THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt about the content of this document, you should consult a person authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. This document, which comprises an admission document has been prepared by and is the sole responsibility of the Directors of Travelzest plc (the "Company") in connection with its proposed application for re-admission of the Enlarged Share Capital to trading on AIM, a market of London Stock Exchange plc. Copies of this document have not been delivered to the Registrar of Companies. This document is not a prospectus for the purposes of compliance with the Prospectus Rules.

If you have sold or transferred your Ordinary Shares in the Company you should send this document together with the forms of proxy at once to the purchaser or transferee or the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Application will be made for the Existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made or will be made for admission of the Existing Ordinary Shares or the Placing Shares to the Official List. Further, neither the UKLA nor London Stock Exchange plc has examined or approved the contents of this document. Neither the Existing Ordinary Shares nor the Placing Shares are traded on any other recognised investment exchange and no such applications have been or will be made for the Existing Ordinary Shares or Placing Shares to be admitted to trading on any such exchange. Investors should read the whole text of this document. The attention of investors is drawn in particular to the "Risk Factors" set out in Part II of this document. It is expected that readmission to AIM will become effective and that trading in the Enlarged Share Capital will commence on AIM on 17 October 2006.

TRAVELZEST PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4520457

Proposed acquisition of itravel2000.com
Approval of waiver of Rule 9 of the Takeover Code
Placing of 4,206,349 Ordinary Shares of 2 pence each at 126 pence per share
Notice of EGM

Nominated Adviser and Broker

Daniel Stewart & Company plc

Ordinary share capital following Admission

Authorised			*Issued and fully paid*	
Number	*Amount*		*Number*	*Amount*
60,000,000	£1,200,000	Ordinary Shares of 2 pence each	15,670,784	£313,415.68

The Placing Shares the Initial Consideration Shares and the Contingent Shares will, on issue, rank *pari passu* with the Existing Ordinary Shares and will rank in full for all dividends and other distributions declared after their issue in respect of the ordinary share capital of the Company.

Daniel Stewart, which is regulated by the Financial Services Authority, is acting as nominated adviser and broker to the Company. It will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any part of this document. The responsibilities of Daniel Stewart as the Company's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director or Shareholder or to any other person, in respect of any decision to acquire shares in Travelzest in reliance on any part of this document. Daniel Stewart is not making any representation or warranty, express or implied, as to the contents of this document.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, shares in any jurisdiction in which such offer or solicitation is unlawful and is not for distribution in or into Australia, Japan, Canada or the United States or to any resident, national or citizen of such countries. Neither the Existing Ordinary Shares, nor the Initial Consideration Shares have been, and will not be, registered under the applicable securities laws of the United States, Japan, Australia or Canada. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Notice convening an Extraordinary General Meeting of Travelzest, to be held at the offices of Daniel Stewart on 5 October 2006 is set out on pages 166 to 169 of this document. To be valid, the Form of Proxy for use at the EGM must be completed and returned so as to be received at the offices of the Company's registrars, Share Registrars Limited, Craven House, West Street, Farnham, Surrey GU9 7EN, as soon as possible but in any event not later than 10.00 a.m. on 3 October 2006, being 48 hours before the time appointed for the holding of the meeting. The completion and depositing of the Form of Proxy will not preclude a Shareholder from attending and voting at the EGM should they wish to do so.

This document contains forward looking statements, including, without limitation, statements containing the words "believe", "anticipated", "expected" and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors" set out in Part II of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligation to update any such forward looking statement made in this document to reflect future events or developments.

