DouglasBay
Active Value Investing

DouglasBay Capital plc
Interim Report
2010

DouglasBay Capital is an active value investment company in quoted and unquoted small to medium sized businesses.

Vision and objectives

It is our foremost aim to create value and generate attractive long-term returns for our shareholders. These returns will be derived from a combination of dividends from cash generative businesses we acquire, capital gains from any increase in our share price and potentially, one-off distributions from the sale of investments.

Our objective is to build a portfolio of companies that are among the best of their peers.

We support our investee companies in developing and realising their full potential during their time under our ownership. Should we decide to part from one of our investments, we will do so with a view to maximising value for our shareholders and will transfer the asset to a buyer that is best placed to support the company in its next stage of development.

Investment approach and value creation

DouglasBay is a value investor. We often see value and opportunities where others don't. To generate superior returns, we take an active approach and act as a catalyst for change. We empower management teams and work with them on a value creation plan that encompasses operational excellence, financial acumen and strategic vision. Our ability to work with management enables us to help quicken the pace of change where necessary.

Our wide in-house skills contained within the DouglasBay management team combine expertise in mergers and acquisitions, private equity and hedge fund investing with operational and financial skills in the management and revitalisation of companies.

We have a broad range of sector experience and can apply our skills to opportunities for value creation in a range of sectors.

The Company's shares trade on the London Stock Exchange's AIM market under the ticker symbol "DBAY".

www.douglasbaycap.com

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Front cover: The cover shows an image of The Tower of Refuge, a small castle like shelter built upon St. Mary's Isle, or Conister Rock, in Douglas Bay as a sanctuary for shipwrecked sailors. Construction was instigated by Sir William Hillary, founder of the RNLI.

Highlights

- Major step forward in performance at TDG, as benefits of last year's revitalisation plan feed through:
  - TDG underlying operating profit (before DouglasBay management charges) of £12.1m, up 39% on same period last year. Compares favourably with sector peers.
  - Strong operating cash flow of £14.4m (H1 2009: £1.1m).
  - TDG reported an underlying EBITDA (before DouglasBay management charges) of £18.9m for the first half of 2010. On a like-for-like basis, adjusting for sale & leaseback and DouglasBay management charges, this compares well with underlying EBITDA of £13.5m in H1 2008 and £13.9m in H1 2009.
  - Revenues up 4% at £340.0m (H1 2009: £327.8m) and ahead half-on-half, with more favourable trading conditions now evident.
  - Business wins ahead of this stage last year and strengthening new business pipeline.
  - Leaner more efficient company now firmly focused on accelerating growth.
- A strong first half for DouglasBay – underlying operating profit up 43% at £11.0m.
- Further substantial debt reduction achieved – net borrowings down 60% to £34.9m at period end (2009: £86.7m). This reduction should be viewed in the context of net debt of £129.6m as at 31 December 2008.
- DouglasBay underlying earnings per share substantially up, at 0.58p, (H1 2009: 0.06p).
- DouglasBay Property Company focusing on maximising value from the Group's real estate portfolio; now managing six properties across a total of 172 acres.
- Good progress in liquidating minority holdings in TLIT.
- DouglasBay team, with skills to handle the entire investment cycle in-house, pursuing new opportunities where we can see a clear path to value creation.

Financial highlights

	Six months to 30 June 2010 £'m	Six months to 30 June 2009 £'m
Revenue	**340.0**	327.8
Underlying operating profit	**11.0**	7.7
Underlying earnings per share	**0.58p**	0.06p

	30 June 2010 £'m	31 Dec 2009 £'m	30 June 2009 £'m
Net debt	**34.9**	86.7	108.5

Chairman's statement

"DouglasBay has delivered strong results for the first half of 2010. With the benefit of cost reductions implemented last year, TDG is now lean and fit to execute its growth strategy. Our focus on generating cash is ongoing, as is our pursuit of new investment opportunities. In continuing challenging market conditions, we are confident that our active value investment model positions us well for the future."

Introduction

DouglasBay has delivered a strong performance in the first half of 2010 and I am confident that subject to there being no unforeseen circumstances the second half should be equally satisfactory.

TDG, our first major investment, is a success story. We took over the company in October 2008, a fortnight after the demise of Lehman Brothers; the timing could not have looked worse. Yet in a little under two years the company and its financial position have been transformed and I have no hesitation in paying tribute to the achievements of both the executives of DouglasBay and the team that took over at TDG. Their results form the backbone of this report.

The revitalisation of TDG has not been sustained without a strict financial discipline and a group-wide reorganisation that had to be prepared in detail, executed on the ground, and achieved. This was in order to offer a clear future to the company and its workforce going forward, as well as being a springboard for best in class service to TDG's customers, our first priority, and of course producing results for our shareholders who had backed us in the first place.

