



Admission to AIM

Zeus Capital

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who specialises in advising on the acquisition of shares and other securities and is duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA").

Application has been made for the entire issued and to be issued ordinary share capital of the Company, to be admitted to trading on AIM, a market operated by the London Stock Exchange plc. It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence on 27 February 2014. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies published by London Stock Exchange plc (the "AIM Rules"), to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the United Kingdom Listing Authority nor the London Stock Exchange plc have examined or approved the contents of this document.

Prospective investors should read the whole text of this document and should be aware that an investment in the Company is speculative and involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part II of this document. All statements regarding the Company's business, financial position and prospects should be viewed in light of these risk factors.

This document, which is drawn up as an admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the entire issued ordinary share capital of the Company. This document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules and has not been pre-approved by the Financial Conduct Authority ("FCA") pursuant to section 85 of FSMA. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Zeus Capital Limited, 3 Ralli Courts, West Riverside, Manchester M3 5FT and the registered office of the Company, DX House, Ridgeway, Iwer, Bucks SL0 9JQ, from the date of this document until one month from the date of Admission in accordance with the AIM Rules.

DX (Group) plc

(a company incorporated in England and Wales under the Companies Act 2006 with company number 8696699)

Placing of 185,000,000 Ordinary Shares at 100p per Ordinary Share, Vendor Placing of 15,525,300 Ordinary Shares at 100p per Ordinary Share and Admission to trading on AIM

Nominated Adviser and Broker

Zeus Capital

Expected ordinary share capital immediately following Admission

<i>Number</i>	<i>Issued and fully paid</i>	<i>Amount £</i>
200,525,500	ordinary shares of £0.01 each	2,005,255

The Directors, whose names appear on page 6 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such document.

The Placing and Vendor Placing is conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 27 February 2014 (or such later date as the Company and Zeus Capital may agree, being not later than 14 March 2014). The Placing and Vendor Placing Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared paid or made in respect of the Ordinary Shares after Admission. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the official list of the UK Listing Authority or to any other recognised investment exchange.

Zeus Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed admission of the Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by Zeus Capital as to any of the contents of this Document (without limiting the statutory rights of any person to whom this Document is issued). Zeus Capital will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Zeus Capital or for providing advice in relation to the contents of this Document or any other matter.

This Document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this Document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan or the Republic of South Africa and they may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 as amended).

The distribution of this Document outside the UK may be restricted by law. No action has been taken by the Company or Zeus Capital that would permit a public offer of shares in any jurisdiction outside the UK or possession of this Document where action for that purpose is required. Persons outside the UK who come into possession of this Document should inform themselves about the distribution of this Document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdiction.

IMPORTANT INFORMATION

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this Document to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. No person has been authorised by the Company to issue any advertisement or to give any information or to make any representation in connection with the contents of this Document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company.

Prospective investors should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this Document are based on the law and practice currently in force in the UK and are subject to change. This Document should be read in its entirety. All holders of Ordinary Shares are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company.

FORWARD-LOOKING STATEMENTS

This Document includes forward-looking statements. These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Company's future prospects, developments and business strategies.

These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" or the negative of those variations, or comparable expressions, including references to assumptions. These statements are contained in all sections of this Document. The forward-looking statements in this Document, including statements concerning projections of the Company's future results, operating profits and earnings, are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks to the Company are specifically described in Part II "Risk Factors". If one or more of these risks or uncertainties arises, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. Given these uncertainties, potential Shareholders should not place over-reliance on forward-looking statements.

These forward-looking statements speak only as at the date of this Document. The Company undertakes no obligation to update forward-looking statements or risk factors other than as required by the AIM Rules or applicable law, whether as a result of new information, future events or otherwise.

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KEY STATISTICS

Existing Share Capital at the date of this Document

Current number of Ordinary Shares of £0.01 each in issue	15,525,500
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Placing

Number of Placing Shares	185,000,000
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Gross proceeds of the Placing	£185,000,000
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Vendor Placing

Number of Vendor Placing Shares	15,525,300
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Gross proceeds of the Vendor Placing	£15,525,300
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Upon Admission

Number of Ordinary Shares in issue at Admission	200,525,500
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Approximate market capitalisation of the Company at Admission	£200,525,500
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AIM symbol	DX.
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ISIN number	GB00BJTCG679
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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2014

Publication of this Admission Document	21 February
Admission and commencement of dealings in the Ordinary Shares on AIM	8.00 a.m. on 27 February
CREST accounts credited (where applicable)	27 February
Dispatch of definitive share certificates (where applicable)	7 March

Notes:

1. References to time in this document are to London (GMT) time.
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.

DIRECTORS, SECRETARY AND ADVISERS

Directors:	David Alexander Hoare (<i>Chairman</i>) Petar Cvetkovic (<i>Chief Executive Officer</i>) Ian Richard Pain (<i>Chief Financial Officer</i>) Robert Holt (<i>Non-Executive Director</i>) <i>all of whose business address is:</i> <i>DX House, Ridgeway, Iver, Bucks SL0 9JQ</i> <i>DX 1 Iver</i>
Registered Office:	DX House, Ridgeway, Iver, Bucks SL0 9JQ DX 1 Iver
Company Secretary:	Raquel McGrath whose business address is: DX House, Ridgeway, Iver, Bucks SL0 9JQ DX1 Iver
Company website:	www.thedx.co.uk
Nominated Adviser and Broker:	Zeus Capital Limited 23 Berkeley Square London W1J 6HE and 3 Ralli Courts West Riverside Manchester M3 5FT
Auditors and Reporting Accountants:	KPMG LLP Arlington Business Park Theale Reading RG7 4SO DX 14680 Reading (Theale) 2
Solicitors to the Company:	White & Case LLP 5 Old Broad Street London EC2N 1DW DX 307403 Cheapside London
Solicitors to the Nominated Adviser and Broker:	DLA Piper UK LLP 101 Barbirolli Square Bridgewater Manchester M2 3DL DX 14304 Manchester
Financial PR:	Buchanan Limited 107 Cheapside London EC2V 6DN
Company Registrars:	Capita Asset Services Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 2006 of England and Wales (as amended)
“Admission”	admission of the entire issued ordinary share capital of the Company to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules
“Admission Document”	this document dated 21 February 2014
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
“Articles”	the articles of association of the Company to be adopted on or shortly prior to Admission
“Audit Committee”	the audit committee of the Board, as constituted from time to time
“B2B”	business to business deliveries
“B2C”	business to consumer deliveries
“Board”	the board of Directors of the Company from time to time, or a duly constituted committee thereof
“certificated” or “in certificated form”	recorded on the relevant register of the share or security concerned as being held in certificated form (that is not in CREST)
“Company”	DX (Group) plc a company incorporated in England and Wales under the Act with company number 8696699
“Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council as modified by the QCA Corporate Governance Code for Small and Midsize Companies 2013 published by the Quoted Companies Alliance
“CREST”	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland
“CSOP”	the DX (Group) plc approved company share option plan with unapproved schedule to be adopted by the Company conditional upon Admission
“Directors”	the directors of the Company as at the date of this document, whose details are set out on page 6 of this document
“DX”	the DX group of companies, DX (Group) plc and its subsidiaries
“DX Business Direct”	the business of that name owned by DX until 21 December 2013
“DX Courier Tracked”	the service of that name owned by DX

“DX Exchange”	the business of that name owned by DX and formerly known as the Document Exchange
“DX Freight”	the business of that name owned by DX
“DX Logistics”	the business of that name owned by DX
“DX Mail”	the service of that name owned by DX
“DX Secure”	the service of that name owned by DX
“DX 2-Man”	the business of that name owned by DX
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 2878738 and the operator of CREST
“FCA”	Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“IDW”	items of Irregular Dimension and Weight
“London Stock Exchange”	London Stock Exchange plc
“Nightfreight”	the business of Nightfreight (GB) Ltd, acquired by DX in 2012
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company
“Placing”	the conditional placing of the Placing Shares by Zeus Capital as agents for the Company, pursuant to the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 21 February 2014 between (1) the Company (2) the executive Directors (3) the non-executive Directors (4) Zeus Capital and (5) the Selling Shareholder relating to the Placing and the Vendor Placing
“Placees”	the subscribers for new Placing Shares or purchasers of Vendor Placing Shares pursuant to the Placing and the Vendor Placing
“Placing Price”	100 pence per Placing Share
“Placing Shares”	the 185,000,000 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Proposals”	the Placing, the Vendor Placing and Admission
“Prospectus Rules”	the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and (4) of FSMA
“RemCom Consent”	the written consent of the Company’s Remuneration Committee
“RIS”	Regulatory Information Service
“SAYE Plan”	the DX (Group) plc approved savings related share option plan to be adopted by the Company conditional upon Admission
“Selling Shareholder”	DX Finance Limited further details of which are set out in paragraph 16.7 of Part V
“Shareholder”	holders of Ordinary Shares

“Share Plans”	the VCP, the SAYE and the CSOP
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FCA, acting in its capacity as the competent authority for the purposes of FSMA
“uncertificated” or “uncertificated form”	recorded on the relevant register of the share or security “in concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US”	the United States of America and all of its territories and possessions
“VAT”	value added tax
“VCP”	the DX (Group) plc Value Creation Plan to be adopted by the Company conditional upon Admission
“Vendor Placing”	the conditional placing of the Vendor Placing Shares by Zeus Capital as agent of the Selling Shareholder, pursuant to the Placing Agreement
“Vendor Placing Shares”	15,525,300 Ordinary Shares to be sold by the Selling Shareholder pursuant to the Vendor Placing
“Zeus Capital”	Zeus Capital Limited, a company incorporated in England and Wales with registered number 4417845
“£” or “Sterling”	British pounds sterling

EXECUTIVE SUMMARY

The following information is derived from, and should be read in conjunction with, the whole of this document including in particular the section headed Risk Factors relating to the Company in Part II of this document. Shareholders should read the whole of this document and not rely on this Executive Summary section.

1. INTRODUCTION

DX is a leading independent mail, parcels and logistics end to end network operator in the UK and Ireland (Eire) established in 1975, delivering approximately 170 million items in 2013. DX provides proven next day delivery services for mail, parcels and 2-Man deliveries to business and residential addresses nationwide, for both public and private sector companies. In particular, DX specialises in next day or scheduled delivery of time sensitive, mission critical and high value items for B2B and B2C customers.

In March 2012, DX acquired Nightfreight, the market leader for irregular dimension and weight freight in the UK B2B and B2C markets with over 7 million deliveries per annum. Nightfreight, subsequently named DX Freight, was an under invested and poorly performing business that DX acquired for its net asset value as a turnaround opportunity. It also gave DX access to one of the fastest growing areas of the distribution market as well as offering longer term operational efficiencies and synergies.

2. HISTORY AND BACKGROUND

DX Services was de-merged from Hays PLC in 2004 and listed on the Main Market of the London Stock Exchange. It was taken private in September 2006, in a transaction led by funds managed by Arle Capital Partners Limited (formerly Candover Partners Limited). Secure Mail Services, the foundation of the current secure service offering, was simultaneously acquired. In 2007, DX acquired the operations of Challenger, a secure distributor of bank cards and in 2008, the in-night operations of Business Direct providing overnight distribution services to field engineers via Parcel Exchange and In-Boot delivery solutions. The current senior management team was assembled in 2010 following a capital reorganisation.

DX expanded further in 2012, acquiring Nightfreight thereby adding the Express, 2-Man and Logistics service offerings. DX sold its Business Direct operation, yielding a pre-tax profit on disposal of £1.1 million after providing for the costs of property reorganisations facilitated by the sale.

3. THE MARKET

In 2012, approximately 15.5 billion items were delivered in the UK with an estimated market value of £10.5 billion (approximately £6 billion of letters and £4.5 billion of parcels).

The letters market has declined in recent years, largely driven by e-substitution with much B2C and B2B mail communication transferring online.

However, the Directors expect the decline in postal volumes in mail to be offset by a forecasted increase in volume in parcels, driven by the dramatic change in consumers shopping habits. The growth of online and remote retail is forecast to drive an increase in parcel volumes. The parcel market broadly divides into three segments: B2B (which amounts to approximately 40 per cent. of the parcel delivery market), B2C (estimated at 55 per cent., driven by online retailing) and Consumer to Consumer accounting for the balance (having developed from websites such as eBay).

4. INFORMATION ON THE DX BUSINESS

The range of services provided by DX is summarised into three Business Segments as outlined below:

Business Segments

Mail and packets

DX Exchange

A private B2B network designed to provide a fast, reliable and secure delivery service, offering high service levels and savings against Royal Mail prices. Utilising over 4,200 exchanges across the UK and Ireland, the

Document Exchange services over 18,000 customer boxes, primarily in the legal and financial sectors, but is relevant to any business attracted by reliable and secure overnight deliveries. In recent years the service offering has expanded to include tracked specimen deliveries for the health sector.

Each customer is provided with a unique DX reference number and a mailbox at a local exchange. By collecting mail after 5.00 p.m., delivering prior to 9.00 a.m., the DX Exchange service extends the working day for many professionals. Customer mailroom productivity is boosted as no franking, weighing or sizing of items is required. Parcels up to 25kg can be sent and a real-time web tracking upgrade is available.

DX Mail

A low cost, second class mail alternative offering downstream access for smaller volume users. For businesses regularly sending mail to high street shops, retail parks or within its own branch network, it also offers a next-day untracked courier delivery service.

The downstream market has been an area of growth for DX over the last few years, leveraging its DX Exchange customer base to provide services for smaller businesses.

DX Secure

The original service was founded for the secure delivery of bank and credit cards. Now aimed largely at the next day B2C retail/etail parcels market, DX Secure delivers small parcels and sensitive mail direct to residential and business addresses via a secure and fully tracked network. All DX businesses have high standards of vetting for staff and DX Secure has followed suit. To maintain the integrity of this network, the end-to-end security is supported with an audit trail, including photographic and GPS evidence of delivery where required.

In 2004, the business grew substantially having become a distributor of passports in the UK. This contract with HM Passport Office has been retained following tenders in 2007 and 2012. The current contract runs to July 2015. The delivery service for sensitive and time critical documentation has also been extended to cover identification and visa documentation for a number of overseas embassies in London. More recently, the service offering has also been extended to include the fast growing online retail market, particularly for customers where next day delivery, security, tracking and proof of delivery is paramount.

Parcels and freight

DX Courier Tracked

DX Courier Tracked is a B2B service aimed at offering fast, secure and cost-effective next day parcel delivery. Focused on a high street footprint, the service specialises in the delivery of packets, parcels and pouches for branch networks, high street shops, business areas and government premises. 98.5 per cent. of deliveries arrive next day, with pre noon and Saturday delivery upgrades available.

The DX Courier service has developed a strong specialised position for deliveries in the pharmaceutical and gambling sectors as well as in the optical sector.

DX Freight

The DX Freight service was added to the portfolio with the acquisition of Nightfreight in 2012 and specialises in the express delivery of items of irregular dimension and weight ("IDW"), being over 3m in length, unsuitable for parcel conveyors or requiring mechanical lifting and/or manual handling. In addition to IDW items, DX Freight also carries parcels, pallets and offers an international network option. Approximately 65 per cent. of the freight is for B2B delivery but the expansion of online shopping trends has significantly increased the B2C market for IDW items. The service is focused on next day deliveries with pre 9.30 a.m. and pre noon upgrades available.

DX 2-Man

Also established as part of the Nightfreight acquisition, DX 2-Man is a rapidly growing delivery B2C service for heavier items up to 150 kgs. Typical freight includes furniture, mattresses and white/brown goods. Customers are provided with delivery slots, packaging is removed and upgrade services are available including "white glove" delivery to a room of choice, assembly and wet fit for white goods.

Logistics

DX Logistics

An outsource provider for logistics services across different industries, including the provision of liveried fleets and uniformed drivers or shared platform service operated by DX Logistics on behalf of the customer. Customers for this service include B&Q plc, Spicers Limited, Office Depot International (UK) Limited and Jungheinrich AG.

5. STRATEGY

The Directors' ongoing strategy is a combination of organic growth; efficiency improvements; the turnaround of DX Freight; and network development and consolidation.

Since 2010, DX's management have implemented numerous customer and efficiency focused initiatives designed to enhance DX's offering, including:

- improved customer service levels from less than 96 to over 99 per cent.;
- Introduced near real time, on the road visibility and information; and
- upgrading software, handhelds and other IT.

Equally, measures have been undertaken to improve DX's profitability and cash flows. These measures included:

- reduced debtor days from over 50 to fewer than 30;
- reducing the number of sites by 12 (net);
- introducing Direct Debit and improving invoice quality; and
- parting with unprofitable customers.

Management's strategy is to complete the turnaround of DX Freight, to deliver margins similar to those of its competitors; to generate organic revenue growth from DX Courier Tracked, DX Secure, DX Freight and DX 2-Man; to generate further efficiency savings from the combination of delivery routes once enabled by the software upgrades; and, ultimately, to begin the integration of the original DX operations with those of DX Freight. Management anticipate that this strategy will enable DX to deliver growth in both consolidated revenues and profits as the DX Exchange revenues decline.

6. FINANCIAL INFORMATION

Part III of this Document contains audited historical financial information on DX Group Limited and its subsidiary undertakings for the three years ended 30 June 2013. DX Group Limited is the owner of DX prior to the implementation of the Proposals.

The following financial information has been derived from the financial information contained in Part III of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>
<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
<i>2011</i>	<i>2012</i>	<i>2013</i>
<i>£m</i>	<i>£m</i>	<i>£m</i>

Revenue

Continuing operations
Operations to be discontinued

149.9	195.8	297.0
14.1	10.8	8.7

Total revenue

164.0	206.6	305.7
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Operating costs – continuing operations
Operating costs –operations to be discontinued

(127.8)	(172.6)	(273.0)
(12.4)	(9.6)	(7.3)

Total operating costs

(140.2)	(182.2)	(280.3)
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Results from operating activities

Analysis of results from operating activities:

Profit before interest, tax, depreciation and
amortisation ('EBITDA'):

Continuing operations
Operations to be discontinued

27.1	30.9	33.0
1.7	1.2	1.4

Total EBITDA

28.8	32.1	34.4
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1. Nightfreight was acquired on 13 March 2012. Less than four months' of trading activity is therefore included in the results for the year ended 30 June 2012.
2. Management have implemented a change post the acquisition of Nightfreight to move away from owning vehicles under finance lease arrangements to hiring vehicles under full maintained operating leases. In the year to 30 June 2013 this added £0.7m to operating costs that would previously have been declared as finance charges.

7. REASONS FOR THE PLACING AND THE VENDOR PLACING

The Directors believe that Admission will be beneficial to DX as being a quoted company will enhance DX's reputation, add further credibility to its service offering, raise its profile as it begins to livery its vehicles for the first time and provide access to capital markets. New senior debt facilities of £18 million are being raised in conjunction with the Placing, of which £10 million will be drawn on Admission with the balance to provide working capital flexibility. The combined funds raised will allow DX to repay its historic senior lending facilities in full as well as repaying existing shareholder loans, thereby reducing gearing to circa one times EBITDA and provide further flexibility to develop its strategy. DX's existing private equity and institutional shareholders have indicated their desire to exit their investment in the Company. Certain members of the existing management team including David Hoare, Petar Cvetkovic and Ian Pain, are reinvesting their current equity interests in the amount of £7.3 million in aggregate and will own approximately 3.64 per cent. of DX after Admission and such Ordinary Shares are subject to lock-up arrangements (subject to certain customary carve outs. The executive Directors' lock-up arrangements are summarised in paragraph 16 of Part V of this document and the lock-up arrangements relating to the relevant members of the management team and David Hoare are summarised in paragraph 17.6 of Part V of this document).

PART I
INFORMATION ON THE COMPANY

DX (Group) plc

1. INTRODUCTION

DX is a leading independent mail, parcels and logistics end to end network operator in the UK and Ireland (Eire) established in 1975, delivering approximately 170 million items in 2013. DX provides proven next day delivery services for mail, parcels and 2-Man deliveries to business and residential addresses nationwide, for both public and private sector companies. In particular, DX specialises in next day or scheduled delivery of time sensitive, mission critical and high value items for B2B and B2C customers.

In March 2012, DX acquired Nightfreight, the market leader for irregular dimension and weight freight in the UK B2B and B2C markets with over 7 million deliveries per annum. Nightfreight, subsequently named DX Freight, was an under invested and poorly performing business that DX acquired for its net asset value as a turnaround opportunity. It also gave DX access to one of the fastest growing areas of the distribution market as well as offering longer term operational efficiencies and synergies.

DX has a strong track record of operating profit growth. In the year ended 30 June 2013, DX recorded turnover of £305.7 million and EBITDA of £34.4 million and in the 6 months to December 2013 recorded turnover of £156.1 million and EBITDA of £14.2 million.

DX is seeking Admission and raising £185 million through the Placing. The funds raised pursuant to the Placing will be used to repay existing senior debt and shareholder loans.

In addition, Zeus Capital are seeking to complete a Vendor Placing and seeking Admission of 15,525,300 Ordinary Shares at 100 pence per Ordinary Share on behalf of the Selling Shareholder.

Further details of the Placing and Vendor Placing are outlined in paragraph 11 of Part I of this document.

2. HISTORY AND BACKGROUND

The DX-exchange business was created in 1975, amidst the Royal Mail postal strikes, as a secure network to deliver commercially sensitive letters and parcels, primarily for the legal profession. In 1996, DX acquired the Insurance Couriers Services offering including Optical Courier Services. This is the foundation of the current Courier Service division.

DX Services was de-merged from Hays PLC in 2004 and listed on the Main Market of the London Stock Exchange. It was taken private in September 2006, in a transaction led by funds managed by Arle Capital Partners Limited (formerly Candover Partners Limited). Secure Mail Services, the foundation of the current secure service offering, was simultaneously acquired. In 2007, DX acquired the operations of Challenger, a secure distributor of bank cards and in 2008, the in-night operations of Business Direct providing overnight distribution services to field engineers via Parcel Exchange and In-Boot delivery solutions. The current senior management team was assembled in 2010 following a capital reorganisation.

DX expanded further in 2012, acquiring Nightfreight thereby adding the Express, 2-Man and Logistics service offerings. In December 2013, DX sold its Business Direct operation, yielding a pre-tax profit on disposal of £1.1 million after providing for the costs of property reorganisations facilitated by the sale.

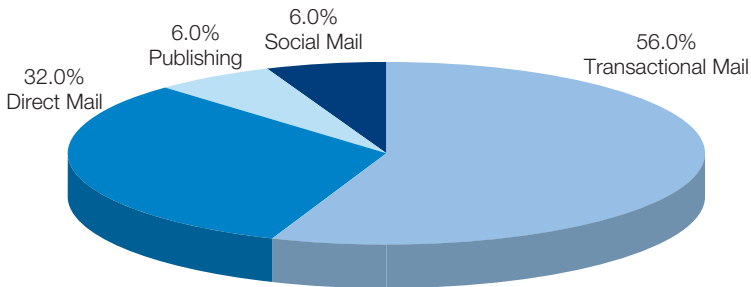
3. THE MARKET

In 2012, approximately 15.5 billion items were delivered in the UK with an estimated market value of £10.5 billion (approximately £6 billion of letters and £4.5 billion of parcels).

The letters market has declined in recent years, largely driven by e-substitution with much B2C and B2B mail communication transferring online. The market for letters is expected to decline at a reducing rate over the next ten years with the level of decline expected to slow as a baseline of non-online users or less willing online users is reached e.g. users for whom secure delivery is a priority.

