

# DX (Group) plc

## Interim financial results for the six months ended 31 December 2013



24 March 2014

DX (Group) plc (“DX” or “the Company”), the leading independent mail, parcels and logistics network operator, today reports its half year financial results for the six months to December 2013.

These results represent a period during which the business was under private equity ownership before the successful £185.0 million Placing, £15.5 million Vendor Placing (together “the Placings”) and Admission to AIM on 27 February 2014. A pro forma net assets statement is shown on page 16 illustrating the effect of the Admission and Placings had Admission to AIM occurred as at 31 December 2013.

As a consequence of the equity fund raising all third party and shareholder debt as at 31 December 2013 was fully extinguished. New debt facilities of £18 million have been drawn down subsequent to the Placings and Admission to AIM, representing 55% of EBITDA for the year to 30 June 2013.

DX has delivered a good trading performance in the first half and has a strong balance sheet with comfortable headroom. Seasonal business flows traditionally drive a majority of trading profit in the second half of the financial year. In the year to 30 June 2013, 59% of EBITDA was generated in the second half of the year.

### Summary financial performance

	Six months to 31 December 2013 Unaudited	Six months to 31 December 2012 Unaudited	Change
	£m	£m	%
Revenue	151.9	147.2	3.2
Earnings before interest, tax, depreciation and amortisation (‘EBITDA’) before exceptional items			
- continuing operations	13.5	13.5	-
- discontinued operations	0.7	0.7	-
Results from operating activities			
- continuing operations	8.6	8.6	-
Profit on continuing operations before exceptional items, accrued interest on shareholder loans and tax			
- reported	6.4	5.8	10.3
- adjusted for new debt structure*	9.8	9.6	2.1

\* All third party bank debt facilities were repaid in full further to the Placings and Admission and new senior debt facilities of £18 million have been drawn down. An adjusted figure is shown to illustrate the profit on continuing operations before exceptional items, accrued interest on shareholder loans and tax, but after third party bank interest, had the pre-existing senior debt facilities been repaid and the entire £18 million new senior facilities been drawn for the relevant periods.

Earnings per share information has not been provided as the new equity capital structure did not exist during the reporting period covered by this financial information.

## Financial highlights

- Revenue from continuing operations increased by £4.7 million or 3.2%
- EBITDA before exceptional items of £13.5 million is consistent with the six months to 31 December 2012 but is stated after charging £1.4 million of additional operating lease costs in relation to new vehicles. These new leases replaced vehicles previously acquired under finance leases with the related costs declared as finance charges and depreciation
- Cash generated from operations of £15.3 million
- Senior debt repayments of £24.1 million
- Sale of DX Business Direct for £5.5 million, yielding a net profit of £1.2 million before tax
- As this statement of Interim financial results relates to a trading period prior to Admission, no interim dividend is declared. Based on the Directors' expectations of current and future trading a dividend will be paid for the year ending 30 June 2014 (for the proportion of the year for which the company's shares were trading on AIM)

## Operational highlights

- New Customer wins in targeted sectors to commence in the second half
- Upgrading and rationalisation of operating facilities continues including multi-site relocations to three new facilities at Heathrow, Plymouth and Exeter
- Continued roll out of the new Delivered Exactly branding to replace the Nightfreight (now DX Freight) brand. Winner of the best B2B brand initiative at the B2B Marketing Awards 2013
- Investment in IT infrastructure, including a new data network across DX Freight
- Development of integrated software across DX Express handheld devices, enabling transfer of deliveries between B2B/B2C networks and providing for a reduced number of delivery routes

## Outlook

Due to the seasonality of some major revenue streams, profits in the second half of the year are traditionally greater than in the first half. Current trading is in line with market expectations.

The strategic focus for the remainder of the financial year will continue to be on:

- The turnaround of DX Freight
- Organic growth from DX Courier Tracked, DX Secure, DX Freight and DX 2-Man services
- Network infrastructure development and maximisation, both in Service Centres and IT

### **DX (Group) plc**

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

Tel: 020 7466 5000 (today)  
Thereafter: 01753 630630

### **Zeus Capital (Nominated Advisor and Broker)**

Tim Metcalfe/ Ross Andrews  
John Goold/Dominic King (Institutional sales)

Tel: 020 7533 7727

### **Buchanan (Financial PR adviser)**

Mark Edwards/ Helen Chan/ Gabriella Clinkard

Tel: 020 7466 5000  
dxgroup@buchanan.uk.com

## **Chief Executive Officer statement**

### **Revenue review**

Revenue for the half year was £151.9 million, an increase against the same period in the prior year of 3.2% was aided by strong and consistent levels of service.