Chief Executive, Alex Paiusco, provides a more detailed report on progress in the Investment Review that follows. We continue to operate in three divisions – TDG, DouglasBay Property Group and TLIT, the latter comprising minority investments which we are liquidating.

Results

DouglasBay underlying EBITDA was £18.1m (H1 2009: £16.1m), with underlying operating profit increasing by 43% to £11.0m (H1 2009: £7.7m). Basic earnings per share were 0.44p, compared to a loss of 0.23p last time. Underlying earnings per share, excluding exceptional items and related tax charges, were significantly ahead at 0.58p (H1 2009: 0.06p). Net assets per share reduced marginally to 9.45p (2009: 9.98p), due principally to assumption changes relating to TDG's defined benefit pension scheme which remains in healthy surplus.

During the last six months the Group's financial position has again been substantially strengthened through a combination of TDG's strong operational cash generation and proceeds of £40.8m from property disposals and £2.2m from the sale of holdings in TLIT. As at 30 June 2010, net debt was £34.9m (2009: £86.7m).

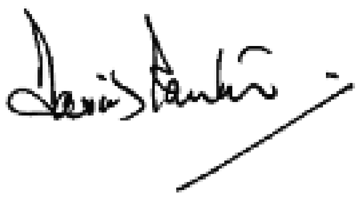
Prospects

TDG's management are now firmly focused on accelerating business growth, in line with the next phase of its value creation plan. Market conditions will remain challenging, but the company's transformed financial position and strengthening bid pipeline, together with improving trading volumes, provide positive momentum for the traditionally stronger second half trading period.

In the short time since it was set up, we are very pleased with DouglasBay Property Group's progress in managing and maximising value from TDG's real estate portfolio. Here again, several further initiatives are planned before the 2010 year end.

The DouglasBay management team continues to research and pursue new investments that will enable us to further exploit our investment approach, and the Board and I are confident that the current climate will create some excellent opportunities for your company.

On a final note, I would like to welcome Colin Kingsnorth to the Board following his appointment as a Non-executive Director in May and also thank the Group's management and employees for their continuing commitment and hard work in building DouglasBay.



David Panter Non-executive Chairman
4 August 2010

CEO's investment review

"We are greatly encouraged that the early and decisive actions taken last year at TDG, our first major investment, are delivering the anticipated improvements in financial performance. Since the take over of TDG in October 2008 we have been successful in deleveraging the Group, whilst at the same time improving TDG's business model and cash generation. Our priorities are unchanged – to continue to grow TDG and create value for shareholders by identifying and securing attractive investment opportunities that meet our active value criteria."

Overview

I am pleased to report another period of significant progress for DouglasBay.

We are greatly encouraged that the early and decisive actions taken last year at TDG are delivering the anticipated improvements in financial performance. In addition, DouglasBay Property Group ("DBPG") continues to make very good progress in the more active management of TDG's real estate portfolio. With regards to new investments, the current climate continues to generate opportunities across a range of sectors and we are examining a number of attractive prospects.

Progress with TDG

TDG delivered a meaningful step forward in performance in the first half of 2010. During the period the company increasingly reaped the benefit from last year's far reaching value creation programme, as well as gaining from more favourable trading conditions in a number of customer sectors and the start-up of new business secured in the previous period.

Underlying operating profit, before DouglasBay management charges, for the six months to 30 June 2010 was an impressive 39% ahead at £12.1m (H1 2009: £8.7m), on revenue of £340.0m (H1 2009: £327.8m), reflecting improved margins up from 2.7% to 3.6%. On a comparable basis, adjusting for sale & leaseback charges, this result represents a doubling of like-for-like underlying operating profit within just a twelve month period.

During the period TDG management, led by Mike Branigan, secured further cost reduction and efficiency savings, whilst retaining a rigorous focus on customer service and operations excellence. The leaner, more streamlined operating model put in place last year has delivered a step change reduction in non-essential overheads, whilst simultaneously creating a nimbler and more effective business with a new sense of purpose and clear strategic priorities.

Attention is now directed on accelerating business growth in specialised contract logistics activities such as 4PL transport management and in freight forwarding, where there is demand from clients for innovative supply chain solutions that deliver substantial cost and service efficiencies. In this context it is pleasing to report another encouraging period for business development, with new business wins above levels achieved at this stage last year and a healthy and developing bid pipeline to underpin the second half and beyond.

As planned, in the first half TDG's capital structure was again strengthened through selective property disposals, raising £40.8m to repay Group debt. This more active management of the real estate portfolio remains a key element of our investment case, whilst also moving TDG further towards a more asset-light business model, in line with standard industry practice. Alongside improvements to operational cash generation, these cash inflows enabled further sizeable reductions to TDG's borrowing levels, to the extent that by 30 June 2010 over 80% of bank debt taken on at the time of the acquisition had been repaid. An additional disposal has been completed in July, for expected net proceeds of £1.4m.

