29 March 2018
AIM: DX.

DX (Group) plc
("DX" or "the Company" or "the Group")

A leading provider of delivery solutions, including parcel freight, secure, courier and logistics services

Interim Results
For the six months ended 31 December 2017

KEY POINTS

Summary

- New leadership team, led by Ron Series as Chairman and Lloyd Dunn as CEO, appointed to the Board on 19 October 2017
- Turnaround strategy in place – with initiatives underway; early benefits already apparent
- Proposals announced to strengthen balance sheet – see below ("Post period")
- Major shareholders fully supportive of Turnaround Plans

Financial Key Points

- Revenue of £146.6m (2016: £142.7m)
- EBITDA[1] loss of £4.4m (2016: EBITDA profit of £3.9m)
- Loss before tax and exceptional items of £9.0m (2016: loss of £0.5m)
- Exceptional (non-recurring) items of £5.1m (2016: £28.8m) – include non-cash impairment charges of £5.3m (2016: £27.4m)
- Reported loss before tax of £14.1m (2016: £29.3m)
- Loss per share excluding exceptional items of 4.6p (2016: 0.0p); reported loss per share of 7.2p (2016: loss of 14.4p)
- Net debt excluding Convertible Loan Notes was £2.1m at 31 Dec 2017 (2016: £18.4m); net debt including Convertible Loan Notes of £25.6m at 31 Dec 2017 (2016: £18.4m)
- £24.0m fundraising completed in the period (via issue of Convertible Loan Notes)

[1] Earnings before interest, taxation, depreciation, amortisation and exceptional items

Operational Key Points

- Discussions with John Menzies plc to combine DX and John Menzies' Distribution division terminated in mid-August 2017
- Group reorganised into two divisions, DX Freight and DX Express, ending "OneDX" strategy
- Turnaround initiatives commenced in late Q2:
  - key to turnaround is devolving accountability to general and regional managers, who are being given greater operational responsibilities and authority
  - significant changes have already been implemented across both Divisions, although at this stage greater focus is on DX Freight
    - net new business in the past 2 months at DX Freight has been at a higher monthly level than at any point in the last 12 months
- Board is building a strong foundation for sustainable, profitable growth

Post Period

- Proposed redemption of Convertible Loan Notes – to strengthen the Group's balance sheet
- Proposed £4.0m equity fundraising – to support turnaround plans
- Appointment of David Mulligan as Chief Financial Officer, effective 9 April 2018

Ron Series, Chairman of DX, commented:

"Results in the first half reflect another challenging period for DX. However, the new management team, led by Lloyd Dunn, our CEO, has developed turnaround plans to set the business on the road to recovery and long-term profitable growth.

"We are very pleased to outline our turnaround plans for the business today, alongside proposals to strengthen the Group's balance sheet and to raise £4.0m in new equity funding. This new capital will help fund our growth initiatives, including expanding the sales teams, adding new depots, enhancing the Group's IT capabilities and developing the networks.

"DX is a company with many strengths, including a strong service culture and a compelling offering in several market sectors. We believe that we can unlock the latent strengths of the business and, while there are challenges ahead, we are tremendously encouraged by the expertise and capability across the Group.

"Trading conditions remain challenging, but we are already seeing encouraging signs that our turnaround plans are gaining traction and expect this to build through the year and into 2019."

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

Enquiries:

DX (Group) plc	
Ron Series, Executive Chairman	T: 020 3178 6378
Lloyd Dunn, Chief Executive Officer	
finnCap (Nominated Advisor and Broker)	T: 020 7220 0500
Matt Goode/Simon Hicks/Hannah Boros (Corporate Finance)	
Andrew Burdis/Camille Gochez (Corporate Broking)	
KTZ Communications	T: 020 3178 6378
Katie Tzouliadis/ Irene Bermont-Penn/Emma Pearson	

CHAIRMAN'S STATEMENT

INTRODUCTION

This is my first interim report for the Group, having been appointed to DX's Board as Executive Chairman in October 2017, together with Lloyd Dunn, Chief Executive Officer, and Non-Executives, Russell Black and Paul Goodson. Our objective is to drive a significant turnaround of the Group over the next three years, and we are grateful for the support shown to the Company to date by its shareholders, customers, suppliers and staff.

As well as covering DX's performance over the first six months of the current financial year, this statement sets out the key elements of the new Board's turnaround plans, and comments on the Group's prospects for the remainder of the financial year. In addition, it outlines proposals to strengthen the Company's balance sheet.

Backed by DX's experienced and dedicated people, we are approaching the challenges ahead with energy, vision and determination.

FINANCIAL RESULTS

Results for the six months to 31 December 2017 reflected another challenging period for DX. The Group generated total revenues of £146.6m (2016: £142.7m) for the six months, with DX Freight contributing £67.4m and DX Express £79.2m.

