transactions with owners of the Company, recognised directly in equity					
Share-based payment transactions	29	–	–	1.2	1.2
Total transactions with owners of the Company		–	–	1.2	1.2
At 27 June 2020		**5.7**	**25.2**	**1.2**	**32.1**

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 34 to the consolidated financial statements.

The notes on pages 57 to 79 form part of these financial statements.

Consolidated Statement of Cash Flows
for the period ended 27 June 2020

	Notes	Period ended[1] 27 June 2020 £m	Year ended 30 June 2019 £m
Cash generated from operations	27	**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	13	**–**	–
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	18	**12.3**	1.8

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 34 to the consolidated financial statements.

The notes on pages 57 to 79 form part of these financial statements.

Company Statement of Cash Flows

for the period ended 27 June 2020

	Notes	Period ended[1] 27 June 2020 £m	Year ended 30 June 2019 £m
Cash (used in)/generated from operations	27	–	–
Interest paid		–	–
Tax paid		–	–
Net cash (used in)/generated from operating activities		–	–
Cash flows from investing activities			
Investing activities		–	–
Net cash used in investing activities		–	–
Net (decrease)/increase in cash before financing activities		–	–
Cash flows from financing activities			
Repayment of bank borrowings		–	–
Issue of Loan Notes (subsequently cancelled and replaced with equity)		–	–
Issue of Share Capital		–	–
Costs of issue of Share Capital, Loan Notes and refinancing		–	–
Repayment of amounts owed to subsidiary undertakings		–	–
Net cash generated from/(used in) financing activities		–	–
Net (decrease)/increase in cash and cash equivalents		–	–
Cash and cash equivalents at beginning of year		–	–
Cash and cash equivalents at end of year	18	–	–

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 34 to the consolidated financial statements.

The notes on pages 57 to 79 form part of these financial statements.

Notes to the Financial Statements

for the period ended 27 June 2020

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 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

Statement of compliance

The consolidated and Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('Adopted IFRSs'). The parent Company financial information is shown separate to the consolidated financial information.

The consolidated financial statements were authorised for issue by the Board of Directors on 16 September 2020.

Judgements and estimates

The preparation of financial information to conform with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual amounts ultimately may differ from those estimates. Further details on judgements and estimates are disclosed in note 3.

Going concern

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate as they are confident the Group and the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. This is notwithstanding the Group's net current liabilities of £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 payments are spread over the forthcoming year and not payable in the immediate short-term.

The Directors have prepared cash flow forecasts for a period from the date of approval of these financial statements up to 30 June 2023, 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 22 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 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 that headroom within its existing invoice discount 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 principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year unless otherwise stated.

The financial statements have been prepared under the historical cost convention.

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

The Group uses alternative performance measures ("APMs") to measure performance. These APMs have been calculated consistently 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 33.

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

Basis of consolidation

The financial information comprises a consolidation of the financial information of DX (Group) plc and all its subsidiaries. The financial period ends of all entities in the Group are co-terminous. 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. The Company has opted to apply Section 390 (3) of the Companies Act 2006. This permits the Company to end its financial year on 27 June 2020 (2019: 30 June 2019) as it is not more than 7 days after or before the end of the year dated 30 June 2020 (2019: 30 June 2019).

Subsidiaries are all entities over which the Group has control over the entity, which is when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated except to the extent they provide evidence of impairment of the asset transferred.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("the CODM"). The CODM, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board of Directors.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial information is presented in sterling, which is the functional and presentation currency of the Company and all of the subsidiaries based in the United Kingdom. The functional currency of the Group's Irish subsidiary is the euro.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

Revenue

Revenue represents the value of sales, apportioned over the period to which it relates after excluding trade discounts, value added tax and similar sales-related taxes.

DX Exchange subscription income, which is invoiced in advance based on an expected level of usage, is deferred and recognised as revenue over the period of time in which the related performance obligation is satisfied. Deferred subscription income is included in the statement of financial position as deferred income within current liabilities. Additional charges are raised when usage is significantly higher than expected.

