

16 February 2015
AIM: DX



DX (Group) plc
(“DX” or “the Company” or “Group”)

Unaudited Interim Results
for the six months ended 31 December 2014

DX, a leading independent mail, parcels and logistics network operator, is pleased to announce interim results for the six months to 31 December 2014.

It should be noted that the comparative results for the six months to 31 December 2013 represent a period during which the business was under private equity ownership, before DX’s equity placings and Admission to AIM on 27 February 2014. As well as reporting statutory results, DX is also reporting underlying results in order to take account of the material change to DX’s capital structure on Admission and the ceased operations as previously reported in the Annual Report for the year ended 30 June 2014.

KEY POINTS

	Six months to 31 December 2014 Unaudited	Six months to 31 December 2013 Unaudited	Change
Underlying results*			
Revenue from ongoing activities	£147.4m	£150.0m	-1.7%
Underlying EBITDA	£14.2m	£13.5m	+5.2%
Adjusted profit before tax	£10.7m	£10.9m	-1.8%
Adjusted earnings per share	4.3p	4.2p	+2.4%
Statutory results			
Revenue	£147.4m	£156.1m	-5.6%
EBITDA	£14.2m	£14.2m	-
Profit / (loss) before tax	£9.9m	£(3.9)m	
Basic earnings per share	3.9p	(31.4p)	
Interim dividend per share	2.0p	-	
Free cash flow	£4.7m	£2.4m	
Net debt	£12.1m	£226.8m	

*The assumption impacting the underlying results are stated on page 2

- Half year results in line with management expectations
- Continuing strategic and operational progress including:
 - integration of DX Freight within wider operations
 - review of existing Customer contracts
 - network development
 - extension of exclusive contract for the distribution of all UK passports
- Significant ongoing investment in IT to improve service levels and delivery capability
- First interim dividend of 2.0p per share
- Strong balance sheet supports Company’s growth strategy

Petar Cvetkovic, Chief Executive Officer, commented:

“In a challenging trading environment, I am pleased to report that DX has delivered a satisfactory financial performance in the first half of the financial year, in line with management expectations. Service is always our priority and DX gave our Customers a high level of service throughout the Christmas period.”

Operationally, our key focus remains on the 'OneDX' programme which includes bringing together DX Freight, the former Nightfreight business, with our wider operations. At the same time, we are developing and optimising our network. Our goal remains that of achieving a "OneDX" proposition of fully integrated and complementary services under one brand, delivered through an efficiently run network to create enhanced delivery solutions which offer our Customers breadth of choice, quality and value.

Reflecting the seasonality of some major revenue streams, the second half of the year is traditionally stronger than the first half and we expect this trend to be maintained in the current financial year. Our goal for the year is further steady and controlled progress with our major initiatives as we work towards the creation of our 'OneDX' proposition. We also remain focused on those areas of the market which require our more specialist services, including our time-sensitive, mission critical/high value and 2-Man delivery services. Customer service as ever remains a priority."

* The following definitions have been applied consistently throughout the announcement of interim results:

1. Underlying results for 2013 exclude revenues and profit contributions from those activities that were sold or ceased during 2013, namely Business Direct (sold December 2013) and non-Documents Exchange untracked mail and publications. Also excluded are 2013 restructuring costs, reported in the prior year as exceptional items.
2. Adjusted profit before tax and adjusted earnings per share:
 - 2.1. exclude the £0.8m amortisation of acquired intangible assets for the six months to 31 December for both 2014 and 2013 (£1.6m for the year to 30 June 2014). The remaining amortisation relates to capitalised developed software that is being written down over 3 to 5 years.
 - 2.2. exclude exceptional items as well as third party and shareholder related interest on the pre-Admission capital structure for the six months to 31 December 2013 and the year to 30 June 2014. Included in the comparative six month period to 31 December 2013 and the year to 30 June 2014 is a notional third party interest charge to reflect the capital cost had the debt structure put in place at Admission been in place throughout the year ended 30 June 2014.
3. Free cash flow represents the operating cash flows of the business after interest and tax and excludes exceptional items, proceeds from the sale of assets and business, the acquisition of stakes in Associates, the acquisition of intangible assets (other than development expenditure), the repayment of bank loans and other debt instruments, draw downs on bank facilities, new loan facilities and dividends.