Group operating costs (excluding depreciation, amortisation and exceptional items) increased by £12.2m or 8.8% to £151.0m (2016: £138.8m). The increase substantially related to costs within DX Logistics arising from higher revenues.

Group earnings before interest, taxation, depreciation, amortisation and exceptional items ("EBITDA") was a £4.4m loss (2016: earnings of £3.9m), with DX Freight generating a loss of £10.9m and DX Express contributing a profit of £7.5m. Plc costs accounted for the balance of £1m. The loss is mainly accounted for by volume attrition at DX Exchange, which has a largely fixed cost base, a reduction in volumes at DX Express, lower average prices at DX 1-Man and increased costs.

Depreciation and amortisation (of developed software and acquired intangible assets) decreased by £0.5m to £3.6m against the comparative period (2016: £4.1m). The Group's loss before tax and exceptional items was £9.0m (2016: loss of £0.5m).

Exceptional items in the first half amounted to £5.1m (2016: £28.8m) and largely comprised the impairment of certain development assets, principally those relating to the merging of IT systems as part of the "OneDX" integration programme, which have been stopped or reworked, following the commencement of the turnaround.

The loss from operating activities after exceptional items was £13.1m against a loss of £29.0m in the comparative period. This has resulted in equity, as shown in our balance sheet, of £2.1m at the end of the period.

Net debt excluding Convertible Loan Notes stood at £2.1m at 31 December 2017 (2016: £18.4m); including Convertible Loan Notes, net debt was £25.6m (2016: £18.4m).

Further details on the Group's financial performance are provided in the Financial Review.

DIVIDENDS

In early February 2017, the previous Board took the decision to suspend the payment of dividends and we believe that this remains appropriate, given the Group's current financial performance and the early stage of its turnaround. This policy will be kept under review and it is the Board's aim to restore dividend payments as and when the Group's cashflows and balance sheet allow.

REVIEW OF GROUP'S PERFORMANCE

Overview

In July 2017, the previous Board took the decision to reorganise the Group into two separate divisions, DX Express and DX Freight, thereby ending the "One DX" strategy. A new direction for the Group emerged more fully from early August 2017, when the Company announced that discussions with John Menzies plc, to combine DX and John Menzies' Distribution division, had terminated. Over the following weeks, it was agreed that the Company would proceed with a standalone transformation strategy under a new leadership team, and the four new Board Directors were formally appointed on 19 October. At the same time, the previous Board agreed a £24.0m fundraising, in the form of secured Convertible Loan Notes (the "fundraising"), in order to repay the Group's bank term loan in full and to ensure the Group can meet its obligations as they fall due. As previously reported, this fundraising route was considered to be the most expeditious and appropriate at the time. Certain of the Group's existing shareholders, as well as members of the current Board, supported this fundraising.

These key events ended a prolonged period of uncertainty for the Group.

Divisional Performance

DX Freight Division

DX Freight comprises the following three services:

DX 1-Man	a national and international, next-day delivery service, specialising in irregular dimensions and weight items ("IDW"). These items are generally unsuitable for fully automated conveyor systems. DX 1-Man also provides services for the regular parcels market;
DX 2-Man	a home delivery service for large items, weighing up to 150kg; and
DX Logistics	comprehensive logistics solutions, including warehouse management and operation of customer-liveried vehicles and uniformed personnel.

Revenue from DX Freight increased by 15% year-on-year to £67.4m (2016: £58.7m), with the growth being generated by DX Logistics. This reflected the continued expansion of the IKEA relationship and the additional revenues generated from the major contract win with Avon UK, secured in March 2017. However, almost two-thirds of the Division's revenues are accounted for by DX 1-Man, where revenues reduced. New business wins were also disappointing, and operational issues and competitive pricing contributed to volume attrition. DX 2-Man, a relatively small contributor to the Division, also suffered some revenue attrition in the period. Addressing these issues is at the heart of the Turnaround Plan and we report on our initiatives below.

DX Express Division

DX Express comprises the following four services:

DX Exchange	a private members B2B mail and parcel delivery network, of c. 4,000 exchanges across the UK and Ireland, operating primarily in the legal, financial and public sectors;
DX Secure	a market-leading secure B2C delivery service;
DX Courier	a next-day, fully tracked, B2B delivery service, primarily to branch networks, high streets, industrial areas and government premises; and
DX Mail	a low cost, second-class mail alternative, primarily operating in finance and insurance.