Revenue in respect of all other services (1-Man, 2-Man & Logistics, Secure/Courier and DX Mail) is recognised at a point in time, on delivery of the service to which it relates, thus satisfying the respective performance obligation.

Property, plant and equipment

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

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

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

Intangible assets

(a) Goodwill

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

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

(b) Other intangible assets

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

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

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

(c) Impairment of non-financial assets

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

3 Significant accounting policies continued

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established using an expected credit loss approach where provision calculations are based on historic credit losses. This approach is applied to all trade and other receivables unless there are specific circumstances indicating the necessity for a specific provision. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments are considered indicators that a specific provision is required.

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

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

Cash and cash equivalents

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

Interest paid is treated as an operating cash flow.

Trade and other payables

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

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

Borrowings

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

Leases

The Group has adopted IFRS 16 ‘Leases’ 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. Details of the adoption of IFRS 16 are provided in note 34.

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

Under IAS 17, leases were classified as finance leases when the terms of the lease transferred substantially all the risks and rewards of ownership to the Group. All other leases were classified as operating leases. For property leases, the land and building elements were treated separately to determine the appropriate lease classification.

Assets leased under operating leases were not recorded in the statement of financial position. Rental payments were charged directly to the statement of comprehensive income on a straight-line basis.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Taxation
The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in other comprehensive income or in equity. In this case the tax is also recognised directly in other comprehensive income or in equity.

Current taxation
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation
Deferred tax is recognised using the statement of financial position liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that the temporary differences and brought-forward taxable losses can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current assets against current liabilities and it is the intention to settle these on a net basis.

Pension costs
The Group operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable for the year. Differences between contributions payable for the year and contributions actually paid are shown as amounts either payable or receivable in the statement of financial position.

Share-based payment transactions
The fair value on the grant date of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the fair value on the grant date of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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

Exceptional items
From time to time, the Group treats certain items which are considered to be one-off and not representative of the underlying trading of the Group as exceptional in nature.

The Directors apply judgement in assessing the particular items, which by virtue of their scale and nature should be classified as exceptional items. The Directors consider that separate disclosure of these items is relevant to an understanding of the Group's financial performance.

Critical accounting estimates and 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:

3 Significant accounting policies continued

Critical accounting estimates and assumptions continued

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% 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.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (principally interest rate risk), credit risk and liquidity risk. The policy for each of the above risks is described in more detail below.

Market risk

The Group finances its operations through a mixture of equity capital and invoice discount facilities ("IDF"). The Group's interest rate risk arises from its IDF under which lending is issued at variable rates, which therefore expose the Group to cash flow interest rate risk. As the Group only has short-term borrowings, it is able to minimise its exposure to cash flow interest risk by managing levels of debt on a daily basis.

The Group is exposed to a negligible element of foreign exchange risk, with only a limited number of supplies from abroad and the majority of sales made in the UK.

Credit risk

The Group's principal current assets are cash deposits, cash and accounts receivable. The credit risk associated with cash is limited. The principal credit risk arises from non-recovery of trade receivables. In order to manage credit risk, limits are set for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. Short-term flexibility is achieved by the use of the IDF.

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through optimising the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 22, cash and cash equivalents, and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 19 and 20 and the statement of changes in equity. In order to maintain or adjust the capital structure, the Group may issue new shares, raise new borrowings or sell assets to reduce debt. The Group's capital is not restricted.

4 New accounting standards

New accounting standards adopted by the Group

The Group has adopted IFRS 16 'Leases' from 1 July 2019. IFRS 16 became effective during 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 34 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.