The market for letters can be subdivided into four areas: transactional mail (invoices, bank statements, bills etc), direct mail (such as promotional catalogues), publishing (newspapers and magazines) and social mail (such as greeting cards). Of these, the most significant sector is transactional mail, which makes up approximately 56 per cent. of the market.

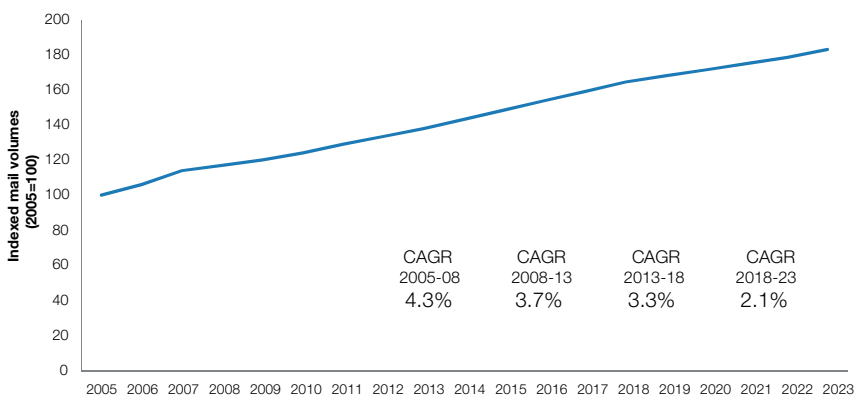
Figure 1: Split in UK Letter Volumes 2012



Source: PWC outlook for UK Mail Volumes

However, the Directors expect the decline in postal volumes in mail to be offset by a forecasted increase in volume in parcels, driven by the dramatic change in consumers shopping habits. The growth of online and remote retail is forecast to drive an increase in parcel volumes, as demonstrated by the chart below. The parcel market broadly divides into three segments: B2B (which amounts to approximately 40 per cent. of the parcel delivery market), B2C (estimated at 55 per cent., driven by online retailing) and Consumer to Consumer accounting for the balance (having developed from websites such as eBay).

Figure 2: UK Parcel Volumes 2005-2023



Source: PWC outlook for UK Mail Volumes

The market for letters declined at a CAGR of 3.1 per cent. between 2005 and 2008, and 6.3 per cent. between 2008 and 2013. However, the Directors believe that a continuation of the improving economic backdrop in the UK would be beneficial for mail volumes in all categories and could even reduce the anticipated rate of decline in the letters market.

4. INFORMATION ON THE DX BUSINESS

The range of services provided by DX is summarised into three Business Segments outlined below:

4.1 Business Segments

Mail and packets

DX Exchange

A private B2B network designed to provide a fast, reliable and secure delivery service, offering high service levels and savings against Royal Mail prices. Utilising over 4,200 exchanges across the UK and Ireland, the Document Exchange services over 18,000 customer boxes, primarily in the legal and

financial sectors, but is relevant to any business attracted by reliable and secure overnight deliveries. In recent years the service offering has expanded to include tracked specimen deliveries for the health sector.

Each customer is provided with a unique DX reference number and a mailbox at a local exchange. By collecting mail after 5.00 p.m., delivering prior to 9.00 a.m., the DX Exchange service extends the working day for many professionals. Customer mailroom productivity is boosted as no franking, weighing or sizing of items is required. Parcels up to 25kg can be sent and a real-time web tracking upgrade is available.

DX Mail

A low cost, second class mail alternative offering downstream access for smaller volume users. For businesses regularly sending mail to high street shops, retail parks or within its own branch network, it also offers a next-day untracked courier delivery service.

The downstream market has been an area of growth for DX over the last few years, leveraging its DX Exchange customer base to provide services for smaller businesses.

DX Secure

The original service was founded for the secure delivery of bank and credit cards. Now aimed largely at the next day B2C retail/etail parcels market, DX Secure delivers small parcels and sensitive mail direct to residential and business addresses via a secure and fully tracked network. All DX businesses have high standards of vetting for staff and DX Secure has followed suit. To maintain the integrity of this network, the end-to-end security is supported with an audit trail, including photographic and GPS evidence of delivery where required.

In 2004, the business grew substantially having become a distributor of passports in the UK. This contract with HM Passport Office has been retained following tenders in 2007 and 2012. The current contract runs to July 2015. The delivery service for sensitive and time critical documentation has also been extended to cover identification and visa documentation for a number of overseas embassies in London. More recently, the service offering has also been extended to include the fast growing online retail market, particularly for customers where next day delivery, security, tracking and proof of delivery is paramount.

Parcels and freight

DX Courier Tracked

DX Courier Tracked is a B2B service aimed at offering fast, secure and cost-effective next day parcel delivery. Focused on a high street footprint, the service specialises in the delivery of packets, parcels and pouches for branch networks, high street shops, business areas and government premises. 98.5 per cent. of deliveries arrive next day, with pre noon and Saturday delivery upgrades available.

The DX Courier service has developed a strong specialised position for deliveries in the pharmaceutical and gambling sectors as well as in the optical sector.

DX Freight

The DX Freight service was added to the portfolio with the acquisition of Nightfreight in 2012 and specialises in the express delivery of items of irregular dimension and weight ("IDW"), being over 3m in length, unsuitable for parcel conveyors or requiring mechanical lifting and/or manual handling. In addition to IDW items, DX Freight also carries parcels, pallets and offers an international network option. Approximately 65 per cent. of the freight is for B2B delivery but the expansion of online shopping trends has significantly increased the B2C market for IDW items. The service is focused on next day deliveries with pre 9.30 a.m. and pre noon upgrades available.

DX 2-Man

Also established as part of the Nightfreight acquisition, DX 2-Man is a rapidly growing delivery B2C service for heavier items up to 150 kgs. Typical freight includes furniture, mattresses and white/brown goods. Customers are provided with delivery slots, packaging is removed and upgrade services are available including "white glove" delivery to a room of choice, assembly and wet fit for white goods.

Logistics

DX Logistics

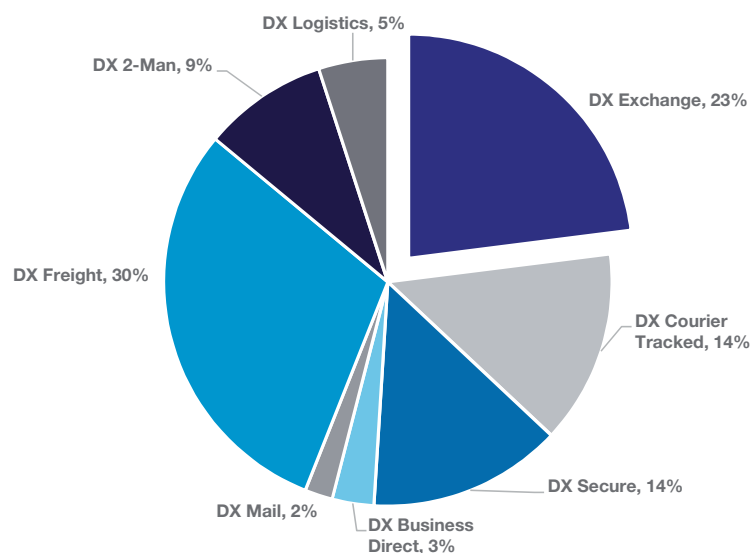
An outsource provider for logistics services across different industries, including the provision of liveried fleets and uniformed drivers or shared platform service operated by DX Logistics on behalf of the customer. Customers for this service include B&Q plc, Spicers Limited, Office Depot International (UK) Limited and Jungheinrich AG.

4.2 Segmental performance

Investment in DX Freight and the development of the existing offering have materially diluted the Company's reliance on the Document Exchange business.

Of the £305.7 million revenue for the year ended June 2013, no single service provided greater than 30 per cent. of group revenues.

Figure 3: Breakdown of DX's Revenue for the Year Ended 30 June 2013

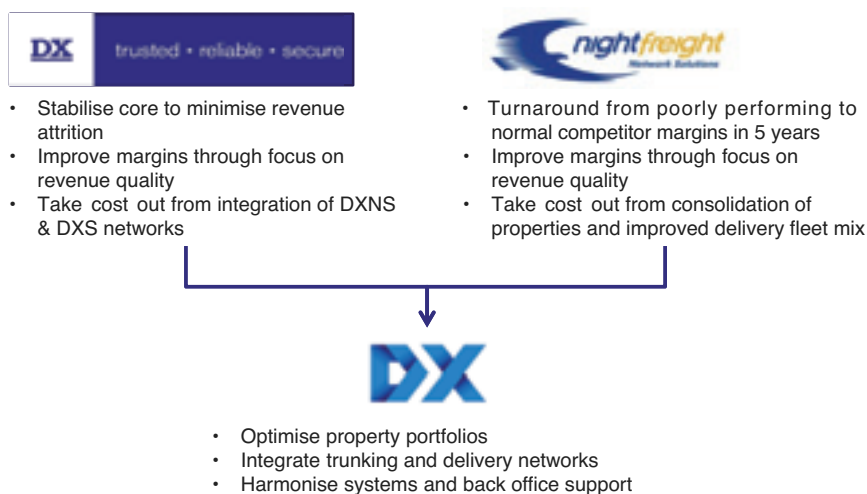


Source: Management Analysis and statutory accounts

Note: DX Business Direct is no longer part of DX

5. STRATEGY

The Directors' ongoing strategy is a combination of organic growth; efficiency improvements; the turnaround of DX Freight; and network development and consolidation.



Since 2010, DX's management have implemented numerous customer and efficiency focused initiatives designed to enhance DX's offering, including:

- improved customer service levels from less than 96 to over 99 per cent.;
- introduced near real time, on the road visibility and information; and
- upgrading software, handhelds and other IT.

Equally, measures have been undertaken to improve DX's profitability and cash flows. These measures included:

- reduced debtor days from over 50 to fewer than 30;
- reducing the number of sites by 12 (net);
- introducing Direct Debit and improving invoice quality; and
- parting with unprofitable customers.

Management's strategy is to complete the turnaround of DX Freight, to deliver margins similar to those of its competitors; to generate organic revenue growth from DX Courier Tracked, DX Secure, DX Freight and DX 2-Man; to generate further efficiency savings from the combination of delivery routes once enabled by the software upgrades; and, ultimately, to begin the integration of the original DX operations with those of DX Freight. Management anticipate that this strategy will enable DX to deliver growth in both consolidated revenues and profits as the DX Exchange revenues decline.

DX Freight turnaround

The acquisition of Nightfreight increased DX's exposure to the fast growing parcels and freight market. It materially changed the scale but as importantly the scope of DX's business. Prior to this the business generated in the region of 70 per cent. of its revenue from the mail and packet sector, the area facing structural decline. Despite the businesses being in specialised and defensive areas the Board believed DX was not immune from the wider themes at play and expansion into this growth market was appropriate.

Nightfreight was purchased as a standalone freight carrier which specialised in delivery of irregularly dimensioned and/or heavier cargo. Nightfreight was acquired as a poorly performing business, following many years of under-investment and numerous management changes, the business was beset by difficulties including poor service and poor customer retention, systematic under-investment in assets and people, an inflexible operating model and an un-profitable pricing structure. The Board believes that this allowed DX to acquire Nightfreight at an attractive valuation.

Since the acquisition, the Board have started a turnaround program that has transformed DX Freight. 'Delivery on time' performance has moved from under 92 per cent. to 97.5 per cent. Investment in hand held technology means that DX Freight can now offer real time transparency to clients, monitoring of weights and sizes had been increased and pricing has been aligned with market rates.

A cage network has been introduced to improve product integrity and reduce damage to cargo. Double-deck trailers are being introduced to optimise yields and improve efficiency. Sites have been relocated and canopies built to add capacity. The Board has been replaced and strengthened and a more efficient regional structure has been implemented allowing headcount to be reduced by over 200. An international service has been launched. The Board will now concentrate on delivering new regional hubs to improve network capacity and capability.

A rebranding of Nightfreight to DX Freight was completed in August 2013.

Network integrations

DX currently employs over 3,200 staff and over 2,000 couriers and owner/drivers, operates over 350 nightly trunk routes and has a Collection and Delivery fleet of over 2,500 vehicles, of which 2,100 are contractor vehicles. There are distribution centres across the UK, operating from over 76 locations (with a further one in the Republic of Ireland), with distribution hubs in Northampton, Nuneaton, Warrington and Willenhall, plus other regional hubs.

The Directors believe that integrating the wider DX offerings and DX Freight networks will drive significant cost savings. They have identified opportunities to consolidate the existing network by closing several sites while consolidating and bringing different services onto one site.

The Directors intend to reduce the number of sites across the DX estate fully integrating sites where appropriate.

OneDX proposition

The Board's priority is to complete the turnaround of DX Freight. Although some site co-location will take place, plans for integration will not be implemented until the acquired business is operating at acceptable levels of efficiency.

Further to the Nightfreight acquisition DX's customers will have access to a full range of mail and courier services, including sending large and heavy items, two-man deliveries, core logistics and warehousing services.

In the Directors' opinion, the OneDx proposition allows DX to become an integrated partner to customers' supply chains, by providing a complete quality logistical offering with reduced cost.

6. FINANCIAL INFORMATION

Part III of this document contains audited historical financial information on DX Group Limited and its subsidiary undertakings for the three years ended 30 June 2013. DX Group Limited is the owner of DX prior to the implementation of the Proposals.

The following financial information has been derived from the financial information contained in Part III of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

	<i>Year ended 30 June 2011 £m</i>	<i>Year ended 30 June 2012 £m</i>	<i>Year ended 30 June 2013 £m</i>
Revenue			
Continuing operations	149.9	195.8	297.0
Operations to be discontinued	14.1	10.8	8.7
Total revenue	164.0	206.6	305.7
Operating costs – continuing operations	(127.8)	(172.6)	(273.0)
Operating costs – operations to be discontinued	(12.4)	(9.6)	(7.3)
Total operating costs	(140.2)	(182.2)	(280.3)
Results from operating activities	23.8	24.4	25.4
Analysis of results from operating activities:			
Profit before interest, tax, depreciation and amortisation ('EBITDA'):			
Continuing operations	27.1	30.9	33.0
Operations to be discontinued	1.7	1.2	1.4
Total EBITDA	28.8	32.1	34.4

1. Nightfreight was acquired on 13 March 2012. Less than four months' of trading activity is therefore included in the results for the year ended 30 June 2012.
2. Management have implemented a change post the acquisition of Nightfreight to move away from owning vehicles under finance lease arrangements to hiring vehicles under full maintained operating leases. In the year to 30 June 2013 this added £0.7m to operating costs that would previously have been declared as finance charges.

7. CURRENT TRADING AND FUTURE PROSPECTS

DX has completed the first six months of trading for the year to 30 June 2014 with performance in line with the Directors' expectations and yielding growth in both revenue and underlying profitability.

Revenue for continuing operations in the 6 months to 31 December 2013 increased by £4.7 million or 3 per cent. with growth within Parcels & Freight and Logistics being partially offset by a reduction in packet volumes following a release of unprofitable contracts. DX Exchange revenue was slightly ahead of the prior year.

The discontinued operations related to the disposal of DX Business Direct on 21 December 2013.

Whilst EBITDA of £14.2 million for the 6 months to 31 December 2013 was in line with the comparative period in the prior year, £1.4 million of incremental operating lease charges were incurred during this period following a strategic change to replace vehicles owned under finance leases by DX Freight with fully maintained operating leases.

Due to the seasonality of some major revenue streams, profits in the second half of the year are traditionally greater than the first half.

	<i>Unaudited figures for 6 months 31-Dec-12 £m</i>	<i>Unaudited figures for 6 months 31-Dec-13 £m</i>
Revenue		
Continuing Operations	147.2	151.9
Discontinued Operations	4.3	4.2
Total Revenue	<u>151.6</u>	<u>156.1</u>
EBITDA		
Continuing Operations	13.5	13.5
Discontinued Operations	0.7	0.7
Total EBITDA	<u>14.2</u>	<u>14.2</u>

1 Management have implemented a change post the acquisition of Nightfreight to move away from owning vehicles under finance lease arrangements to hiring vehicles under full maintained operating leases. In the six months to 31 December 2013, this added £1.4 million to operating costs that would have previously been declared as finance charges.

8. DIRECTORS AND SENIOR MANAGEMENT

Directors

David Alexander Hoare (Non-Executive Chairman, aged 64)

David is currently Chairman of DX, the Teenage Cancer Trust and founder Director of Duncton PLC. Over the past 20 years he has been Chairman of V Ships Group, Virgin Express Holdings PLC, Sparck Holdings BV and Target Worldwide Express Ltd. In addition he has been CEO of Laura Ashley PLC, Radio Rentals, Investors in Education Ltd, Cope Allman Packaging plc and COO of National Home Loans (now Paragon PLC).

Petar Cvetkovic (Chief Executive Officer, aged 52)

Petar has 31 years' experience in the transport and logistics industry, the last three of which have been with DX. Prior to joining DX as CEO, Petar has held numerous senior roles in the industry including CEO of Target Express, Managing Director of City Link and UK MD of Norbert Dentressangle. Petar is also Non-executive director of the fast growing online retailer boohoo.com.

Ian Richard Pain (Chief Financial Officer, aged 49)

Ian has been working as a CFO in industry for 14 years having qualified for his ACA with Price Waterhouse. Ian has spent the last seven years at DX having joined from a specialist manufacturer of labels for the pharmaceutical and agrochemical industries. Prior to becoming a CFO, Ian was a Corporate Finance Manager at Charterhouse Bank and an Investment Director with Prudential Private Equity.

Robert Holt (Non-Executive Director, aged 59)

Robert is Chairman of Mears Group Plc, the listed support services group focused on social housing and domiciliary care services in which capacity he oversaw the company's float on AIM and subsequent listing on the Main Market of the London Stock Exchange. He is also Non-Executive Chairman of management provider Inspired Energy Plc and is a Director of a number of other businesses.

The Company also plans to appoint a further non-executive director in due course. The Directors are seeking an individual who has the appropriate level of industry experience and who cannot only further strengthen the Board but can add value to DX.

Senior Management

DX and DX Freight are individually managed via two separate management boards on which both executive directors sit. Other key senior management include:

Barrie Childe (DX Director of Operations, aged 62)

Barrie has 30 years of industry experience including senior operations roles within Business Post plc, Gist Limited and Federal Express. Barrie joined DX in 2004 and is the Director in charge of Operations for DX Network Services Limited and DX Secure.

Stuart Godman (Chief Operations Officer, DX Freight, aged 41)

Stuart has nearly 25 years' experience in the express, parcels and logistics sector and has had the benefit of several senior board positions. He started his career in 1988 with TNT Express before moving in 1997 to Target Express. He spent the next 8 years as Sales & Marketing Director and was part of the team that sold the business to Rentokil Initial Plc in late 2006. He became part of the DX team in January 2011 and adopted his current position following the acquisition of Nightfreight in March 2012.

Out of the top 170 senior managers over 50 per cent. have been replaced with new colleagues since the current management team came together in 2010.

9. EMPLOYEES

As at 31 December 2013, DX had over 3,200 employees based in the UK and Ireland.

10. SHARE INCENTIVE ARRANGEMENTS

The Board recognises the importance of ensuring that employees of DX are effectively and appropriately incentivised and their interests aligned with those of DX. Similarly, the Board believes that the ongoing success of DX depends to a high degree on retaining and incentivising the performance of key members of Senior Management. To that end, the Company has adopted the Share Plans, to align the interests of Senior Management, and the broader employee workforce alike, with those of the Shareholders.

The Share Plans adopted by the Company are made up of three incentive arrangements (1) the DX (Group) plc Value Creation Plan ("VCP"), which will reward the senior management team in the event that shareholder value is created; (2) the SAYE Plan, which is an HMRC approved scheme under which it is anticipated that options over Ordinary Shares will be offered to all employees of DX who have been employed for the relevant qualifying period; and (3) the CSOP, which is also an HMRC approved scheme, under which selected Management will be granted market value options over Ordinary Shares. The CSOP also has an unapproved schedule under which options may be granted in excess of the HMRC approved scheme limit (which is an individual limit of £30,000 when looking at the value of the shares under option at grant ("Approved Limit")).

A summary of each of the Share Plans is set out in paragraph 7 of Part V of this document.

11. PLACING, VENDOR PLACING AND LOCK IN AND ORDERLY MARKETING ARRANGEMENTS

The Company is proposing to raise £185 million by way of a conditional placing by the Company with investors of the Placing Shares at the Placing Price. The Placing Shares will represent approximately 92.26 per cent. of the Enlarged Ordinary Share Capital at Admission. Under the Vendor Placing, the Selling Shareholder has agreed to sell 15,525,300 Vendor Placing Shares at the Placing Price and these shall be placed with investors by Zeus Capital. Pursuant to the Placing Agreement, Zeus Capital has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares and purchasers for the Vendor Placing Shares and the Company and the Directors have given certain warranties (and the Company has given an indemnity) to Zeus Capital, all of which are normal for this type of agreement.

On Admission a total of 4,525,323 Ordinary Shares will be issued to the Directors who have all entered into placing letters to give effect to this agreement.

The Placing and Vendor Placing, which are not underwritten, are conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring no later than 27 February 2014 (or such later date as Zeus Capital and the Company may agree, being no later than 14 March 2014).

The estimated net proceeds of the Placing are approximately £177.25 million and will be used by the Company to repay senior and shareholder debt.

The estimated net proceeds of the Vendor Placing are approximately £15 million, none of which will be payable to the Company.

Further details of the Placing Agreement and the lock in and orderly marketing arrangements are contained in paragraph 16 of Part V of this document.

12. TAXATION

Information regarding taxation is set out in paragraph 12 of Part V of this document. These details are intended only as a general guide to the current tax position in the UK. **If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial adviser immediately.**

13. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 27 February 2014.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST).

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

14. DIRECTORS' INTERESTS

At Admission, the Directors will in aggregate be interested in, directly and indirectly, 4,525,323 Ordinary Shares representing approximately 2.26 per cent. of the entire issued ordinary share capital.

David Hoare, Petar Cvetkovic and Ian Pain will receive certain bonus payments and repayments of shareholder loans and equity interests in DX in connection with the Proposals, details of which are set out in paragraph 10 of Part V of this document. Each of these Directors will re-invest such equity interests in the Company on Admission.

15. CORPORATE GOVERNANCE

The Directors acknowledge the importance of the principles set out in the Corporate Governance Code. Although the Corporate Governance Code is not compulsory for AIM quoted companies, the Directors intend to apply the principles as far as they consider appropriate for a company of its size and nature in accordance with the UK Corporate Governance Code and the QCA Corporate Governance Code for Small and Mid-Size quoted companies 2013.

Following Admission, the Board will comprise four Directors, two of whom shall be executive Directors and two of whom shall be non-executive Directors, reflecting a blend of different experience and backgrounds.

The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors will receive appropriate and timely information. Briefing papers will be distributed to all Directors in advance of Board meetings. All Directors will have access to the advice and services of the Company Secretary, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at DX's expense.

Board Committees

The Company will, upon Admission, have Audit, Nomination and Remuneration Committees.

The Audit Committee will have David Hoare as Chairman, and will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of DX is properly measured and reported on and reviewing reports from DX's auditors relating to DX accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee will meet at least twice a year. Robert Holt will be the other member of the Audit Committee.