Revenue from DX Express decreased by 6% year-on-year to £79.2m in the first half (2016: £84.0m). This was primarily driven by the reduction in revenues from DX Exchange, a unique private members business-to-business delivery service connecting over c.24,000 members across the UK and Ireland. The reduction reflected volume attrition, which was marginally greater than expected, but service issues also influenced the outcome. Overall, the level of new sales wins, across both DX Secure and DX Courier services, was disappointing and their revenues were marginally down year-on-year. Our plans for improving these businesses are outlined under our Turnaround Plans below.

TURNAROUND PLANS

Overview

Having conducted a detailed review of DX's operations, we have developed turnaround plans aimed at restoring the Group to sustainable and profitable growth within three years. At the core of our plans is a change in leadership style, operational strategy and culture, which we are confident will reinvigorate the business.

The reversal of the "OneDX" strategy and the creation of two divisions was a first step in moving to a more effective way of managing the Group's operations, and we are making further significant changes to the organisational structures.

Key to our turnaround strategy is placing our depots and service centres at the heart of DX. We are therefore devolving accountability to our general and regional managers, with these individuals being given greater operational responsibilities and authority. This will help to stimulate the energy and talent that exists within our business, and will underpin our initiatives to improve sales, customer service processes and operations. To support these changes, we have recruited some key senior people in operations and sales, and we expect to make further additions in due course.

We believe that there is significant scope to drive sales more effectively and to improve agility across both Divisions. Customers value DX's service-orientated approach and we aim to build on this and improve areas of weakness, whilst also seeking to raise operational performance and gain efficiencies. We have commenced our first phase of initiatives and envisage the turnaround to be an incremental process, with further initiatives and investment to be implemented over the next three years.

The new capital we are raising will assist us in these plans, in particular with the expansion of our sales teams, enhancing our IT capabilities, adding new depots and developing our networks.

DX Freight

The initial focus of our turnaround initiatives is on DX Freight. Gross margins in this Division have decreased since 2015 and the operations generated an EBITDA loss of £18.3m in the last financial year, as previously reported, and an EBITDA loss of £10.9m in the six month period ending 31 December 2017.

Despite DX Freight's current severe underperformance, we have a clear vision for developing its potential. We have identified the key issues to address, which include inconsistent strategies around sales and commercial policies, and inefficient networks.

We have already completed some fundamental steps in the turnaround process. New organisational and management structures are now in place across DX Freight, where we have reorganised the operations into five regions (from three previously), each headed by a regional director. While this initially adds cost, it also enables us to manage activities more effectively. As previously discussed, our depot general managers have been given greater autonomy and will participate in the benefits of improved performance. We have restructured the sales process, with sales reporting into depot general managers. A new central commercial team now supports this new sales approach. At the beginning of January, we introduced new pricing strategies and policies, and are already beginning to see some early benefits. Having reviewed the network and operations, we will be integrating our 2-Man service with DX Logistics, and are continuing to make improvements to our hubs and trunking network, as well as to the fleet composition.

DX Express

Notwithstanding the gradual decline in the DX Exchange business, caused mainly by the growth of digitalisation, as previously reported, this Division contributed EBITDA of £27.5m in the last financial year and £7.5m in the six month period ending 31 December 2017.

As with DX Freight, we have identified the core issues within DX Express that require attention, and reviewed the organisational and management structures. There are operational inefficiencies and constraints around the current integrated network structure for Exchange, Secure, and Courier services. Notwithstanding this, current service levels continue to improve to the satisfaction of our customers.

We intend to separate the operation of the Exchange business from Secure and Courier. This will enable us to reinforce Exchange as an exclusive members network and drive customer service improvements and innovation more effectively. We are currently assessing the network requirements to drive this change. While attrition remains a structural issue at Exchange, we believe that these measures will yield benefits.

The separation of Exchange also allows us to optimise the operations of Secure and Courier. We are changing the current regional structure to create four regions (previously three), with each region led by a regional director. As with the depot general managers in DX Freight, service centre general managers in this Division will be the key to driving improved performance. Over time, we also intend to consolidate the IT operating systems for DX Secure and DX Courier onto a common platform. We have appointed a new head of sales for DX Express, restructured the sales organisation and have begun to recruit additional members to our sales team. We are also establishing a simplified and tariff-driven pricing policy for DX Secure and DX Courier. In due course, we also see scope to move to centralise the trunking network, optimise routing, and introduce a level of mechanisation.

Central support functions

With depots and service centres taking centre stage at the heart of the business and general managers assuming greater responsibilities, the role of central support functions is changing, and we are reshaping and reallocating resources accordingly.