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 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 & Logistics	56.6	60.0
Total DX Freight	169.0	158.6
Total revenue	329.3	322.5

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

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

6 Segment information

	2020			
(Prepared under IFRS 16)	DX Express £m	DX Freight £m	Central £m	Total £m
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)

6 Segment information continued

(Prepared under IAS 17)	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	–	–	(0.8)	(0.8)
Profit/(loss) for the year	26.9	(7.8)	(21.6)	(2.5)

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 on IAS 17 basis for the period ended 27 June 2020 is shown in the Financial Review on page 22 to aid comparability.

7 Operating Costs

	2020 £m	2019 £m
Other external charges	**205.2**	200.7
Employee benefit expense (see note 9)	**102.5**	95.0
Depreciation of property, plant and equipment, and right-of-use assets	**20.1**	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.

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

	2020 £000	2019 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	140	95
Fees payable to the Company's auditor and its associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	90	80
Total audit fees	230	175
Other services:		
– tax services	45	44
– other	–	–
Total non-audit fees	45	44
Total fees	275	219

Fees payable to KPMG LLP and their associates for non-audit services to the Company are disclosed on a consolidated basis and therefore no separate disclosure for DX (Group) plc on an individual basis is required.

8 Directors' emoluments

Total remuneration

	2020 £000	2019 £000
Emoluments	903	959

Amounts accrued under money purchase pension schemes

	2020 £000	2019 £000
Pension benefits	20	24

Highest paid Director

	2020 £000	2019 £000
Emoluments	316	322

See the Directors' Remuneration Report sections titled Total Single Figure of Remuneration for Directors and Share Plans (which form part of these financial statements), and note 32 for further details of Directors' emoluments, including transactions with Directors.

9 Employees

Employee benefit expense

	2020 £m	2019 £m
Wages and salaries	91.3	84.8
Social security costs	7.7	7.2
Other pension costs	2.3	1.8
Share-based payment transactions	1.2	1.2
	102.5	95.0

Average number of persons employed (including Executive Directors)

	2020 Number	2019 Number
	3,795	3,521

10 Finance costs

	2020 £m	2019 £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

11 Tax credit/(expense)

(a) Analysis of charge in year

	2020 £m	2019 £m
Current tax		
United Kingdom corporation tax		
Current year	–	–
Adjustments in respect of prior periods	0.1	0.1
Total United Kingdom corporation tax	0.1	0.1
Overseas taxation	(0.6)	(0.6)
Total current tax	(0.5)	(0.5)
Deferred tax		
Current year	(0.3)	(0.4)
Adjustments in respect of prior periods	0.3	0.1
Changes in tax rates	–	–
Total deferred tax	0.0	(0.3)
Total tax	(0.5)	(0.8)

(b) Factors affecting the tax expense for year

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

	2020 £m	2019 £m
Loss before tax	(1.3)	(1.7)
Loss before tax at the standard rate of UK corporation tax of 19% (2019: 19%)	0.2	0.3
Factors affecting charge for year:		
– UK taxable losses carried forward	(1.1)	(1.1)
– Adjustments in respect of prior years	0.1	0.2
– Effect of different tax rates	0.3	0.2
– Other	–	(0.4)
Tax expense	(0.5)	(0.8)

(c) Factors that may affect future tax charges

The main UK Corporation tax rate remained at 19% (2019: 19%). The previously enacted reduction in the rate from 19% to 17% as from 1 April 2020 was reversed and the 19% was substantively enacted on 17 March 2020.

12 Loss attributable to the Company

The loss for the year includes a loss of £0.8 million (2019: £1.0 million loss) attributable to the Company after a share-based payments charge of £1.2 million (2019: £1.2 million).