In summary, we continue to be very pleased with our investment in TDG, whose management and staff take great credit for the company's strong performance through the recession. Following the successful delivery of its restructuring programme, TDG is in very good shape to expand and grow its activities.

DouglasBay Property Group

Established in 2009, DBPG is making rapid progress in maximising value from TDG's real estate portfolio, working with TDG to reduce occupancy costs and playing a central role in facilitating and transacting selective disposals.

During the period a further four properties previously held by TDG were transferred to DBPG, which now owns and manages 172 acres of logistics real estate.

Minority investments and new investments

In the first half we made good progress with plans to liquidate our listed minority investments in TLIT, disposing of a further three stakes. Our efforts to realise this legacy portfolio are ongoing.

Turning to new investments, since our formation we have reviewed a number of opportunities but have judged that few offered good value, in particular considering the world-wide economic uncertainty and the lack of bank financing to grow new investments. Now that progress at TDG and DBPG is well established, we are stepping up our efforts and are actively reviewing a number of prospects. With skills to handle the entire investment cycle in-house, a strong balance sheet and the ability to act rapidly, we are ready to capitalise when situations meet our active value investment criteria.

Outlook

Though we remain cautious as to the sustainability of the improving economic outlook, a more efficient and competitive TDG is well placed to make strong progress in the second half.

Our priorities at DouglasBay are unchanged – to continue to grow TDG and create value for DouglasBay shareholders by identifying and securing attractive investment opportunities that meet our active value criteria.

Alex Paiusco Chief Executive Officer
4 August 2010

Financial review

Introduction

Last years results covering the period from 1 January to 30 June 2009 were our first interim report following the acquisitions of TDG and TLIT and our listing on the LSE AIM market, together completed in early October 2008. These latest interim results therefore represent the first time that investors can compare DouglasBay's performance with a prior reporting period.

The TDG Group accounts, that form a substantial part of these statements, have been reviewed by our auditors KPMG LLP in accordance with the IAS34 "Interim Financial Reporting" standard as adopted by the EU. The DouglasBay Group accounts have not been reviewed.

DouglasBay

The first half of 2010 delivered a strong operating performance and a significant strengthening in the Group's financial position.

DouglasBay underlying EBITDA increased by 12% to £18.1m (H1 2009: £16.1m), driven by higher operating profits from TDG.

The Group was strongly cash generative with higher operational cash flow of £16.7m (H1 2009: £1.1m), before interest and tax paid of £5.2m, attributable to increased earnings and better management of working capital. Combined with cash proceeds of £40.8m from property disposals and £2.2m from the sale of investments in TLIT, this cut net debt by 60% to £34.9m as at 30 June 2010 (2009: £86.7m), a reduction of £51.8m over the six month period.

Over the first half consolidated net assets fell from £133.5m to £126.4m, due principally to a £11.4m reduction in the IAS19 surplus of the TDG defined pension benefit scheme from changes in discount rate and inflation assumptions. As at 30 June 2010 the balance sheet contained £6.1m of assets held for sale, comprising three properties. Since the period end a further property has been sold.

Group financing

The Group's debt finance is provided by an asset backed facility from a syndicate led by Burdale Financial Limited, which matures in October 2013. This facility was originally for borrowings of up to £165.0m but following property disposals has reduced to £110.0m.

The facility comprises three elements, a property facility of up to £40.6m, a receivables facility of up to £65.0m and an equipment facility of up to £4.4m. The total borrowings under this facility at 30 June 2010 were £63.9m (2009: £97.1m) with borrowings under the receivables and equipment facilities being £37.2m (2009: £44.8m). A working capital facility of £10.0m, repayable by 31 July 2010, is provided by funds managed by Laxey Partners of which none was drawn at 30 June 2010 (2009: £5.2m). An additional facility, currently unused, of up to £16.0m is available from funds managed by Laxey Partners.

TDG

TDG's revenue for the first six months was up 4% at £340.0m (H1 2009: £327.8m) and ahead half-on-half (H2 2009: £334.2m) as trading volumes improved. Underlying operating profit before DouglasBay management charges was £12.1m (H1 2009: £8.7m), a 39% gain on the same stage last year. Higher operating margins reflected the more competitive cost base now in place following last year's revitalisation programme.

In line with its strong trading performance, TDG's underlying EBITDA before DouglasBay management charges, was ahead 11% to £18.9m, compared to £17.1m in the first half of 2009. Operational cash flow was equally encouraging at £14.4m, up £13.3m from the 2009 equivalent, demonstrating a healthy EBITDA to operating cash flow conversion rate. Cash flow from operating activities helped to fund capital expenditure of £3.5m (H1 2009: £3.1m), a level which reflects TDG's focus on asset-light solutions and again proved no hindrance to the company's growth or to success in securing new business. The more favourable trading performance and planned property disposals together combined to help reduce TDG's net debt by close to 70% over the six month period.