The balance sheet as at 31 December 2013 represents the capital structure of the Group under private equity ownership prior to Admission on 27 February 2014.

Enquiries:

DX (Group) plc

Petar Cvetkovic, Chief Executive Officer
Ian Pain, Chief Financial Officer

T: 01753 631624
T: 01753 631508

Zeus Capital (Nominated Advisor and Broker)

Nick How/Dan Bate/Ross Andrews
John Goold/Dominic King

T: 020 7533 7714

KTZ Communications

Katie Tzouliadis/Deborah Walter

T: 020 3178 6378

CHIEF EXECUTIVE'S STATEMENT

Introduction

In a challenging trading environment, I am pleased to report that DX has delivered a satisfactory financial performance in the first half of the financial year, in line with management expectations. Service is always our priority and during the key Christmas period DX gave Customers a high level of service throughout.

Operationally, our key focus remains on the 'OneDX' programme which includes bringing together DX Freight, the former Nightfreight business, with our wider operations. DX Freight was a transformational acquisition, adding significant scale and substantially increasing our presence in the parcels and freight market. As we indicated in the 2014 Annual Report, the turnaround of this business has been mapped out over the next three years. In parallel we are developing and optimising our networks so that our different delivery services are brought together on the same network platform. Our goal remains that of achieving a "OneDX" proposition of a market leading range of integrated services, operating under one brand, delivered through an efficiently run network to create enhanced delivery solutions which offer our Customers breadth of choice, quality and value. Our associated investment programme in people, technology, equipment and infrastructure remains ongoing and supports our aim to deliver the best Customer experience with operational efficiencies.

The majority of the Group's revenues are derived from parcels, freight and irregular dimension and weight deliveries, with the B2B segment being our core market. While we are also active in the B2C market, our focus is on valuable, important and time-sensitive deliveries which benefit from highly vetted couriers for next day and/or timed deliveries, with full tracking and traceability and comprehensive management reports.

Our core DX Exchange business, used mainly by the legal, financial services, property and healthcare industries, continues to decline due to the same email substitution challenges affecting the mail market as a whole. Nevertheless, DX Exchange remains a core service and its performance in the period was within our targets.

We continue to innovate to enhance our services to Customers and, in December 2014, acquired a 49.8% shareholding in Gnewt Cargo Limited ("Gnewt"), the fast growing, environmentally friendly delivery services provider. Its fleet of electric zero-emission vehicles currently operates only in London but we intend to support the roll-out of its services across other UK cities. This will provide new capability for DX's existing Customers in the legal, financial and public sectors as well as enhance DX's operations for e-commerce and high street retailers.

Post period, on 6 January 2015, DX announced that it had reached agreement with the Administrators of City Link Limited to acquire certain City Link assets, comprising cages, scanners and intellectual property, for a total cash consideration of £1.125m. The acquisition of these assets was in line with our planned spending on equipment. The wider effects of the demise of City Link on the rest of the UK parcels industry is not easy to predict with clarity. Capacity has been taken out of the market, however some operators continue to offer unsustainably low prices to attract additional volume for expanded or new facilities. We take a cautious view and in the meantime are working hard to offer solutions to Customers who seek a more managed solution.

FINANCIAL RESULTS

Revenues from ongoing activities for the six months to 31 December 2014 were £147.4m, representing a 1.7% reduction against the comparative period (2013: £150.0m). This decrease in the period partly reflects management's qualitative focus on ensuring that all Customer contracts deliver a profitable contribution and our programme to exit commercially unattractive business.

Underlying earnings before interest, taxation, depreciation and amortisation ("EBITDA") improved by 5.2% to £14.2m (2013: £13.5m), with this result driven by strengthening margins. Depreciation and amortisation increased by £0.9m to £4.1m or 28% on the comparative period reflecting the increase in capital expenditure over the past two years. The main capital expenditure projects in the period have been the continuing development of the operational IT infrastructure and the upgrading of the mail automation machines. As a result of the increase in depreciation and amortisation, profit before tax has declined by 1.8% to £10.7m against prior year (2013: £10.9m).