13 Property, plant and equipment

	Freehold land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 1 July 2018	5.5	8.8	20.6	34.9
Additions	–	1.6	1.4	3.0
Disposals	–	–	–	–
At 30 June 2019	5.5	10.4	22.0	37.9
At 1 July 2019	5.5	10.4	22.0	37.9
Additions	–	1.2	1.6	2.8
Disposals	(0.5)	(0.7)	(3.2)	(4.4)
At 27 June 2020	**5.0**	**10.9**	**20.4**	**36.3**
Depreciation				
At 1 July 2018	2.7	4.4	18.9	26.0
Charge for the year	0.1	0.8	1.3	2.2
Disposals	–	–	–	–
At 30 June 2019	2.8	5.2	20.2	28.2
At 1 July 2019	2.8	5.2	20.2	28.2
Charge for the year	0.1	0.9	0.8	1.8
Disposals	(0.4)	(0.5)	(3.2)	(4.1)
At 27 June 2020	**2.5**	**5.6**	**17.8**	**25.9**
Net book value				
At 27 June 2020	**2.5**	**5.3**	**2.6**	**10.4**
At 30 June 2019	2.7	5.2	1.8	9.7

The cost of land not being depreciated is £0.6 million (2019: £0.6 million).

14 Intangible assets and goodwill

			Acquired intangibles			
	Goodwill £m	Software and development costs £m	Customer relationships £m	Trademarks and domain names £m	Outstanding orders £m	Total £m
Cost						
At 1 July 2018	191.5	22.2	9.1	1.0	0.4	224.2
Additions	–	0.5	–	–	–	0.5
Disposals	–	(0.1)	–	(1.0)	(0.4)	(1.5)
At 30 June 2019	191.5	22.6	9.1	–	–	223.2
At 1 July 2019	191.5	22.6	9.1	–	–	223.2
Additions	–	0.6	–	–	–	0.6
Disposals	–	(17.5)	–	–	–	(17.5)
At 27 June 2020	**191.5**	**5.7**	**9.1**	**–**	**–**	**206.3**
Amortisation						
At 1 July 2018	161.5	21.1	8.5	1.0	0.4	192.5
Charge for the year	–	0.9	0.3	–	–	1.2
Impairment	–	–	–	–	–	–
Disposals	–	(0.1)	–	(1.0)	(0.4)	(1.5)
At 30 June 2019	161.5	21.9	8.8	–	–	192.2
At 1 July 2019	161.5	21.9	8.8	–	–	192.2
Charge for the year	–	0.4	0.2	–	–	0.6
Impairment	–	–	–	–	–	–
Disposals	–	(17.5)	–	–	–	(17.5)
At 27 June 2020	**161.5**	**4.8**	**9.0**	**–**	**–**	**175.3**
Net book value						
At 27 June 2020	**30.0**	**0.9**	**0.1**	**–**	**–**	**31.0**
At 30 June 2019	30.0	0.7	0.3	–	–	31.0

14 Intangible assets and goodwill continued

Management has identified two cash-generating units within the Group, DX Express and DX Freight. Goodwill has an indefinite useful life and each cash-generating unit is subject to annual impairment testing. The £30.0 million (2019: £30.0 million) recoverable amount of the goodwill in the Group has been calculated with reference to its value in use. The carrying value of goodwill at the period end was £20 million for DX Express (2019: £20 million) and £10 million for DX Freight (2019: £10 million). The key assumptions used in this calculation are shown below (the assumptions are consistent across all cash-generating units).

	2020	2019
Impairment charge recognised	**£nil**	£nil
Period on which management approved forecasts are based	**Three years**	Three years
Growth rate applied beyond approved forecast period	**2.0%**	2.0%
Maximum discount rate	**11.83%**	12.0%

The cash flow projections are based on the budget approved by the Board for the forthcoming financial year and subsequent three years. Cash flows beyond these 48 months are extrapolated with reference to historical trends, expected developments, and using forecasts for the estimated growth rates, not exceeding the long term growth rate stated above.

Forecasts assume that there is a continued decline in the DX Exchange market and the loss of the HMPO contract in January 2020 but this is mitigated by growth in parcel volumes for Secure Courier. The overall revenue growth for DX Express in the near-term is forecast to be 4% The ongoing improving performance of the DX Freight division, which assumes a short-term growth rate of revenue of 11% as well as margin expansion. In the longer term the Directors consider that the appropriate growth rate to use is that issued by the Institute for Fiscal Studies for the UK economy as a whole. There is substantial headroom in the value in use calculations: a 10% change in the growth rate or the discount rate would not result in any impairment. The key judgement is the short-term growth rate over the next four years, in which a 46% decrease in projected revenue growth would result in an impairment to the goodwill.