#### Mail and packets (£56.4 million revenue for the six months to 31 December 2013)

As expected, revenue declined by 4.6% in this revenue segment. Strong growth in DSA activity and stable DX Exchange revenues were offset by a reduction in revenue from the distribution of publications and some B2C retail activity following the strategic withdrawal from a number of unprofitable contracts.

#### Parcels and freight (£81.2 million revenue for the six months to 31 December 2013)

Revenue increased by 5.7% on the comparative period. DX Courier and DX 2-Man showed strong growth.

#### Logistics (£14.3 million revenue for the six months to 31 December 2013)

Revenue showed strong growth of 26.5% with an expansion of operations for a number of existing Customers.

### **Profitability review**

EBITDA on continuing activities of £13.5 million was consistent with the first half of last year despite £1.4 million of incremental operating lease charges, following a strategic change to replace vehicles owned under finance leases and charged as finance costs with fully maintained operating leases. Profit performance has improved such that results from operating activities on continuing activities remained unchanged at £8.6 million despite the additional operating lease charges. Profit on continuing operations before exceptional items, accrued interest on shareholder loans and tax increased by 10.3% to £6.4 million. DX has implemented a large number of strategic initiatives to improve both Customer service and operating efficiency, including:

- a localisation of Customer services to put responsibility back with the relevant operating facilities in DX Express
- the introduction of a more variable cost structure in DX Freight, balancing own fleet drivers and subcontractors, thereby lowering costs during periods where volume is traditionally low
- the roll out of an integrated software solution across DX enabling the transfer of items for distribution between networks, providing for a reduction in the number of delivery routes
- the continued investment in IT infrastructure, software and hardware to improve reliability; Customer and management information; and to provide for increased efficiency
- upgrading and rationalising operating facilities with multi-site relocations to three new facilities at Heathrow, Plymouth and Exeter
- the sale of DX Business Direct on 21 December 2013 for a cash consideration of £5.5 million, realising a profit before tax of £1.2 million, thereby increasing operational flexibility and capacity

Looking ahead, with approximately three quarters of DX's revenues attributed to market segments which are growing, including parcels, freight and outsized deliveries, there is a good level of resilience in the business model. In addition, further to the acquisition in 2012, the full potential value of DX Freight has yet to be realised either financially, as a standalone entity, or strategically, as it begins to work more closely with the original DX operations.

### **Cash and balance sheet review**

£15.3 million of cash was generated from operations in the six months to 31 December 2013, equivalent to 1.08x EBITDA before exceptional items or 1.42x Net cash profit. The business has continued to improve its debtor days which stood at a new low level of 31.0 days at the end of December 2013 through the more rapid resolution of billing queries and the signing of new Customers on standard payment terms of 14 days direct debit.

Strong cash generation from operations and proceeds from the sale of DX Business Direct provided for the repayment of £24.1 million of senior debt including a debt buy back of £10.8 million for a cash consideration of £10.0 million. £3.0 million of the cash proceeds from the sale of DX Business Direct

was received in December 2013. Two further instalments, each of £1.25 million are due to be received in June and December 2014.

#### **Post balance sheet event**

On 27 February 2014 DX completed a successful equity fund raising and its shares were admitted to trading on AIM. As a result DX has a new capital structure with all third party bank loans and shareholder related loans (comprising zero coupon loan notes and mezzanine debt) existing at 31 December 2013 extinguished in full. The subordinated loan notes owned by the former shareholders are not part of the DX capital structure going forward. New senior debt facilities of £18 million have been drawn down. DX retains a strong balance sheet with a ratio of debt to EBITDA of approximately 0.5x and significantly reduced interest costs and debt repayments going forward.