The Nomination Committee will have David Hoare as Chairman, and will identify and nominate for the approval of the Board candidates to fill board vacancies as and when they arise. The Nomination Committee will meet at least once a year. Robert Holt will be the other member of the Nomination Committee.

The Remuneration Committee will have Robert Holt as Chairman, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least once a year. David Hoare and Petar Cvetkovic will be the other members of the Remuneration Committee.

No member of the Audit, Nomination and Remuneration Committees have any potential conflicts of interest between any of their duties to the Company and their private interests and/or other duties.

The total amount set aside or accrued by the Company to provide pension, retirement or similar benefits to the members of the Audit, Nomination and Remuneration Committees is nil.

It is intended to review and update the composition of the above committees of the Board following the appointment of a further independent non-executive director.

16. REASONS FOR THE PLACING AND THE VENDOR PLACING

The Directors believe that Admission will be beneficial to DX as being a quoted company will enhance DX's reputation, add further credibility to its service offering, raise its profile as it begins to livery its vehicles for the first time and provide access to capital markets. New senior debt facilities of £23 million are being raised in conjunction with the Placing, of which £18 million will be drawn on Admission with the balance to provide working capital flexibility. The combined funds raised will allow DX to repay its historic senior lending facilities in full as well as repaying existing Shareholder loans, thereby reducing gearing to circa one times EBITDA and provide further flexibility to develop its strategy. DX's existing private equity and institutional shareholders have indicated their desire to exit their investment in the Company. Certain members of the existing management team including David Hoare, Petar Cvetkovic and Ian Pain, are reinvesting their current equity interests in the amount of £7.3 million in aggregate entitlements and will own approximately 3.65 per cent. of DX after Admission, and such Ordinary Shares are subject to a lock-up arrangement (subject to certain customary carve outs). The executive Directors' lock-up arrangements are summarised in paragraph 16 of Part V of this document and the lock-up arrangement relating to the relevant members of the management team and David Hoare are summarised in paragraph 17.6 of Part V of this document.

17. DIVIDEND POLICY

The Directors' intention is to implement a progressive dividend policy subject to the discretion of the Board and subject to the Company having distributable reserves. It is the Directors' intention, based on their expectations of current and future trading and the track record of the business to pay a dividend for the year ending 30 June 2014 and in future years.

18. SHARE DEALING CODE

The Company will adopt, with effect from Admission, a share dealing code for directors and certain employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules) and the Company will take all reasonable steps to ensure compliance by the directors and relevant employees.

19. RISK FACTORS

Your attention is drawn to the risk factors set out in Part II of this document and to the section entitled "Forward Looking Statements" therein. In addition to all other information set out in this document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

20. ADDITIONAL INFORMATION

You should read the whole of this document and not just rely on the information contained in this Part I. Your attention is drawn to the information set out in Parts II to V (inclusive) of this document which contain further information on the Company.

PART II

RISK FACTORS

Before making any investment decision, prospective investors should carefully consider all the information contained in this Document including, in particular, the risk factors described below. Ordinary Shares may not be a suitable investment for all recipients of this Document. If you are in any doubt about the Ordinary Shares and their suitability for you as an investment, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

In addition to the usual risks associated with an investment in a company, the Directors consider that the factors and risks described below are the most significant in relation to an investment in the Company and should be carefully considered, together with all the information contained in this document, prior to making any investment decision in respect of the Ordinary Shares. The list below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company and nor are the risks set out in any order of priority.

It should be noted that the risks described below are not the only risks faced by the Company and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware.

If any of the events described in the following risks actually occur, the Company's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment. The information set out below is not set out in any order of priority. The Company's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it operates or intends to operate as well as overall global financial conditions.

Risks specific to the Company

The following sets out some of the risks relating to DX. If any of the following risks are borne out in reality, DX's business, financial condition or results of operations could be seriously affected.

Letter and Parcel volumes in the UK

The letters market has declined in recent years, largely driven by e-substitution with much B2C and B2B mail communication transferring online. The market for letters is expected to decline at a reducing rate over the next ten years with the level of decline expected to slow as a baseline of non-online users or less willing online users is reached e.g. users for whom secure delivery is a priority. The Directors expect the decline in postal volumes in mail to be offset however by the forecast increase in volume in parcels, driven by the dramatic change in consumers' shopping habits. If the decline of letter volumes in the UK is at a faster rate than forecast or the parcel volume growth rates are 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. Further letter and parcel volumes have historically been linked to levels of economic activity and the level of GDP in the UK and this link is expected to continue. Low levels of economic growth may have a number of effects on the business of DX, including customers adopting cheaper service options for the transmission of letters and parcels.

DX's customers may cease to continue trading with DX or may reduce their level of demand for services

Many of DX's customers either contract with DX on a short term basis, have a voluntary right to terminate the contract on notice or do not have a formal contract in place. Following Admission some customers will also have the right to terminate their relationship with DX as a result of the change of control of DX arising as a result of the sale of the Vendor Placing Shares by the Selling Shareholder. Further, some customers and suppliers have contracted with entities which, as a result of the pre-Admission Reorganisation, will no longer form part of DX (the "Reorganisation Entities"). The Company intends to transfer such contracts from the Reorganisation Entities to companies within DX, which will require the consent of the relevant customers

or suppliers. However, as at the date of this document it has not been possible to identify all customers that currently contract with the Reorganisation Entities and it remains unclear as to whether all those customers, which can be identified, will consent to a novation of their contract from the relevant Reorganisation Entity to an entity in DX. Additionally, not all of DX's customers are obliged to provide a minimum consignment level in their arrangements with DX and there is therefore a lack of certainty regarding revenue derived from these customers.

As a result of these factors, there is a lack of certainty in respect of the retention of certain existing customers who may elect not to continue contracting with DX following Admission, or the volume with which they will continue to trade with DX. Any loss of a substantial number of customers, or the loss of any key customers who generate substantial revenue for DX, could have a material adverse effect on DX's results of operations, financial condition and prospects.

Some of DX's key customers are also public sector counterparties which require their contractors to agree to terms which are often more onerous than the terms which DX normally agrees with other customers. DX's liability exposure is therefore greater in the case of these contracts than for its other contracts, which could have an adverse effect on DX's results of operations, financial condition and prospects.

The Parcel market in which DX operates is highly competitive

The parcel market is highly competitive and DX already faces significant competition in the UK from companies with established delivery capabilities. DX may be adversely affected by other operators' use of aggressive pricing strategies. DX also faces risks associated with the further expansion of "click and collect" in the UK parcel market and the growth in the use of "pick up drop off" points located in high street shops and other locations (by both online retailers who do not have their own high street presence or "multi-channel" retailers who sell goods online and through more traditional retail locations) may lead to a reduction in the volume of parcels delivered by DX particularly if DX's own "click and collect" offering does not develop as expected.

Incidents resulting from the delivery of confidential and sensitive items could adversely affect the operations, reputation and profitability of DX

DX 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 the existing or potential customers may be unwilling to use DX for the delivery of confidential or sensitive items.

DX may not be successful in meeting its productivity targets

In order to increase productivity and manage DX's costs, DX has implemented a number of efficiency programmes since 2010, including improved customer service levels (from less than 96 to over 99 per cent.); introduction of near real time, on the road visibility and information; and upgrading software, handhelds and other IT as well as measures that have improved DX's profitability and cash flows; reduced debtor days from over 50 to fewer than 30; reducing the number of sites by 12 (net); introducing Direct Debit and improving invoice quality as well as parting with unprofitable customers. The ongoing strategy is to provide an integrated offering under "OneDX" with one brand, one network; one customer proposition and one integrated software platform. The success of DX will be partly dependent on whether this strategy can be successfully implemented.

DX's IT systems are critical to its business operations

Any material failure in DX's IT applications, systems and infrastructure or any failure to maintain, invest in or improve them over the coming years may lead to material operational and systems disruptions which could have a material adverse effect on DX's results of operations, financial condition and future prospects. In addition, poor maintenance of DX's IT infrastructure may result in the loss of information and data stored by DX and any such loss may have a material adverse effect on DX's reputation, results of operations, financial condition and future prospects. In particular, and although they are subject to ongoing replacement projects, certain of DX's older IT applications, systems and infrastructure in the UK may be susceptible to inefficiencies and service failure, may be reliant on third party support and source code may not be available to maintain or develop software for contained operations.

DX no longer has access to or control over the source code of some of DX's bespoke software systems. Whilst the systems are currently operational, the loss of source code has effectively frozen their functionality and capability as it exists presently, and places limits on the ability for the software to be effectively maintained or expanded in its usage. As a result of this, and given that some of its information technology systems could be considered to be outdated, DX is progressing a strategy to develop new IT capabilities using modern technology and techniques and to retire the legacy systems in a step by step process, as well as relocating its hardware to a more suitable site. There is a risk that DX's operational effectiveness could be impaired if its existing bespoke software failed or this improvement strategy could cause certain business continuity issues if the steps are not implemented effectively, particularly since DX does rely on a number of third parties to operate their systems.

DX may not be able to collect or deliver letters and parcels in a timely manner due to disruption in the transportation network

The business of DX is subject to risks associated with its ability to provide services for the collection and delivery of letters and parcels. DX relies on the transportation of items by road and, to a lesser extent, by rail and air networks. It is also subject to regulations governing the number of hours that its road drivers can work on consecutive days and, as a result, DX may not have enough drivers available to work during periods of high demand or adverse weather conditions. Any major disruption to the road, rail or air networks could lead to DX failing to meet its regulatory obligations, including quality of service targets. Such breaches could lead to fines and other regulatory enforcement action.

DX could be adversely affected by the loss of, or an inability to recruit and retain, key personnel

DX depends on the retention of its senior management and other key employees. The loss of service of one or more of DX's key employees could adversely affect its business. In addition, DX may need to temporarily fill certain key roles with interim employees while recruitment of permanent staff remains ongoing. Any failure by DX to attract and retain directors and highly skilled personnel could have a material adverse effect on its competitive position, which in turn could result in a material adverse effect on its results of operations, financial conditions and prospects. The Board recognises the importance of ensuring that employees of DX are effectively and appropriately incentivised and their interests aligned with those of the Company. To that end, the Company has adopted the Share Plans, to align the interests of Senior Management, and the broader employee workforce alike, with those of the Shareholders.

Certain of DX's consultants and agency workers could be deemed to be employees of DX

DX uses a large number of consultants, individual sub-contractors and agency workers, in addition to its employees, in delivering its services. DX endeavours to ensure that both the contracts and procedures in place with such parties are constructed in such a way so as to minimise the risk that an employee relationship is established, but the risk remains that in the event of any claim as to worker status, a court or tribunal will focus on the reality of the relationship, even if this contradicts what is written in a contract. If such consultants, sub-contractors or agency workers are determined to be employees, rather than contractors, DX will be liable for increased costs (such as National Insurance Contributions) and liabilities (such as employee rights) in respect of such individuals, which could have an adverse effect of the financial condition of DX.

Additionally, DX recognises that the nature of the services agreed with some of its customers could result in a transfer of certain of its, or the customer's, employees to the other respective party pursuant to The Transfer of Undertakings (Protection of Employment) Regulations 2006. There is therefore a risk that DX may have to compensate such individuals and the relevant customer in respect of any claim for employee status brought by such an individual.

DX is proposing to harmonise employment terms across DX. However following the acquisition of DX Freight in 2012 there has been some difficulty in acquiring employment data in relation to certain of DX Freight employees. Any large scale harmonisation of the employment terms of DX's employees, combined with a lack of data on the employment status of certain of the Nightfreight employees or contractors, may mean that there is a risk of employee claims if such a harmonisation is not implemented effectively and/or such contractors are determined to be employees. Any such claims could have an adverse effect on DX's results of operations, financial condition and prospects.

DX has a number of key suppliers which might not be easily replaced if they elect not to do business with DX

DX has a number of major suppliers providing services to DX, including with MITIE (for the provision of managed services), Royal Mail (to which DX sub-contracts certain services) and certain IT providers. The suppliers are able to terminate their contracts on provision of notice (up to 3 months) which could result in DX no longer being able to rely on such service providers. If such key suppliers cease to conduct business with DX, or adversely change the terms on which they supply services to DX, and DX is unable to procure alternative suppliers on similar terms, this could have a material adverse effect on DX's results of operations, financial condition and prospects.

The criminal law and the real estate law sectors remain heavily paper based

The DX Exchange service was created in 1975 as a secure mail network, initially for the legal profession. Mail volumes have declined as a result of e-substitution and the Directors believe for many sectors of the legal profession usage of DX Exchange is low. The principal legal areas that remain heavily reliant on DX Exchange are criminal law (mail between the Ministry of Justice, the court service, the Legal Aid Agency, police, solicitors, barristers etc.) and real estate law (mail between the Land Registry, conveyancing solicitors, building societies, surveyors, valuers, estate agents etc.) both of which remain heavily paper based. If the Land Registry and the criminal justice sector were to launch digital platforms it could materially reduce the volume of mail flowing through the DX Exchange. It has been a stated intention to initiate and implement such digital platforms that would be accessible to all relevant users by 2016. The Directors are not in a position to assess how successful such an implementation would be or how quickly mail volumes would decline as a result. Nevertheless, the Directors have sought to mitigate the risk through the organic growth of other services; the turnaround opportunity represented by the Nightfreight acquisition; and savings available from the integration of the original DX business with Nightfreight. However, any material reduction in the volume of mail delivered through the DX Exchange could have a material adverse effect on DX's results of operations, financial condition and prospects.

General Risk Factors

Liquidity and possible price volatility

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of DX, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in DX's sector and other events and factors outside of DX's control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares in DX may be influenced by a number of factors, some of which may pertain to DX and others of which are extraneous. These factors could include the performance of DX's business, changes in the amount of distributions or dividends, changes in DX's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which DX encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions.

The value of the Ordinary Shares may therefore fluctuate. Investors may realise less than the original amount invested.

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise an investment in DX than in a company whose shares are quoted on the Official List of the London Stock Exchange.

Legislation and tax status

This Document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation and in particular in tax status or tax residence of DX or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Company.

Economic, political, judicial, administrative, taxation or other regulatory matters

DX may be adversely affected by changes in the economic, political, judicial, administrative or legislative backdrop (including that in relation to taxation) or other unforeseen matters.

Forward looking statements

All statements other than statements of historical fact included in this document, including, without limitation, those regarding DX's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to Shareholder returns, dividends or any statements preceded by, followed by or that include the words "targets", "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond DX's control that could cause the actual results and performance to be materially different from future results and performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding DX's present and future business strategies and the environment in which DX will operate in the future.

These forward looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

Areas of investment risk

The prices of publicly quoted securities can be volatile. The price of securities is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to DX.

The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to DX and others which are extraneous. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

Taxation

The attention of potential investors is drawn to paragraph 12 of Part V of this document headed "Taxation". The tax rules and their interpretation relating to an investment in the Company may change during its life.

Any change in DX's tax status or in taxation legislation or its interpretation could affect the value of the investments held in DX or DX's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this Document concerning the taxation of DX and its investors are based upon current tax law and practice which is, in principle, subject to change.

Current and potential investors are strongly recommended to consult an independent financial adviser authorised under FSMA who specialises in investments of this nature before making any investment decision in respect of Ordinary Shares.

PART III
HISTORICAL FINANCIAL INFORMATION
SECTION A – ACCOUNTANTS’ REPORT

KPMG LLP
Arlington Business Park
Theale
Reading
RG7 4SD

The Directors
DX (Group) plc
DX House
Ridgeway
Iver
Buckinghamshire
SL0 9JQ

21 February 2014

Dear Sirs

DX plc (‘the Company’)

We report on the financial information set out on pages 32 to 65 for the three years ended 30 June 2013 of DX Group Limited and its subsidiaries. This financial information has been prepared for inclusion in the AIM Admission Document dated 21 February 2014 of DX (Group) plc on the basis of the accounting policies set out in note 2. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 21 February 2014, a true and fair view of the state of affairs of DX Group Limited and its subsidiaries as at 30 June 2011, 30 June 2012 and 30 June 2013 and of its profits and losses, cash flows, recognised gains and losses and changes in equity for the three years ended 30 June 2013 in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

KPMG LLP

SECTION B – FINANCIAL INFORMATION

DX Group Limited

Financial information for the years ended 30 June 2011, 30 June 2012 and 30 June 2013.

Consolidated income statements

		<i>Year ended 30 June 2011 £m</i>	<i>Year ended 30 June 2012 £m</i>	<i>Year ended 30 June 2013 £m</i>
	<i>Note</i>			
Total revenue	3	164.0	206.6	305.7
Continuing operations		149.9	195.8	297.0
Operations to be discontinued	27	14.1	10.8	8.7
Total revenue		164.0	206.6	305.7
Operating costs – continuing operations		(127.8)	(172.6)	(273.0)
Operating costs – operations to be discontinued	27	(12.4)	(9.6)	(7.3)
Total operating costs	4	(140.2)	(182.2)	(280.3)
Results from operating activities		23.8	24.4	25.4
Analysis of results from operating activities:				
Profit before interest, tax, depreciation and amortisation ('EBITDA'):				
Continuing operations		27.1	30.9	33.0
Operations to be discontinued		1.7	1.2	1.4
Total EBITDA		28.8	32.1	34.4
Depreciation and amortisation		(3.1)	(4.8)	(6.8)
Goodwill impairment		(0.7)	–	–
Exceptional items	7	(1.2)	(2.9)	(2.2)
Results from operating activities		23.8	24.4	25.4
Net finance costs:				
Third party	8	(9.2)	(9.5)	(8.7)
Non-cash shareholder related	8	(10.1)	(23.4)	(38.5)
Gain on derecognition of debt	9	155.5	–	–
Gain on debt buy back	10	–	1.9	–
Total net finance costs		136.2	(31.0)	(47.2)
Profit/(loss) before tax		160.0	(6.6)	(21.8)
Tax expense	11	(8.4)	(3.6)	(2.8)
Profit/(loss) for the year		151.6	(10.2)	(24.6)
Other comprehensive income:				
Foreign currency translation differences		0.1	(0.1)	0.1
Other comprehensive income, net of tax		0.1	(0.1)	0.1
Total comprehensive income/(expense) for the year attributable to owners of the parent		151.7	(10.3)	(24.5)

The results for the financial period are derived from continuing operations.

The consolidated income statements include the results of DX Freight Limited from the date of its acquisition on 13 March 2012.

Earnings per share information has not been provided as the future capital structure is not comparable with that included in this financial information.

Consolidated statements of financial position

		As at 30 June 2011 £m	As at 30 June 2012 £m	As at 30 June 2013 £m
	Note			
Non-current assets				
Property, plant and equipment	12	8.9	19.0	18.7
Intangible assets and goodwill	13	179.9	198.6	198.4
Total non-current assets		188.8	217.6	217.1
Current assets				
Current tax assets		–	1.5	1.3
Trade and other receivables	15	36.9	56.3	49.8
Cash and cash equivalents		32.8	19.8	30.2
Total current assets		69.7	77.6	81.3
Total assets		258.5	295.2	298.4
Equity				
Share capital	16	237.5	237.5	237.5
Share premium	17	5.6	5.6	5.6
Other reserves	17	0.1	–	0.1
Retained earnings	17	(244.3)	(254.5)	(279.1)
Total equity		(1.1)	(11.4)	(35.9)
Non-current liabilities				
Loans and borrowings:				
Third party	18	167.4	155.6	152.0
Shareholder related	18	22.7	46.6	85.2
		190.1	202.2	237.2
Other creditors		–	–	0.3
Provisions	19	0.8	12.3	8.9
Deferred tax liabilities	20	9.6	9.4	11.1
Total non-current liabilities		200.5	223.9	257.5
Current liabilities				
Current tax liabilities		2.9	2.9	–
Loans and borrowings – third party	18	6.7	16.4	10.4
Loans and borrowings – shareholder related	18	0.5	–	–
Trade and other payables	21	19.2	35.5	37.2
Deferred income		29.8	27.9	29.2
Total current liabilities		59.1	82.7	76.8
Total liabilities		259.6	306.6	334.3
Total equity and liabilities		258.5	295.2	298.4

Consolidated statements of changes in equity

	Share capital £m	Share premium £m	Trans- lation reserve £m	Retained earnings £m	Total equity £m
At 1 July 2010	0.6	5.6	–	(395.9)	(389.7)
Total comprehensive income for the year:					
Profit for the year	–	–	–	151.6	151.6
Total other comprehensive income	–	–	0.1	–	0.1
Total comprehensive income for the year	–	–	0.1	151.6	151.7
Transactions with owners of the company, recognised directly in equity:					
Conversion of preference shares into ordinary shares	236.9	–	–	–	236.9
Total transactions with owners of the company	236.9	–	–	–	236.9
At 30 June 2011	237.5	5.6	0.1	(244.3)	(1.1)
Total comprehensive income for the year:					
Loss for the year	–	–	–	(10.2)	(10.2)
Total other comprehensive income	–	–	(0.1)	–	(0.1)
Total comprehensive expense for the year	–	–	(0.1)	(10.2)	(10.3)
At 30 June 2012	237.5	5.6	–	(254.5)	(11.4)
Total comprehensive income for the year:					
Loss for the year	–	–	–	(24.6)	(24.6)
Total other comprehensive income	–	–	0.1	–	0.1
Total comprehensive income/(expense) for the year	–	–	0.1	(24.6)	(24.5)
At 30 June 2013	237.5	5.6	0.1	(279.1)	(35.9)

Consolidated statements of cash flows

	<i>Year ended 30 June 2011 £m</i>	<i>Year ended 30 June 2012 £m</i>	<i>Year ended 30 June 2013 £m</i>
<i>Note</i>			
Cash flows from operating activities			
Profit/(loss) for the year	151.6	(10.2)	(24.6)
Adjustments for:			
– Depreciation	2.5	2.6	3.2
– Amortisation of intangible assets	0.6	2.2	3.6
– Impairment losses on intangible assets	0.7	–	–
– Non-cash finance costs	12.9	26.4	40.7
– Gain on sale of property, plant and equipment	–	–	(0.4)
– Gain on derecognition of debt	(155.5)	–	–
– Gain on debt buy back	–	(1.9)	–
– Tax expense	8.1	(0.2)	(1.0)
Net cash profit	<u>20.9</u>	<u>18.9</u>	<u>21.5</u>
Changes in:			
– trade and other receivables	(5.6)	(0.3)	6.6
– trade and other payables	(2.6)	0.4	2.5
– deferred income	1.6	(2.0)	1.3
– provisions	(0.2)	(0.7)	(3.0)
Net change in working capital	<u>(6.8)</u>	<u>(2.6)</u>	<u>7.4</u>
Cash generated from operating activities	<u>14.1</u>	<u>16.3</u>	<u>28.9</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	–	–	0.8
Acquisition of DX Freight Limited	14	(10.8)	0.4
Acquisition of property, plant and equipment	(3.5)	(2.4)	(3.4)
Development expenditure	(0.3)	(1.7)	(3.9)
Net cash used in investing activities	<u>(3.8)</u>	<u>(14.9)</u>	<u>(6.1)</u>
Net increase in cash before financing activities	<u>10.3</u>	<u>1.4</u>	<u>22.8</u>
Cash flows from financing activities			
Issue of subordinated loan notes	15.0	–	–
New mortgage facility	–	3.6	–
Repayment of borrowings – scheduled	(6.0)	(6.8)	(8.1)
Repayment of borrowings – non-scheduled	–	(5.3)	–
Repayment of borrowings – debt buy back	–	(4.0)	–
Payment of finance lease liabilities	–	(0.3)	(1.4)
Movement on invoice discounting facilities	–	(1.5)	(2.9)
Payment of loan issue costs	(0.4)	–	–
Net cash from/(used in) financing activities	<u>8.6</u>	<u>(14.3)</u>	<u>(12.4)</u>
Net increase/(decrease) in cash and cash equivalents	<u>18.9</u>	<u>(12.9)</u>	<u>10.4</u>
Cash and cash equivalents at 1 July	13.8	32.8	19.8
Effect of exchange rate fluctuations on cash held	0.1	(0.1)	–
Cash and cash equivalents at 30 June	<u><u>32.8</u></u>	<u><u>19.8</u></u>	<u><u>30.2</u></u>

Notes to the financial information

1. General information

The principal activity of DX Group Limited (the 'Company') and its subsidiaries (together, the 'Group' or 'DX') is the provision of post, packets and parcels delivery services. The Company is incorporated and domiciled in the United Kingdom. The address of its registered office is: DX House, Ridgeway, Iver, Buckinghamshire SL0 9JQ.