15 Investments

Company	Shares in Group companies £m	Loans to Group companies £m	Total £m
Cost			
At 1 July 2018	0.1	216.7	216.8
Additions	30.0	–	30.0
Disposals	–	(30.0)	(30.0)
At 30 June 2019	30.1	186.7	216.8
At 1 July 2019	30.1	186.7	216.8
Additions	–	–	–
Disposals	–	–	–
At 27 June 2020	**30.1**	**186.7**	**216.8**
Provisions			
At 1 July 2018	0.1	186.7	186.8
Impairment	–	–	–
At 30 June 2019	0.1	186.7	186.8
At 1 July 2019	0.1	186.7	186.8
Impairment	–	–	–
At 27 June 2020	**0.1**	**186.7**	**186.8**
Net book value			
At 27 June 2020	**30.0**	**–**	**30.0**
At 30 June 2019	30.0	–	30.0

The carrying value of £30.0 million (2019: £30.0 million) of investments and loans to Group companies has been reviewed with reference to its value in use, applying the same assumptions used for the value in use of the Group's goodwill shown in note 14.

In the prior year the company structure of the Group was rearranged. The Company acquired DX Services Limited from DX Holdings Limited for £30.0 million, a vertical transfer within the Group structure. This represented the carrying value of the investment and as such the Company applied book value accounting under IAS 27 for the acquisition. The acquisition was settled via intra-Group balances, resulting in the repayment of £30.0 million of loans due from Group companies.

At 27 June 2020, DX (Group) plc owned, directly or indirectly, 100% of each class of issued shares of the following companies. All directly and indirectly owned companies form part of the consolidated results.

	Principal activity
Directly owned:	
DX (VCP) Limited (*)	Intermediate holding company
DX Services Limited (*)	Intermediate holding company
Indirectly owned:	
DX Network Services Limited	Parcel freight and mail services
DX Network Services Ireland Limited (registered and operates in the Republic of Ireland)	Parcel freight and mail services
DX Holdings Limited (*)	Dormant
DX Secure Mail Limited (*)	Dormant
DX McBride Limited (*)	Dormant
Ewenny Limited (*)	Dormant
QYJ Limited (*)	Dormant
DX (EBT Trustees) Limited	Dormant
DX Business Direct Limited	Dormant
DX Electronic Services Limited	Dormant
Special Mail Services Limited	Dormant

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

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

DX (Group) plc has provided the necessary guarantees under section 479A of the Companies Act 2006 entitling the subsidiaries indicated in the above table by '(*)' to an audit exemption for the period ended 27 June 2020.

16 Right-of-use assets

	Property £m	Non-property £m	Total £m
Recognised on transition to IFRS 16	56.9	23.1	80.0
Additions	3.4	12.3	15.7
Lease extensions	2.8	–	2.8
Depreciation	(9.6)	(8.6)	(18.2)
Impairment of assets	–	–	–
Disposals	(0.1)	–	(0.1)
Net book value as at 27 June 2020	**53.4**	**26.8**	**80.2**

17 Trade and other receivables

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Trade receivables	**21.9**	25.4	**–**	–
Other receivables	**1.0**	0.7	**–**	–
Prepayments	**3.6**	10.2	**–**	–
Accrued income	**7.0**	6.8	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**2.2**	1.8
	33.5	43.1	**2.2**	1.8

17 Trade and other receivables continued

Trade receivables are shown net of a provision for impairment losses of £0.5 million (2019: £0.6 million). The movement in the allowance for impairment losses was as follows:

	2020 £m	2019 £m
At 1 July	0.6	0.5
Impairment losses recognised	0.1	0.3
Amounts written off as irrecoverable	(0.2)	(0.2)
At 27 June	**0.5**	0.6

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

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

	2020 £m	2019 £m
Current	20.2	23.9
Past due 1–30 days	0.9	1.1
Past due 31–90 days	0.7	0.2
Past due more than 90 days	0.1	0.2
	21.9	25.4

18 Cash and cash equivalents

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Cash and cash equivalents	12.3	1.8	–	–

19 Share capital

Allotted, called up and fully paid

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

There was no change to the Group's share capital during the year so the numbers above are for the year ended 30 June 2019 and period ended 27 June 2020.