The listing on AIM and revised capital structure is a transformational step in the continuing growth and development of DX. The successful completion of this transaction enables us to continue to focus on market leading Customer service and growing the DX brand.

**Petar Cvetkovic**  
**Chief Executive Officer**

#### **Additional information**

The financial report for the half-year ended 31 December 2013 can also be viewed on the Company's website at [www.thedx.co.uk](http://www.thedx.co.uk).

## Consolidated statements of comprehensive income

		Six months ended 31 December 2013 Unaudited £m	Six months ended 31 December 2012 Unaudited £m	Year ended 30 June 2013 Audited £m
<b>Continuing operations</b>				
Revenue	4	151.9	147.2	297.0
Operating costs		(143.3)	(138.6)	(273.0)
<b>Results from operating activities</b>		<b>8.6</b>	<b>8.6</b>	<b>24.0</b>
<b>Analysis of results from operating activities:</b>				
Profit before interest, tax, depreciation and amortisation ('EBITDA')		13.5	13.5	33.0
Depreciation and amortisation		(3.2)	(3.2)	(6.8)
Exceptional items	5	(1.7)	(1.7)	(2.2)
<b>Results from operating activities</b>		<b>8.6</b>	<b>8.6</b>	<b>24.0</b>
Net finance costs:				
Third party	6	(3.9)	(4.5)	(8.7)
Shareholder related	6	(25.0)	(17.3)	(38.5)
Gain on debt buy back	7	0.8	-	-
<b>Total net finance costs</b>		<b>(28.1)</b>	<b>(21.8)</b>	<b>(47.2)</b>
<b>Loss before tax</b>		<b>(19.5)</b>	<b>(13.2)</b>	<b>(23.2)</b>
Tax expense	8	(0.5)	(0.4)	(2.6)
<b>Loss from continuing operations</b>		<b>(20.0)</b>	<b>(13.6)</b>	<b>(25.8)</b>
<b>Discontinued operation</b>				
Profit from discontinued operation before tax		1.9	0.7	1.4
Tax expense		(0.5)	(0.1)	(0.2)
Profit from discontinued operation, net of tax	9	1.4	0.6	1.2
<b>Loss for the period</b>		<b>(18.6)</b>	<b>(13.0)</b>	<b>(24.6)</b>
<b>Other comprehensive income:</b>				
Foreign currency translation differences		-	-	0.1
<b>Other comprehensive income, net of tax</b>		<b>-</b>	<b>-</b>	<b>0.1</b>
<b>Total comprehensive expense for the period attributable to owners of the parent</b>		<b>(18.6)</b>	<b>(13.0)</b>	<b>(24.5)</b>

DX (Group) plc's shares were admitted to trading on AIM on 27 February 2014. Earnings per share information has not been provided as the new equity capital structure did not exist during the reporting period covered by this financial information.

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

## Consolidated statements of financial position

	31 December 2013 Unaudited £m	31 December 2012 Unaudited £m	30 June 2013 Audited £m
Note			
<b>Non-current assets</b>			
Property, plant and equipment	17.8	18.8	18.7
Intangible assets and goodwill	196.4	197.6	198.4
Total non-current assets	<u>214.2</u>	<u>216.4</u>	<u>217.1</u>
<b>Current assets</b>			
Current tax assets	-	-	1.3
Trade and other receivables	40.4	46.2	49.8
Cash and cash equivalents	22.0	29.2	30.2
Total current assets	<u>62.4</u>	<u>75.4</u>	<u>81.3</u>
<b>Total assets</b>	<b><u>276.6</u></b>	<b><u>291.8</u></b>	<b><u>298.4</u></b>
<b>Equity</b>			
Share capital	237.5	237.5	237.5
Share premium	5.6	5.6	5.6
Other reserves	0.1	-	0.1
Retained earnings	(297.7)	(267.5)	(279.1)
<b>Total equity</b>	<b><u>(54.5)</u></b>	<b><u>(24.4)</u></b>	<b><u>(35.9)</u></b>
<b>Non-current liabilities</b>			
Loans and borrowings:			
Third party	10 129.3	153.5	152.0
Shareholder related	10 110.1	64.0	85.2
	<u>239.4</u>	<u>217.5</u>	<u>237.2</u>
Other creditors	0.3	-	0.3
Provisions	5.4	10.4	8.9
Deferred tax liabilities	11.1	9.6	11.1
Total non-current liabilities	<u>256.2</u>	<u>237.5</u>	<u>257.5</u>
<b>Current liabilities</b>			
Current tax liabilities	0.8	1.5	-
Loans and borrowings – third party	10 9.4	14.2	10.4
Trade and other payables	40.8	38.9	37.2
Deferred income	23.9	24.1	29.2
Total current liabilities	<u>74.9</u>	<u>78.7</u>	<u>76.8</u>
<b>Total liabilities</b>	<b><u>331.1</u></b>	<b><u>316.2</u></b>	<b><u>334.3</u></b>
<b>Total equity and liabilities</b>	<b><u>276.6</u></b>	<b><u>291.8</u></b>	<b><u>298.4</u></b>