The statutory results show reported revenues including revenues from the two businesses that were ceased, of £147.4m against £156.1m in the prior period. Reported EBITDA of £14.2m is unchanged on 2013 (2013: £14.2m).

Cash flows and net debt

	Six months ended 31 December 2014 £m	Six months ended 31 December 2013 £m
<i>Free cash flow:</i>		
EBITDA	14.2	14.2
Net change in working capital	(4.1)	4.4
Capital expenditure	(2.3)	(1.4)
Development expenditure	(2.1)	(1.1)
Net finance costs (excluding exceptional items)	(0.2)	(15.0)
Tax (paid)/received	(0.8)	1.3
Free cash flow	4.7	2.4
<i>Net debt:</i>		
	31 December 2014 £m	31 December 2013 £m
Gross debt	18.4	248.8
Cash and cash equivalents	(6.3)	(22.0)
Net debt	12.1	226.8

DX generated free cash flow of £4.7m for the six months to 31 December 2014, an increase of £2.3m on prior period.

A working capital outflow of £4.1m was partly due to an increase in debtor days in DX Freight following on from the migration of the finance system to the Group platform. Debtor days are expected to return to normal levels by the end of the financial year with a resulting release of working capital.

Net debt at 31 December 2014 reduced to £12.1m from £12.2m at 30 June 2014 and from £226.8m at 31 December 2013 before the company's Admission to AIM and its associated recapitalisation.

Net finance costs of £0.2m (2013: £15.0m) have dramatically reduced as a result of the significant reduction in debt since Admission to AIM.

DX typically generates good cash flows, with a seasonal weighting to the second half of the year as a result of the DX Exchange renewal profile and seasonal peaks for DX Secure deliveries.

DIVIDEND

The Board is pleased to declare its first interim dividend since Admission to AIM of 2.0p per share (year ended 2014: nil). Subject to the Company's trading performance, it expects the ratio between the interim and final dividend to be one-third/two-thirds. The interim dividend will be paid on 27 March 2015 to shareholders on the register at the close of business on 27 February 2015.

REVIEW OF OPERATIONS

Parcels & Freight

Revenue from our parcels and freight activities for the six months to 31 December 2014 was £77.3m, representing 53% of ongoing revenue. This was a decrease of 4.8% against the comparative period, with most of the reduction the result of a long term programme to exit commercially unattractive business acquired with the 2012 purchase of DX Freight, as contracts come up for renewal. This programme is ongoing and while price competition within the sector currently remains intense, with some operators reducing prices to buy additional volumes, our focus remains on adding new Customers at the right prices and on the right terms and conditions.

As part of our initiatives to drive Customer service levels, we are making improvements to our fleet and in the period introduced new specially designed 5 tonne vehicles which are currently exclusive to DX. The new vehicles give us greater flexibility and improve efficiencies.

Mail & Packets

Ongoing revenues (excluding revenues from untracked mail and publication activities which we ceased from 30 June 2014) generated by our mail and packets delivery activities was £56.4m over the first half representing 38% of the total. This was a £1.9m or 3.5% increase against the comparative period. As expected, our core Document Exchange revenues continued to see erosion, reflecting electronic substitution. However this was more than offset by growth in the DX Secure service, which targets next day B2C deliveries. This service will also benefit from the decision by Her Majesty's Passport Office to extend the existing contract with DX Secure for the distribution of all UK passports for a further year to July 2016.

The packets market remains price competitive, however DX is continuing to improve its service offering through the development of a collection point network and a pre-delivery advice alert system.

Logistics

Ongoing revenue from our logistics services was £13.7m, representing 9% of ongoing revenues. This was a decrease of £0.6m or 4.2% against the comparative period. The reported revenue for the prior period to 31 December 2013 includes £4.2m of revenue in relation to Business Direct, an operation that was sold in December 2013.