20 Share premium and reserves

Group	Share premium £m	Translation reserve £m	Retained earnings £m
At 1 July 2018	25.2	–	(6.0)
Loss for the year	–	–	(2.5)
Share-based payment transactions	–	–	1.2
At 30 June 2019	25.2	–	(7.3)
At 1 July 2019	25.2	–	(7.3)
Loss for the year	–	–	(1.8)
Share-based payment transactions	–	–	1.2
At 27 June 2020	**25.2**	**–**	**(7.9)**

Company	Share premium £m	Retained earnings £m
At 1 July 2018	25.2	0.6
Loss for the year	–	(1.0)
Share-based payment transactions	–	1.2
At 30 June 2019	25.2	0.8
At 1 July 2019	25.2	0.8
Loss for the year	–	(0.8)
Share-based payment transactions	–	1.2
At 27 June 2020	**25.2**	**1.2**

21 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 3 and 33.

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 £m	2019 £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 Number (million)	2019 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 p	2019 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)

21 Earnings per share continued

These following instruments were not included in the calculation of diluted earnings per share because to do so would have been anti-dilutive.

	2020 Number (million)	2019 Number (million)
Potentially dilutive share options	**0.7**	0.7

22 Loans and borrowings

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £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.

23 Provisions

	Property dilapidation costs £m	Vehicle dilapidation costs £m	Other provisions £m	Total £m
At 1 July 2018	3.6	–	1.3	4.9
(Credited)/charged to income statement	(0.2)	–	1.7	1.5
Utilised	(0.3)	–	(0.1)	(0.4)
At 30 June 2019	3.1	–	2.9	6.0
At 1 July 2019	3.1	–	2.9	6.0
Charged/(credited) to income statement	0.6	1.6	(0.1)	2.1
Utilised	(0.1)	–	(0.3)	(0.4)
Transition to IFRS 16	–	–	(1.2)	(1.2)
At 27 June 2020	**3.6**	**1.6**	**1.3**	**6.5**

	2020 £m	2019 £m
Current	**1.5**	1.0
Non-current	**5.0**	5.0
	6.5	6.0

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

Other provisions include management's judgement of settlement costs for ongoing legal matters. Included within other provisions as at 30 June 2019 was an amount of £1.2 million for onerous lease provision which was reclassified to right-of-use assets on the adoption of IFRS 16 on 1 July 2019 (see note 34).

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

24 Deferred tax assets

	Group £m	Company £m
At 1 July 2018	2.6	–
Credited to the income statement	(0.3)	–
At 30 June 2019	2.3	–
At 1 July 2019	2.3	–
Credited to the income statement	–	–
At 27 June 2020	**2.3**	**–**

The deferred tax asset is made up as follows:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Intangible assets	**(0.1)**	(0.1)	**–**	–
Accelerated capital allowances	**2.2**	2.2	**–**	–
Other timing differences	**0.2**	0.2	**–**	–
	2.3	2.3	**–**	–

The unrecognised deferred tax assets of the Group at 27 June 2020 total £6.2 million (2019: £5.7 million), consisting of unused tax losses. There are no unrecognised deferred tax assets for the Company at 27 June 2020 (2019: £nil).