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

## Consolidated statements of changes in equity

Note	Share capital £m	Share premium £m	Trans- lation reserve £m	Retained earnings £m	Total equity £m
At 1 July 2012	237.5	5.6	-	(254.5)	(11.4)
<b>Total comprehensive expense for the period:</b>					
Loss for the period	-	-	-	(13.0)	(13.0)
Total comprehensive expense for the period	-	-	-	(13.0)	(13.0)
<b>At 31 December 2012</b>	<b>237.5</b>	<b>5.6</b>	<b>-</b>	<b>(267.5)</b>	<b>(24.4)</b>
<b>Total comprehensive income/(expense) for the period:</b>					
Loss for the period	-	-	-	(11.6)	(11.6)
Total other comprehensive income	-	-	0.1	-	0.1
Total comprehensive income/(expense) for the period	-	-	0.1	(11.6)	(11.5)
<b>At 30 June 2013</b>	<b>237.5</b>	<b>5.6</b>	<b>0.1</b>	<b>(279.1)</b>	<b>(35.9)</b>
<b>Total comprehensive expense for the period:</b>					
Loss for the period	-	-	-	(18.6)	(18.6)
Total comprehensive expense for the period	-	-	-	(18.6)	(18.6)
<b>At 31 December 2013</b>	<b>237.5</b>	<b>5.6</b>	<b>0.1</b>	<b>(297.7)</b>	<b>(54.5)</b>

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

## Consolidated statements of cash flows

	Six months ended 31 December 2013 Unaudited £m	Six months ended 31 December 2012 Unaudited £m	Year ended 30 June 2013 Audited £m
<b>Cash flows from operating activities</b>			
Loss for the period	(18.6)	(13.0)	(24.6)
Adjustments for non-cash items:			
- Depreciation	1.3	1.6	3.2
- Amortisation of intangible assets	1.9	1.6	3.6
- Non-cash finance costs	26.1	18.8	40.7
- Gain on sale of discontinued operation	(1.1)	-	-
- Gain on sale of property, plant and equipment	(0.1)	-	(0.4)
- Gain on debt buy back	(0.8)	-	-
- Tax expense	2.1	0.3	(1.0)
<b>Net cash profit</b>	<b>10.8</b>	<b>9.3</b>	<b>21.5</b>
Changes in:			
- trade and other receivables	11.9	10.1	6.6
- trade and other payables	1.4	3.4	2.5
- deferred income	(5.3)	(3.8)	1.3
- provisions	(3.5)	(1.9)	(3.0)
<b>Net change in working capital</b>	<b>4.5</b>	<b>7.8</b>	<b>7.4</b>
<b>Cash generated from operating activities</b>	<b>15.3</b>	<b>17.1</b>	<b>28.9</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of discontinued operation	9 3.0	-	-
Proceeds from sale of property, plant and equipment	0.1	-	0.8
Acquisition of DX Freight Limited	-	-	0.4
Acquisition of property, plant and equipment	(1.4)	(1.4)	(3.4)
Development expenditure	(1.1)	(0.6)	(3.9)
<b>Net cash generated from/(used in) investing activities</b>	<b>0.6</b>	<b>(2.0)</b>	<b>(6.1)</b>
<b>Net increase in cash before financing activities</b>	<b>15.9</b>	<b>15.1</b>	<b>22.8</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings – scheduled	(2.8)	(4.1)	(8.1)
Repayment of borrowings – non-scheduled	(11.5)	-	-
Repayment of borrowings – debt buy back	(10.0)	-	-
Payment of finance lease liabilities	(0.6)	(0.8)	(1.4)
Movement on invoice discounting facilities	0.8	(0.8)	(2.9)
<b>Net cash used in financing activities</b>	<b>(24.1)</b>	<b>(5.7)</b>	<b>(12.4)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(8.2)</b>	<b>9.4</b>	<b>10.4</b>
Cash and cash equivalents at beginning of period	30.2	19.8	19.8
<b>Cash and cash equivalents at end of period</b>	<b>22.0</b>	<b>29.2</b>	<b>30.2</b>