The registered number of the Company is 05769062.

Throughout the period covered by this financial information the Company's ultimate parent undertaking has, in the opinion of the directors, been DX Group Holdings (Cayman) No 1 Limited, a company incorporated in the Cayman Islands whose registered office is 2nd Floor, The Grand Pavilion Commercial Centre, 802 West Bay Road, P.O. Box 10338, Grand Cayman KY1 – 1003, Cayman Islands.

In the opinion of the directors, the Company's controlling party throughout the period was funds managed by Arle Capital Partners Limited.

The financial information presented is for the years ended 30 June 2011, 30 June 2012 and 30 June 2013.

2. Accounting policies

The principal accounting policies applied in the preparation of the consolidated financial information are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The historical financial information has been prepared in accordance with the requirements of the Alternative Investment Market ('AIM') Rules for Companies for the purposes of the AIM admission document dated 21 February 2014 and represents consolidated historical financial information for the Company and its subsidiaries for each of the three years ended 30 June 2011, 30 June 2012 and 30 June 2013 and in accordance with this basis of preparation. This basis of preparation describes how the historical consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'). This is the first financial information of the Group prepared in accordance with IFRS.

The consolidated financial information has been prepared on a going concern basis and under the historical cost convention.

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

The preparation of financial information in conformity 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 revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates.

New standards and interpretations

There are no new IFRSs or International Financial Reporting Interpretations Committee ('IFRIC') interpretations that are effective for the first time for the financial year beginning on or after 1 July 2012 that have had a material impact on the Group.

At the date of authorisation of the financial information, the following standards and interpretations, which have not yet been applied in the financial information, were in issue but not yet effective, and have not been early adopted by the Group:

- IFRS 9 'Financial instruments' (effective 1 January 2015)*
- IFRS 10 'Consolidated Financial Statements' (effective 1 January 2013)[†]
- IFRS 12 'Disclosures of interests in other entities' (effective 1 January 2013)[†]

- IFRS 13 'Fair value measurement' (effective 1 January 2013)
- IAS 19 (revised 2011) 'Employee benefits' (effective 1 January 2013)
- IAS 27 (revised 2011) 'Separate Financial Statements' (effective 1 January 2013)[†]
- Amendment to IFRS 7 'Financial Instruments – Disclosures' on offsetting financial assets and liabilities (effective 1 January 2013)[†]
- Amendment to IAS 32 'Financial Instruments – Presentation' on offsetting financial assets and liabilities (effective 1 January 2014)[†]

* Not EU endorsed.

† EU endorsed effective from 1 January 2014.

The adoption of these standards and interpretations is not expected to have a material impact on the Group in the period they are applied.

Basis of consolidation

The financial information comprises a consolidation of the financial information of DX Group Limited and all its subsidiaries. The financial year ends of all entities in the Group are coterminous.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

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 chief operating decision-maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board of Directors.

Foreign currency translation

- 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's and all of the subsidiaries based in the United Kingdom. The functional currency of the Group's Irish operation is the Euro.
- 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.

Revenue

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

Exchange subscription income invoiced in advance is deferred and recognised as turnover over the period in which the related service is provided. Deferred subscription income is included in the balance sheet as deferred income within creditors: amounts falling due within one year.

All other turnover is recognised as the service to which it relates is rendered.

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 and buildings:

Land	Nil
Freehold buildings	2 – 2.5 years
Short leasehold properties	4 – 20 years
Plant, machinery and other equipment	10 – 25 years

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, which in the case of the Group represents one cash-generating unit.

- (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 annual rates of not less than 20 per cent. in order to write off each asset on a systematic basis.

- (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.

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 when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. 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 the trade receivable may be impaired.

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 uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other external charges' 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.

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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Gains or losses on derivatives are recognised in the statement of comprehensive income in the year in which they occur.

Leases

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

Operating leases

Assets leased under operating leases are not recorded in the statement of financial position. Rental payments are 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Taxation

The tax expense for the period comprises of 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.

- (a) *Current taxation:* Current tax is the expected tax payable on the taxable income for the period, 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.
- (b) *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 historical financial information. Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet 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 future taxable profits will be available against which the temporary differences 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 in the year. Differences between contributions payable in the year and contributions actually paid are shown as amounts either payable or receivable in the statement of financial position.

Exceptional items

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 Groups' 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:

- (a) *Carrying value of goodwill:* The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy with detailed disclosure in note 13. In assessing for impairment, the lowest level of goodwill for which there are separately identifiable cash flows (cash generating units) that can reasonably be assessed is for the Group as a whole. The recoverable amount of the goodwill is measured as the higher of their fair value less costs to sell and value in use. Value in use calculations require the estimation of future cash flows to be derived from the cash generating units and to select an appropriate discount rate in order to calculate their present value. The estimation of the timing and value of underlying projected cash flows and the selection of appropriate discount rates involves management judgement. Subsequent changes to these estimates or judgements may impact the carrying value of the goodwill.
- (b) *Impairment of trade receivables:* The assessments undertaken in recognising provisions and contingencies have been made in accordance with IAS 39. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. 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 the trade receivable is impaired.
- (c) *Provisions:* Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. The amount of the provision requires estimation of the extent and timing of probable outflows of resources and to select an appropriate discount rate in order to calculate their present value. The estimation of the timing and value of underlying projected outflows of resources and the selection of appropriate discount rates involves management judgement.

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 Group uses derivative financial instruments to hedge certain risk exposures.

The policy for each of the above risks is described in more detail below.

- (a) *Market risk:* The Group finances its operations through a mixture of bank borrowings, shareholder loan notes and ordinary shares. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group has previously managed its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

The Group's swap arrangements expired on 31 July 2013 and were not renewed in the current low interest climate.

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.

- (b) *Credit risk:* The Group's principal 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 maintain 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.
- (c) *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 an invoice discounting facility. The maturity of borrowings is set out in note 18.

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 18, cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in notes 16 and 17 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, purchase debt at less than face value or sell assets to reduce debt. The Group's capital is not restricted.

3. Segment information

Year ended 30 June 2011

	<i>DX £m</i>	<i>DX Freight £m</i>	<i>Group £m</i>
Mail and packets	111.7	–	111.7
Parcels and freight	38.2	–	38.2
Logistics	14.1	–	14.1
Sales to third parties	<u>164.0</u>	<u>–</u>	<u>164.0</u>
Profit before interest, tax, depreciation and amortisation ('EBITDA'):	<u>28.8</u>	<u>–</u>	<u>28.8</u>
Depreciation and amortisation			(3.1)
Goodwill impairment			(0.7)
Exceptional items			(1.2)
Results from operating activities			<u>23.8</u>
Finance charges (net)			<u>136.2</u>
Profit before tax			<u><u>160.0</u></u>

Year ended 30 June 2012

	<i>DX £m</i>	<i>DX Freight £m</i>	<i>Group £m</i>
Mail and packets	114.7	–	114.7
Parcels and freight	43.6	32.9	76.5
Logistics	10.8	4.6	15.4
Sales to third parties	<u>169.1</u>	<u>37.5</u>	<u>206.6</u>
Profit before interest, tax, depreciation and amortisation ('EBITDA'):	<u>31.8</u>	<u>0.3</u>	<u>32.1</u>
Depreciation and amortisation			(4.8)
Exceptional items			(2.9)
Results from operating activities			<u>24.4</u>
Finance charges (net)			<u>(31.0)</u>
Loss before tax			<u><u>(6.6)</u></u>

The results of DX Freight Limited are included for the 3.5 months from the date of acquisition on 13 March 2012.

Year ended 30 June 2013

	<i>DX £m</i>	<i>DX Freight £m</i>	<i>Group £m</i>
Mail and packets	119.2	–	119.2
Parcels and freight	43.1	119.5	162.6
Logistics	8.7	15.2	23.9
Sales to third parties	<u>171.0</u>	<u>134.7</u>	<u>305.7</u>
Profit before interest, tax, depreciation and amortisation ('EBITDA'):	<u>32.1</u>	<u>2.3</u>	34.4
Depreciation and amortisation			(6.8)
Exceptional items			(2.2)
Results from operating activities			<u>25.4</u>
Finance charges (net)			(47.2)
Loss before tax			<u>(21.8)</u>

The board of directors are considered to be the chief operating decision maker ('CODM'). The CODM considers there to be only one material geographical segment, being the United Kingdom and the Republic of Ireland, and reviews assets and liabilities on a group basis. Accordingly no segmental disclosure of net assets is provided.

4. Operating costs

	<i>Year ended 30 June 2011 £m</i>	<i>Year ended 30 June 2012 £m</i>	<i>Year ended 30 June 2013 £m</i>
Other external charges – excluding exceptional items	89.5	112.9	167.6
Other external charges – exceptional items **	1.2	2.9	0.4
Other external charges – total	<u>90.7</u>	<u>115.8</u>	<u>168.0</u>
Employee benefit expense – excluding exceptional items	39.0	52.6	89.5
Employee benefit expense – exceptional items **	–	–	1.8
Employee benefit expense – total (see note 6)	<u>39.0</u>	<u>52.6</u>	<u>91.3</u>
Depreciation, amortisation and other amounts written off fixed assets:			
Owned assets	3.1	4.5	6.2
Leased assets	–	0.3	0.6
Total	<u>3.1</u>	<u>4.8</u>	<u>6.8</u>
Profit on sale of tangible fixed assets	–	–	(0.4)
Hire of plant – other rentals	1.6	1.1	1.2
Other operating lease rentals (including land and buildings)	5.1	7.9	13.4
Goodwill impairment	0.7	–	–
Total operating costs	<u>140.2</u>	<u>182.2</u>	<u>280.3</u>

* Includes DX Freight Limited for the 3.5 months from the date of acquisition on 13 March 2012 in the year ended 30 June 2012 and for 12 months in the year ended 30 June 2013.

** an analysis of exceptional items is given in note 7.

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

	Year ended 30 June 2011 £'000	Year ended 30 June 2012 £'000	Year ended 30 June 2013 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12	13	13
<i>Fees payable to the Company's auditor and its associates for other services to the Group:</i>			
The audit of the Company's subsidiaries pursuant to legislation	63	87	87
Total audit fees	75	100	100
Other services pursuant to legislation:			
– tax services	40	40	84
Total non-audit fees	40	40	84
Total fees	115	140	184

5. Directors' remuneration

	Year ended 30 June 2011 £'000	Year ended 30 June 2012 £'000	Year ended 30 June 2013 £'000
Total remuneration:			
Emoluments	1,243	1,163	1,211
Compensation for loss of office	30	–	–
	1,273	1,163	1,211

No director accrued benefits under money purchase schemes in the current or previous periods.

Highest paid director:

	Year ended 30 June 2011 £'000	Year ended 30 June 2012 £'000	Year ended 30 June 2013 £'000
Emoluments	750	761	785

6. Employee benefit expense

	<i>Year ended 30 June 2011 £m</i>	<i>Year ended 30 June 2012* £m</i>	<i>Year ended 30 June 2013* £m</i>
Wages and salaries	35.3	47.8	83.2
Social security costs	3.4	4.3	7.4
Other pension costs	0.3	0.5	0.7
	<u>39.0</u>	<u>52.6</u>	<u>91.3</u>

Average number of persons employed (including executive directors):

	<i>Year ended 30 June 2011 No</i>	<i>Year ended 30 June 2012* No</i>	<i>Year ended 30 June 2013* No</i>
Sales and marketing	147	146	153
Network	1,351	2,222	3,326
Management and administration	143	245	390
	<u>1,641</u>	<u>2,613</u>	<u>3,869</u>

* Includes DX Freight Limited for the 3.5 months from the date of acquisition on 13 March 2012 in the year ended 30 June 2012 and for 12 months in the year ended 30 June 2013.

7. Exceptional items

	<i>Year ended 30 June 2011 £m</i>	<i>Year ended 30 June 2012 £m</i>	<i>Year ended 30 June 2013 £m</i>
Costs of restructuring the cost bases of the individual businesses and strategic reviews	0.5	0.2	2.1
Cost incurred to effect the financial restructuring	0.7	–	–
Bank fees for consent to acquisition of DX Freight Limited	–	0.9	–
DX Freight Limited acquisition costs	–	1.8	0.1
	<u>1.2</u>	<u>2.9</u>	<u>2.2</u>

8. Finance income and expense

	Year ended 30 June 2011 £m	Year ended 30 June 2012 £m	Year ended 30 June 2013 £m
Third party interest:			
Interest expense:			
Interest on bank loans	8.7	9.0	7.8
Other interest	–	0.2	0.6
Amortisation of financing costs	0.9	0.8	0.7
	<u>9.6</u>	<u>10.0</u>	<u>9.1</u>
 Interest income:			
Bank interest	0.2	0.5	0.4
Other interest	0.2	–	–
	<u>0.4</u>	<u>0.5</u>	<u>0.4</u>
 Net third party interest	<u><u>9.2</u></u>	<u><u>9.5</u></u>	<u><u>8.7</u></u>
 Shareholder related:			
Interest expense:			
Mezzanine instrument	2.3	6.7	11.0
Subordinated investor loan notes	6.5	16.7	27.5
11% preference shares dividends	1.3	–	–
	<u>10.1</u>	<u>23.4</u>	<u>38.5</u>
 Net shareholder related interest	<u><u>10.1</u></u>	<u><u>23.4</u></u>	<u><u>38.5</u></u>

The finance charges on the mezzanine instrument and subordinated investor loan notes represent non-cash charges on these borrowings to bring them to amortised cost in accordance with IAS 39.

9. Gain on derecognition of debt

On 19 July 2010 the Group completed a financial restructuring with its shareholders and debt provider. The terms of the restructuring included:

- a £15 million cash injection from the shareholders by way of the issue of zero coupon guaranteed loan notes;
- an extension of repayment dates on the existing senior debt facilities and a new set of financial covenants;
- the acquisition of the Group's outstanding mezzanine debt facilities with a face value of £68.6 million by a new entity controlled by the Group's shareholders and the cessation of cash interest payments on this debt;
- the acquisition of the Group's outstanding investor loan notes with a face value of £86.9 million by the same new entity controlled by the Group's shareholders; and
- the conversion of the existing preference shares and accrued dividends thereon into deferred ordinary shares with a nominal value of £236.9 million.

As a consequence of the refinancing the existing mezzanine debt facilities and investor loan notes were derecognised at 19 July 2010 and the new instruments were recognised at that date. The fair value attributed to both new instruments was assessed to be £nil, and the resulting gain on derecognition of £155.5 million was recognised in the income statement.

10. Gain on debt buy back

During the year ended 30 June 2012 the Group agreed to purchase some of its bank debt at a discount to par value. Following an auction process £5.9 million of debt was purchased for a cash cost of £4.0 million, realising a gain of £1.9 million.

11. Income tax expense

(a) Analysis of charge in year

	Year ended 30 June 2011 £m	Year ended 30 June 2012 £m	Year ended 30 June 2013 £m
Current tax:			
United Kingdom corporation tax:			
Current year	–	2.7	1.5
Adjustments in respect of prior periods	(2.6)	0.8	(0.8)
Total United Kingdom corporation tax	(2.6)	3.5	0.7
Overseas taxation:			
Current year	0.4	0.3	0.4
Total overseas taxation	0.4	0.3	0.4
Total current tax	(2.2)	3.8	1.1
Deferred tax:			
Current year	11.9	0.8	1.3
Adjustments in respect of prior periods	(1.3)	(1.0)	0.4
Total deferred tax	10.6	(0.2)	1.7
Net tax expense	8.4	3.6	2.8

(b) Factors affecting the net tax expense for year

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

	Year ended 30 June 2011 £m	Year ended 30 June 2012 £m	Year ended 30 June 2013 £m
Profit/(loss) before tax	160.0	(6.6)	(21.8)
Profit/(loss) before tax at the standard rate of UK corporation tax of 23.75% (2012: 25.50%; 2011: 27.50%)	44.0	(1.7)	(5.2)
Factors affecting charge for year:			
Gain on derecognition of debt not taxable	(33.6)	–	–
Non-cash finance charges in accordance with IAS 39 not deductible for tax purposes	2.3	6.0	9.2
Adjustments in respect of prior years	(3.9)	(0.2)	(0.4)
Effect of changes in tax rates	(1.0)	(1.4)	(0.8)
Preference share dividends not deductible for tax purposes	0.3	–	–
Impairment charges not deductible for tax purposes	0.2	–	–
DX Freight acquisition costs not deductible for tax purposes	–	0.5	–
Other	0.1	0.4	–
Net tax expense	8.4	3.6	2.8

(c) Factors that may affect future tax charges

The 2012 UK Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22 per cent. by 2014, the December 2012 UK Autumn Statement announced a planned further reduction to 21 per cent. by 2014 and the 2013 UK Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20 per cent. by 2015. A reduction in the rate from 26 per cent. to 25 per cent. (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24 per cent. (effective

from 1 April 2012) and 23 per cent. (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21 per cent. (effective from 1 April 2014) and 20 per cent. (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 30 June 2013 have been calculated based on the rate of 23 per cent. substantively enacted at the balance sheet date.

It has not yet been possible to quantify the full anticipated effect of the further rate reductions, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax assets and liabilities accordingly.

12. Property, plant and equipment

	<i>Freehold land and buildings £m</i>	<i>Short leasehold land and buildings £m</i>	<i>Plant and equipment £m</i>	<i>Vehicles £m</i>	<i>Total £m</i>
Cost:					
At 1 July 2010	2.4	10.0	33.4	0.3	46.1
Additions	0.1	0.3	3.0	0.1	3.5
Disposals	–	(0.4)	(4.0)	(0.1)	(4.5)
At 30 June 2011	2.5	9.9	32.4	0.3	45.1
At 1 July 2011	2.5	9.9	32.4	0.3	45.1
Exchange differences	–	–	(0.1)	–	(0.1)
Acquisitions	10.3	2.5	4.9	10.6	28.3
Additions	–	0.4	2.0	–	2.4
Disposals	–	–	(0.1)	(0.1)	(0.2)
At 30 June 2012	12.8	12.8	39.1	10.8	75.5
At 1 July 2012	12.8	12.8	39.1	10.8	75.5
Additions	–	0.6	2.8	–	3.4
Disposals	–	–	(0.2)	(6.0)	(6.2)
At 30 June 2013	12.8	13.4	41.7	4.8	72.7
Depreciation:					
At 1 July 2010	0.8	8.0	29.0	0.3	38.1
Charge for the year	0.1	0.6	1.8	–	2.5
Disposals	–	(0.4)	(4.0)	–	(4.4)
At 30 June 2011	0.9	8.2	26.8	0.3	36.2
At 1 July 2011	0.9	8.2	26.8	0.3	36.2
Acquisitions	3.3	1.5	4.1	9.0	17.9
Charge for the year	0.1	0.3	1.8	0.4	2.6
Disposals	–	–	(0.2)	–	(0.2)
At 30 June 2012	4.3	10.0	32.5	9.7	56.5
At 1 July 2012	4.3	10.0	32.5	9.7	56.5
Charge for the year	0.2	0.4	2.2	0.5	3.3
Disposals	–	–	(0.2)	(5.6)	(5.8)
At 30 June 2013	4.5	10.4	34.5	4.6	54.0
Net book value:					
At 30 June 2010	1.6	2.0	4.4	–	8.0
At 30 June 2011	1.6	1.7	5.6	–	8.9
At 30 June 2012	8.5	2.8	6.6	1.1	19.0
At 30 June 2013	8.3	3.0	7.2	0.2	18.7

The cost of land not being depreciated is £2.8 million (2012: £2.8 million; 2011: £0.7 million; 2010: £0.7 million).

The net book value of plant and equipment and vehicles includes £0.3 million (2012: £1.2 million; 2011: £nil; 2010: £nil) in respect of assets capitalised under finance leases.

13. Intangible assets and goodwill

	<i>Goodwill</i> £m	<i>Software and develop- ment costs</i> £m	<i>Customer relation- ships</i> £m	<i>Outstanding orders</i> £m	<i>Total</i> £m
Cost:					
At 1 July 2010	178.7	12.7	–	–	191.4
Additions	–	0.3	–	–	0.3
At 30 June 2011	178.7	13.0	–	–	191.7
At 1 July 2011	178.7	13.0	–	–	191.7
Acquisitions	–	1.2	–	–	1.2
Additions	10.9	1.7	7.8	0.4	20.8
At 30 June 2012	189.6	15.9	7.8	0.4	213.7
At 1 July 2012	189.6	15.9	7.8	0.4	213.7
Additions	(0.4)	3.9	–	–	3.5
At 30 June 2013	189.2	19.8	7.8	0.4	217.2
Amortisation:					
At 1 July 2010	–	10.5	–	–	10.5
Charge for the year	–	0.6	–	–	0.6
Impairment of goodwill	0.7	–	–	–	0.7
At 30 June 2011	0.7	11.1	–	–	11.8
At 1 July 2011	0.7	11.1	–	–	11.8
Acquisitions	–	1.0	–	–	1.0
Charge for the year	–	1.5	0.4	0.4	2.3
At 30 June 2012	0.7	13.6	0.4	0.4	15.1
At 1 July 2012	0.7	13.6	0.4	0.4	15.1
Charge for the year	–	2.1	1.6	–	3.7
At 30 June 2013	0.7	15.7	2.0	0.4	18.8
Net book value:					
At 30 June 2010	178.7	2.2	–	–	180.9
At 30 June 2011	178.0	1.9	–	–	179.9
At 30 June 2012	188.9	2.3	7.4	–	198.6
At 30 June 2013	188.5	4.1	5.8	–	198.4

Goodwill has an indefinite useful life and is subject to annual impairment testing. The goodwill all relates to the Group's principal activity. Whilst EBITDA has been measured separately for DX and DX Freight in the period since the acquisition of DX Freight, the two business units are considered to represent one cash generating unit for the purposes of impairment testing. The recoverable amount of the goodwill has been determined from value-in-use calculations, based on one year (2012 and 2011: two years) pre-tax cash flow projections approved by management and discounted at appropriate rates. Subsequent cash flows are extrapolated using an estimated growth rate of 2 per cent. (2012 and 2011: 1.50 per cent.). Sensitivity

analyses indicate that the estimated growth rate would need to fall to minus 1.4 per cent. before giving rise to an impairment of goodwill.

The rate used to discount the projected cash flows, being a pre-tax risk-adjusted discount rate, is 11 per cent.