Network development

The integration of DX Freight's service centres with our wider network continues. Completed co-location projects to date have reduced the number of sites by 15 to 72, whilst improving the quality of facilities and increasing capacity. A further 9 co-location projects are currently being planned that would reduce the network by a further 13 service centres. In addition, we are continuing to optimise delivery routes and invest in scanning, tracking and sortation technology. Our aim is a unified 'OneDX' network, which provides comprehensive visibility as we deliver Customer assets. As well as driving efficiency, this will also help us to deliver superior service.

SUMMARY AND OUTLOOK

Reflecting the seasonality of some major revenue streams, the second half of the year is traditionally stronger than the first half and we expect this trend to be maintained in the current financial year.

The strategic focus for the remainder of the financial year will continue to be on the ongoing turnaround of DX Freight and our 'bringing together' project. Hand in hand with this is our network infrastructure development programme and the significant investment we are making in IT and equipment. We also remain focused on those areas of the market which require our more specialist services, including our time-sensitive, mission critical/high value and 2-Man delivery services. As we previously reported, our goal for the year is further steady and controlled progress with our major initiatives as we work towards the creation of our 'OneDX' proposition. Customer service as ever remains a priority.

Petar Cvetkovic
Chief Executive Officer

Consolidated statements of comprehensive income

		Six months ended 31 December 2014 Unaudited £m	Six months ended 31 December 2013 Unaudited £m	Year ended 30 June 2014 Audited £m
Continuing operations				
Revenue	4	147.4	156.1	312.0
Operating costs		(137.3)	(145.8)	(298.5)
		10.1	10.3	13.5
Results from operating activities				
Analysis of results from operating activities:				
Profit before interest, tax, depreciation and amortisation ('EBITDA')		14.2	14.2	34.4
Depreciation and amortisation		(4.1)	(3.2)	(7.3)
Exceptional items	5	-	(0.7)	(13.6)
		10.1	10.3	13.5
Results from operating activities				
Net finance costs:				
Third party	6	(0.2)	(3.9)	1.5
Shareholder related	6	-	(11.1)	(70.7)
Gain on debt buy back	7	-	0.8	-
		(0.2)	(14.2)	(69.2)
Total net finance costs				
Trading		(0.2)	(15.0)	(20.0)
Exceptional items		-	0.8	(49.2)
		(0.2)	(14.2)	(69.2)
Total net finance costs				
		9.9	(3.9)	(55.7)
Profit/(loss) before tax				
Tax (expense)/income	8	(2.1)	(0.9)	0.7
		7.8	(4.8)	(55.0)
Profit/(loss) for the period				
Other comprehensive income:				
Foreign currency translation differences		-	-	-
		-	-	-
Other comprehensive income, net of tax				
Total comprehensive income/(expense) for the period attributable to owners of the parent				
		7.8	(4.8)	(55.0)
Earnings per share - basic (pence):				
Trading		3.9	(31.4)	5.1
Exceptional items		-	0.7	(75.3)
		3.9	(30.7)	(70.2)
Total				
Earnings per share – adjusted (pence):				
Trading		4.3	4.2	10.8

The following notes are an integral part of these condensed interim financial statements.

Consolidated statements of financial position

	31 December 2014 Unaudited £m	31 December 2013 Unaudited £m	30 June 2014 Audited £m
Note			
Non-current assets			
Property, plant and equipment	19.3	17.9	18.7
Intangible assets and goodwill	197.4	196.3	197.7
Investment in associates	9 1.9	-	-
Deferred tax assets	1.3	-	1.2
Loans to legacy Group companies	-	10.3	-
Total non-current assets	<u>219.9</u>	<u>224.5</u>	<u>217.6</u>
Current assets			
Trade and other receivables	36.7	40.3	49.2
Cash and cash equivalents	6.3	22.0	1.1
Total current assets	<u>43.0</u>	<u>62.3</u>	<u>50.3</u>
Total assets	<u>262.9</u>	<u>286.8</u>	<u>267.9</u>
Equity			
Share capital	2.0	0.2	2.0
Share premium	181.4	-	181.4
Reverse acquisition reserve	280.0	142.2	280.0
Other reserves	0.1	0.1	0.1
Retained earnings	(277.7)	(231.3)	(281.5)
Total equity	<u>185.8</u>	<u>(88.8)</u>	<u>182.0</u>
Non-current liabilities			
Loans and borrowings:			
Third party	10 7.9	129.3	8.4
Shareholder related	10 -	27.2	-
Loans from legacy Group companies	10 -	135.7	-
	7.9	292.2	8.4
Other creditors	-	0.3	-
Provisions	4.4	5.4	7.3
Deferred tax liabilities	-	1.6	-
Total non-current liabilities	<u>12.3</u>	<u>299.5</u>	<u>15.7</u>
Current liabilities			
Current tax liabilities	2.2	2.1	0.8
Loans and borrowings	10 10.2	9.4	4.5
Trade and other payables	29.9	40.7	36.9
Deferred income	22.5	23.9	28.0
Total current liabilities	<u>64.8</u>	<u>76.1</u>	<u>70.2</u>
Total liabilities	<u>77.1</u>	<u>375.6</u>	<u>85.9</u>
Total equity and liabilities	<u>262.9</u>	<u>286.8</u>	<u>267.9</u>