BOARD CHANGES

Lloyd Dunn joined the Group as Chief Executive Officer on 9 October 2017, and was appointed to the Board on 19 October 2017. Lloyd has 38 years of experience in the express freight and parcels industry where he has had significant success in transforming business performance. He was previously Chief Executive Officer of Tuffnells Parcel Express Limited, where he led a significant and very successful turnaround before the business was sold in 2014. Prior to that, he was a founding member of Nightfreight Plc, the logistics company, which was floated on the London Stock Exchange in 1994. He remained an Executive Director of Nightfreight until its sale to private equity in 2001. Nightfreight was subsequently acquired by the Group in 2012 and this is the core of the freight business today.

Russell Black and Paul Goodson were appointed to the Board on 19 October 2017 as Non-Executive Directors, and I was appointed as Executive Chairman on the same date.

Russell Black has significant experience in the express freight and parcels sector, having founded and led Nightfreight Plc's successful expansion and IPO. He was also Non-Executive Chairman of Birket Engineering Inc, the US-based engineering and construction group, and a Non-Executive Director of Instepay, the Florida-based financial services provider.

Paul Goodson has over 20 years' experience in private equity fund management, including at Barclays Private Equity Ltd, where he was Co-Head of BPE and Managing Director UK, and at 3i plc. He was also Chairman of Great Bear Distribution Ltd, the logistics company, heading its expansion and successful sale in 2016.

I have wide-ranging experience in business turnaround situations, and previously held executive and non-executive positions at companies with operations in transport, logistics, shipping, real estate and information technology. I was Chairman of Tuffnells Parcels Express Limited between 2002 and 2005, during its turnaround, and am currently the Senior Independent Director at Clipper Logistics plc.

We also recently reported that David Mulligan, FCA, will be joining the Board as Chief Financial Officer on 9 April 2018. He brings over 20 years' experience in senior financial roles in a number of listed companies. Most recently, he was CFO at Hornby plc, where he was involved in delivering the restructuring and turnaround of the business. The major part of his career was at Morgan Sindall Group plc, the construction and regeneration group, where he was CFO from 2004 until his departure in 2013.

James Hayward, our Interim CFO, who joined the Group on 14 July 2017 when the previous Finance Director departed, will complete an orderly handover with David. James, an experienced restructuring and turnaround professional, has made a valuable contribution to the Company over the past nine months and I would like to thank him on behalf of the Board.

Ian Gray, FCA, who was appointed as a Non-Executive Director to the Board on 1 July 2017, continues to provide valuable input, particularly in his role as Chair of the Audit Committee.

CONVERTIBLE LOAN NOTES AND FUNDING

Proposed Balance Sheet Strengthening

Alongside the implementation of the turnaround plans, the Board announce today that it intends to strengthen the Company's balance sheet via the redemption of the Convertible Loan Notes issued in October and December 2017 via the issue of approximately 335,000,000 new ordinary shares of 1.00 penny each ("Ordinary Shares"), to the Convertible Loan Note holders (the "Proposed Loan Note Redemption") at an issue price of 7.41 pence per Ordinary Share, being the closing mid-market price of the Company's Ordinary Shares on 28th March 2018.

The Board considers that the Proposed Loan Note Redemption enables the Company to evidence its sound financial position whilst it delivers its turnaround plans. The commitment of the Convertible Loan Note holders to support the Company in this early redemption of the Convertible Loan Notes is a very positive sign of their belief in the future of the business.

During the period, the Group also agreed a new £25.0m invoice discounting facility through to December 2019.

Proposed Equity Fundraising

In formulating the Turnaround Plans, the Board has identified a need for additional funding, which will assist it in achieving its objectives to improve the Group's performance and return it to sustainable, profitable growth within its current, planned timeframes.

The Board therefore today announces that it intends to raise gross proceeds of approximately £4.0m via a placing of Ordinary Shares at a minimum price of 7.41 pence per Ordinary Share (the "Proposed Placing"). Gatemore Capital Management LLP ("Gatemore") has indicated its support for the Proposed Placing. The net proceeds of the Proposed Placing will, *inter alia*, provide capital for the Company to:

- expand its sales capabilities;
- open new depots and so improve the efficiency of the Group's networks;
- improve IT systems;
- separate the DX Express networks; and
- assist with working capital requirements.

The Proposed Loan Note Redemption and the Proposed Placing will be subject, *inter alia*, to the approval, at a General Meeting of the Company, of the Resolutions necessary to give the Board the authority to issue the Ordinary Shares required in relation to the Proposed Loan Note Redemption and to issue the Placing Shares.

As a result of the Proposed Loan Note Redemption and the Proposed Placing, it is anticipated that Gatemore will become interested in more than 30 per cent of the Company's issued share capital. The Proposed Loan Note Redemption will therefore also be subject to a vote of independent shareholders of the Company to approve a resolution to waive any obligation on Gatemore to make an Offer pursuant to Rule 9 of the Takeover Code, following completion of the Proposed Loan Note Redemption and the Proposed Placing.