Operating profit before management charges at £12.1m compares to £8.7m in H1 2009 and £9.2m in H1 2008, more than compensating for the new asset light business model following the real-estate sale & leaseback programme over the past 12 months. In other words, on a like-for-like basis after adjusting for the additional rent incurred following the shift of strategy to asset light, the £12.1m would need to be compared against £6.0m for H1 2009 and £6.2m for H1 2008.

DouglasBay Property Group

Four TDG properties, at Stretton, Batley, Lancaster and a site in Manchester, were transferred into DBPG at a market value cost of £7.3m, together with associated bank debt. As with the West Hallam and Carnforth sites transferred in 2009, DBPG now receives an arm's length rental income from TDG for the use of these properties.

TLIT

Though market conditions to date have restricted our ability to liquidate TLIT's portfolio, during the first half we successfully secured the sale of three investments, for cash proceeds of £2.2m.

As at 30 June 2010 the portfolio was valued at £6.1m (2009: £6.2m), comprising remaining holdings in quoted and unquoted companies and cash generated from the disposal of stakes.

Summary

It has been a successful six months for DouglasBay, despite the difficult economic conditions, with cost reduction benefits from last year's revitalisation programme at TDG reflected in sharply improved underlying earnings per share for the Group of 0.58p (H1 2009: 0.06p).

Importantly, our strong focus on cash generation has enabled a large portion of Group debt to be repaid, strengthening our balance sheet and positioning us well for further progress in 2010 and thereafter.

Geoff Bicknell Chief Financial Officer
4 August 2010

Condensed consolidated statement of comprehensive income

Six months ended 30 June 2010

	Notes	6 months to 30 June 2010 £'m	6 months to 30 June 2009 £'m
Continuing operations			
Revenue	3	**340.0**	327.8
Operating expenses		**(329.0)**	(320.1)
Underlying operating profit	4	**11.0**	7.7
Amortisation of acquisition intangibles	5	**(1.5)**	(0.2)
Rationalisation costs	5	**(1.6)**	(4.4)
Site closure costs	5	**(1.6)**	–
Onerous lease costs	5	**(0.1)**	–
Impairment of trade receivables	5	**–**	(0.6)
Impairment of property	5	**(2.5)**	–
Profit/(loss) on sale of properties	5	**3.3**	(0.1)
Release of dilapidation provisions	5	**1.2**	–
Operating profit		**8.2**	2.4
Finance costs	7	**(3.7)**	(4.7)
Finance income	7	**0.1**	0.5
Profit/(loss) before tax		**4.6**	(1.8)
Tax credit/(charge) on profit/(loss) on continuing operations			
Isle of Man tax	8	**–**	–
Overseas tax	8	**1.4**	(1.1)
		1.4	(1.1)
Profit/(loss) for the period		**6.0**	(2.9)
Attributable to:			
Equity holders of the parent	9	**5.9**	(3.1)
Minority interest		**0.1**	0.2
		6.0	(2.9)
Earnings (pence) per share			
Basic earnings/(loss) per share	9	**0.44p**	(0.23)p
Underlying earnings per share	9	**0.58p**	0.06p

The notes on pages 10 to 16 form part of these consolidated financial statements.

Condensed consolidated statement of comprehensive income continued

Six months ended 30 June 2010

	Notes	**6 months to 30 June 2010 £'m**	6 months to 30 June 2009 £'m
Profit/(loss) for the period		**6.0**	(2.9)
Other comprehensive income			
Currency translation adjustments		**0.2**	(3.9)
Actuarial losses on defined benefit pension		**(16.4)**	(8.5)
Income tax on other comprehensive income		**3.1**	1.7
Unrealised depreciation of investment		**–**	(0.7)
Other comprehensive loss for the period, net of income tax		**(13.1)**	(11.4)
Total comprehensive loss for the period		**(7.1)**	(14.3)
Attributable to:			
Equity holders of the parent		**(7.0)**	(14.5)
Minority interests		**(0.1)**	0.2
		(7.1)	(14.3)

The notes on pages 10 to 16 form part of these consolidated financial statements.