The following notes are an integral part of these condensed interim financial statements.

Consolidated statements of changes in equity

	Share capital £m	Share premium £m	Reverse acquisition reserve	Trans- lation reserve £m	Retained earnings £m	Total equity £m
At 1 July 2013	0.2	-	142.2	0.1	(226.5)	(84.0)
Total comprehensive expense for the period:						
Loss for the period	-	-	-	-	(4.8)	(4.8)
Total comprehensive expense for the period	-	-	-	-	(4.8)	(4.8)
At 31 December 2013	0.2	-	142.2	0.1	(231.3)	(88.8)
Total comprehensive expense for the period:						
Loss for the period	-	-	-	-	(50.2)	(50.2)
Total comprehensive expense for the period	-	-	-	-	(50.2)	(50.2)
Transactions with owners of the Company, recognised directly in equity						
Issue of shares	1.8	183.2	-	-	-	185.0
Capital reconstruction	-	-	137.8	-	-	137.8
Share issue expenses	-	(1.8)	-	-	-	(1.8)
Total transactions with owners of the Company	1.8	181.4	137.8	-	-	321.0
At 30 June 2014	2.0	181.4	280.0	0.1	(281.5)	182.0
Total comprehensive income for the period:						
Profit for the period	-	-	-	-	7.8	7.8
Total comprehensive income for the period	-	-	-	-	7.8	7.8
Transactions with owners of the Company, recognised directly in equity						
Dividends	-	-	-	-	(4.0)	(4.0)
Share-based payment transactions	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	(4.0)	(4.0)
At 31 December 2014	2.0	181.4	280.0	0.1	(277.7)	185.8

The following notes are an integral part of these condensed interim financial statements.

Consolidated statements of cash flows

	Six months ended 31 December 2014 Unaudited £m	Six months ended 31 December 2013 Unaudited £m	Year ended 30 June 2014 Audited £m
Cash flows from operating activities			
Profit/(Loss) for the period	7.8	(4.8)	(55.0)
Exceptional items			
• Non-cash finance costs	-	-	49.2
• Gain on sale of DX Business Direct	-	(1.1)	(1.1)
• Impairment charges	-	-	10.0
• Gain on debt buy back	-	(0.8)	(0.8)
Cash flow before exceptional items	7.8	(6.7)	2.3
Adjustments for non-cash items:			
- Depreciation	1.7	1.3	3.1
- Amortisation of intangible assets	2.4	1.9	4.2
- Non-cash finance costs	0.1	12.3	16.9
- Gain on sale of property, plant and equipment	-	(0.1)	(0.1)
- Tax expense	1.3	2.2	(0.7)
Net cash profit	13.3	10.9	25.7
Changes in:			
- trade and other receivables	11.3	11.8	3.0
- trade and other payables	(7.0)	1.4	(1.9)
- deferred income	(5.5)	(5.3)	(1.1)
- provisions	(2.9)	(3.5)	(1.9)
Net change in working capital	(4.1)	4.4	(1.9)
Cash generated from operating activities	9.2	15.3	23.8
Cash flows from investing activities			
Net proceeds from sale of DX Business Direct	5 1.2	3.0	2.5
Proceeds from sale of property, plant and equipment	-	0.1	0.3
Acquisition of associate	(1.9)	-	-
Acquisition of property, plant and equipment	(2.3)	(1.4)	(5.0)
Acquisition of Customer relationships	-	-	(0.3)
Development expenditure	(2.1)	(1.1)	(3.7)
Net cash generated from/(used in) investing activities	(5.1)	0.6	(6.2)
Net increase in cash before financing activities	4.1	15.9	17.6
Cash flows from financing activities			
Issue of shares	-	-	185.0
Drawings on revolving credit facility / new bank loans	9.0	-	10.0
Repayment of bank borrowings	(0.6)	(24.1)	(155.9)
Repayment of mezzanine instrument	-	-	(79.0)
Repayment of mortgage facility	-	(0.2)	(3.1)
Payment of finance lease liabilities	-	(0.6)	(0.7)
Movement on invoice discounting facilities	-	0.8	(4.1)
Share issue expenses	-	-	(1.8)
Loan issue costs	-	-	(0.4)
Equity dividends paid	(4.0)	-	-
Net cash generated from/(used in) financing activities	4.4	(24.1)	(50.0)
Net increase/(decrease) in cash and cash equivalents	8.5	(8.2)	(32.4)
Cash and cash equivalents at beginning of period	(2.2)	30.2	30.2
Cash and cash equivalents at end of period	6.3	22.0	(2.2)