25 Lease liabilities

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

Maturity analysis – contractual undiscounted cash flows	**2020 £m**	2019 £m
Less than one year	**19.1**	–
One to five years	**54.2**	–
More than five years	**25.0**	–
Total undiscounted lease liabilities at 27 June	**98.3**	–

	2020 £m	2019 £m
Current		
Lease liabilities	**15.8**	–
Non-current		
Lease liabilities	**68.3**	–
Lease liabilities included in the statement of financial position at 27 June	**84.1**	–

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

25 Lease liabilities continued

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

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

26 Trade and other payables, and deferred income

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade payables	11.6	17.4	–	–
Social security and other taxes	14.5	6.1	–	–
Other payables	2.4	1.0	–	–
Accruals	13.5	13.6	–	–
	42.0	38.1	–	–

Deferred income relates to Document Exchange subscriptions invoices in advance. As at 27 June 2020 the total deferred income was £14.2 million (2019: £17.2 million). The change relates to falling revenue from subscriptions and the timings of certain large invoices around the year end.

27 Reconciliation of loss for the year to cash (used in)/generated from operations

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Cash flows from operating activities				
Loss for the year	(1.8)	(2.5)	(0.8)	(1.0)
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	1.2	1.2
Net cash profit	25.0	3.3	0.4	0.2
Changes in:				
– Trade and other receivables	8.2	(1.2)	(0.4)	–
– Trade and other payables	6.3	1.5	–	(0.2)
– Deferred income	(3.1)	(1.6)	–	–
– Provisions	1.7	1.1	–	–
Net change in working capital	13.1	(0.2)	(0.4)	(0.2)
Cash generated from operations	38.1	3.1	–	–

28 Financial instruments
Short-term receivables and payables have been excluded from the following disclosures.

Interest rate profile
The Group has no long-term financial liabilities.

Fair values
Financial instruments utilised by the Group during the year ended 30 June 2019 and period ended 27 June 2020, together with information regarding the methods and assumptions used to calculate fair values, can be summarised as follows:

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

Borrowings and cash
The carrying values of cash and short-term borrowings approximate to their fair values because of the short-term maturity of these instruments.

The financial instruments held by the Group do not, either individually or as a class, create potentially significant exposure to the market, credit, liquidity or cash flow interest rate risk.

Fair values of financial assets and liabilities
The fair value of all financial assets and liabilities is considered to be equal to the carrying values of these items due to their short-term nature. Cash is held with counterparties with a Moody's credit rating between baa1 and baa3.

£1.9 million (2019: £0.9 million) of net financial assets and liabilities at the statement of financial position date were denominated in euros. All other net financial assets and liabilities were denominated in sterling. A 10% strengthening of sterling against the euro at 27 June 2020 would have reduced equity and profit by £0.2 million (2019: £0.1 million).

A 1% increase or reduction in the interest rate applicable to the Group's borrowings would have had a £nil (2019: £nil) impact on the profit for the year.

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

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group has prepared detailed cash flow projections, against which it remains ahead of forecasts, and thus the Directors believe that the Group is able to meet its obligations as they fall due.

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

The total cost charged to income of £2.2 million (2019: £1.8 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

Contributions amounting to £0.4 million (2019: £0.4 million) were payable to the schemes at 27 June 2020 and are included in trade and other payables.

Share-based payments
At 27 June 2020 the Group had the following share-based payment arrangements:

Performance Share Plan 2017 ("PSP") and Restricted Share Awards
In the year ended 30 June 2018 the Group established two equity-settled share option programmes that entitle key management to purchase shares in the Group at £0.01 on vested options. The programmes consist of Recovery Awards under the PSP as well as Restricted Share Awards.

The vesting conditions of the Recovery Awards are share price targets along with continued employment. Share price targets of 12.5 pence and of 40 pence result in 25% and 100% respectively of the Recovery Awards to vest, and a pro-rata straight-line basis between 12.5 pence and 40 pence accordingly.