CONTENTS

DEFINITIONS

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

"Acquisition"	the proposed acquisition by Travelzest of 100 per cent. of the issued and outstanding share capital of itravel2000.com
"Acquisition Agreement"	the conditional agreement dated 12 September 2006 between the Company, CallCo, ExchangeCo, the Vendors and itravel2000.com in relation to the Acquisition further details of which can be found in Part VI of this document
"Act" or "Companies Act"	the Companies Act 1985, as amended
"Additional Consideration"	the contingent consideration to be paid by the Company to the Vendors following the audit of itravel2000.com for the year ending 31 October 2007, further details of which can be found in Part VI of this document
"Admission"	the re-admission of the Existing Ordinary Shares and the admission of Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the AIM market of the London Stock Exchange
"AIM Rules"	the rules for AIM companies issued by the London Stock Exchange in force at the date of this document
"Articles"	the articles of association of the Company in existence at the time of this document
"Blocked Account"	a "ring fenced" account with Barclays Bank PLC which is subject to a fixed charge in favour of Barclays Bank PLC to be used to satisfy (a) part of the Additional Consideration for the acquisition of itravel2000.com and (b) the deferred consideration for the acquisition of Fair's Fare Limited
"Board"	the board of directors of the Company, including a duly constituted committee of such directors
"CallCo"	Travelzest Holdings Inc., a company incorporated under the laws of the Province of British Columbia, Canada, with company number BC0763760, a wholly-owned subsidiary of the Company
"CanCo"	6615716 Canada Inc., a company incorporated under the federal laws of Canada on 22 August 2006
"CanCo Holding"	6615635 Canada Inc. incorporated under the federal laws of Canada on 22 August 2006
"CanNewCo"	the Canadian corporation to be incorporated by ExchangeCo prior to the completion of the Acquisition, further details of which can be found in Part VI of this document
"Concert Party"	CanCo, Starline, CanCo Holdings, Ely Trust and the beneficiaries of the Ely Trust being Edward J. Carroll, Elizabeth Carroll, Shane G. Carroll, Jonathan G. Carroll, Jeffrey D. Mackenzie and J. Brian Hewlitt
"Consideration Shares"	the Initial Consideration Shares and the Contingent Shares

"Contingent Shares"	the Ordinary Shares to be issued by the Company in exchange for the Exchangeable Shares which may be issued as part of the Additional Consideration
"CREST"	the computerised settlement system (as defined in the CREST Regulations) operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form (as defined in the CREST Regulations)
"CRESTCo"	CRESTCo Limited, the operator of CREST
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
"Current Exchange Rate"	Can $2.0994 to every £1 as at 23 August 2006
"Debt Facility"	the £11 million debt finance facility conditionally being made available by Barclays Bank PLC pursuant to the terms of the Facility Agreement
"Deed of Confirmation"	a deed of confirmation in respect of the Warrant Instrument dated 1 April 2005
"Directors"	the directors of the Company, whose names are set out on page 8 of this document
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company convened for 10.00 a.m. on 5 October 2006, notice of which is set out at the end of this document
"Ely Trust"	a discretionary *inter vivos* trust settled on 17 October 1997, the current trustee of which is Tower Trustees Limited a corporation incorporated in Nevis and resident in St Kitts and Nevis
"EMI Scheme"	the Inland Revenue approved Enterprise Management Incentive Scheme adopted by the Company on 1 April 2005, details of which are set out in paragraph 3 of Part VII of this document
"Enlarged Group"	the Company together with its subsidiaries following completion of the Acquisition
"Enlarged Issued Share Capital"	the Ordinary Shares in issue immediately following Admission
"Exchange Agreement"	the exchange rights agreement between the Company, ExchangeCo and CanCo in respect of CanCo's rights to transfer the Exchangeable Shares in return for Consideration Shares, further details of which are set out in Part VI
"ExchangeCo"	0763756 B.C. Ltd, a company incorporated under the laws of the Province of British Columbia, Canada in respect of which CanCo will own Exchangeable Shares
"Exchangeable Share Provisions"	the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares
"Exchangeable Shares"	the Class A non-voting exchangeable shares to be issued by ExchangeCo to CanCo, which shares may, pursuant to the Exchangeable Share Provisions and the terms of the Exchange Agreement be exchanged for the Initial Consideration Shares and (if any) the Contingent Shares
"Executive Directors"	Christopher Mottershead and Colin McKinlay