The following notes are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1 General information

DX (Group) Limited was incorporated on 19 September 2013 and on 19 February 2014 was re-registered as a public company and changed its name to DX (Group) plc. On 20 February 2014 DX (Group) plc acquired certain subsidiary undertakings of DX Group Limited and as a result became the parent undertaking for the continuing activities of the acquired subsidiaries. DX (Group) plc's shares were admitted to trading on the AIM of the UK Stock Exchange on 27 February 2014.

DX (Group) plc is incorporated in England 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 08696699.

The Group's continuing activities are the provision of mail, packets, parcels and freight delivery services.

The condensed interim financial statements were approved by the board of directors on 16 February 2015.

2 Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting and the Disclosure and Transparency Rules of the UK's Financial Services Authority, which are applicable to DX (Group) plc.

The half year results for the current and comparative period are unaudited. The annual report and accounts for the year ended 30 June 2014 has been filed with the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under s498(2) or s498(3) of the Companies Act 2006.

On 20 February 2014 the company (through a new wholly owned subsidiary, DX (VCP) Limited) acquired all of the issued share capital of DX Holdings Limited and DX Secure Mail Limited from DX Finance Limited (a wholly owned subsidiary undertaking of the former parent undertaking). As a result of these acquisitions DX (Group) plc is now the parent undertaking of the subsidiaries acquired from DX Group Limited.

The acquisitions of DX Holdings Limited and DX Secure Mail Limited and their subsidiaries have been accounted for using the principles of reverse acquisition accounting. Therefore the financial statements as at and for the year ended 30 June 2014 were prepared as a continuation of the financial statements of these two companies and their subsidiaries. The financial statements as at and for the period ended 31 December 2013 presented in the condensed interim financial statements are an aggregation of those reported in the financial statements as at and for the period ended 31 December 2013 for DX Holdings Limited and DX Secure Mail Limited and their subsidiaries.

The preparation of financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported 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.

3 Accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those set out in the annual report and accounts for the year ended 30 June 2014.

4 Segment information

	Six months ended 31 December 2014 £m	Six months ended 31 December 2013 £m	Year ended 30 June 2014 £m
Revenue:			
Parcels and freight	77.3	81.2	163.6
Mail and packets	56.4	56.4	116.1
Logistics	13.7	18.5	32.3
Total revenue	147.4	156.1	312.0
Less revenues from ceased operations:			
DX Business Direct	-	(4.2)	(4.2)
Mail and publications	-	(1.9)	(3.6)
Revenue from ongoing operations	147.4	150.0	304.2
Underlying profit before interest, tax, depreciation and amortisation (underlying 'EBITDA')	14.2	13.5	33.7
Profits from ceased operations	-	0.7	0.7
EBITDA	14.2	14.2	34.4
Depreciation and amortisation	(4.1)	(3.2)	(7.3)
Exceptional items	-	(0.7)	(13.6)
Results from operating activities	10.1	10.3	13.5
Finance charges (net)	(0.2)	(14.2)	(69.2)
Profit/(loss) before tax	9.9	(3.9)	(55.7)

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 profitability, assets and liabilities on a Group basis.