The result of this review was that no impairment charges were required at any statement of financial position date.

An impairment charge was made in the year ended 30 June 2011 in respect of a small acquisition made in the year ended 30 June 2008 but which experienced a significant reduction in volumes in that year.

14. Acquisition of subsidiary undertaking

On 13 March 2012 the Group purchased the whole of the issued share capital of Nightfreight (GB) Limited (subsequently renamed as DX Freight Limited) and assumed the liability to repay a pre-existing invoices discounting facility. A mortgage was taken on Nightfreight (GB) Limited's freehold properties to part fund the acquisition, with a further net cash outlay of £10.8 million. Costs of £1.8 million and £0.1 million were incurred in the years ended 30 June 2012 and 30 June 2013 respectively.

During the year ended 30 June 2013 £0.4 million of the original purchase price was returned by the vendors.

Provisional fair values were ascribed to the net assets of DX Freight Limited in the consolidated financial statements for the year ended 30 June 2012. These were adjusted in the consolidated financial statements for the year ended 30 June 2013. In this financial information the final fair values have been recognised as at the date of acquisition.

The following table sets out the book values of the identifiable assets and liabilities acquired and their adjusted fair value to the Group:

	<i>Book value</i> £m	<i>Adjust -ments</i> £m	<i>Fair value to Group</i> £m
Non-current assets:			
Property, plant and equipment	10.2	–	10.2
Intangible assets	–	8.3	8.3
Current assets			
Debtors	19.1	–	19.1
Corporation tax recoverable	–	1.5	1.5
Deferred tax asset	2.6	(2.6)	–
Total assets	<u>31.9</u>	<u>7.2</u>	<u>39.1</u>
Creditors			
Bank overdraft	(1.0)	–	(1.0)
Invoice discounting facility	(8.6)	–	(8.6)
Finance leases	(2.4)	–	(2.4)
Creditors	(11.9)	–	(11.9)
Accruals	(3.1)	(1.0)	(4.1)
Provisions	(3.6)	(8.6)	(12.2)
Total liabilities	<u>(30.6)</u>	<u>(9.6)</u>	<u>(40.2)</u>
Net assets/(liabilities)	<u>1.3</u>	<u>(2.4)</u>	<u>(1.1)</u>
Goodwill			10.9
			<u>9.8</u>
Discharged by:			
Purchase consideration – cash			<u>9.8</u>

Adjustments to the book value of net liabilities acquired were made for the anticipated cost of repairs required to properties acquired and liabilities for other operating costs, net of the related tax benefits.

The goodwill is attributable mainly to DX Freight's collection and delivery network and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

The net cash flow effect of the acquisition was as follows:

	2012 £m	2013 £m
Net cash outlay/(inflow)	9.8	(0.4)
Bank overdraft at date of acquisition	1.0	–
Cash flow effect of the acquisition	<u>10.8</u>	<u>(0.4)</u>

15. Trade and other receivables

	2011 £m	2012 £m	2013 £m
Trade receivables	28.4	42.8	30.8
Other receivables	0.2	3.2	4.8
Prepayments and accrued income	8.3	10.3	14.2
	<u>36.9</u>	<u>56.3</u>	<u>49.8</u>

Included in trade receivables are amounts discounted with recourse with financial institutions in the ordinary course of business at variable rates of interest. A balance of £4.1 million (2012: £7.0 million; 2011: £nil) has been included within trade receivables in respect of factored debts.

Included in other debtors are loans to directors and senior managers falling due after more than one year amounting to £1.6 million (2012: £0.5 million; 2011: £nil). Further details of these loans are provided in note 25.

16. Share capital and share premium

	2011 No (million)	2012 No (million)	2013 No (million)
Allotted, called up and fully paid			
A ordinary shares of 10p each	5.2	5.2	5.2
B ordinary shares of 10p each	1.0	1.0	1.0
Deferred ordinary shares of £1 each	236.9	236.9	236.9
	<u>243.1</u>	<u>243.1</u>	<u>243.1</u>
	2011 £m	2012 £m	2013 £m
Allotted, called up and fully paid			
A ordinary shares of 10p each	0.5	0.5	0.5
B ordinary shares of 10p each	0.1	0.1	0.1
Deferred ordinary shares of £1 each	236.9	236.9	236.9
	<u>237.5</u>	<u>237.5</u>	<u>237.5</u>

On 19 July 2010 the Group implemented a capital and debt restructuring with its controlling party and its lenders, as a result of which the £158.0 million of 11 per cent. cumulative redeemable preference shares, together with accrued dividends at that date, were converted into a new class of deferred ordinary shares.

The A, B and deferred ordinary shares rank *pari passu* in the event of a winding up, carry no right to fixed income, and carry equal voting rights. The deferred ordinary shares do not entitle the holders to any income rights.

The A and B ordinary shares were issued at a premium of £0.90p per share. All issued shares are fully paid.

17. Share premium and reserves

	Share premium £m	Other reserves £m	Retained earnings £m
At 1 July 2010	5.6	–	(395.9)
Profit for the year	–	–	151.6
Exchange adjustments	–	0.1	–
At 30 June 2011	5.6	0.1	(244.3)
At 1 July 2011	5.6	0.1	(244.3)
Loss for the year	–	–	(10.2)
Exchange adjustments	–	(0.1)	–
At 30 June 2012	5.6	–	(254.5)
At 1 July 2012	5.6	–	(254.5)
Loss for the year	–	–	(24.6)
Exchange adjustments	–	0.1	–
At 30 June 2013	5.6	0.1	(279.1)

18. Loans and borrowings

(a) Third party:

	2011 £m	2012 £m	2013 £m
Non-current liabilities:			
Bank loans	170.0	153.7	150.2
Deferred loan issue costs	(2.6)	(1.8)	(1.0)
	167.4	151.9	149.2
Secured mortgage facility	–	3.2	2.8
Finance lease liabilities	–	0.5	–
	167.4	155.6	152.0
Current liabilities:			
Invoice discounting facility	–	7.0	4.1
Bank loans	6.7	7.4	5.2
Secured mortgage facility	–	0.4	0.4
Finance lease liabilities	–	1.6	0.7
	6.7	16.4	10.4

Amounts due under the invoice discounting facility are secured by a fixed and floating charge over the assets of DX Freight Limited.

The mortgage facility is secured on the freehold properties of DX Freight Limited and by a fixed and floating charge over the assets of DX Freight Limited.

(b) Shareholder related:

	2011 £m	2012 £m	2013 £m
Non-current liabilities:			
Subordinated loan notes	5.9	22.6	50.1
Zero coupon loan notes	14.5	15.0	15.0
Mezzanine instrument	2.3	9.0	20.1
	<u>22.7</u>	<u>46.6</u>	<u>85.2</u>
Current liabilities:			
Zero coupon loan notes	0.5	–	–
	<u>0.5</u>	<u>–</u>	<u>–</u>

(c) Terms and conditions of outstanding loans were as follows:

At 30 June 2011

	Nominal interest rate	Year of maturity	Face value £m	Carrying amount £m
Bank loan	LIBOR + 3.00% with 1.50% rolled up	2014	21.9	21.9
Bank loan	LIBOR + 3.25% with 1.50% rolled up	2016	67.4	67.4
Bank loan	LIBOR + 3.75% with 1.50% rolled up	2016	67.4	67.4
Bank loan	Lower of LIBOR and 1.50%	2017	20.0	20.0
Senior subordinated loan notes	15.25% rolled up	2016	53.0	3.5
Junior subordinated loan notes	15.50% rolled up	2016	35.6	2.4
Zero coupon loan notes	–	2018	15.0	15.0
Mezzanine instrument	LIBOR + 8.25% rolled up	2018	75.9	2.3
			<u>356.2</u>	<u>199.9</u>

At 30 June 2012

	Nominal interest rate	Year of maturity	Face value £m	Carrying amount £m
Bank loan	LIBOR + 3.00% with 1.50% rolled up	2014	14.8	14.8
Bank loan	LIBOR + 3.25% with 1.50% rolled up	2016	63.2	63.2
Bank loan	LIBOR + 3.75% with 1.50% rolled up	2016	63.1	63.1
Bank loan	Lower of LIBOR and 1.50%	2017	20.0	20.0
Secured mortgage facility	3.25%	2015	3.5	3.5
Finance lease liabilities		2012 - 2014	2.1	2.1
Senior subordinated loan notes	15.25% rolled up	2016	61.0	13.4
Junior subordinated loan notes	15.50% rolled up	2016	41.1	9.2
Zero coupon loan notes	–	2018	15.0	15.0
Mezzanine instrument	LIBOR + 8.25% rolled up	2018	83.0	9.0
			<u>366.8</u>	<u>213.3</u>

At 30 June 2013

	<i>Nominal interest rate</i>	<i>Year of maturity</i>	<i>Face value £m</i>	<i>Carrying amount £m</i>
Bank loan	LIBOR + 3.00% with 1.50% rolled up	2014	7.2	7.2
Bank loan	LIBOR + 3.25% with 1.50% rolled up	2016	64.1	64.1
Bank loan	LIBOR + 3.75% with 1.50% rolled up	2016	64.1	64.1
Bank loan	Lower of LIBOR and 1.50%	2017	20.0	20.0
Secured mortgage facility	3.25%	2015	3.2	3.2
Finance lease liabilities		2013 - 2014	0.7	0.7
Senior subordinated loan notes	15.25% rolled up	2016	70.3	29.8
Junior subordinated loan notes	15.50% rolled up	2016	47.5	20.3
Zero coupon loan notes	Nil	2018	15.0	15.0
Mezzanine instrument	LIBOR + 8.25% rolled up	2018	90.6	20.1
			<u>382.7</u>	<u>244.5</u>

All loans are denominated in sterling.

The senior and junior subordinated loan notes are listed on the Channel Islands Stock Exchange.

Under the terms of the various bank and loan agreements in place, including an intercreditor agreement, the senior debt (being the bank loans) is ranked ahead of the subordinated debt (being the loan notes and the mezzanine instrument) and consequently the loan notes and mezzanine instrument can only be repaid in certain circumstances and only with the prior written consent of the security trustee (the bank providing the senior debt). No repayment of the loan notes or the mezzanine instrument will take place where the terms of the intercreditor agreement have not been met.

As set out in note 10 the mezzanine instrument and subordinated loan notes were derecognised to fair value when the Group refinanced in 2010. The increase in carrying value represents a non-cash charge to reflect the increase in amortised cost at each period end.

19. Provisions

	<i>Property repair costs £m</i>	<i>Insurance provision £m</i>	<i>Other provisions £m</i>	<i>Total £m</i>
At 1 July 2010	–	–	1.0	1.0
Utilised	–	–	(0.2)	(0.2)
At 30 June 2011	<u>–</u>	<u>–</u>	<u>0.8</u>	<u>0.8</u>
At 1 July 2011	–	–	0.8	0.8
Acquisition of subsidiary	3.5	1.9	6.4	11.8
Charged to income statement	–	1.1	–	1.1
Utilised	–	(1.2)	(0.2)	(1.4)
At 30 June 2012	<u>3.5</u>	<u>1.8</u>	<u>7.0</u>	<u>12.3</u>
At 1 July 2012	3.5	1.8	7.0	12.3
Charged/(credited) to income statement	–	3.4	(0.4)	3.0
Utilised	(0.4)	(3.2)	(2.8)	(6.4)
At 30 June 2013	<u>3.1</u>	<u>2.0</u>	<u>3.8</u>	<u>8.9</u>

Provisions are made for the costs of property repairs where there is a significant backlog of repairs required. Other provisions are made for the costs of integrating businesses, future losses arising from onerous contracts acquired and for future employment costs. Property repair costs and other provisions are expected to be utilised over the periods to April 2030 and January 2026 respectively.

The Group self insures against certain risks and based on such risks provides for all estimated future expected liabilities relating to the current and prior financial years, based on the level of historic claims experience. The provisions are likely to be utilised over the next three years.

20. Deferred tax liabilities

	<i>Deferred tax liability/(asset) £m</i>
At 1 July 2010	(1.0)
Charged to the income statement	10.6
At 30 June 2011	9.6
At 1 July 2011	9.6
Released to the income statement	(0.2)
At 30 June 2012	9.4
At 1 July 2012	9.4
Charged to the income statement	1.7
At 30 June 2013	11.1

The deferred tax liability is made up as follows:

	<i>2011 £m</i>	<i>2012 £m</i>	<i>2013 £m</i>
Interest costs	11.7	10.9	12.3
Intangible assets	–	2.5	1.9
Accelerated capital allowances	(1.7)	(3.3)	(3.0)
Other timing differences	(0.4)	(0.7)	(0.1)
	<u>9.6</u>	<u>9.4</u>	<u>11.1</u>

21. Trade and other payables

	<i>2011 £m</i>	<i>2012 £m</i>	<i>2013 £m</i>
Trade payables	1.1	10.8	14.0
Social security and other taxes	1.3	3.7	5.5
Other payables	1.3	1.2	0.9
Accruals	15.5	19.8	16.8
	<u>19.2</u>	<u>35.5</u>	<u>37.2</u>

22. Financial instruments

Interest rate profile

The table below shows the levels of fixed and floating third party financial liabilities. Short term debtors and creditors have been excluded from the following disclosures.

At 30 June 2011

	<i>Fixed rate £m</i>	<i>Floating rate £m</i>	<i>Total £m</i>
Bank loan	–	176.7	176.7
Effect of interest rate swaps to convert floating rate borrowings to fixed rate	103.0	(103.0)	–
	<u>103.0</u>	<u>73.7</u>	<u>176.7</u>

At 30 June 2012

	<i>Fixed rate £m</i>	<i>Floating rate £m</i>	<i>Total £m</i>
Bank loan	–	161.1	161.1
Mortgage facility	3.5	–	3.5
Finance leases	2.1	–	2.1
	<u>5.6</u>	<u>161.1</u>	<u>166.7</u>
Effect of interest rate swaps to convert floating rate borrowings to fixed rate	100.7	(100.7)	–
	<u>106.3</u>	<u>60.4</u>	<u>166.7</u>

At 30 June 2013

	<i>Fixed rate £m</i>	<i>Floating rate £m</i>	<i>Total £m</i>
Bank loan	–	155.4	155.4
Mortgage facility	3.2	–	3.2
Finance leases	0.7	–	0.7
	<u>3.9</u>	<u>155.4</u>	<u>159.3</u>
Effect of interest rate swaps to convert floating rate borrowings to fixed rate	93.3	(93.3)	–
	<u>97.2</u>	<u>62.1</u>	<u>159.3</u>

Fair values

Financial instruments utilised by the Group during the years ended 30 June 2011, 30 June 2012 and 30 June 2013, 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

Carrying amount and fair value

	2011 £m	2012 £m	2013 £m
Financial assets			
Trade and other receivables	28.6	46.0	35.6
Cash and short term deposits	32.8	19.8	30.2
Financial liabilities			
Trade and other payables	3.7	15.7	20.4
Loans (see note 18)	176.7	166.8	159.3
Financial derivative liabilities	0.4	0.8	0.1

The fair value of trade receivables and payables is considered to be equal to the carrying values of these items due to their short-term nature. All other financial assets and liabilities are carried at amortised cost with the exception of derivatives which are carried at fair value through profit and loss. Cash is held with counterparties with a Moody's credit rating of A2 and Ba1.

The ageing of trade and other receivables at the statement of financial position date that were not impaired was as follows:

	2011 £m	2012 £m	2013 £m
Neither past due nor impaired	21.1	36.0	33.3
Past due 1 – 30 days	6.6	5.8	2.7
Past due 31 – 90 days	1.6	2.8	0.7
Past due more than 90 days	0.3	2.0	0.2
	<u>29.6</u>	<u>46.6</u>	<u>36.9</u>

The movement in the allowance for impairment in respect of trade and other receivables was as follows:

	<i>Individual impairments</i> £m	<i>Collective impairments</i> £m
At 1 July 2010	0.3	0.6
Impairment losses recognised	0.2	0.5
Amounts written off	(0.3)	–
At 30 June 2011	<u>0.2</u>	<u>1.1</u>
At 1 July 2011	0.2	1.1
Acquisitions	0.3	0.3
Impairment losses recognised	0.4	0.2
Amounts written off	(0.5)	–
At 30 June 2012	<u>0.4</u>	<u>1.6</u>
At 1 July 2012	0.4	1.6
Impairment losses recognised	0.9	(1.0)
Amounts written off	(0.9)	–
At 30 June 2013	<u>0.4</u>	<u>0.6</u>

The Group considers that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historic payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings, when available.

Derivative financial instruments

	2011 £m	2012 £m	2013 £m
Interest rate swap	0.4	0.8	0.1

The notional principal amount of the outstanding interest rate swap contract at 30 June 2013 was £93.3 million (2012: 100.7 million; 2011: £103.0 million). The fixed interest rate payable under the terms of the contract was 1.25 per cent., and the floating rate was LIBOR. The interest rate swap expired on 31 July 2013.

IFRS 7 (amended), 'Financial Instruments: Disclosures', requires the disclosure of financial instruments measured at fair value, grouped into Levels 1 to 3 below, based on the degree to which fair value is observable:

- Level 1 – fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – fair value measurements are those derived from inputs, other than quoted prices included within Level 1 above, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's derivative financial instruments as described above were classified as Level 2.

23. Commitments

Capital commitments

	2011 £m	2012 £m	2013 £m
Capital expenditure contracted but not provided for	0.6	–	–

Operating leases

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

Land and buildings:

	2011 £m	2012 £m	2013 £m
Leases that expire:			
Within one year	2.8	6.0	6.3
Within two to five years inclusive	6.6	15.2	19.3
After five years	1.3	8.0	13.0
Total	10.7	29.2	38.6

Other operating leases:

	2011 £m	2012 £m	2013 £m
Leases that expire:			
Within one year	0.3	0.8	1.0
Within two to five years inclusive	0.3	8.2	11.3
After five years	–	–	–
Total	<u>0.6</u>	<u>9.0</u>	<u>12.3</u>

24. Pension commitments

The Group operates defined contribution retirement benefit 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 £0.7 million (2012: £0.5 million; 2011: £0.3 million) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

Contributions amounting to £0.2 million (2012: £0.1 million; 2011: £nil) were payable to the schemes and are included in trade and other payables.

25. Related parties

The following transactions were carried out with connected parties:

Key management personnel

Key management comprises the executive directors and certain members of the management boards. Post admission this will also include the non-executive directors. The key management compensation is as follows:

	Year ended 30 June 2011 £'000	Year ended 30 June 2012 £'000	Year ended 30 June 2013 £'000
Salaries, fees and other short-term employee benefits	2,395	2,929	3,231
Pension contributions	32	41	56
Compensation for loss of office	–	35	246
	<u>2,427</u>	<u>3,005</u>	<u>3,533</u>

Loans to related parties

Non-interest bearing loans were made to the directors and senior managers in connection with the Group's management incentive plan as follows:

	2011 £000	2012 £000	2013 £000
Amount advanced in year	–	531	1,033
Amount outstanding at statement of financial position date	<u>–</u>	<u>531</u>	<u>1,564</u>

The loans are contractually repayable no later than 30 June 2018 but will be repaid in full on admission.

Loans from related parties

Certain of the loans set out in note 18 are owed to related parties:

- the zero coupon loan notes are owed to the Company's controlling party, Arle Capital Partners Limited; and
- the subordinated loan notes and mezzanine instrument are owed to Box Finance (Guernsey) Limited, a company in which P Cvetkovic, I Pain, certain senior managers and Arle Capital Partners Limited are shareholders.

Sales and purchases of goods and services

The Group has trading relationships with Parcel Monkey Limited, a company in which P Cvetkovic and S Godman are shareholders, and Wasabi Frog Limited, a company in which P Cvetkovic is a director and shareholder. The following transactions took place with these companies during the period:

	2011 £'000	2012 £'000	2013 £'000
Sales	530	1,171	1,794
Amounts owed to the Group at statement of financial position date	203	124	190
Purchases	–	–	10
Amounts owed by the Group at statement of financial position date	–	–	–

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

The Group has been charged office support costs by D Hoare, a director of the ultimate parent undertaking, amounting to £13,000 (2012: £13,000; 2011: £15,000). The accrual as at 30 June 2013 for this charge is £3,000 (2012: £3,000; 2011: £3,000).

26. Principal subsidiaries

The Group owns 100 per cent. of each class of issued shares of the following companies:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>
DX Network Services Limited	England and Wales	Mail and courier logistics services
DX Freight Limited	England and Wales	Express parcels delivery
DX Secure Limited	England and Wales	Mail services
DX Network Services Ireland Limited	Republic of Ireland	Mail and courier logistics services

All subsidiary undertakings are included in the consolidation.

27. Events after the reporting period

Subsequent to the end of the reporting period the Group made scheduled bank debt repayments of £2.6 million and non-scheduled bank debt repayments of £11.5 million. The Group also purchased a further £10.8 million of bank debt for a cash cost of £10.0 million, realising a gain of £0.8 million.

On 21 December 2013 the Group completed the disposal of the trade and assets of the DX Business Direct trading activity. The consideration for the disposal was £5.5 million, of which £3.0 million was received on completion with £1.25 million receivable in June 2014 and £1.25 million receivable in December 2014. An estimated profit before tax of £1.1 million was realised on the disposal.

Whilst DX Business Direct did not meet the criteria of discontinued operations under IFRS 5, revenue and operating costs have been shown separately on the face of the consolidated income statement for each year in order to show this activity's contribution to the Group results.

On 13 February 2014 the Group announced its intention to float on the AIM market of the London Stock Exchange plc.

On 18 February 2014, the Mezzanine instrument disclosed in note 18, having a face value on 17 February 2014 of £95.8 million, was reclassified into a performing tranche and non-performing tranche (the non-performing tranche being the portion not capable of being repaid from the proceeds of the placing in connection with the Group's admission to AIM). The non-performing tranche, which had a face value of £18.3 million, was then acquired from The Box Holdings Limited Partnership by a newly formed Group company, DX (Group) Limited, in consideration for the issue of 100 £0.01 ordinary shares. DX (Group) Limited, which was subsequently re registered as DX (Group) plc, then released and discharged the other members of the Group party to the Mezzanine instrument from all further obligations to pay or otherwise perform the non-performing tranche by way of execution of a deed of waiver.

Further details of the reorganisation being undertaken in connection with the Group's admission to AIM is described in paragraph 11 of Part V of this document.

28. Reconciliation of net assets and profits for the period under UK GAAP to IFRS

This is the Group's first consolidated financial information prepared in accordance with IFRSs.

The accounting policies set out on pages 35 to 40 have been applied in preparing the financial information for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, and in the preparation of an opening IFRS statement of financial position at 1 July 2010 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared under UK GAAP. An explanation of how the transition from UK GAAP to IFRSs has affected the Group's statement of financial position, consolidated income statements and consolidated statement of cash flows is set out in the following tables and the notes that accompany the tables.

Initial elections upon adoption

Under IFRS 1, a number of exemptions are permitted to be taken in preparing the consolidated statement of financial position as at the date of transition to IFRS on 1 July 2010. The Group has elected not to apply IFRS 3, "Business Combinations" retrospectively to past business combinations. No other exemptions as set out in IFRS 1 have been elected.

Other than the above exemptions, IFRS has been applied in all other respects in the preparation of the consolidated financial information for the three years ended 30 June 2013.