"Existing Ordinary Shares"	the 11,464,435 Ordinary Shares in the capital of the Company in issue at the date of this document
"Facility Agreement"	an agreement between the Company and Barclays Bank PLC in respect of the provision of the Debt Facility as set out in paragraph 5.16 of Part VIII of this document
"Form of Proxy"	the form of proxy enclosed with this document for use in connection with the EGM
"FSMA"	the Financial Services and Markets Act 2000. as amended from time to time
"Group"	the Company and its subsidiaries as at the date of this document
"Individual Vendors"	the individual shareholders of itravel2000.com being Shane G. Carroll, Jonathan G. Carroll, Jeffrey D. Mackenzie and J. Brian Hewlitt
"Initial Consideration Shares"	the 7,938,780 Ordinary Shares to be issued by the Company in exchange for the Exchangeable Shares to be issued by ExchangeCo on completion of the Acquisition
"itravel2000.com"	1360944 Ontario Inc. (operating as itravel2000.com), a company incorporated under the laws of the Province of Ontario with Ontario registration number 01360944
"Lock-In Agreement"	the lock-in and orderly market agreement to be entered into by CanCo on completion of the Acquisition in respect of the Exchangeable Shares, details of which are set out in paragraph 12 of Part I and Part VI of this document
"London Stock Exchange"	London Stock Exchange plc
"Midicorp"	Midicorp Corporate Finance Limited
"Non-Executive Directors"	Michael Bruce-Mitford, Richard Hall and Peter Thomson
"Non-VCT Placing Shares"	the 3,253,968 new Ordinary Shares which are the subject of the Placing and which do not qualify for VCT tax relief
"Official List"	the Official List of the UKLA
"Options"	the options over Ordinary Shares granted to Christopher Mottershead, Colin McKinlay, Nishma Robb, Steve Diederich and David Oak, details of which are set out in paragraph 3 of Part VII of this document
"Option Agreements"	the option agreements between Christopher Mottershead, Colin McKinlay, Nishma Robb, Steve Diederich and David Oak, details of which are set out in paragraph 3 of Part VII of this document
"Ordinary Shares"	ordinary shares of 2 pence each in the capital of the Company
"Original Admission"	the original admission of Ordinary Shares to AIM on 3 October 2005
"Panel"	the Panel on Takeovers and Mergers
"Placees"	the subscribers of Placing Shares pursuant to the Placing
"Placing"	the conditional placing by Daniel Stewart on behalf of the Company of the Placing Shares pursuant to the Placing Agreement

"Placing Agreement"	the placing agreement dated 12 September 2006 between the Company, the Directors and Daniel Stewart further details of which are set out in paragraph 5.6 of Part VIII of this document
"Placing Price"	126 pence per Placing Share
"Placing Shares"	the 4,206,349 new Ordinary Shares which are the subject of the Placing (consisting of the VCT Placing Shares and the Non-VCT Placing Shares)
"Proposals"	the proposals set out in this document (including those which require the approval of Shareholders at the EGM) relating to the Acquisition, Admission, the Waiver, the increase in nominal capital, the authority to issue and allot Ordinary Shares and the amendment to borrowing powers
"Prospectus Rules"	the Prospectus Rules of the UKLA
"QCA Guidelines"	the corporate governance guidelines for AIM companies, devised by the Quoted Companies Alliance
"Resolutions"	the resolutions set out in the Notice of the EGM attached to this document
"Shareholder"	a holder of Ordinary Shares
"Starline"	Starline Project Services Ltd, incorporated under the laws of the Isle of Man with company number 102280C incorporated on 8 March 2001
"Support Agreement"	the support agreement between the Company, ExchangeCo, CallCo and CanCo, further details of which are set out in Part VI
"Takeover Code"	the City Code on Takeovers and Mergers issued and regulated by the Panel
"Travelzest" or the "Company"	Travelzest plc
"UKLA"	the Financial Services Authority, acting through the United Kingdom Listing Authority, in its capacity as the competent authority for the purposes of Part VI of FSMA
"VCT"	venture capital trust
"VCT Placing Shares"	the 952,381 new Ordinary Shares which are the subject of the Placing and qualify for VCT tax relief
"Vendors"	the shareholders of itravel2000.com being Shane G. Carroll, Jonathan G. Carroll, Jeffrey D. Mackenzie, J. Brian Hewlitt and CanCo
"Waiver"	the waiver by the Panel of the obligation of CanCo to make a general offer under Rule 9 of the Takeover Code
"Warrants"	warrants issued by the Company described in paragraph 5 of Part VIII of this document
"Warrant Holders"	Christopher Mottershead, Midicorp and Merchant Securities Limited
"Warrant Instrument"	the warrant instrument more fully described in paragraph 5.1 of Part VIII of this document

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 3 October 2006
Extraordinary General Meeting	10.00 a.m. on 5 October 2006
Expected date for admission of the VCT Placing Shares	8.00 a.m. on 6 October 2006
Expected date for admission of the Non-VCT Placing Shares	8.00 a.m. on 9 October 2006
Expected date for re-admission and dealings in the Enlarged Issued Share Capital	8.00 a.m. on 17 October 2006
CREST accounts credited with the VCT Placing Shares in uncertificated form	8.00 a.m. on 6 October 2006
CREST accounts credited with the Non-VCT Placing Shares in uncertificated form	8.00 a.m. on 9 October 2006
Completion of the Acquisition	16 October 2006