29 Employee benefits continued

Share-based payments continued

Performance Share Plan 2017 ("PSP") and Restricted Share Awards continued

The share price targets will be tested at each of the third, fourth and fifth anniversaries of the making of the Recovery Awards, and on each occasion the share price measurement is to be based on the 30-day average share price prior to the test date. Achievement of a share price measurement on a later test date which is greater than the achieved measurement on a previous test date will result in additional vesting of the Recovery Award in accordance with the share price targets.

In addition to the share price targets stated above, the Remuneration Committee must be satisfied with overall financial performance to allow any vesting of Recovery Awards on any occasion. Recovery Awards for which the share price target is attained at any test date will vest 12 months later (being the fourth, fifth and sixth anniversaries of the award date) provided that the participant is still a Director or employee of the Group at that time.

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

Measurement of fair values

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

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

Recovery Awards	30 April 2020	28 November 2020	1 July 2020	1 April 2019	28 January 2019	25 July 2018
Options issues	400,000	950,000	250,000	1,900,000	350,000	14,580,063
Fair value at grant	7.3p	7.3p	7.3p	7.3p	5.0p	5.0p
Share price at grant date	10.0p	11.8p	13.0p	12.3p	9.0p	9.5p
Exercise price	1.0p	1.0p	1.0p	1.0p	1.0p	1.0p
Expected volatility	50%	50%	50%	50%	50%	50%
Expected term	2.2 years	2.6 years	2.9 years	3.2 years	3.5 years	3.9 years
Expected dividend yield	0%	0%	0%	0%	0%	0%
Risk-free interest rate (based on government bonds)	0.7%	0.7%	0.7%	0.7%	0.9%	0.9%

The number and weighted average exercise price of options under the PSP and Restricted Share Awards are as follows:

	2020		2019	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Granted during the year	1.0p	1,600,000	1.0p	16,830,063
Lapsed/opted out during the year	1.0p	(1,350,000)	1.0p	(1,450,000)
Outstanding at the end of the year	1.0p	101,237,963	1.0p	100,987,963
Exercisable at the end of the year	–	–	–	–

The total expense recognised for the year and the total liabilities recognised at the end of the year arising from share-based payments are as follows:

	2020 £m	2019 £m
Total employee benefit expense recognised for share-based payments	1.2	1.2

30 Commitments

Capital

There was capital expenditure contracted but not provided for plant and equipment of £0.1 million. (2019: £nil).

Operating leases

At the statement of financial position date the Group had the following future minimum lease payments under non-cancellable operating leases:

	Group 2019 £m
Land and buildings:	
Within one year	10.0
Between two and five years	26.5
After five years	13.4
	49.9
Other operating leases:	
Within one year	7.8
Between two and five years	16.0
After five years	1.6
	25.4

Operating 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. Following the transition to IFRS 16, the operating lease disclosure is made as at 30 June 2019.

31 Contingencies

There were no contingent liabilities as at 27 June 2020 (2019: £nil).

32 Related parties

The following transactions were carried out with connected parties:

Key management personnel

Key management comprises the Executive Directors, the Non-executive Directors and Statutory Directors of DX Network Services Limited. The key management compensation is as follows:

	2020 £000	2019 £000
Salaries, fees and other short-term employee benefits	1,594	1,520
Pension contributions	71	79
	1,665	1,599

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.

33 Alternative performance measures ("APMs")

The Group uses APMs to measure performance. These APMs are applied consistently from one year to the next and the Directors believe that this information is important for the shareholders as it allows them to understand the difference between the reported results and the trading performance excluding certain non-cash charges and other items which are not expected to recur. 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 21
Underlying operating profit/(loss)	Profit/(loss) from operating activities	Financial Review
Net cash/net debt	Net cash/net debt	Financial Review

34 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 remeasured when there is a lease extension, a change in future lease payments or the Group changes its assessment of whether it will exercise an extension or termination option.

The Group 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 assets	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:

Right-of-use asset	27 June 2020 £m	30 June 2019 £m
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 IFRS 16 adjustments	**(0.2)**
Add back IAS 17 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)**

Notes

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