Reconciliation of UK GAAP to IFRS

IFRS 1 requires the Group to reconcile comprehensive income and cash flows for prior periods. The Group's first-time adoption did not have an impact on the total operating, investing or financing cash flows. The following tables represent the reconciliations from UK GAAP to IFRS for the respective periods noted for equity, earnings and comprehensive income.

Consolidated statement of financial position at 1 July 2010 (transition date)

	UK GAAP	Adjustments			IFRS
	£m	1	2	3	£m
		£m	£m	£m	
Non-current assets					
Property, plant and equipment	10.2	(2.2)	–	–	8.0
Intangible assets and goodwill	167.5	2.2	11.2	–	180.9
Deferred tax assets	–	–	–	1.0	1.0
Total non-current assets	177.7	–	11.2	1.0	189.9
Current assets					
Trade and other receivables	31.4	–	–	–	31.4
Cash and cash equivalents	13.8	–	–	–	13.8
Total current assets	45.2	–	–	–	45.2
Total assets	222.9	–	11.2	1.0	235.1
Equity					
Share capital	0.6	–	–	–	0.6
Share premium	5.6	–	–	–	5.6
Retained earnings	(408.1)	–	11.2	1.0	(395.9)
Total equity	(401.9)	–	11.2	1.0	(389.7)
Non-current liabilities					
Loans and borrowings					
Third party	236.4	–	–	–	236.4
Shareholder related	322.0	–	–	–	322.0
	558.4	–	–	–	558.4
Provisions	1.0	–	–	–	1.0
Total non-current liabilities	559.4	–	–	–	559.4
Current liabilities					
Current tax liabilities	5.5	–	–	–	5.5
Loans and borrowings	6.0	–	–	–	6.0
Trade and other payables	25.7	–	–	–	25.7
Deferred income	28.2	–	–	–	28.2
Total current liabilities	65.4	–	–	–	65.4
Total liabilities	624.8	–	–	–	624.8
Total equity and liabilities	222.9	–	11.2	1.0	235.1

Adjustment 1: Tangible fixed assets under UK GAAP include amounts in respect of development costs and software licences. These are classified as intangible assets in accordance with IAS 38, 'Intangible assets'.

Adjustment 2: Goodwill amortisation previously provided is reversed and goodwill is tested annually for impairment in accordance with IAS 38, 'Intangible assets'.

Adjustment 3: Deferred tax assets not previously recognised are 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 accordance with IAS 12, 'Income taxes'.

Consolidated income statement for the year ended 30 June 2013

	UK GAAP	1	2	Adjustments			IFRS
	£m	£m	£m	3	4	5	£m
				£m	£m	£m	
Total revenue	305.7	–	–	–	–	–	305.7
Operating costs	(290.5)	11.8	–	(1.6)	–	–	(280.3)
Results from operating activities	15.2	11.8	–	(1.6)	–	–	25.4
Analysis of results from operating activities:							
Profit before interest, tax, depreciation and amortisation ('EBITDA')	34.4	–	–	–	–	–	34.4
Depreciation and amortisation	(17.1)	11.8	–	(1.5)	–	–	(6.8)
Exceptional items	(2.1)	–	–	(0.1)	–	–	(2.2)
Results from operating activities	15.2	11.8	–	(1.6)	–	–	25.4
Net finance costs:							
Third party	(9.3)	–	0.6	–	–	–	(8.7)
Shareholder related	(25.5)	–	–	–	(13.0)	–	(38.5)
Total net finance costs	(34.8)	–	0.6	–	(13.0)	–	(47.2)
(Loss)/profit before tax	(19.6)	11.8	0.6	(1.6)	(13.0)	–	(21.8)
Tax expense	(1.7)	–	(0.2)	0.6	(1.4)	(0.1)	(2.8)
(Loss)/profit for the year	(21.3)	11.8	0.4	(1.0)	(14.4)	(0.1)	(24.6)
Other comprehensive income:							
Foreign currency translation differences	0.1	–	–	–	–	–	0.1
Other comprehensive income, net of tax	0.1	–	–	–	–	–	0.1
Total comprehensive income for the year attributable to owners of the parent	(21.2)	11.8	0.4	(1.0)	(14.4)	(0.1)	(24.5)

Adjustment 1: In accordance with IFRS 3, 'Business combinations', goodwill is no longer amortised through the income statement. As the goodwill was being amortised over a 20 year period under UK GAAP, an adjustment was required to reverse the annual charge of £11.8 million (2012: £11.0 million; 2011: £11.5 million). The annual impairment test resulted in an impairment charge of £nil (2012: £nil; 2011: £0.7 million).

Adjustment 2: The Group held an interest rate arrangement which has been recorded at fair value in accordance with IAS 39, 'Financial instruments: recognition and measurement', and included in accruals, resulting in a reduction in finance costs of £0.6 million (2012: increase of £0.3 million; 2011: increase of £0.4 million).

Adjustment 3: In accordance with IFRS 3, 'Business combinations', costs related to the acquisition of DX Freight amounting to £0.1 million (2012: £1.8 million; 2011: £nil) are no longer considered as part of the consideration and have been included in operating costs.

IFRS 3, 'Business combinations' also requires that the purchase price paid for a business is allocated to the separately identifiable intangible assets acquired and the cost this determined amortised over their

estimated useful lives. The resultant amortisation charges amounted to £1.6 million (2012: £0.4 million; 2011: £nil).

Adjustment 4: The Group's mezzanine debt instrument and investor loan notes were recognised at their attributed fair value of £nil in the year ended 30 June 2011 in accordance with IFRS 13, 'Fair value measurement'. Subsequent accrued interest charged in the income statement has been reversed and replaced with interest calculated using the effective interest method, resulting in an increase in net finance costs of £13.0 million (2012: £0.7 million; 2011: reduction of £10.7 million).

Adjustment 5: Deferred tax assets not previously recognised are 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 accordance with IAS 12, 'Income taxes'.

Consolidated statement of financial position at 30 June 2013

	UK GAAP	Adjustments						IFRS
	£m	1	2	3	4	5	6	£m
		£m	£m	£m	£m	£m	£m	
Non-current assets								
Property, plant and equipment	22.8	(4.1)	–	–	–	–	–	18.7
Intangible assets and goodwill	151.0	4.1	44.8	(3.2)	–	–	1.7	198.4
Deferred tax assets	3.2	–	–	–	–	–	(3.2)	–
Total non-current assets	177.0	–	44.8	(3.2)	–	–	(1.5)	217.1
Current assets								
Current tax assets	1.3	–	–	–	–	–	–	1.3
Trade and other receivables	49.8	–	–	–	–	–	–	49.8
Cash and cash equivalents	30.2	–	–	–	–	–	–	30.2
Total current assets	81.3	–	–	–	–	–	–	81.3
Total assets	258.3	–	44.8	(3.2)	–	–	(1.5)	298.4
Equity								
Share capital	237.5	–	–	–	–	–	–	237.5
Share premium	5.6	–	–	–	–	–	–	5.6
Other reserves	0.1	–	–	–	–	–	–	0.1
Retained earnings	(460.5)	–	44.8	(4.0)	(0.1)	152.5	(11.8)	(279.1)
Total equity	(217.3)	–	44.8	(4.0)	(0.1)	152.5	(11.8)	(35.9)
Non-current liabilities								
Loans and borrowings								
Third party	152.0	–	–	–	–	–	–	152.0
Shareholder related	237.7	–	–	–	–	(152.5)	–	85.2
	389.7	–	–	–	–	(152.5)	–	237.2
Other creditors	0.3	–	–	–	–	–	–	0.3
Provisions	8.9	–	–	–	–	–	–	8.9
Deferred tax liabilities	–	–	–	0.8	–	–	10.3	11.1
Total non-current liabilities	398.9	–	–	0.8	–	(152.5)	10.3	257.5
Current liabilities								
Loans and borrowings	10.4	–	–	–	–	–	–	10.4
Trade and other payables	37.1	–	–	–	0.1	–	–	37.2
Deferred income	29.2	–	–	–	–	–	–	29.2
Total current liabilities	76.7	–	–	–	0.1	–	–	76.8
Total liabilities	475.6	–	–	0.8	0.1	(152.5)	10.3	334.3
Total equity and liabilities	258.3	–	44.8	(3.2)	–	–	(1.5)	298.4

Adjustment 1: Tangible fixed assets under UK GAAP include amounts in respect of development costs and software licences. These are classified as intangible assets in accordance with IAS 38, 'Intangible assets'.

Adjustment 2: Goodwill amortisation previously provided is reversed and goodwill is tested annually for impairment in accordance with IAS 38, 'Intangible assets'.

Adjustment 3: In accordance with IFRS 3, 'Business combinations', costs related to the acquisition of DX Freight are no longer considered as part of the consideration and have been included in operating costs. In addition part of the purchase price paid has been allocated to intangible assets and amortisation provided accordingly.

Adjustment 4: The Group held an interest rate arrangement which has been recorded at fair value in accordance with IAS 39, 'Financial instruments: recognition and measurement', and included in accruals.

Adjustment 5: The Group's mezzanine debt instrument and subordinated investor loan notes were recognised at their attributed fair value of £nil in accordance with IFRS 13, 'Fair value measurement'. Subsequent accrued interest charged in the income statement has been reversed and replaced with interest calculated using the effective interest method.

Adjustment 6: Deferred tax assets not previously recognised are 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 accordance with IAS 12, 'Income taxes'.

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

Set out below is an unaudited pro forma statement of net assets for DX as at 30 June 2013. It has been prepared on the basis set out in the notes below to illustrate the effect of Admission and the Placing described in Part I, and the Reorganisation and Financing described in Part V of this document, as if they had occurred at 30 June 2013.

It has been prepared for illustrative purposes only. Because of its nature, the pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent DX's actual financial position or results. It is based on the audited consolidated net assets of DX Group Limited as at 30 June 2013 as shown in section B of Part III of this document.

Shareholders should read the whole of this document and not rely solely on the summarised financial information contained in this Part IV.

	<i>Note</i>	<i>Adjustments</i>			
		<i>DX Group Limited as at 30 June 2013</i>	<i>Placing</i>	<i>Non-transferring shareholder loans</i>	<i>Refinancing</i>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
		<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>
					<i>Pro forma as at 30 June 2013</i>
					<i>£m</i>
					<i>(5)(6)</i>
Non-current assets:					
Property, plant and equipment		18.7	–	–	–
Intangible assets and goodwill		198.4	–	–	–
		<u>217.1</u>	<u>–</u>	<u>–</u>	<u>–</u>
					<u>217.1</u>
Current assets:					
Current tax asset		1.3	–	–	–
Trade and other receivables		49.8	–	–	(1.6)
Cash and cash equivalents		30.2	177.3	–	(207.5)
		<u>81.3</u>	<u>177.3</u>	<u>–</u>	<u>(209.1)</u>
					<u>49.5</u>
Total assets		<u>298.4</u>	<u>177.3</u>	<u>–</u>	<u>(209.1)</u>
					<u>266.6</u>
Current liabilities:					
Loans and borrowings					
– third party		(10.4)	–	–	(6.2)
Trade and other payables		(37.2)	–	–	–
Deferred income		(29.2)	–	–	–
		<u>(76.8)</u>	<u>–</u>	<u>–</u>	<u>(6.2)</u>
					<u>(83.0)</u>
Non-current liabilities:					
Loans and borrowings					
– third party		(152.0)	–	–	135.2
Loans and borrowings					
– shareholder related		(85.2)	–	65.1	20.1
Other creditors		(0.3)	–	–	–
Provisions		(8.9)	–	–	–
Deferred tax liabilities		(11.1)	–	–	–
		<u>(257.5)</u>	<u>–</u>	<u>65.1</u>	<u>155.3</u>
					<u>(37.1)</u>
Total liabilities		<u>(334.3)</u>	<u>–</u>	<u>65.1</u>	<u>149.1</u>
					<u>(120.1)</u>
Net (liabilities)/assets		<u>(35.9)</u>	<u>177.3</u>	<u>65.1</u>	<u>(60.0)</u>
					<u>146.5</u>

Notes:

- (1) The net assets of DX Group Limited as at 30 June 2013 are extracted without material adjustment from the historical financial information contained within section B of Part III of this document. No separate balance sheets of DX (Group) plc and DX (VCP) Limited have been presented as these companies do not have material equity or reserves, and therefore have no impact on the pro forma combined balance sheet.
- (2) The adjustment reflects the net proceeds from the Placing receivable by the Company (gross proceeds of £185.0 million less expected cash expenses payable by the Company relating to the Placing, the Vendor Placing and Admission of approximately £7.75 million).
- (3) The adjustment reflects the exclusion of the senior subordinated loan notes, junior subordinated loan notes and zero coupon loan notes held by DX Finance Limited which, together with DX Group Limited, will not be Group companies on Admission following the Reorganisation described in paragraph 11 of Part V of this document.
- (4) The refinancing adjustment reflects the following:
 - £162.7 million repayment of existing senior lending facilities (£9.7 million within current third party loans and borrowings and £153.0 million within non-current third party loans and borrowings).
 - The write-off of £1.0 million of prepaid bank fees associated with the existing senior lending facilities (non-current third party loans and borrowings).
 - £18.0 million of new senior debt facilities which will be drawn on Admission (£1.2 million within current third party loans and borrowings and £16.8 million within non-current third party loans and borrowings).
 - The settlement of the existing Mezzanine Loans, which had a carrying value of £20.1 million at 30 June 2013, for cash of approximately £77.5 million.
 - The settlement of a £1.6 million advance made by the Group to the members of the Group's existing cash bonus plan by way of a set-off against the amounts being paid to settle the Mezzanine Loans.
 - The reclassification of the negative cash balance resulting from the above adjustments from cash and cash equivalents to current third party loans and borrowings
- (5) This pro forma statement of net assets does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006.
- (6) No adjustment has been made to reflect the trading results of the Group since 30 June 2013 or any other change in its financial position in that period.

PART V

ADDITIONAL INFORMATION

1. RESPONSIBILITY

- 1.1 The Directors, whose names appear on page 6 of this document, and the Company accept responsibility for the information contained in this document for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the AIM Rules.

2. THE COMPANY

- 2.1 The Company was incorporated and registered in England and Wales with registered number 8696699 on 19 September 2013 as a private company limited by shares under the name Tralee Properties Limited. On 29 January 2014, the name of the Company was changed to DX Newco Limited. On 13 February 2014, the name of the Company was changed to DX (Group) Limited. On 19 February 2014, the Company was re registered as a public limited company with the name DX (Group) plc.
- 2.2 The principal legislation under which the Company operates is the Companies Act 2006 (the “**Companies Act**”) and regulations made under the Companies Act. The liability of the Company’s members is limited.
- 2.3 The Company is domiciled in the United Kingdom. The registered office and principal place of business of the Company is DX House, Ridgeway, Iver, Buckinghamshire SL0 9JQ (telephone number 01753 630 630).
- 2.4 The Company’s accounting reference date is 30 June.
- 2.5 As at 30 June 2013 DX had over 3,200 staff and over 2,000 Couriers and owner/drivers.
- 2.6 Please refer to paragraph 2 (*History and Background*) of Part I of this document for the history of the DX’s business.

3. SUBSIDIARIES

The Company is the holding company of DX’s group. The following table contains details of the Company’s subsidiaries as at Admission:

<i>Company name</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Percentage ownership</i>
DX (EBT Trustees Limited)	Dormant	UK	100%
DX Holdings Limited	Intermediate Holding Company	UK	100%
DX Secure Mail Limited	Intermediate Holding Company	UK	100%
DX Services Limited	Intermediate Holding Company	UK	100%
DX Network Services Limited	Trading	UK	100%
DX Electronic Services Limited	Dormant	UK	100%
DX Business Direct Limited	Dormant	UK	100%
DX McBride Limited	Intermediate Holding Company	UK	100%
DX (VCP) Limited	Intermediate Holding Company	UK	100%
Ewenny Limited	Intermediate Holding Company	UK	100%
QYJ Limited	Intermediate Holding Company	UK	100%
DX Freight Limited	Trading	UK	100%
DX Secure Limited	Trading	UK	100%
Special Mail Services Limited	Dormant	UK	100%
DX Network Services Ireland Limited	Trading	Ireland	100%

4. SHARE CAPITAL

- 4.1 Set out below are details of the issued and fully paid up share capital of the Company (i) as at the date of this document and (ii) as it will be immediately following the Placing and Admission:

	Present		Immediately following	
	Number	Nominal value (£)	Admission Number	Nominal value (£)
Issued Ordinary Shares	15,525,300	0.01	200,525,300	0.01

- 4.2 On incorporation, the authorised share capital of the Company was £1 divided into 1 ordinary share of £1.00 each.

- 4.3 The following changes to the issued share capital of the Company have taken place since incorporation:

4.3.1 *the sub-division of 1 Ordinary Share of £1.00 each into 100 ordinary shares of £0.01 each on 19 February 2014;*

4.3.2 *the increase in the share capital of the Company from £1.00 to £50,002 in order to satisfy the minimum share capital requirements to re-register as a public limited company on 19 February; and*

4.3.3 *the issue of 15,525,400 Ordinary Shares in connection with the Reorganisation on 18 February 2014.*

Please refer to paragraph 11 of this Part V for details of the reorganisation of DX in connection with Admission (the “**Reorganisation**”).

- 4.4 The Placing Shares will be issued in accordance with the following resolutions of the Company passed on 18 February 2014 and conditional on (but effective immediately prior to) Admission taking place, which:

4.4.1 generally and unconditionally authorised pursuant to section 551(1) of the Companies Act to exercise all the powers of the Company to allot shares, or grant rights to subscribe for shares in connection with the issue of ordinary shares by the Company of up to an aggregate nominal amount of £210,000,000 for the period of expiring (unless subsequently revoked, varied or renewed) immediately before Admission, save that the Company may, before Admission, make an offer or agreement which would or might require shares to be allotted after expiry of this authority and the Directors may allot shares in pursuance of such an offer or agreement after Admission as if the authority had not expired; and

4.4.2 authorise the Directors pursuant to section 570 of the Companies Act to allot equity securities (within the meaning of section 560 of the Companies Act), or grant options or other rights to subscribe for shares, for cash, (a) pursuant to the authority referred to in paragraph 4.4.1 above; (b) in respect of issues by way of rights to shareholders; and (c) otherwise up to an aggregate nominal amount equal to 5 per cent. of the Company's issued ordinary share capital on Admission in the period ending on 31 December 2014 or if earlier, at the conclusion of the annual general meeting of the Company held in 2014.

- 4.5 The provisions of section 561 of the Companies Act confer on shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be paid up in cash (other than by way of allotments to employees under any employee share scheme as defined in section 1166 of the Companies Act). Subject to certain limited exceptions and save to the extent authorised pursuant to the resolutions referred to in paragraph 4.4 above, unless the approval of shareholders is obtained in a general meeting of the Company, the Company must normally offer Ordinary Shares to be issued for cash to existing shareholders on a pro rata basis.

- 4.6 By a resolution of the Board passed on 17 February 2014 it was resolved conditionally upon (but effective immediately prior to) Admission taking place, to allot the Placing Shares for cash at the Placing Price and to approve the transfer of the Vendor Placing Shares at the Placing Price.

- 4.7 There are no Ordinary Shares under option as at 20 February 2014 (being the last practicable date before publication of this document).
- 4.8 There are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.9 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK & Ireland Limited and the Company's registrar, Capita Asset Services Limited (details of whom are set out on page 6 of this document).
- 4.10 It is anticipated that, where appropriate, share certificates will be despatched by first class post within 10 working days of Admission. Temporary documents of title will not be issued. Prior to the despatch of definitive share certificates, transfers will be certified against the register.
- 4.11 The International Security Identification Number ("**ISIN**") of the Ordinary Shares is GB00BJTCG679 and the Stock Exchange Daily Official List ("**SEDOL**") number is BJTCG67.
- 4.12 The legislation under which the Placing Shares are or will be issued is the Companies Act and regulations made under the Companies Act.
- 4.13 The Ordinary Shares are denominated in sterling.
- 4.14 Following the Vendor Placing and Admission, the Vendor Placing Shares will represent approximately 7.74 per cent. of the entire issued share capital of the Company.
- 4.15 Save as disclosed in this paragraph 4, as at the date of this document:
- 4.15.1 the Company did not hold any treasury shares and no Ordinary Shares were held by, or on behalf of, any member of DX's group;
 - 4.15.2 no shares have been issued otherwise than as fully paid;
 - 4.15.3 the Company had no outstanding convertible securities, exchangeable securities or securities with warrants;
 - 4.15.4 the Company has given no undertaking to increase its share capital; and
 - 4.15.5 no capital of any member of DX's group is under option or is agreed, conditionally or unconditionally, to be put under option.

5. MEMORANDUM OF ASSOCIATION

In accordance with section 8 of the Companies Act, the memorandum of association of the Company consists of a simple statement that the subscribers wish to form a company and subscribe for two Ordinary Shares in total. Pursuant to the Companies Act, unless a company's articles provide otherwise, a company's objects are unrestricted. The Company's objectives are not restricted by its Articles.

6. ARTICLES OF ASSOCIATION

The Articles of the Company include provisions to the following effect:

6.1 Objects

Section 31 of the Companies Act provides that the objects of a company are unrestricted unless any restrictions are set out in the articles of association. There are no such restrictions in the Articles and the objects of the Company are therefore unrestricted.

6.2 Share Rights

Subject to the provisions of the Companies Act and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, subject to and in default of such determination, as the Board shall determine.

Subject to the provisions of the Companies Act and without prejudice to any rights attached to any existing shares or class of shares, the Board may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder. Subject to the Articles and to the Companies Act, all the shares for the time being in the capital of the Company are at the disposal of the Board.

6.3 Voting Rights

Subject to any rights or restrictions attached to any shares, and any rights or restrictions detailed in the notice of the meeting, on a show of hands every member who is present in person shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

No member shall be entitled to vote at any general meeting of the Company unless all moneys presently payable by him in respect of Ordinary Shares in the Company have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in Ordinary Shares held by such a member, has been duly served with a notice under section 793 of the Companies Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, the Board may, in its absolute discretion at any time thereafter by notice to such member, direct that, in respect of the Ordinary Shares in relation to which the default occurred, the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

6.4 Dividends and Other Distributions

Subject to the provisions of the Companies Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, *provided that* no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

Subject to the provisions of the Companies Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

The Board may also pay, at intervals determined by it, any dividend at a fixed rate if it appears to the Board that the profits available for distribution justify the payment. Dividends may be declared and paid in any currency or currencies that the board shall determine. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in Ordinary Shares held by such member, has been duly served with a notice under section 793 of the Companies Act and is in default for the prescribed period in supplying to the Company the information thereby required, or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board may, in its absolute discretion at any time thereafter, serve a direction notice on such member and withhold payment from such member of any dividend otherwise payable, if the relevant Ordinary Shares represent at least a 0.25 per cent. interest in the Company's Ordinary Shares or any class thereof.

The Board may, if authorised by an ordinary resolution of the Company, offer to any holder of shares the right to elect to receive shares, credited as fully paid, instead of cash in respect of the whole, or some part (to be determined by the Board), of any dividend.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

6.5 **Variation of Rights**

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three quarters in nominal value of the issued shares of the class, or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

6.6 **Lien and Forfeiture**

The Company shall have a first and paramount lien on every share that is not a fully paid share for all moneys payable to it (whether presently or not) in respect of that share. The Company may sell any share on which it has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

6.7 **Transfer of Shares**

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of the shares.