Condensed consolidated statement of financial position

As at 30 June 2010

	Notes	As at 30 June 2010 £'m	As at 31 December 2009 £'m
Assets			
Non-current assets			
Property, plant and equipment	10	**110.8**	129.0
Investments		**2.1**	4.7
Goodwill		**27.1**	26.8
Intangible assets		**36.3**	38.4
Retirement benefit asset		**30.4**	41.8
		206.7	240.7
Current assets			
Inventories		**2.2**	2.2
Available-for-sale financial assets		**6.1**	30.6
Trade and other receivables		**94.3**	91.5
Prepayments		**30.4**	20.2
Cash and cash equivalents	13	**30.4**	17.0
		163.4	161.5
Total assets		**370.1**	402.2
Liabilities			
Non-current liabilities			
Preference shares	12	**0.3**	0.3
Interest bearing borrowings	12	**56.9**	69.6
Deferred income		**0.2**	0.5
Provisions		**4.0**	5.0
Post employment retirement benefit liability		**2.8**	2.8
Deferred tax liabilities		**13.7**	20.5
		77.9	98.7
Current liabilities			
Interest bearing borrowings	12	**8.1**	28.6
Provisions		**8.0**	9.6
Tax payables		**3.3**	1.5
Trade and other payables		**146.4**	130.3
		165.8	170.0
Total liabilities		**(243.7)**	(268.7)
Net assets		**126.4**	133.5
Equity			
Issued share capital		**66.9**	66.9
Share premium		**66.9**	66.9
Hedging and translation reserves		**0.5**	0.3
Retained loss		**(8.4)**	(1.2)
Capital and reserves		**125.9**	132.9
Minority interest		**0.5**	0.6
Total equity		**126.4**	133.5

The notes on pages 10 to 16 form part of these consolidated financial statements.

Condensed consolidated statement of cash flows

Six months ended 30 June 2010

	Notes	**6 months to 30 June 2010 £'m**	6 months to 30 June 2009 £'m
Cash flows from operating activities			
Cash generated from operations (page 9)		**16.7**	1.1
Interest paid		**(4.9)**	(5.1)
Tax paid		**(0.3)**	(2.6)
Net cash inflow/(outflow) from operating activities		**11.5**	(6.6)
Cash flows from investing activities			
Interest received		**0.3**	0.5
Purchase of property, plant and equipment and intangibles		**(3.5)**	(3.1)
Proceeds from disposals of property, plant and equipment		**43.0**	21.9
Deferred consideration for the purchase of businesses		**0.1**	(1.3)
Acquisition of businesses		**(0.2)**	(0.3)
Net cash inflow from investing activities		**39.7**	17.7
Cash flows from financing activities			
Drawdown of secured borrowings		**–**	6.0
Increase in borrowings from majority shareholder		**–**	9.0
Repayment of borrowings from majority shareholder		**(5.0)**	–
Repayment of secured borrowings		**(31.9)**	(37.8)
Repayment of term unsecured borrowings		**–**	(0.3)
Loan to majority shareholder		**–**	(2.0)
Dividends paid to minority interests		**(0.2)**	(0.2)
Proceeds from share incentive plan		**0.1**	–
Net cash outflow from financing activities		**(37.0)**	(25.3)
Net increase/(decrease) in cash and cash equivalents		**14.2**	(14.2)
Effect of exchange rate changes		**(0.3)**	(1.0)
Cash and cash equivalents brought forward	13	**16.4**	21.3
Cash and cash equivalents at end of period	13	**30.3**	6.1
Reconciliation of net debt			
Net increase/(decrease) in cash and cash equivalents		**14.2**	(14.2)
Decrease in debt		**36.8**	32.1
Change in net debt from cash flows		**51.0**	17.9
Effect of exchange rate changes		**0.8**	3.2
Decrease in net debt during the period		**51.8**	21.1
Net debt brought forward	12	**(86.7)**	(129.6)
Net debt at end of period	12	**(34.9)**	(108.5)

The notes on pages 10 to 16 form part of these consolidated financial statements.

Reconciliation of operating profit from operations to net cash from operating activities

	6 months to 30 June 2010 £'m	6 months to 30 June 2009 £'m
Operating profit	**8.2**	2.4
Adjustments for:		
Depreciation of property, plant, equipment and other intangibles	**7.1**	8.4
Impairment of assets	**2.9**	(0.9)
Amortisation of acquisition intangible assets	**1.5**	0.2
(Gain)/loss on disposal of plant and equipment	**(3.4)**	0.3
Release of investment grants	**(0.1)**	(0.1)
Foreign exchange	**(0.3)**	0.5
	15.9	10.8
Changes in working capital		
Decrease in stocks	**–**	0.2
Increase in debtors	**(12.0)**	(0.2)
Increase/(decrease) in creditors	**17.4**	(7.9)
Increase/(decrease) in working capital	**5.4**	(7.9)
	21.3	2.9
Pension deficit funding	**(4.6)**	(1.8)
Cash generated from continuing activities before interest and tax	**16.7**	1.1

The notes on pages 10 to 16 form part of these consolidated financial statements.

Notes on the condensed consolidated financial statements

1. Basis of preparation

These unaudited interim consolidated financial statements do not constitute statutory accounts and have been prepared on a basis consistent with the Group's accounting policies as set out in the 2009 Annual Report and Accounts. This condensed consolidated interim financial information has not been externally reviewed or audited.