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.

Throughout the period covered by this financial information DX Group Limited's ultimate parent undertaking was, in the opinion of the directors, 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, DX Group Limited's controlling party throughout the period was funds managed by Arle Capital Partners Limited.

The group's continuing activities are the provision of post, packets and parcels delivery services.

The condensed interim financial statements were approved by the board of directors on 24 March 2014.

### **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. However because DX (Group) plc was not the parent undertaking of the group at 31 December 2013 the condensed interim financial statements as at 31 December 2013 and for the six months then ended comprise DX Group Limited and its subsidiary undertakings.

The half year results for the current and comparative period are unaudited. The comparative figures as at and for the year ended 30 June 2013 are audited and extracted from the AIM admission document issued on 21 February 2014.

The annual report of DX (Group) plc and its subsidiary undertakings for the year ending 30 June 2014 will be presented under the principles of common control accounting as if DX (Group) plc has always owned the companies that it acquired from DX Group Limited.

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 applied to the consolidated financial statements reported in the AIM admission document issued on 21 February 2014.

#### 4 Segment information

	Six months ended 31 December 2013 £m	Six months ended 31 December 2012 £m	Year ended 30 June 2013 £m
<b>Sales to third parties – continuing operations:</b>			
Mail and packets	56.4	59.1	119.2
Parcels and freight	81.2	76.8	162.6
Logistics	14.3	11.3	15.2
	<b>151.9</b>	<b>147.2</b>	<b>297.0</b>
Profit before interest, tax, depreciation and amortisation ('EBITDA')	13.5	13.5	33.0
Depreciation and amortisation	(3.2)	(3.2)	(6.8)
Exceptional items	(1.7)	(1.7)	(2.2)
<b>Results from operating activities</b>	<b>8.6</b>	<b>8.6</b>	<b>24.0</b>
Finance charges (net)	(28.1)	(21.8)	(47.2)
<b>Loss before tax from continuing operations</b>	<b>(19.5)</b>	<b>(13.2)</b>	<b>(23.2)</b>

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 2013 £m	Six months ended 31 December 2012 £m	Year ended 30 June 2013 £m
Costs of restructuring the cost bases of individual businesses and strategic reviews	1.7	1.7	2.1
DX Freight Limited acquisition costs	-	-	0.1
	<b>1.7</b>	<b>1.7</b>	<b>2.2</b>

## 6 Finance income and expense

	Six months ended 31 December 2013 £m	Six months ended 31 December 2012 £m	Year ended 30 June 2013 £m
<b>Third party interest:</b>			
<b><i>Interest payable:</i></b>			
Interest on bank loans	3.6	4.0	7.8
Other interest	0.2	0.3	0.6
Amortisation of financing costs	0.3	0.4	0.7
	<b>4.1</b>	<b>4.7</b>	<b>9.1</b>
<b><i>Interest receivable:</i></b>			
Bank interest	0.2	0.2	0.4
	<b>0.2</b>	<b>0.2</b>	<b>0.4</b>
<b>Net third party interest</b>	<b>3.9</b>	<b>4.5</b>	<b>8.7</b>
<b>Shareholder related:</b>			
<b><i>Interest payable:</i></b>			
Mezzanine instrument	7.2	4.9	11.0
Subordinated investor loan notes	17.8	12.4	27.5
<b>Net shareholder related interest</b>	<b>25.0</b>	<b>17.3</b>	<b>38.5</b>

The subordinated loan notes and mezzanine instrument were derecognised to their fair value of £nil when the group underwent a financial reorganisation in July 2010. The finance charges on these instruments represent non-cash charges to bring their carrying value to amortised cost in accordance with IAS 39.