A further announcement setting out the details of the Placing, the Proposed Loan Note Redemption and the Rule 9 Waiver is expected to be made by the end of April 2018. Thereafter a circular, containing the full details of the Placing, the Proposed Loan Note Redemption and the Rule 9 Waiver and giving notice of a General Meeting of the Company to approve the proposals, will be sent to shareholders as soon as reasonably practicable following its approval by the Takeover Panel.

OUTLOOK

DX has a strong culture of customer service, and the Company has established highly attractive propositions in certain market segments, including in: secure delivery services, where it provides market-leading levels of security; 1-Man delivery operations for irregular dimensions and weight items (IDW); and in logistics, where DX is well-positioned for growth in the sector. These fundamental strengths will support the turnaround process.

Trading conditions remain challenging, but we are already seeing encouraging signs that our turnaround plans are gaining traction. Net new business in the past two months at DX Freight has been at a higher monthly level than at any point in the last 12 months. We expect the benefits of our turnaround initiatives to continue to build through the year and into 2019.

Ron Series

Chairman

FINANCIAL REVIEW

	Six months ended 31 December 2017 £m	Six months ended 31 December 2016 £m	Change £m
Revenue	146.6	142.7	3.9
Operating costs before depreciation, amortisation and exceptional items	(151.0)	(138.8)	(12.2)
EBITDA	(4.4)	3.9	(8.3)
Depreciation and amortisation	(3.6)	(4.1)	0.5
Exceptional items	(5.1)	(28.8)	23.7
Results from operating activities after exceptional items	(13.1)	(29.0)	15.9

Revenue of £146.6m is 2.7% ahead of prior period's result, as result of strong revenue growth in logistics. This growth was partly offset by the anticipated decline in DX Exchange revenue along with continued pricing pressures impacting other services.

The EBITDA loss before exceptional items was £4.4m (2016: £3.9m profit). This is stated before exceptional items of £5.1m (2016: £28.8m), which includes non-cash items of £5.3m (2016: £27.4m). The move into losses mainly reflected the impact of volume attrition at DX Exchange (which has a largely fixed cost base), decreased volumes at DX Express, a reduction in average prices at 1-Man, as well as higher costs.

Exceptional items in the period largely comprised the impairment of certain development assets, principally those relating to the merging of IT systems as part of the "OneDX" integration programme, which have been stopped or reworked, following the commencement of the turnaround.

Cash flows and net debt

Cash flow:	Six months ended 31 December 2017 £m	Six months ended 31 December 2016 £m	Change £m
EBITDA	**(4.4)**	**3.9**	**(8.3)**
Movement in working capital	(4.5)	(4.4)	(0.1)
Interest paid	(0.2)	(0.2)	-
Tax paid	(0.1)	(0.8)	0.7
Exceptional items	(0.7)	(1.4)	0.7
Net cash from operating activities	**(9.9)**	**(2.9)**	**(7.0)**
Capital expenditure	(0.6)	(0.9)	0.3
Development expenditure	(0.2)	(1.4)	1.2
Proceeds from sale of fixed assets	4.4	-	4.4
Free cash flow	**(6.3)**	**(5.2)**	**(1.1)**
Proceeds from Loan Notes issued	24.0	-	24.0
(Repayments)/drawings on short term facility	(10.7)	10.5	(21.2)
Repayment of bank borrowings	(5.8)	(0.6)	(5.2)
Debt issue costs paid	(0.7)	(0.1)	(0.6)
Equity dividends paid	-	(3.0)	3.0
Deferred consideration for acquisitions	-	(0.3)	0.3
Net increase in cash	**0.5**	**1.3**	**0.8**

Net debt:	31 December 2017 £m	31 December 2016 £m	Change £m
Gross debt	28.1	24.0	(4.1)
Cash and cash equivalents	(2.5)	(5.6)	(3.1)
Net debt	**25.6**	**18.4**	**(7.2)**

Operating cash outflow of £9.9m was impacted by lower EBITDA and exceptional items. The movement in working capital relates to a reduction in deferred income as well as timing differences on other working capital items. This outflow has been partly offset by a reduction in capital expenditure, including £4.4m proceeds (net of legal costs) from the sale of five freehold properties during the period.

As a result of this expected outflow during the period, the Board took steps to strengthen the Group's financial position. £24.0m Convertible Loan Notes were issued in the period, with the proceeds being used to repay the bank term loan in full and to ensure that the Group can meet its obligations as they fall due. Debt (net of cash) at 31 December 2017 was £25.6m (2016: £18.4m).