All transfers which are in uncertificated form shall be effected by means of the relevant system unless the Uncertified Securities Regulations 2001, as amended (the "**CREST Regulations**") provide otherwise.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, *provided that* the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

- 6.7.1 is lodged, stamped (if stampable), at the office or at another place appointed by the Board, accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- 6.7.2 is in respect of one class of share only; and
- 6.7.3 is in favour of not more than four persons.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the CREST Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class, by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

If a notice is given to a member in respect of a share, which is subsequently transferred, a person entitled to that share is bound by the notice if it was given to the member before the person entitled to that share was entered into the register as the holder of that share.

6.8 **General Meetings**

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Act. The Board may call general meetings whenever and at such times and places as it shall determine.

6.9 **Directors**

6.9.1 ***Appointment of Directors***

Unless otherwise determined by ordinary resolution, the number of directors shall not exceed nine but shall not be less than two. Directors may be appointed by ordinary resolution of Shareholders at a general meeting, by the Board or, if there is only one director, by such director.

6.9.2 ***No Share Qualification***

A director shall not be required to hold any shares in the capital of the Company by way of qualification.

6.9.3 ***Retirement of Directors***

6.9.3.1 At every annual general meeting of the Company, one third of the directors not including the directors appointed by the Board (or the number nearest to, but not exceeding one third if the number of directors is not a multiple of three) shall retire from office by rotation. Any director appointed by the Board shall retire at the first annual general meeting of the Company following his appointment and shall not be taken into account in determining the number of directors who are to retire by rotation at that meeting. At every general meeting, any director who was elected or last re elected at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation. If the Company does not fill the vacancy at the meeting at which a director retires, the retiring director shall be deemed to have been re appointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re appointment of the director is put to the meeting and lost.

6.9.3.2 Without prejudice to the provisions of the Companies Act, the Company may by ordinary resolution remove any director before the expiration of his period of office and may appoint by ordinary resolution another director in his place.

6.9.4 ***Remuneration of Directors***

The emoluments of any director holding executive office for his services as such shall be determined by the Board, and may be of any description.

The ordinary remuneration of the non executive directors for their services (excluding amounts payable under any other provision of the Articles) shall be such fees as the Board may from time to time determine but not exceeding £500,000 per annum in aggregate. In addition, any non executive director who performs special services which in the opinion of the Board are outside the scope of the ordinary duties of a director may be paid such extra remuneration as the Board may determine.

In addition to any remuneration to which the directors are entitled under the Articles, they may be paid all travelling, hotel and other expenses properly incurred by them in connection

with their attendance at meetings of the Board or committees of the Board, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him.

6.9.5 **Permitted Interests of Directors**

Subject to the provisions of the Companies Act, and *provided that* he has disclosed to the Board the nature and extent of his interest, a director, notwithstanding his office:

- 6.9.5.1 may be a party to, or otherwise interested in, any transaction or arrangement with the Company in which the Company is otherwise (directly or indirectly) interested;
- 6.9.5.2 may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a director;
- 6.9.5.3 may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is (directly or indirectly) interested as shareholder or otherwise or with which he has such a relationship at the request or direction of the Company; and
- 6.9.5.4 shall not, by reason of his office, be accountable to the Company for any remuneration or other benefit which he derives from any such office or employment, or from any such transaction or arrangement, or from any interest in any such body corporate if the acceptance, entry into or existence of which has been approved by the Board or properly disclosed and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

6.9.6 **Restrictions of Voting**

A director shall not vote on any resolution of the Board concerning a matter in which he has an interest which can reasonably be regarded as likely to give rise to a conflict with the interests of the Company, but these prohibitions shall not apply to:

- 6.9.6.1 the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
- 6.9.6.2 the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- 6.9.6.3 a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub underwriting of which he is to participate;
- 6.9.6.4 a contract, arrangement, transaction or proposal concerning any other body corporate in which he or any person connected with him is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise, if he and any persons connected with him do not to his knowledge hold an interest (as that term is used in sections 820 to 825 of the Companies Act) representing 1 per cent. or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed to be a material interest in all circumstances);

- 6.9.6.5 a contract, arrangement, transaction or proposal for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and
- 6.9.6.6 a contract, arrangement, transaction or proposal concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for persons who include Directors.

6.10 **Borrowing Powers**

The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to procure (but as regards such subsidiary undertakings, only in so far as it can procure by such exercise) that the aggregate principal amount outstanding in respect of all borrowings by the group (exclusive of any borrowings which are owed by one group company to another and after deducting cash deposited) shall not, at any time, without an ordinary resolution of the Company, exceed a sum equal to three times the adjusted total of capital and reserves.

6.11 **Indemnity of Officers**

Subject to the provisions of the Companies Act, but without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was at any time a director or an officer of the Company or a director or officer of an associated company (except the auditors or the auditors of an associated company) may at the discretion of the board be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company or of an associated company, or in connection with the activities of the Company, or of an associated company, as a trustee of an occupational pension scheme (as defined in section 235(6) of the Companies Act).

Subject to the provisions of the Companies Act, the Company may at the discretion of the board provide any person who is or was at any time a director or officer of the Company or a director or officer of an associated company (except the auditors of the Company or the auditors of an associated company) with funds to meet expenditure incurred or to be incurred by him (or to enable such director or officer to avoid incurring such expenditure) in defending any criminal or civil proceedings or defending himself in any investigation by, or against action proposed to be taken by, a regulatory authority or in connection with any application under the provisions referred to in section 205(5) of the Companies Act.

7. **EMPLOYEE SHARE PLANS**

7.1 **VCP**

On Admission or shortly thereafter, Participants selected from the senior management team will subscribe for A ordinary shares in DX (VCP) Limited ("A Shares" and Ian Pain and Petar Cvetkovic will subscribe for B ordinary shares in DX (VCP) Limited ("B Shares")). Subject to a number of provisions described below, the A Shares can in future be sold to the Company pursuant to the provisions of the articles of association of DX (VCP) Limited for an aggregate value equivalent to 12 per cent of the increase in shareholder value ("Relevant Percentage"). The increase in shareholder value is broadly measured as the growth in market capitalisation from the time the A Shares are issued although it should be noted that there is an initial value hurdle ("Hurdle") that must be exceeded before the A Shares start to participate in value. The A Shares are not entitled to receive dividends.

Management have the right to sell their A Shares to the Company (and the date on which they exercise this right is referred to as the "Exercise Date"), however, the A Shares may only be sold by management to the Company if the holding condition, as described below, has been satisfied (referred to as "Vesting Period"). The Company may purchase the A Shares for cash or by way of the issue,

or transfer from an employee benefits trust, of Ordinary Shares at its discretion. If the A Shares have not been purchased by the Company by a specified long stop date the Company has the ability to redesignate the A Shares into deferred shares in DX (VCP) Limited which have no value.

A Shares will carry limited voting rights relative to the Ordinary Shares. Participants who will hold B Shares will be entitled in aggregate to exercise 5 per cent. of the voting rights in DX (VCP) Limited but will not carry any rights to capital above their nominal value.

Holding Condition

Management will ordinarily only be able to sell their A Shares to the Company after a minimum holding period of three years, however, management may be able to sell up to 50% of their A Shares to the Company after publication of the June 2016 results provided that the average Company share price, in the three months prior to the Exercise Date, has been £1.50 or higher (the “Financial Condition”).

Vesting period

During the Vesting Period, if a Participant ceases to be a director or employee of a member of DX's group other than in certain “Good Leaver” circumstances, the A Shareholder or B Shareholder can be required to transfer their A Shares or B Shares at the lower of fair value and the cost of acquiring the A Shares or the B Shares. A Good Leaver is someone who ceases employment as a result of death, ill health, injury or disability evidenced to the satisfaction of the Board with Company Consent; retirement at the normal retirement age in accordance with DX's internal policies; or any other reason the Board (acting with Company Consent) permits. If the Participant is determined to cease employment in any of these “Good Leaver” circumstances, they may either (depending on the determination of the Board acting with Company Consent):

- Continue to hold their A Shares or B Shares until the end of the normal Holding Period and be permitted to sell their A Shares following the expiry of that period; or
- Transfer their A Shares or B Shares to the Company at their Fair Value at the time of cessation of employment or directorship. The ability to transfer at fair value may at the discretion of the Parent still depend on the satisfaction of any Financial Condition/s.

Corporate events

A Shareholders would be permitted to sell their A Shares on a third party obtaining control of DX (VCP) Limited and they would be entitled to receive value for their A Shares on an asset sale, DX (VCP) Limited passing a resolution to voluntarily wind up the company or an order being made for a compulsory wind up.

A Shareholder may also sell their A Shares to the Company on a third party obtaining control of the Company.

Adjustments

The Board, acting with Company Consent, has the absolute discretion to rebase or adjust the Hurdle, the Relevant Percentage, the Financial Condition/s and/or the definition of fair value on the occurrence of adjustment events (including any acquisition or disposal by or out of DX's group of any company, business or assets or new financing or refinancing arrangements) provided that the adjustment is made on a just and reasonable basis and with a view to ensuring that the A Shares are not disadvantaged or benefited by the adjustment.

Awards not pensionable

No awards or benefits under the VCP are pensionable.

7.2 CSOP

The Company has also implemented the CSOP, which has been approved by HMRC under the provisions of the Income Tax (Earnings and Pensions) Act 2003 and confers beneficial tax treatment on Option Holders. Unapproved options may also be granted under the CSOP for options in excess of the Approved Limit.

The main features of the CSOP are as follows:

Operation

The Remuneration Committee will supervise the operation of the CSOP. Under the CSOP selected employees will be granted options over £1 Ordinary shares in DX (Group) plc at an Exercise Price equal to market value as agreed with HMRC Shares Valuation division. The initial invitations will be issued shortly following Admission to AIM.

Eligibility

The rules of the CSOP state that any executive director or employee of a DX company may participate in the plan. It is however envisaged that invitations will be made on a discretionary basis to members of the second tier management team.

Grant of Options

Participants will not have to make a payment for the grant of an option. The exercise price payable shall not be less the market value of a share (as agreed with HMRC Shares Valuation division) in advance of the invitations being sent to employees. The methodology for determining the market value of a share has been agreed with SAV so that the Company may issue options in future without further agreement from SAV being required.

Plan Limits

Shares issued to satisfy Options under the CSOP and SAYE in total may not exceed 6% of the total share capital of the Company.

Exercise of Options

Options can be granted under the CSOP with a minimum three year vesting period. The first grant of options become exercisable after three years. Options can be exercised between the third and tenth anniversary of grant date. To the extent an option is not exercised during this period, the option will lapse. If a participant dies, his option may be exercised by his personal representatives within 12 months of his death. To the extent not exercised during this period the option will lapse. If a participant ceases to be employed by the Company by reason of injury, disability, redundancy, retirement, the sale of the Company or business in which the participant works, options can be exercised within six months of the date of cessation of employment provided that the options have not already lapsed in accordance with the CSOP rules. If a participant ceases employment for any other reason the option will lapse on the date of cessation of employment. Options may also be exercised in the event of a change of control of the Company or on the passing of a resolution for the voluntary winding-up of the Company.

Adjustment of Options

If there is a variation of the share capital of the Company (including a capitalisation or rights issue, sub-division, rights issue, consolidation or reduction of share capital), the Remuneration Committee may make such adjustments as it considers appropriate to the exercise price or number of shares under option. Prior HMRC approval must be obtained in relation to any adjustment of options.

Parallel Options

Options may be granted in parallel with options granted under the unapproved schedule to the CSOP, subject to such terms as considered appropriate by the Remuneration Committee ("Parallel Option"). Where a participant elects to exercise a Parallel Option, the corresponding option shall immediately lapse on the basis determined by the Remuneration Committee.

Amendments

The Remuneration Committee may at any time amend the CSOP rules, in any respect, provided that prior shareholder approval is obtained for any amendment that is to the advantage of participants in respect of the provisions relating to eligibility, the plan dilution limits, the terms and rights of the options and the adjustment of options in the event of a variation of the share capital. However, shareholder

approval is not required for minor amendments to benefit the administration of the CSOP, to take account of a change or proposed change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or for any Company in the Company's group. No amendments may operate to adversely affect any rights acquired by a participant without their prior consent. Prior HMRC consent must be obtained in relation to any adjustments to a provision which is necessary to meet the requirements of the relevant tax legislation.

Termination of the CSOP

The CSOP will terminate on the tenth anniversary of the date of adoption of the CSOP or on any earlier date on which the Remuneration Committee determines that the plan should be terminated. The termination of the CSOP will not affect any existing grants of options made under the CSOP.

Awards not pensionable

No awards or benefits under the CSOP are pensionable.

7.3 SAYE Plan

The Company has also adopted the SAYE Plan. Capita are the service provider for the SAYE Plan.

The SAYE Plan has been approved by HMRC under the provisions of the Income Tax (Earnings and Pensions) Act 2003 and, like the CSOP, confers beneficial tax treatment on Option Holders.

Under the SAYE Plan, participation is offered to all Eligible Employees who have been employed who have completed a qualifying period of employment at the time the invitation is made. Eligible Employees are invited to enter into a savings contract to save and deposit a regular sum each month for three or five years of not less than £5 nor more than £250 and can exercise Options after 3 or 5 years. The main features of the SAYE Plan are as follows:

Operation

The Board supervise the operation of the SAYE Plan. The SAYE Plan is open to all UK employees who are Eligible Employees.

Types of Option

Under the SAYE Plan all Eligible Employees will be able to enter into a three or five year savings contract in conjunction with the grant of a share option which can be exercised as set out below. The initial invitation will invite the employees to enter into a three year savings contract.

Eligibility

All UK-based employees and full time directors (i.e. someone who spends at least 25 hours per week in the performance of duties for the Company) will be eligible to participate in the SAYE Plan provided that they have been so employed with a group company for an eligibility period as determined by the Remuneration Committee (not exceeding five years ending with the date of grant). The eligibility period attaching to the initial invitations is twelve months.

Grant of Options

The number of shares over which an option can be granted is based upon the maximum number of shares that can be acquired, at the exercise price, with the proceeds of the savings contract (including a bonus paid at the maturity of the savings contract). The maximum amount of monthly contributions (when aggregated with any other savings contracts) is £250. Participants will not have to make a payment for the grant of an option. The exercise price payable shall not be less than 80 per cent. of the market value of a share (as agreed with HMRC Shares Valuation division) in advance of the invitations being sent to employees.

Plan Limits

Shares issued to satisfy Options under the CSOP and SAYE in total may not exceed 6 per cent. of the total share capital of the Company.

Exercise of Options

Options can be granted under the SAYE Plan with a three or five year vesting period. The first grant of options become exercisable after three years. Options will not normally be exercisable before the bonus date applying to the related savings contract (i.e. the earliest date on which a bonus is payable under that savings contract – the “Bonus Date”). Options can be exercised within the six month period following the Bonus Date. To the extent an option is not exercised during this period, the option will lapse. Only the proceeds of the savings contract may be used to fund the exercise of options. Where a participant gives notice that he intends to stop paying monthly contributions under the related savings contract, or is deemed to have given such notice or makes an application for the return of his accumulated savings, the option may not be exercised. If a participant dies before the maturity of the related savings contract, his option may be exercised by his personal representatives within 12 months of his death. To the extent not exercised during this period the option will lapse. If a participant ceases to be employed by the Company by reason of injury, disability, redundancy, retirement, the sale of the Company or business in which the participant works, options can be exercised within six months of the date of cessation of employment provided that the options have not already lapsed in accordance with the SAYE Plan rules. If, within three years following the date of grant, a participant ceases employment for any other reason the option will lapse on the date of cessation of employment. If a participant ceases employment for any other reason after the expiry of that three year period, they will have the opportunity to exercise their Option within six months of the date of cessation of employment. A participant will not be treated as ceasing to be employed by the Company if he remains employed by an associated company of the Company. Options may also be exercised in the event of a change of control of the Company or on the passing of a resolution for the voluntary winding-up of the Company.

Adjustment of Options

If there is a variation of the share capital of the Company (including a capitalisation or rights issue, sub-division, rights issue, consolidation or reduction of share capital), the Remuneration Committee may make such adjustments as it considers appropriate to the exercise price or number of shares under option. Prior HMRC approval must be obtained in relation to any adjustment of options.

Amendments

The Remuneration Committee may at any time amend the SAYE Plan rules, in any respect, provided that prior shareholder approval is obtained for any amendment that is to the advantage of participants in respect of the provisions relating to eligibility, the plan dilution limits, the terms and rights of the options and the adjustment of options in the event of a variation of the share capital. However, shareholder approval is not required for minor amendments to benefit the administration of the SAYE Plan, to take account of a change or proposed change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or for any Company in the Company's Group. No amendments may operate to adversely affect any rights acquired by a participant without their prior consent. Prior HMRC consent must be obtained in relation to any adjustments to a provision which is necessary to meet the requirements of the relevant tax legislation.

Termination of the SAYE Plan

The SAYE Plan will terminate on the tenth anniversary of the date of adoption of the SAYE Plan or on any earlier date on which the Remuneration Committee determines that the plan should be terminated. The termination of the SAYE Plan will not affect any existing grants of options made under the SAYE Plan.

Awards not pensionable

No awards or benefits under the SAYE Plan are pensionable.

8. DIRECTORS' AND OTHER INTERESTS

- 8.1 As at the date of this document and immediately following Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors and their families (within the meaning set out in the AIM Rules) in the issued share capital of the Company and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director, are as follows:

<i>Director</i>	<i>As at the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
David Hoare	–	–	878,729	0.44
Petar Cvetkovic	–	–	2,594,593	1.29
Ian Pain	–	–	952,001*	0.47
Bob Holt	–	–	100,000	0.05

*to be held by Ian Pain and certain family members

- 8.2 Save as disclosed in paragraph 8.1 above, none of the Directors has any interest in the share capital of the Company or of any of its subsidiaries nor does any member of his or her family (within the meaning set out in the AIM Rules) have any such interest, whether beneficial or non beneficial.
- 8.3 As at 20 February 2014 (being the last practicable date prior to the publication of this document) and so far as the Directors are aware, the only persons (other than any Director) who are or expected to be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company prior to and immediately following Admission are as follows:

<i>Shareholder</i>	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital</i>
DX Finance Limited [®]	15,525,300	99.9	–	–

[®] DX Finance Limited is indirectly majority owned by funds managed by or controlled by Arle Capital Partners Limited.

- 8.4 Save as disclosed in paragraph 8.3 above, the Company and the Directors are not aware of (i) any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company, nor (ii) any arrangements the operation of which may at a subsequent date result in a change in control of the Company.
- 8.5 The voting rights of the persons listed in paragraphs 8.1 and 8.4 do not differ from the voting rights of any other holder of Ordinary Shares.
- 8.6 Save as disclosed in paragraph 10 of this Part V, there are no outstanding loans granted by any member of DX's group to any Director nor are there any guarantees provided by any member of DX's group for the benefit of any Director.
- 8.7 The Directors hold the following directorships and are partners in the following partnerships and have held the following directorships and been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Age</i>	<i>Current</i>	<i>Previous</i>
David Hoare	64	DX Group Holdings (Cayman) No 1 Limited Talisman Advisors Limited Talisman Management Limited Moneybarn PLC Moneybarn Group Limited Moneybarn No.1 Limited Moneybarn Vehicle Finance Limited Moneybarn No.4 Limited Webb's Land Limited Duncton Group Limited Teenage Cancer Trust Institute for Turnaround	Cakeham Manor Estate Limited DX Group Limited West Sussex Specialist Cars Limited Fludds of Petworth Limited Sparck Investments B.V. Rogate Limited
Petar Cvetkovic	52	Academies Enterprise Trust The Inspirational Partnership LLP DX Group Holdings (Cayman) No 1 Limited Wasabi Frog Limited Crawford Healthcare Holdings Limited DX Group Limited DX (EBT Trustees) Limited DX Business Direct Limited DX Electronic Services Limited DX Finance Limited DX Holdings Limited DX Network Services Limited DX Secure Limited DX Secure Mail Limited DX Services Limited Special Mail Services Limited DX McBride Limited DX Freight Limited DX (VCP) Limited Ewenny Limited QYJ Limited	Business Direct Limited Target Express Holdings Limited Target Worldwide Express Limited CL Dormant No.1 Limited CL Dormant No. 13 Limited CL Dormant No.17 Limited CL Dormant No.6 Limited CL Dormant No.12 Limited
Ian Pain	49	DX Group Limited DX Group Holdings (Cayman) No 1 Limited DX Electronic Services Limited DX Finance Limited DX Holdings Limited DX Network Services Limited DX Secure Limited DX Secure Mail Limited DX Services Limited Special Mail Services Limited DX Business Direct Limited DX (EBT Trustees) Limited DX McBride Limited DX Freight Limited DX (VCP) Limited Ewenny Limited QYJ Limited	Business Direct Limited Equity CFO Limited Challenger Security Services (Admin) Limited

<i>Director</i>	<i>Age</i>	<i>Current</i>	<i>Previous</i>
Robert Holt	59	British Strategy LLP Senone LLP Mears Group PLC Green Compliance Plc Inspired Energy Plc The Mears Foundation Seneca Partners Limited Coal Hole Limited	Manacare Foundation The Quoted Companies Alliance Unicorn Asset Management Limited Elecra-Net Holdings Limited Nektan UK Limited Supporta Services Limited Howard Services Limited

8.8 As at the date of this document, no Director:

- 8.8.1 has any unspent convictions in relation to any indictable offences; or
- 8.8.2 has been bankrupt or entered into an individual voluntary arrangement; or
- 8.8.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- 8.8.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- 8.8.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- 8.8.6 has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

9. DIRECTORS' SERVICE AGREEMENTS

9.1 Each of the executive Directors has a service agreement with DX Network Services Limited. Details of these service agreements are set out below:

- (a) Under the service agreements Petar Cvetkovic will act as Chief Executive Officer of DX and Ian Richard Pain will act as Chief Financial Officer of DX.
- (b) Their annual salaries, which are fully inclusive of all pension and other benefits, are £500,000 and £320,000 respectively, subject to annual review. Each of the executive Directors is eligible to participate in a discretionary annual bonus scheme, with the potential to receive bonus payments of such amounts as the Board may determine up to a maximum of 100 per cent. of the salary, subject to such conditions and KPI targets as the Board may determine.
- (c) Each executive Director's employment may be terminated by either party giving to the other not less than 12 months' notice which can be given on or after the first anniversary of the date on which the employment commenced. DX Network Services Limited may, at the direction of the Board, elect to place each executive Director on garden leave for all or part of the notice period and/or terminate the employment of each executive Director by making a payment in lieu of notice.
- (d) Each of the executive directors has agreed to confidentiality obligations, without limitation as to time, and have agreed to non-competition, non-solicitation and non-dealing post termination restrictive covenants.

9.2 Each of the non-executive Directors has entered into a letter of appointment with the Company. Details of these letters of appointment are set out below:

- (a) Each of the appointments is for an initial term of three years, unless terminated earlier by either party giving to the other three months' prior written notice.

- (b) The fee payable for David Hoare's services as a non-executive Director is £90,000 per annum and the fee payable for Robert Holt's services as a non-executive Director is £50,000 per annum.
 - (c) Each has agreed to confidentiality obligations, without limitation as to time.
- 9.3 Save as disclosed in paragraphs 9.1 or 9.2 above, there are no existing or proposed service agreements or consultancy agreements between any of the Directors and the Company which cannot be terminated by the Company without payment of compensation within 12 months.
- 9.4 The aggregate of the remuneration paid and benefits in kind (including bonus payments) granted to the Directors by any member of DX's group in respect of the financial year ended 30 June 2013 was approximately £1,211,000.
- 9.5 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this document.