5 Exceptional items

	Six months ended 31 December 2014 £m	Six months ended 31 December 2013 £m	Year ended 30 June 2014 £m
Restructuring costs	-	1.8	4.7
Impairment charges	-	-	10.0
Gain on disposal of DX Business Direct	-	(1.1)	(1.1)
	-	0.7	13.6

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, £0.6 million in July 2014 and £0.6 million in September 2014. A further £1.3 million is receivable prior to June 2015.

The net profit on the disposal was £1.1 million.

6 Finance income and expense

	Six months ended 31 December 2014 £m	Six months ended 31 December 2013 £m	Year ended 30 June 2014 £m
Third party interest:			
<i>Interest payable:</i>			
Interest on bank loans	0.1	3.6	4.7
Other interest	-	0.2	0.3
Amortisation of financing costs	0.1	0.3	0.5
	<u>0.2</u>	<u>4.1</u>	<u>5.5</u>
<i>Interest receivable:</i>			
Bank interest	-	0.2	0.3
Net third party interest	0.2	3.9	5.2
Former shareholder related:			
<i>Interest payable:</i>			
Mezzanine instrument	-	7.1	9.8
Interest payable to former Group companies	-	4.3	5.4
	<u>-</u>	<u>11.4</u>	<u>15.2</u>
<i>Interest receivable</i>			
Interest receivable from former Group companies	-	0.3	0.4
Net shareholder related interest	-	11.1	14.8
Net finance costs – excluding exceptional costs	0.2	15.0	20.0
Exceptional costs			
Third party interest			
Financing costs written off on debt repayment	-	-	0.8
Gain on debt buy back (see below)	-	(0.8)	(0.8)
Total third party interest	<u>-</u>	<u>(0.8)</u>	<u>-</u>
Former shareholder related			
<i>Interest payable</i>			
Mezzanine instrument – exceptional charge	-	-	49.2
Net finance costs – exceptional costs/(gains)	-	(0.8)	49.2

The mezzanine instrument was originally recognised at a fair value of £nil at the date of transition to IFRSs, 1 July 2010. Finance charges in the three years to 30 June 2013 had increased the amortised cost of the instrument to £20.1 million at that date. The instrument was repaid on 4 March 2014 in the amount of £79.0 million.

The finance charges on the mezzanine instrument represent non-cash charges on these borrowings to bring them to amortised cost in accordance with IAS 39. In the year ended 30 June 2014 the amount required to increase amortised cost to the amount repaid is also included as an exceptional cost.

7 Gain on debt buy back

During the year ended 30 June 2014 the Group purchased some of its bank debt at a discount to par value. Following an auction process £10.8 million of debt was purchased for a cash cost of £10.0 million, realising a gain of £0.8 million.

8 Taxation

The December 2012 UK Autumn Statement announced that the UK corporation tax rate would reduce to 21% by 2014 and the 2013 UK Budget on 20 March 2013 announced that it will reduce to 20% by 2015. A reduction in the rate to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

The tax expense of £2.1 million for the six months ended 31 December 2014 is based on an estimate of the tax rate expected for the year ended 30 June 2015 taking account of the full benefit that a reduction of 1% in the main rate of corporation tax from 21% to 20% would have on the Group's net deferred tax liabilities. A deferred tax credit of £0.1 million has been recognised in respect of this (six months to 31 December 2013: £0.9 million in relation to the reduction in the main rate of corporation tax from 23% to 21%).

9 Investment in associates

	31 December 2014 £m	31 December 2013 £m	30 June 2014 £m
Gnewt Cargo Limited:			
Goodwill	1.7	-	-
Non-current assets	0.2	-	-
Current assets	0.6	-	-
Current liabilities	(0.4)	-	-
Non-current liabilities	(0.2)	-	-
	1.9	-	-

On 9 December 2014 the Group acquired a 49.8% non-controlling interest in Gnewt Cargo Limited, an environmentally-friendly delivery services provider. The 49.8% interest was acquired for £1.9 million in cash at completion. Gnewt is a rapidly growing company and the investment will enable further growth by supporting the roll-out of its services across other cities in the UK, whilst enhancing their existing operations in Central London.