## 7 Gain on debt buy back

During the period ended 31 December 2013 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 2012 UK Budget on 21 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014, the December 2012 UK Autumn Statement announced a planned further reduction to 21% by 2014 and the 2013 UK Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by 2015. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. 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 £0.3 million for the six months ended 31 December 2013 is based on an estimate of the tax rate expected for the year ended 30 June 2014 taking account of the full benefit that a reduction of 2% in the main rate of corporation tax from 23% to 21% would have on the group's net deferred tax liabilities. A deferred tax credit of £0.9 million has been recognised in respect of this (six months to 31 December 2012: £0.4 million in relation to the reduction in the main rate of corporation tax from 24% to 23%).

## 9 Discontinued operation

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.

### *Results of discontinued operation*

	Six months ended 31 December 2013 £m	Six months ended 31 December 2012 £m	Year ended 30 June 2013 £m
Revenue	4.2	4.3	8.7
Expenses	(3.5)	(3.6)	(7.3)
Results from operating activities	0.7	0.7	1.4
Tax	(0.2)	(0.1)	(0.2)
Results from operating activities, net of tax	0.5	0.6	1.2
Gain on sale of discontinued operation	1.2	-	-
Tax on gain on sale	(0.3)	-	-
<b>Profit for the period</b>	<b>1.4</b>	<b>0.6</b>	<b>1.2</b>

### *Effect of disposal on the financial position of the group*

	31 December 2013 £m
Property, plant and equipment	(1.0)
Intangible assets	(1.2)
Trade and other payables	(2.1)
<b>Net assets and liabilities</b>	<b>(4.3)</b>
Consideration:	
Cash received	3.0
Cash to be received in 2014	2.5
<b>Total consideration</b>	<b>5.5</b>

## 10 Loans and borrowings

### (a) Third party

	31 December 2013 £m	31 December 2012 £m	30 June 2013 £m
<b>Non-current liabilities:</b>			
Bank loans	127.4	151.8	150.2
Deferred loan issue costs	(0.7)	(1.4)	(1.0)
	<b>126.7</b>	<b>150.4</b>	<b>149.2</b>
Secured mortgage facility	2.6	3.0	2.8
Finance lease liabilities	-	0.1	-
	<b>129.3</b>	<b>153.5</b>	<b>152.0</b>
<b>Current liabilities:</b>			
Invoice discounting facility	4.8	6.2	4.1
Bank loans	4.1	6.5	5.2
Secured mortgage facility	0.4	0.4	0.4
Finance lease liabilities	0.1	1.1	0.7
	<b>9.4</b>	<b>14.2</b>	<b>10.4</b>

### (b) Shareholder related

	31 December 2013 £m	31 December 2012 £m	30 June 2013 £m
<b>Non-current liabilities:</b>			
Subordinated loan notes	67.9	35.0	50.1
Zero coupon loan notes	15.0	15.0	15.0
Mezzanine instrument	27.2	14.0	20.1
	<b>110.1</b>	<b>64.0</b>	<b>85.2</b>

The subordinated loan notes and mezzanine instrument were derecognised to their fair value of £nil when the group underwent a financial reorganisation in July 2010. The increase in carrying value represents a non-cash charge to reflect the increase in amortised cost at each period end.

### (c) Carrying amounts

The face value of third party debts is the same as their carrying amounts. The face value of shareholder related debt is as follows:

	31 December 2013 £m	31 December 2012 £m	30 June 2013 £m
<b>Non-current liabilities:</b>			
Subordinated loan notes	142.7	123.7	132.7
Zero coupon loan notes	15.0	15.0	15.0
Mezzanine instrument	94.7	86.8	90.6
	<b>252.4</b>	<b>225.5</b>	<b>238.3</b>

## 11 Related party transactions

### *Loans from and to related parties*

Certain of the loans set out in note 10 were owed to related parties:

- the zero coupon loan notes were owed to DX Group Limited's controlling party, Arle Capital Partners Limited; and
- the subordinated loan notes and mezzanine instrument were owed to The Box Holdings Limited Partnership, in which the directors, certain senior managers and Arle Capital Partners Limited are equity participants.