The Board is now proposing to redeem the Convertible Loan Notes via the issue of approximately 335,000,000 new ordinary shares in the Company.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2017

	Notes	**Six months ended 31 Dec 2017 £m**	**Six months ended 31 Dec2016 £m**	**Year ended 30 June 2017 £m**
Revenue	3	**146.6**	142.7	291.9
Operating costs before exceptional items		**(154.6)**	(142.9)	(292.4)
Results from operating activities before exceptional items		**(8.0)**	**(0.2)**	**(0.5)**
Exceptional items	4	**(5.1)**	(28.8)	(80.7)
Results from operating activities after exceptional items		**(13.1)**	**(29.0)**	**(81.2)**
Analysis of results from operating activities:				
Earnings before interest, tax, depreciation and amortisation ('EBITDA')		**(4.4)**	3.9	7.2
Depreciation and amortisation		**(3.6)**	(4.1)	(7.7)
Exceptional items	4	**(5.1)**	(28.8)	(80.7)
Results from operating activities after exceptional items		**(13.1)**	**(29.0)**	**(81.2)**
Net finance costs		**(1.0)**	(0.3)	(0.9)
Share of results from associates		**-**	-	(0.2)
Loss before tax		**(14.1)**	**(29.3)**	**(82.3)**
Tax (expense)/credit	5	**(0.2)**	0.4	1.2
Loss for the period		**(14.3)**	**(28.9)**	**(81.1)**
Other comprehensive expense		**-**	**-**	-
Total comprehensive expense for the period		**(14.3)**	**(28.9)**	**(81.1)**
(Loss)/earnings per share - basic (pence):				
Trading		**(4.6)**	0.0	(0.6)
Exceptional items		**(2.6)**	(14.4)	(39.7)
Total		**(7.2)**	**(14.4)**	**(40.3)**

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	31 Dec 2017 £m	31 Dec 2016 £m	30 June 2017 £m
Non-current assets				
Property, plant and equipment		**9.9**	16.7	12.0
Intangible assets and goodwill		**32.7**	84.5	38.7
Investments in associates		**-**	2.0	-
Deferred tax assets		**1.4**	1.4	1.4
Total non-current assets		**44.0**	**104.6**	**52.1**
Current assets				
Assets held for sale		**-**	-	3.5
Trade and other receivables		**34.4**	28.6	43.3
Current tax receivable		**1.7**	0.4	1.8
Cash and cash equivalents		**2.5**	5.6	2.0
Total current assets		**38.6**	**34.6**	**50.6**
Total assets		**82.6**	**139.2**	**102.7**
Equity				
Share capital		**2.0**	2.0	2.0
Capital redemption reserve		**0.4**	-	-
Translation reserve		**-**	-	-
Retained earnings		**(0.3)**	66.2	14.0
Total equity		**2.1**	**68.2**	**16.0**
Non-current liabilities				
Loans and borrowings	6	**23.5**	-	4.8
Provisions		**5.5**	3.5	6.3
Total non-current liabilities		**29.0**	**3.5**	**11.1**
Current liabilities				
Current tax liabilities		**-**	-	-
Loans and borrowings	6	**4.4**	23.9	15.9
Trade and other payables		**30.3**	25.4	40.1
Deferred income		**16.8**	18.2	19.6
Total current liabilities		**51.5**	**67.5**	**75.6**
Total liabilities		**80.5**	**71.0**	**86.7**
Total equity and liabilities		**82.6**	**139.2**	**102.7**

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2017

	Share capital £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 July 2016	2.0	-	-	98.1	100.1
Loss for the period	-	-	-	(28.9)	(28.9)
Other comprehensive expense	-	-	-	-	-
Dividends	-	-	-	(3.0)	(3.0)
At 31 December 2016	**2.0**	**-**	**-**	**66.2**	**68.2**
Loss for the period	-	-	-	(52.2)	(52.2)
Other comprehensive expense	-	-	-	-	-
Dividends	-	-	-	-	-
At 30 June 2017	**2.0**	**-**	**-**	**14.0**	**16.0**
Loss for the period	-	-	-	(14.3)	(14.3)
Other comprehensive expense	-	-	-	-	-
Issue of Convertible Loan Notes	-	0.4	-	-	0.4
At 31 December 2017	**2.0**	**0.4**	**-**	**(0.3)**	**2.1**