10. RELATED PARTY TRANSACTIONS

Certain Directors and members of senior management, including David Hoare, Petar Cvetkovic and Ian Pain, participate in an existing cash bonus plan created by DX in connection with the improvement of its overall capital structure. Such debt management plan provides for the payment to management of £7.7 million over five years depending upon performance. During the financial year ended 30 June 2013, non-interest bearing loans totalling £989,201 were made to David Hoare, Petar Cvetkovic and Ian Pain by the Company's subsidiary undertaking, DX Network Services Limited, by way of advance payments of entitlements due under such bonus plan. The loans are repayable no later than 30 June 2018. As at the date of this document, the total of outstanding non-interest bearing loans to David Hoare, Petar Cvetkovic and Ian Pain is £1,146,412. Upon the implementation of the Proposals, DX will pay (out of the net proceeds of the Placing) £7.7 million in total to the Directors and members of senior management that participate in such plan, less the amount of the existing loans may by way of repayment. As a result, these loans will be repaid by such Directors on Admission and it is expected that David Hoare, Petar Cvetkovic and Ian Pain will receive net payments of £1,484,813, £2,649,862 and £1,112,127 respectively under this plan.

Upon the implementation of the Proposals, David Hoare, Petar Cvetkovic and Ian Pain together with certain managers will also receive cash payments in respect of their equity participation in The Box Holdings Limited Partnership ("**Box Holdings**"), the owner of certain mezzanine loans made by Box Holdings to DX Holdings Limited and DX Secure Mail Limited (as disclosed in paragraph 11 of this Part V). These payments in respect of such equity interests will be approximately £7.3 million in aggregate and each of these Directors will re-invest such proceeds into new Ordinary Shares at the Placing Price on Admission. Details of the Directors' interests in Ordinary Shares are contained in paragraph 8 of this Part V.

DX will be making a contribution of £1,000 per month to Talisman Advisers Limited in relation to David Hoare's office expenses.

11. REORGANISATION

- 11.1 Prior to Admission, DX will undertake a reorganisation in connection with Admission and the Placing, summary details of which are set out below:
- 11.1.1 Certain DX companies will consolidate existing intra-group indebtedness owed to the Selling Shareholder and its parent company, DX Group Limited, so that the outstanding amount of approximately £122 million will be owed to DX Finance Limited ("**DXf**") by its existing subsidiaries DX Holdings Limited ("**DXH**") and DX Secure Mail Limited ("**DXSM**"). DXH and DXSM will subsequently capitalise these outstanding amounts by issuing new ordinary shares to DXf in repayment of such debt.
 - 11.1.2 DXH and DXSM have entered into mezzanine debt financing in the total amount of £95.79 million (the "**Mezzanine Loans**") with Box Holdings, an entity partially owned by certain Directors and members of management of DX (including David Hoare, Petar Cvetkovic

and Ian Pain) and partially owned by certain third party mezzanine lenders, senior lenders and former members of management.

- 11.1.3 The Mezzanine Loans are intended to be repaid out of the proceeds of the Placing and it is anticipated that the Mezzanine Loans will not be capable of being repaid in full. Accordingly, it is intended that the Mezzanine Loans will be split into performing and non-performing tranches (that is, amounts expected to be repaid in full and amounts which will not be repaid), including both principal and interest. The split between the performing and non-performing tranches will be calculated by reference to the proceeds of the Placing (taking into account the other intended uses of the proceeds of the Placing).
- 11.1.4 It is intended that the Company will acquire the non-performing tranche of the Mezzanine Loans from Box Holdings in consideration for the issue of 200 new Ordinary Shares to Box Holdings. The Company will subsequently release the non-performing tranche of the Mezzanine Loans it acquired by way of deed of waiver or capitalisation.
- 11.1.5 The Company (through a new wholly-owned subsidiary, DX (VCP) Limited) will acquire all of the issued ordinary share capital of DXH and DXSM from DXf in consideration for the issue of 10,525,000 new Ordinary Shares to DXf. Following such acquisition, the Company will become the new parent company of DX's group.
- 11.1.6 On Admission, the Company will issue new Ordinary Shares to placees in the Placing and the Selling Shareholder will sell existing Ordinary Shares in connection with the Vendor Placing.
- 11.1.7 On or shortly following Admission, the existing facilities currently made available to DX (certain details of which are summarised in note 18 to the financial statements in Part III of this document) will be repaid in full and DX Network Services Limited shall drawdown £10 million under the Facilities Agreement, details of which are set out in paragraph 17.4 of this Part V. The Company shall also procure that DXH and DXSM repay the performing tranche of the Mezzanine Loans of approximately £77.42 million to Box Holdings.

12. TAXATION

12.1 UK Taxation

The comments in this section are intended as a general guide for UK resident Shareholders as to their tax position under United Kingdom law and HMRC practice as at the date of this document, having regard to the changes expected to be enacted in the Finance Bill 2014. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The comments apply to Shareholders who are resident and domiciled for tax purposes in the UK who will hold Ordinary Shares as an investment and will be the absolute beneficial owners of them.

Non-UK resident and non-UK domiciled shareholders should consult their own tax advisers.

The position of Shareholders who are officers or employees of the Company is not considered in this Section, such Shareholders may be subject to an alternative tax regime and should therefore seek tax advice specific to their individual circumstances. The position of UK resident but non domiciled individuals claiming the remittance basis of taxation is not considered in this section.

The tax position of certain Shareholders who are subject to special rules, such as dealers in securities, broker dealers, insurance companies and collective investment schemes is not considered in this section.

Any shareholder who has any doubt as to his or her tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult a professional adviser without delay.

12.2 Taxation of Chargeable Gains

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant shareholder give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are neither resident nor, in the case of individuals, are treated as satisfying the “residence condition” for taxation on chargeable gains to apply.

12.2.1 **Individuals**

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£10,900, for 2013/14) and after taking account of any capital losses available to the individual.

For individuals, capital gains tax will be charged at 18 per cent. where the individual's taxable income and gains are less than the upper limit of the income tax basic rate band (for 2013/14 £32,010 after the personal allowance of £9,440, subject to reliefs that may extend the basic rate band such as any gift aid payments made). To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent. on any excess.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount (for 2013/14, £10,900 for personal representatives of deceased persons and trustees for disabled persons and £5,450 for other trustees) will be charged at a flat rate of 28 per cent. (being the current rate at the date of this document).

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss should be available to offset against other current year gains or carried forward to offset against future gains. In certain circumstances the loss may be available to offset against taxable income in the current year (depending upon, *inter alia*, the circumstances of the Company and the Shareholder).

12.2.2 **Companies**

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (up to 23 per cent. for the financial year 1 April 2013 to 31 March 2014, reducing to up to 21 per cent. for the financial year 1 April 2014 to 31 March 2015). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

12.3 **Taxation of dividends**

Under current United Kingdom legislation, no tax is required to be withheld from dividend payments by the Company.

12.3.1 **Individuals**

Shareholders (other than a company) receiving a dividend from the Company also receive a notional tax credit in respect of the dividend of an amount equal to one ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e. the net dividend received plus the notional 10 per cent. tax credit).

Individual Shareholders whose income is within the basic rate tax band (for 2013/14 £32,010 after the personal allowance, subject to any reliefs that may extend the basic rate band such as gift aid payments made) will be subject to income tax at the dividend rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.

Individual Shareholders who are subject to the higher rate of income tax (broadly, where income in 2013/14 exceeds £32,010, after the personal allowance) will be subject to dividend

income tax at 32.5 per cent. subject to any reliefs that may extend the basic rate band such as gift aid payments made. After allowing for the 10 per cent. notional tax credit, a higher rate taxpayer suffers an effective rate of 25 per cent. on the net dividend received.

Individual Shareholders who are subject to the additional rate of income tax (broadly, where income in 2013/14 exceeds £150,000) will be subject to dividend income tax at 37.5 per cent. After allowing for the 10 per cent. notional tax credit, an additional rate taxpayer suffers an effective rate of 30.56 per cent. on the net dividend received.

Dividends payable to trustees will be subject to dividend income tax at 37.5 per cent.

Dividends payable to personal representatives of deceased persons are taxable at the 10 per cent. rate on dividends received.

Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim repayment of the tax credit (or any part of it).

12.3.2 **Companies**

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally expect to be subject to UK tax on dividends from the Company. Other Shareholders within the charge to UK corporation tax will not be subject to UK tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are “ordinary share capital” for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class. UK resident shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to claim payment of the tax credit (or any part of it).

12.4 **Stamp duty and Stamp Duty Reserve Tax (“SDRT”)**

Currently dealings in Ordinary Shares will normally be subject to stamp duty or SDRT. The transfer on sale of Ordinary Shares will usually be liable to ad valorem stamp duty, at the rate of 0.5 per cent. (rounded up, if necessary, to the next multiple of £5) of the amount or value of the consideration paid. Stamp duty will normally be paid by the purchaser or transferee of the Ordinary Shares. An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration payable for such shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duly stamped instrument of transfer within six years of the date of the agreement or, if the agreement was conditional, the date on which the agreement became unconditional. SDRT will normally be the liability of the purchaser or transferee of the Ordinary Shares.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of shares into the system, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of consideration given. Transfers of shares within CREST are generally liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable rather than stamp duty, and SDRT on relevant transactions settled within the system or reported through it for regulatory purposes will be collected and accounted for to HMRC.

The above statements are intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities will not give rise to a liability to stamp duty or SDRT.

The Government has announced its intention to abolish stamp duty on shares quoted on growth markets, including the AIM.

12.5 Inheritance Tax

- 12.5.1 Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax ("**IHT**") on the value of any Ordinary Shares held by them. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.
- 12.5.2 Under current law, the occasions on which IHT may be charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts at ten yearly intervals for property held in certain types of trust or appointments out of trusts to beneficiaries.
- 12.5.3 However, a relief from IHT known as business property relief ("**BPR**") may apply to Ordinary Shares in trading companies once these have been held for two years. This relief applies notwithstanding that the Company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

13. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to DX is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

14. SIGNIFICANT CHANGE

Save for the disposal of DX Business Direct in December 2013 (please see paragraph 2 of Part I of this Document), there has been no significant change in the financial or trading position of DX since 30 June 2013, the date to which DX's last audited financial statements were published nor those of the Company since 19 September 2013 (the date of incorporation of the Company).

15. LITIGATION

No member of DX's group of companies is involved in any legal or arbitration proceedings which are having or may have a significant effect on DX's financial position nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of DX's group of companies.

16. PLACING AGREEMENT

In connection with the Placing, the Company, the Directors, Zeus Capital and the Selling Shareholder entered into the Placing Agreement on 21 February 2014. The Placing Agreement is conditional on, *inter alia*, Admission occurring on 27 February 2014 or such later date (not being later than 5.00 p.m. on 14 March 2014) as Zeus Capital and the Company may agree. Under the Placing Agreement:

- 16.1 Zeus Capital has agreed, as agent of the Company, to use its reasonable endeavours to procure placees to subscribe for the Placing Shares and, as agent for each of the Selling Shareholder, to use their reasonable endeavours to procure placees to purchase the Vendor Placing Shares, in each case at the Placing Price.
- 16.2 The Company has agreed, provided the placing agreement becomes unconditional, to pay (a) to Zeus Capital, a corporate finance fee of £250,000; and (b) an aggregate commission of 4 per cent. of the aggregate value at the Placing Price of the Placing Shares (plus any applicable VAT) (of which 1 per cent. of the aggregate value at the Placing Price of the Placing Shares (plus any applicable VAT) shall be payable entirely at the sole discretion of the Company). In addition, provided the Placing Agreement becomes unconditional, the Selling Shareholder has agreed to pay Zeus Capital a commission of 4 per cent. of the value of the Vendor Placing Shares at the Placing Price (plus any applicable VAT) (of which 1 per cent. of the aggregate value at the Placing Price of the Vendor Placing Shares (plus any applicable VAT) shall be payable at the sole discretion of the Selling Shareholder.

- 16.3 The Company has agreed to pay all of the costs and expenses of and incidental to the Placing and related arrangements (other than stamp duty or stamp duty reserve tax payable on the transfer of the Vendor Placing Shares which is payable by the Selling Shareholder) together with any applicable VAT.
- 16.4 Pursuant to the terms of the Placing Agreement, each of the executive Directors has undertaken with Zeus Capital not to dispose of any of the Ordinary Shares in which he is interested in at Admission within 12 months of Admission (the “**Lock-Up Period**”) other than through Zeus Capital subject to certain customary covenants. In addition, each of the executive Directors has undertaken with Zeus Capital not to dispose of any of the Ordinary Shares during the period from the Lock-Up Period until the date falling 12 months from the date of expiry of the Lock-Up Period unless:
- 16.4.1 the relevant executive Director had given Zeus Capital at least 5 business days’ notice of the proposed disposal;
- 16.4.2 Zeus Capital has given its prior written consent to the proposed disposal; and
- 16.4.3 the proposed disposal is brokered through Zeus Capital on a best execution basis.
- 16.5 The Company and the Directors have given certain warranties to Zeus Capital as to the accuracy of the information in this document and as to other matters relating to DX (and in the case of warranties from the Selling Shareholder, warranties on such Selling Shareholder title and capacity to sell the Vendor Placing Shares). The liability of the Directors under these warranties is limited in time and amount. The Company has given a customary indemnity to Zeus Capital against any losses or liabilities arising in connection with the Placing and Admission.
- 16.6 Zeus Capital may terminate the Placing Agreement before Admission in certain circumstances, including for material breach of the warranties referred to above.
- 16.7 The following table contains details of the Selling Shareholder and the Vendor Placing Shares to be sold by it pursuant to the Vendor Placing:

<i>Name</i>	<i>Business address</i>	<i>Number of Sale Shares</i>	<i>Position, office or material relationship with DX during the past three years</i>
DX Finance Limited	DX House, Ridgeway, Iver SL0 9JQ	15,525,300	Intermediate holding company, majority owned by funds managed or controlled by Arle Capital Partners Limited

17. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this document by any member of the DX group of companies and are, or may be, material to DX or have been entered into by any member of the DX group of companies and contain any provision under which any member of the DX group of companies has any obligation or entitlement which is material to the DX group of companies at the date of this document:

- 17.1 **The Placing Agreement.** The Company is party to the Placing Agreement detailed in paragraph 16 of this Part V.
- 17.2 **Nominated Adviser and Broker Agreement.** The Company and the Directors entered into a Nominated Adviser and Broker Agreement dated 21 February 2014 with Zeus Capital, pursuant to which Zeus Capital agreed to act as the Company’s nominated adviser and broker for an initial period of 12 months, terminable by either party on three months’ notice after the expiry of the initial term. Zeus Capital undertakes to provide the services of a nominated adviser and broker as required under the AIM Rules and the Company and the Directors agree to comply with their obligations under the AIM Rules. The Company will pay Zeus Capital a fee of £75,000 per annum (plus applicable VAT) pursuant to the terms of the agreement.
- 17.3 **Reorganisation**
- Please refer to paragraph 11 of this Part V for details of the reorganisation of DX prior to Admission.

17.4 **Financing**

On 21 February 2014 the Company and DX Network Services Limited entered into a £23,000,000 term and revolving facilities agreement (the “Facilities Agreement”), pursuant to which HSBC Bank plc will make available a £10,000,000 term loan facility and a £13,000,000 revolving credit facility to DX Network Services Limited (as the borrower). The Facilities Agreement also allows DX to assume additional facilities in an amount up to £15,000,000, by way of an increase in the term loan facility or the revolving credit facility and on the same terms and conditions as the Facilities Agreement.

Any drawdown of the available facilities will not take place until and is conditional upon Admission.

The purpose of the facilities to be provided under the Facilities Agreement includes:

- (a) to refinance in full the existing facilities currently made available to DX pursuant to (i) a facilities agreement between, among others, DX Group Limited and Bank of Scotland PLC dated 5 July 2006 (as amended and restated); and (ii) a master facilities agreement between, among others, DX Freight (GB) Limited and PNC Business Credit dated 13 March 2012;
- (b) the payment of certain fees, costs and expenses incurred by DX and associated with the Admission and the entry into the Finance Documents (as defined in the Facilities Agreement); and
- (c) the general corporate purposes of DX.

The Facilities Agreement contains a guarantee (the “Guarantee”) to be given by each member of the DX group of companies (including the Company) which is party to the Facilities Agreement as an obligor and any acceding obligor. Under the Guarantee, the Company guarantees the performance by the other obligors of their obligations and liabilities under the Finance Documents and payment of all sums due under or in connection with those Finance Documents and its obligations would be guaranteed on similar terms by the other obligors.

It is a condition to the granting of the facilities under the Facilities Agreement that the Company grant security in favour of HSBC Corporate Trust Company (UK) Limited (as security agent) over the whole of its undertaking and assets to secure the Company’s present and/or future obligations and liabilities under the Finance Documents. In order to satisfy this condition, the Company and each other member of the DX group of companies which is a party to the Facilities Agreement as an obligor, plan to enter into an English law governed debenture in favour of HSBC Corporate Trust Company (UK) Limited on Admission.

17.5 **Sale of DX Business Direct**

On 12 November 2013, DX Network Services Limited (“DXNS”) entered into a share purchase agreement and loan agreement with Bybox Field Limited (“Bybox”) for the sale of the DX Business Direct business. DXNS agreed to assign the ParcelXchange trademark to Bybox. Pursuant to these agreements DXNS sold Business Direct Limited, the owner of the DX Business Direct business, to Bybox for £1 consideration, together with an undertaking by Bybox to procure that Business Direct Limited would repay an outstanding £5,499,999 intercompany loan to DXNS. Business Direct Limited repaid £3 million to DXNS on completion of the share sale, with the balance of £2,499,999 (subject to a potential working cap adjustment) to be paid to DXNS in two tranches in June 2014 and December 2014. Bybox also guaranteed Business Direct Limited’s repayment obligation. The sale and purchase agreements contained warranties and indemnities customary for a disposal of this nature and DXNS also agreed not to compete with the DX Business Direct business in the UK or Ireland or solicit certain employees for a three year period from the date of closing.

17.6 **Lock-up arrangements**

17.6.1 Certain members of the existing management team (the “**Managers**”) are reinvesting their current equity interests as summarised in paragraph 16 of Part I of this document. Each Manager has entered into a lock-up deed with Zeus Capital and the Company (the “**Manager Lock-up Deed**”) in respect of the Ordinary Shares in which he is interested at Admission. Pursuant to the terms of the Manager Lock-up Deed, the Manager has undertaken with Zeus Capital and the Company not to dispose of any of the Ordinary Shares in which he is

interested in at Admission within 12 months of Admission (the “**Manager Lock-up Period**”) other than through Zeus Capital, subject to customary covenants. In addition, each of the Managers has undertaken with Zeus Capital not to dispose of any of the Ordinary Shares in which he is interested at Admission during the period from the expiry of the Manager Lock-up Period until the date falling 12 months from the date of the expiry of the Manager Lock-up Period, subject to customary carve outs.

Details of the executive Directors’ lock-up arrangements are summarised in paragraph 16 of this Part V and details of David Hoare’s lock-up arrangements are summarised at paragraph 17.6.2 of this Part V below.

17.6.2 David Hoare has entered into a lock-up deed with Zeus Capital and the Company in respect of the Ordinary Shares in which he is interested at Admission (the “**DH Lock-up Deed**”). Pursuant to the terms of the DH Lock-up Deed, David Hoare has undertaken with Zeus Capital and the Company not to dispose any of the Ordinary Shares in which he is interested at Admission until the earlier of (a) the date falling 12 months from Admission; and (b) the date on which David Hoare ceases to be a director of the Company (the “**DH Lock-up Period**”) other than through Zeus Capital, subject to customary covenants. In addition, David Hoare has undertaken with Zeus Capital not to dispose of any of the Ordinary Shares in which he is interested at Admission during the period from the expiry of the DH Lock-up Period until the date falling 12 months from the date of the expiry of the DH Lock-up Period, subject to customary carve outs.

18. CONSENTS

18.1 KPMG LLP has given and has not withdrawn its consent to the inclusion in this document of its Accountants’ Report set out in Part III of this document in the form and context in which it appears and has authorised the contents of that report for the purposes of Schedule 2 of the AIM Rules.

18.2 Zeus Capital has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

19. MANDATORY BIDS, SQUEEZE OUT AND SELL OUT RULES RELATING TO THE ORDINARY SHARES

19.1 Mandatory bid

The Takeover Code applies to the Company. Under the City Code on Takeover and Mergers (the “**Takeover Code**”), if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Panel on Takeovers and Mergers, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person’s percentage of the voting rights.

19.2 Squeeze out

Under the Companies Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

19.3 Sell out

The Companies Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all

the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

20. TAKEOVER OFFERS

There have been no public takeover offers by third parties in respect of the share capital of the Company in the last or current financial year.

21. GENERAL

- 21.1 The total costs and expenses of, or incidental to, the Placing, the Vendor Placing and Admission, all of which are payable by the Company (save in respect of any commission payable by the Selling Shareholder pursuant to the Vendor Placing Agreement), are estimated to be approximately £7.75 million (exclusive of value added tax). This amount includes the commissions referred to in paragraph 16 of this Part V but excludes any commission payable by the Selling Shareholder. No expenses of the Vendor Placing are being specifically charged to purchasers under the Vendor Placing.
- 21.2 Save as disclosed in this document, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the DX group of companies or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the DX group of companies on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.
- 21.3 The Placing Price of 100 pence represents a premium of 99 pence above the nominal value of 1 pence per Ordinary Share. The Placing Price is payable in full on application.
- 21.4 The auditors of the Company are KPMG LLP, chartered accountants and registered auditors, KPMG LLP have audited the accounts of DX Group Limited for the two financial years ended 30 June 2013. The audit reports were unqualified and did not contain a statement under sections 498(2) or (3) of the Companies Act.
- 21.5 The Company currently has no significant investments in progress and the Company has made no firm commitments concerning future investments.
- 21.6 Save in respect of bespoke software used in the conduct of DX's business, the Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes on which the Company is dependent.
- 21.7 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.
- 21.8 Where information contained in this document has been sourced from a third party, the information has been accurately reproduced and, so far as the Directors and the Company are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 21.9 Save as disclosed in this document, there are no arrangements of which the Company is aware which may result in change of control of the Company.

21.10 Save as disclosed in Part I of this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on DX's prospects for the current financial year.

22. DOCUMENTS AVAILABLE FOR INSPECTION

22.1 Copies of this document will be available to the public, free of charge, from the date of this document until the date which is one month after Admission, from the offices of the Company at DX House, Ridgeway, Iver, Buckinghamshire SL0 9JQ during usual business hours on any day (Saturdays, Sundays and public holidays excepted), and also on the Company's website (www.thedx.co.uk).

22.2 Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of the Company at DX House, Ridgeway, Iver, Buckinghamshire SL0 9JQ for a period of 14 days from the date of this document:

22.2.1 the memorandum and articles of association of the Company;

22.2.2 the memorandum and articles of association of DX (VCP) Limited;

22.2.3 the rules of the VCP, SAYE Plan and the CSOP;

22.2.4 the report relating to DX Group Limited and its subsidiaries prepared by KPMG LLP in Part III of this document; and

22.2.5 the audited consolidated financial statements of the Group for the two years ended 30 June 2013.

Dated: 21 February 2014