There are no profits attributable to the Group for the period following the acquisition.

10 Loans and borrowings

(a) Third party

	31 December 2014 £m	31 December 2013 £m	30 June 2014 £m
Non-current liabilities:			
Bank loans	8.2	127.4	8.8
Deferred loan issue costs	(0.3)	(0.7)	(0.4)
	7.9	126.7	8.4
Secured mortgage facility	-	2.6	-
	7.9	129.3	8.4
Current liabilities:			
Cash book balance	-	-	3.3
Invoice discounting facility	-	4.8	-
Bank loans	1.2	4.1	1.2
Revolving credit facility	9.0	-	-
Secured mortgage facility	-	0.4	-
Finance lease liabilities	-	0.1	-
	10.2	9.4	4.5

10 Loans and borrowings (continued)

(b) Mezzanine instrument

	31 December 2014 £m	31 December 2013 £m	30 June 2014 £m
Non-current liabilities:			
Mezzanine instrument	-	27.2	-
	-	27.2	-

(c) Loans from former Group companies

	31 December 2014 £m	31 December 2013 £m	30 June 2014 £m
Non-current liabilities:			
Amounts owed to former parent companies	-	135.7	-
	-	135.7	-

(d) Carrying amounts

The face value of third party debts and loans from former Group companies is the same as their carrying amounts. The face value of the mezzanine instrument is as follows:

	31 December 2014 £m	31 December 2013 £m	30 June 2014 £m
Non-current liabilities:			
Mezzanine instrument	-	94.7	-
	-	94.7	-

11 Related party transactions

Loans from and to related parties

The mezzanine instrument set out in note 10 was owed to The Box Holdings Limited Partnership, in which P Cvetkovic (Chief Executive Officer, DX (Group) plc) and I Pain (Chief Financial Officer, DX (Group) plc) and certain senior managers were equity participants.

The mezzanine instrument was repaid on 3 March 2014 out of the proceeds of the placing. The payments to the directors and senior managers in respect of their equity interests in The Box Holdings Limited Partnership included amounts totalling £7.3 million, which amounts were fully reinvested into 7,300,588 of the total newly issued shares subscribed for by these individuals.

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

	31 December 2014 £000	31 December 2013 £000	30 June 2014 £000
Amount advanced in period	-	-	-
Amount outstanding at statement of financial position date	-	1,564	-

The total amount payable under the plan was £7.7 million and this amount, less the amount of the existing loans, was paid to the participants in the scheme out of the amounts received by these individuals in respect of their equity interests in The Box Holdings Limited Partnership. These loans were thereby repaid in full on 3 March 2014.

11 Related party transactions (continued)

Sales and purchases of goods and services

The Group has trading relations with the associate, Gnewt Cargo Limited (see note 9). The aggregated goods and services transactions since becoming an associate on 9 December 2014 were below the lowest denomination shown in these financial statements. At 31 December 2014 the Group was owed £0.2 million from working capital provided to Gnewt (2013: £nil). These amounts were repaid in full in January 2015.

The Group has trading relationships with boohoo.com and Parcel Monkey Limited. P. Cvetkovic was a director and shareholder of boohoo.com and a shareholder in Parcel Monkey Limited prior to admission to AIM. He has subsequently resigned as a director of boohoo.com with effect from 14 October 2014 and disposed of his shares in Parcel Monkey Limited in the period ended 31 December 2014. The following transactions, all of which were undertaken at arms' length and on normal commercial terms, took place with these companies during the period:

	Six months ended 31 December 2014 £000	Six months ended 31 December 2013 £000	Year ended 30 June 2014 £000
Sales	819	1,137	2,323
Amounts owed to the Group at statement of financial position date	180	25	235
Purchases	6	6	11
Amounts owed by the Group at statement of financial position date	-	-	-

Forward-looking statements

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

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