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 31 December 2017

	Notes	Six months ended 31 Dec 2017 £m	Six months ended 31 Dec 2016 £m	Year ended 30 June 2017 £m
Cash used in operations	7	**(9.6)**	(1.9)	-
- Interest paid		**(0.2)**	(0.2)	(0.6)
- Tax paid		**(0.1)**	(0.8)	(1.4)
Net cash used in operating activities		**(9.9)**	**(2.9)**	**(2.0)**
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**4.4**	-	0.9
Acquisition of property, plant and equipment		**(0.6)**	(0.9)	(1.8)
Software and development expenditure		**(0.2)**	(1.4)	(2.6)
Acquisitions of Legal Post and First Post		**-**	(0.3)	(0.3)
Net cash generated from/(used in) investing activities		**3.6**	**(2.6)**	**(3.8)**
Net decrease in cash before financing activities		**(6.3)**	**(5.5)**	**(5.8)**
Cash flows from financing activities				
Loan notes issued		**24.0**	-	-
Movement on revolving credit facility		**-**	10.5	(6.5)
Movement on invoice discounting facility		**(10.7)**	-	15.3
Repayment of bank borrowings		**(5.8)**	(0.6)	(1.8)
Equity dividends paid		**-**	(3.0)	(3.0)
Debt issue costs paid		**(0.7)**	(0.1)	(0.5)
Net cash generated from financing activities		**6.8**	**6.8**	**3.5**
Net increase/(decrease) in cash and cash equivalents		**0.5**	**1.3**	**(2.3)**
Cash and cash equivalents at beginning of period		**2.0**	**4.3**	**4.3**
Effect of exchange rate fluctuations on cash held		**-**	**-**	**-**
Cash and cash equivalents at end of period		**2.5**	**5.6**	**2.0**

NOTES TO THE FINANCIAL INFORMATION

1 General information

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

The condensed interim financial statements were approved by the Board of Directors on 29 March 2018.

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 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 2017.

The half year results for the current and comparative period are unaudited. The information for the year ended 30 June 2017 does not constitute statutory consolidated financial statements as defined in section 434 of the Companies Act 2006. The annual report and accounts for that year has been filed with the Registrar of Companies. The audit opinion on those accounts was unmodified, however the auditor drew attention to a material uncertainty related to going concern. This material uncertainty was in relation to the need for shareholder approval of the convertibility of the Tranche 2 Loan Notes as a condition precedent for their issue. Subsequent to the issue of the annual report and accounts, the shareholders approved the convertibility of the Tranche 2 Loan Notes.

The preparation of financial information in conformity with IAS 34 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 Segment information

	Six months ended 31 Dec 2017 £m	Six months ended 31 Dec 2016 £m	Year ended 30 June 2017 £m
Revenue:			
DX Express	**79.2**	84.0	170.5
DX Freight	**67.4**	58.7	121.4
Total revenue	**146.6**	**142.7**	**291.9**
EBITDA:			
DX Express	**7.5**	14.3	27.5
DX Freight	**(10.9)**	(9.4)	(18.3)
Plc costs	**(1.0)**	(1.0)	(2.0)
Total EBITDA	**(4.4)**	**3.9**	**7.2**
Depreciation and amortisation	**(3.6)**	(4.1)	(7.7)
Exceptional items	**(5.1)**	(28.8)	(80.7)
Results from operating activities	**(13.1)**	**(29.0)**	**(81.2)**
Finance charges (net)	**(1.0)**	(0.3)	(0.9)
Share of results from associates	**-**	-	(0.2)
Loss before tax	**(14.1)**	**(29.3)**	**(82.3)**

The Board of Directors is considered to be the chief operating decision maker ("the CODM"). In July 2017 the Board took the decision to reorganise the Group into two separate divisions, DX Express and DX Freight, a move away from the integrated nature of the operations under the "OneDX" strategy. Whilst the CODM considers that assets and liabilities continue to be reviewed on a Group basis, the profitability (before overheads) of these two Divisions is now reviewed and managed separately. Given overheads remain largely integrated, the EBITDA of the two Divisions shown above is based on management's estimate of the split between DX Express and DX Freight. The CODM considers there to be only one material geographical segment, being the United Kingdom and the Republic of Ireland.

4 Exceptional items

	Six months ended 31 Dec 2017 £m	Six months ended 31 Dec 2016 £m	Year ended 30 June 2017 £m
Impairment charges	**5.3**	27.4	74.4
Restructuring, professional costs and other	**0.4**	-	2.6
Senior management departures	**0.3**	0.8	1.0
Profit on sale of freehold properties	**(0.9)**	-	-
CMA investigation	**-**	0.6	0.6
Property dilapidations provision	**-**	-	2.8
Additional auto enrolment costs	**-**	-	0.3
VAT refund	**-**	-	(1.0)
	5.1	**28.8**	**80.7**

Impairment charges

Following the decision to reorganise the business and to create two divisions, DX Express and DX Freight, and having started to implement a turnaround plan under the new leadership team, some projects that were progressing as part of the previous "OneDX" integration programme have been stopped or reworked. As a result of this reassessment certain development assets were found to be impaired, principally those relating to the merging of IT systems as part of the "OneDX" integration programme. Following this review, an impairment charge of £5.3m has been made in the period.