These interim consolidated financial statements have been prepared in accordance with AIM Rules for Companies and in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the period ended 31 December 2009.

These financial statements have been prepared on a going concern basis and the Directors consider that the Group will be able to meet its liabilities as they fall due for the foreseeable future. The Directors have prepared base case and sensitised cash flow projections for the period to September 2011 which are based on certain assumptions and show the Group is capable of operating within the existing financing arrangements whilst meeting the required covenant tests within the financing arrangements. The Group's debt finance is provided by an asset backed facility from a syndicate led by Burdale Financial Limited, maturing in October 2013; a £10.0m working capital facility provided from funds managed by Laxey Partners repayable in July 2010, of which none was drawn at 30 June 2010; and an additional facility of up to £16.0m available from Laxey Partners funds if required.

These interim consolidated financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2009, which were prepared in accordance with International Financial Reporting Standards.

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The application of this standard has not had a material impact on the results of the Group. There are no other new/revised standards in the period which have a material impact on the Group.

During the period the pension scheme assumptions have been reviewed and have been revised to reflect management's assessment of the current position as at 30 June 2010. Discount rate assumptions have been revised from 5.85% at the 2009 year end to 5.5%, and inflation assumptions from 3.5% to 3.2%. This change has resulted in a reduction in the retirement benefit asset from £41.8m at December 2009 to £30.4m at 30 June 2010.

The Directors consider the underlying profit and underlying earnings per share provide additional meaningful information on underlying performance to shareholders. The terms "underlying profit" and "exceptional item" are not defined terms under IFRS and may not be comparable with similarly titled profit measures reported by other companies. Underlying operating profit is not intended to be a substitute for, or superior to, GAAP measurements of profit. The term "underlying" refers to the relevant measure being reported excluding exceptional items, and amortisation of acquisition intangibles. Exceptional items are items which are both material and non recurring and are presented as exceptional items within their relevant consolidated income statement category. The separate reporting of exceptional items helps provide a better indication of the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include the restructuring of the businesses, the integration of new businesses, gains or losses on the disposal of businesses and asset impairments and corporate costs.

2. Currency translation

All amounts denominated in overseas currencies for the consolidated income statement have been translated into sterling at the appropriate average rates for the period. Period end rates have been used to translate all overseas amounts included in the consolidated balance sheet.

3. Segmental analysis

Primary segments – business activities

6 months ended 30 June 2010	TDG £'m	TLIT £'m	DBPG £'m	Central management £'m	Eliminations and adjustments £'m	Total £'m
Revenue						
Gross sales	**340.0**	**–**	**1.2**	**1.5**	**(2.7)**	**340.0**
Segment results						
Underlying operating profit/(loss)	**10.6**	**(0.3)**	**0.8**	**0.1**	**(0.2)**	**11.0**
Amortisation of acquisition intangibles	**(0.2)**	**–**	**–**	**–**	**(1.3)**	**(1.5)**
Rationalisation costs	**(1.6)**	**–**	**–**	**–**	**–**	**(1.6)**
Site closure costs	**(1.6)**	**–**	**–**	**–**	**–**	**(1.6)**
Onerous lease costs	**(0.1)**	**–**	**–**	**–**	**–**	**(0.1)**
Impairment of trade receivables	**–**	**–**	**–**	**–**	**–**	**–**
Impairment of property	**(0.8)**	**–**	**–**	**–**	**(1.7)**	**(2.5)**
Profit/(loss) on sale of properties	**6.2**	**–**	**–**	**–**	**(2.9)**	**3.3**
Release of dilapidation provisions	**1.2**	**–**	**–**	**–**	**–**	**1.2**
Operating profit/(loss)	**13.7**	**(0.3)**	**0.8**	**0.1**	**(6.1)**	**8.2**
Finance (costs)/income – net	**(0.6)**	**0.2**	**(0.4)**	**(2.8)**	**–**	**(3.6)**
Profit/(loss) before tax	**13.1**	**(0.1)**	**0.4**	**(2.7)**	**(6.1)**	**4.6**
Tax credit/(charge)	**1.5**	**–**	**–**	**(0.2)**	**0.1**	**1.4**
Profit/(loss) for the period	**14.6**	**(0.1)**	**0.4**	**(2.9)**	**(6.0)**	**6.0**
Capital expenditure	**3.2**	**–**	**7.3**	**–**	**2.1**	**12.6**
Depreciation and amortisation of other intangibles	**6.8**	**–**	**–**	**–**	**0.3**	**7.1**
Amortisation of acquisition intangibles	**0.2**	**–**	**–**	**–**	**1.3**	**1.5**