As described in note 12 the zero coupon loan notes and mezzanine instrument were 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 2013 £000	31 December 2012 £000	30 June 2013 £000
Amount advanced in period	-	-	<b>1,033</b>
Amount outstanding at statement of financial position date	<b>1,564</b>	<b>531</b>	<b>1,564</b>

The total amount payable under the plan was £7.7m 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.

### *Sales and purchases of goods and services*

The group has trading relationships with Parcel Monkey Limited, a company in which Petar Cvetkovic (Chief Executive Officer, DX (Group) plc) and Stuart Godman (Chief Operating Officer, DX Freight Limited) are shareholders, and Wasabi Frog Limited (trading as boohoo.com), a company in which Petar Cvetkovic is a director and shareholder. 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 2013 £000	Six months ended 31 December 2012 £000	Year ended 30 June 2013 £000
Sales	1,137	741	1,794
Amounts owed to the group at statement of financial position date	25	18	190
Purchases	6	7	10
Amounts owed by the group at statement of financial position date	-	2	-

## 12 Events after the reporting period

On 18 February 2014 the mezzanine instrument disclosed in note 10, having a face value at that date of £95.8 million, was reclassified into a performing tranche and a 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 the AIM). The non-performing tranche, which had a face value of £18.4 million, was then acquired by DX (Group) Limited in consideration for the issue of 200 ordinary shares of £0.01p each in DX (Group) Limited. DX (Group) Limited 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, with a resulting credit to the income statement.

On 20 February 2014, following a series of reorganisation transactions, DX (Group) plc (via a new wholly owned subsidiary, DX (VCP) Limited) became the ultimate parent undertaking of all of the issued share capital of DX Holdings Limited and DX Secure Mail Limited, which were, prior to this date, wholly owned subsidiary undertakings of DX Finance Limited (a wholly owned subsidiary undertaking of DX Group Limited).

On 27 February 2014 DX (Group) plc's shares were admitted to the AIM market of the London Stock Exchange through a placing of 185 million ordinary shares of £0.01p each at £1.00p per ordinary share. 7,605,588 of the newly issued shares were subscribed for by certain senior managers (including David Hoare, Petar Cvetkovic and Ian Pain, directors of DX (Group) plc).

On 3 March 2014 the bank loans and zero coupon loan notes disclosed in note 10 and the performing tranche of the mezzanine instrument were repaid out of the proceeds of the placing, existing cash resources and £13.0 million drawn down under a newly created term loan and revolving credit facility. The amounts repaid were approximately £131.8 million (senior facility repayment), £15.0 million (DXF loan note repayment) and £77.4 million (performing mezzanine debt repayment).

On 13 March 2014 the invoice discounting facility and mortgage facility also disclosed in note 10, amounting at that date to approximately £10.4 million, were repaid in full out of existing cash resources and a further £5 million was drawn down under the newly created revolving credit facility.

## Pro forma statement of net assets at 31 December 2013

Set out below is an unaudited pro forma statement of net assets for DX (Group) plc as at 31 December 2013. It has been prepared to illustrate the effect of admission and the placing described in note 12 to the condensed interim financial statements as if they had occurred as at 31 December 2013.

	31 December 2013 £m
<b>Non-current assets</b>	
Property, plant and equipment	17.8
Intangible assets and goodwill	196.4
Deferred tax assets	1.3
Total non-current assets	<u>215.5</u>
<b>Current assets</b>	
Trade and other receivables	38.8
Cash and cash equivalents	6.0
Total current assets	<u>44.8</u>
<b>Total assets</b>	<b><u>260.3</u></b>
<b>Non-current liabilities</b>	
Loans and borrowings	9.4
Other creditors	0.3
Provisions	5.4
Total non-current liabilities	<u>15.1</u>
<b>Current liabilities</b>	
Current tax liabilities	0.8
Loans and borrowings	8.7
Trade and other payables	40.8
Deferred income	23.9
Total current liabilities	<u>74.2</u>
<b>Total liabilities</b>	<b><u>89.3</u></b>
<b>Net assets</b>	<b><u>171.0</u></b>



## **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.