Restructuring, professional costs and other

Costs of £0.4m were incurred as a result of professional costs relating to the restructuring of the Group.

Senior management departures

Amounts of £0.3m represent payments to former members of the Executive Team following their departure from the Group.

Profit on sale of freehold properties

During the period the Group completed a sale and leaseback of five freehold properties for an aggregate cash consideration of £4.5m. The profit on sale of these freehold properties (after legal fees and other disposal costs) was £0.9m.

5 Income tax expense

The UK corporation tax rate is 19% with effect from 1 April 2017. A reduction to 17% will become effective on 1 April 2020. This will reduce the Group's future current tax charge accordingly.

The tax calculation for the period and the deferred tax asset at 31 December 2017 has been calculated based on these rates.

6 Loans and borrowings

	31 Dec 2017 £m	31 Dec 2016 £m	30 June 2017 £m
Non-current liabilities			
Loan notes	**23.5**	-	-
Bank loans	-	-	5.2
Deferred debt issue costs	-	-	(0.4)
	23.5	-	4.8
Current liabilities			
Invoice discounting facility	**4.6**	-	15.3
Revolving credit facility	-	17.0	-
Bank loans	-	7.0	0.6
Deferred debt issue costs	**(0.2)**	(0.1)	-
	4.4	23.9	15.9

During the period, the Board has taken significant steps to strengthen the Group's financial position. The Group repaid its bank term loan in full and a £24.0m fundraising (the "Fundraising") was achieved following the issue of secured Loan Notes with conditional conversion rights. The Loan Notes were subscribed for in two tranches. Tranche 1 of £16.3m was issued on 19 October 2017 and Tranche 2 of £7.7m was issued on 15 December 2017 following shareholder approval of the conversion rights of the Loan Notes.

These Convertible Loan Notes are capable of conversion at 10 pence per new DX share, which represents a premium of approximately 28% to the average closing price of DX Ordinary Shares over the 20 trading days immediately prior to 9 October 2017, the date when the Group entered into a binding agreement with the Loan Note holders for the Fundraising.

The Loan Notes have a term of 36 months. Interest on the Loan Notes is at 8.0% per annum, accruing monthly from the date of issue and payable annually in arrears until conversion to new DX shares. Together with the publication of its interim results, the Company announces its intention to redeem these Loan Notes via the issue of new ordinary shares to the Loan Note holders, as set out in the Chairman's Statement.

During the period, the Group also agreed a new £25.0m invoice discounting facility through to December 2019 with an interest rate of LIBOR plus 1.95%, and a £0.2m per annum fixed charge.

7 Cash generated from operating activities

	Six months ended 31 Dec 2017 £m	Six months ended 31 Dec 2016 £m	Year ended 30 June 2017 £m
Cash flows from operating activities			
Loss for the period	**(14.3)**	(28.9)	(81.1)
Adjustments for:			
- Impairment charges	**5.3**	27.4	74.4
- Depreciation	**1.4**	1.4	2.9
- Amortisation of intangible assets	**2.2**	2.7	4.8
- Finance costs	**1.0**	0.3	0.9
- Tax (credit)/expense	**0.2**	(0.4)	(1.2)
- Gain on sale of property, plant and equipment	**(0.9)**	-	(0.2)
- Share of results from associates	**-**	-	0.2
Net cash (loss)/profit	**(5.1)**	**2.5**	**0.7**
Changes in:			
- Trade and other receivables	**8.9**	10.4	(4.1)
- Trade and other payables	**(9.8)**	(10.5)	3.6
- Deferred income	**(2.8)**	(4.6)	(3.2)
- Provisions	**(0.8)**	0.3	3.0
Net change in working capital	**(4.5)**	**(4.4)**	**(0.7)**
Cash used in operations	**(9.6)**	**(1.9)**	**-**

8 Related party transactions

£5.3m of the £16.3m Tranche 1 Loan Notes (see note 6) issued during the period were subscribed to by members of the Board and have accrued interest accordingly following their issue on 19 October 2017.

The nature of other related party transactions of the Group have not changed from those described in the annual report and accounts for the year ended 30 June 2017.

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

Forward-looking statements

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

No representation or warranty is made that any of these statements or forecasts will come to pass or that any forecast results will be achieved. Forward-looking statements speak only as at the date of this announcement and DX (Group) plc and its advisers expressly disclaim any obligations or undertaking to release any update of, or revisions to, any forward-looking statements in this announcement. No statement in the announcement is intended to be, or intended to be construed as, a profit forecast or to be interpreted to mean that earnings per DX (Group) plc share for the current or future financial years will necessarily match or exceed the historical earnings. As a result, you are cautioned not to place any undue reliance on such forward-looking statements.