6 months ended 30 June 2009	TDG £'m	TLIT £'m	DBPG £'m	Central management £'m	Eliminations and adjustments £'m	Total £'m
Revenue						
Gross sales	327.8	–	–	0.6	(0.6)	327.8
Segment results						
Underlying operating profit/(loss)	8.1	–	–	(0.4)	–	7.7
Amortisation of acquisition intangibles	(0.2)	–	–	–	–	(0.2)
Impairment of goodwill	–	–	–	–	–	–
Net unrealised/realised loss to the carrying value of TLIT investments	–	–	–	(0.7)	0.7	–
Loss on sale of properties	(0.1)	–	–	–	–	(0.1)
Impairment of trade receivables	(0.6)	–	–	–	–	(0.6)
Rationalisation costs	(4.5)	–	–	–	0.1	(4.4)
Operating profit/(loss)	2.7	–	–	(1.1)	0.8	2.4
Finance (costs)/income – net	(1.5)	–	–	(2.7)	–	(4.2)
Profit/(loss) before tax	1.2	–	–	(3.8)	0.8	(1.8)
Tax credit/(charge)	(1.1)	–	–	–	–	(1.1)
Profit/(loss) for the period	0.1	–	–	(3.8)	0.8	(2.9)
Capital expenditure	3.8	–	–	–	–	3.8
Depreciation and amortisation of other intangibles	8.4	–	–	–	–	8.4
Amortisation of acquisition intangibles	0.2	–	–	–	–	0.2

3. Segmental analysis continued

As at 30 June 2010	TDG £'m	TLIT £'m	DBPG £'m	Central management £'m	Eliminations and adjustments £'m	Total £'m
Assets:						
Segment assets	**419.6**	**6.5**	**27.9**	**381.2**	**(465.1)**	**370.1**
Liabilities:						
Segment liabilities	**227.7**	**0.4**	**27.6**	**267.4**	**(279.4)**	**243.7**
Net assets/(liabilities)	**191.9**	**6.1**	**0.3**	**113.8**	**(185.7)**	**126.4**

As at 31 December 2009	TDG £'m	TLIT £'m	DBPG £'m	Central management £'m	Eliminations and adjustments £'m	Total £'m
Assets:						
Segment assets	444.7	6.3	23.0	372.0	(443.8)	402.2
Liabilities:						
Segment liabilities	253.6	0.1	23.1	255.5	(263.6)	268.7
Net assets/(liabilities)	191.1	6.2	(0.1)	116.5	(180.2)	133.5

Secondary segments – geographical analysis

	6 months to 30 June 2010 £'m	6 months to 30 June 2009 £'m
Revenue		
Sales to external customers		
United Kingdom	**252.6**	226.5
Spain	**31.0**	29.6
Ireland	**14.6**	28.5
The Netherlands	**23.2**	24.3
Belgium	**15.3**	14.6
Other Europe	**3.3**	4.3
	340.0	327.8

4. Underlying profit is stated after charging/(crediting) the following:

	Notes	6 months to 30 June 2010 £'m	6 months to 30 June 2009 £'m
Employee benefits expense	6	**97.9**	110.9
Depreciation of property, plant and equipment		**5.8**	7.0
Amortisation of other intangibles (excluding acquisition intangibles)		**1.3**	1.4
		7.1	8.4
(Profit)/loss on sale of plant and equipment		**(0.1)**	0.3
Amortisation of government grants		**(0.1)**	(0.1)

5. Exceptional operating profits/(costs)

Exceptional operating profits and costs are included in the consolidated statement of comprehensive income below underlying operating profit as the Directors consider these items to be material or non-recurring in nature.

	6 months to 30 June 2010 £'m	6 months to 30 June 2009 £'m
Amortisation of acquisition intangibles	**(1.5)**	(0.2)
Rationalisation costs	**(1.6)**	(4.4)
Site closure costs	**(1.6)**	–
Onerous lease costs	**(0.1)**	–
Impairment of trade receivables	**–**	(0.6)
Impairment of property	**(2.5)**	–
Profit/(loss) on sale of properties	**3.3**	(0.1)
Release of dilapidation provisions	**1.2**	–
	(2.8)	(5.3)

6. Employee benefits expense

	6 months to 30 June 2010 £'m	6 months to 30 June 2009 £'m
Wages and salaries	**88.0**	93.8
Post employment expense	**0.5**	3.1
Employee termination benefits	**0.7**	4.4
Social security costs	**8.7**	9.6
	97.9	110.9

7. Finance costs/(income)

	6 months to 30 June 2010 £'m	6 months to 30 June 2009 £'m
Interest expense:		
Secured loans	**2.7**	3.6
Finance lease rental payments	**0.1**	0.1
Interest payable to immediate parent company	**0.2**	0.4
Other financial charges:		
Unwinding of discount on the liability for insurance claims	**0.1**	0.1
Other finance costs	**0.6**	0.5
	3.7	4.7
Interest receivable:		
Interest receivable	**–**	(0.3)
Foreign exchange	**(0.1)**	(0.2)
	(0.1)	(0.5)
	3.6	4.2

8. Tax

Analysis of tax (credit)/charge in the period

	6 months to 30 June 2010 £'m	6 months to 30 June 2009 £'m
Current tax:		
Isle of Man income tax	**–**	–
Overseas tax	**2.2**	0.2
	2.2	0.2
Deferred tax:		
Isle of Man deferred tax	**–**	–
Overseas tax	**(3.6)**	0.9
	(3.6)	0.9
Tax (credit)/charge on continuing activities	**(1.4)**	1.1
Analysed as:		
Tax on headline earnings	**(1.4)**	1.1
Tax credit on exceptional operating (profit)/cost	**–**	–
Tax (credit)/charge on continuing activities	**(1.4)**	1.1

9. Earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of £5.9m (2009: loss attributable to ordinary shareholders £3.1m) and a weighted average number of ordinary shares outstanding of 1,337,815,633 (2009: 1,337,815,633), reflecting the period over which earnings per share has been calculated 1 January 2010 until 30 June 2010 (2009: 1 January 2009 until 30 June 2009).

There was no dilution effect in the period ended 30 June 2010.

	6 months to 30 June 2010	6 months to 30 June 2009
Weighted average number of shares	**1,337,815,633**	1,337,815,633

Earnings per share

	6 months to 30 June 2010 £'m	6 months to 30 June 2009 £'m
Profit/(loss) attributable to ordinary shareholders	**5.9**	(3.1)

	6 months to 30 June 2010 pence	6 months to 30 June 2009 pence
Earnings/(loss) per share	**0.44**	(0.23)

9. Earnings per share continued

Underlying earnings per share

An alternative earnings per share number is set out below, being before any exceptional items plus related tax, since the Directors consider that this provides further information on the underlying performance of the Group.

	6 months to 30 June 2010 pence	6 months to 30 June 2009 pence
Underlying earnings per share	**0.58**	0.06

	Notes	**6 months to 30 June 2010 £'m**	6 months to 30 June 2009 £'m
Underlying earnings are determined as follows:			
Profit/(loss) attributable to ordinary shareholders		**5.9**	(3.1)
Exceptional items	5	**2.8**	5.3
Tax on exceptional items		**(0.9)**	(1.4)
Underlying earnings		**7.8**	0.8

10. Property, plant and equipment

	As at 30 June 2010 £'m	As at 31 Dec 2009 £'m
Land and buildings	**82.0**	92.7
Vehicles	**4.1**	6.1
Plant and equipment	**24.7**	30.2
	110.8	129.0

11. Available-for-sale financial assets

Available-for-sale financial assets relate to the identification by the Directors of two UK properties and one Dutch property, with a total net book value of £6.1m (H1 2009: £30.6m), which the Directors intend to sell in 2010.

12. Net borrowings

	As at 30 June 2010 £'m	As at 31 Dec 2009 £'m
Non current:		
Non redeemable preference shares	**0.3**	0.3
Secured bank loans	**55.8**	68.5
Property finance leases	**1.1**	1.1
	57.2	69.9
Current:		
Bank overdrafts	**0.1**	0.6
Secured bank loans	**8.0**	21.3
Additional short term loan facility	**–**	6.7
	8.1	28.6
Borrowings	**65.3**	98.5
Deduct:		
Short term deposits and restricted cash balances	**(21.3)**	(13.2)
Cash	**(9.1)**	(3.8)
	(30.4)	(17.0)
External net debt	**34.9**	81.5
Loan payable to ultimate controlling party	**–**	5.2
Net debt	**34.9**	86.7

13. Analysis of cash and cash equivalents

	As at 30 June 2010 £'m	As at 31 Dec 2009 £'m
Restricted cash balances	**10.0**	9.2
Deposits and guarantees	**11.3**	4.0
Cash	**9.1**	3.8
Cash and cash equivalents (balance sheet)	**30.4**	17.0
Bank overdrafts	**(0.1)**	(0.6)
Cash and cash equivalents (cash flow statement)	**30.3**	16.4

14. Post balance sheet event

On 19 July 2010 the Group sold one property for a net consideration of £1.4m.

Company information

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Geoff Bicknell
Chief Financial Officer

Mike Haxby
Chief Risk Officer

Harto Lehtonen
Executive Director

David Panter
Non-executive Chairman

David Blackler OBE
Non-executive Director

Alistair Boyd CMG
Senior Independent Director

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Colin Kingsnorth
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The Company's shares trade on the London Stock Exchange's AIM market under the ticker symbol "DBAY".

Financial calendar

Announcement of results for six month to 30 June 2010	5 August 2010
Announcement of results for twelve months to 31 December 2010	April 2011

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