ADMISSION AND PLACING STATISTICS

Placing Price per Placing Share	126 pence
Number of Placing Shares being issued	4,206,349
Estimated proceeds of the Placing to be received by the Company, net of expenses including those in connection with the Acquisition (excluding VAT)	£3,200,000
Number of Ordinary Shares in issue at the date of this document	11,464,435
Number of Ordinary Shares in issue following the Placing	15,670,784
Initial number of Exchangeable Shares initially issued	7,938,780
Maximum number of Exchangeable Shares issued (assuming the Current Exchange Rate and the Placing Price)	9,734,456
Market capitalisation of the Company at Admission at the Placing Price	£19.7 million
Pro forma market capitalisation of the Company at Admission (assuming the Initial Consideration Shares have been issued)	£29.7 million

For all purposes (other than in respect of the Pro-forma Statement of Net Assets set out in Part V of this document) the Current Exchange Rate has been assumed

PERSONS RESPONSIBLE AND ADVISERS

1. Persons Responsible

The Directors, whose names appear below, and the Company accept responsibility for the information contained in this document (other than that relating to the Concert Party as set out in the following paragraph). To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which the Directors are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the members of the Concert Party (and where that is a company, its directors, and where that is a trust, its trustees) accept responsibility for the information contained in this document relating to it and to himself. To the best of the knowledge of each of the members of the Concert Party, (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The reports contained in Parts III and IV of this document have been included in this document, in the form and context in which they are included, with the consent of Horwath Clark Whitehill LLP and PricewaterhouseCoopers LLP, each of whom accepts responsibility for their own respective reports. To the best of the knowledge and belief of Horwath Clark Whitehill LLP and PricewaterhouseCoopers LLP and the Directors (who have taken all reasonable care to ensure that such is the case), the reproduction of such information does not omit anything likely to affect its import, nor does it render the information inaccurate or misleading.

Daniel Stewart has given and has not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

2. Directors, Company Secretary and Advisers of the Company

Directors	Michael John Bruce-Mitford *(Non-Executive Chairman)* Christopher Alan Leigh Mottershead *(Chief Executive)* Colin Grant McKinlay *(Group Finance Director)* Richard Gordon Hall *(Non-Executive Director and Company Secretary)* Peter Thomson *(Non-Executive Director)*
Secretary and Registered Office	Richard Hall Farm Cottage Heath House Wedmore BS28 4UG tel: 020 7747 7231
Nominated Adviser and Broker	Daniel Stewart & Company plc Becket House 36 Old Jewry London EC2R 8DD
Solicitors to the Company	Joelson Wilson & Co 30 Portland Place London W1B 1LZ

Canadian Solicitors for the Acquisition	Fasken Martineau DuMoulin LLP 66 Wellington Street West 4200, Toronto Dominion Bank Tower Toronto Dominion Centre Toronto Ontario M5K 1N6 Canada
Solicitors to the Placing	Wragge & Co LLP 3 Waterhouse Square 142 Holborn London EC1N 2SW
Auditors	Grant Thornton UK LLP The Quadrangle Imperial Square Cheltenham GL50 1PZ Grant Thornton UK LLP is regulated by the ICAEW
Reporting Accountants	PricewaterhouseCoopers LLP North American Centre 5700 Yonge Street Suite 1900 North York Ontario Canada M2M 4K7 Horwath Clark Whitehill LLP 10 Palace Avenue Maidstone Kent ME15 6NF
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN

PART I

LETTER FROM THE CHAIRMAN OF TRAVELZEST

TRAVELZEST plc

(incorporated and registered in England and Wales, registered number 4520457)

Directors:	*Registered Office:*
Michael Bruce-Mitford *(Non-Executive Chairman)*	Farm Cottage
Christopher Mottershead *(Chief Executive)*	Heath House
Colin McKinlay *(Group Finance Director)*	Wedmore BS28 4UG
Richard Hall *(Non-Executive Director and Company Secretary)*	
Peter Thomson *(Non-Executive Director)*	

12 September 2006

To Shareholders and, for information purposes only, to share option holders, and Warrant Holders

Dear Shareholder

Acquisition, Admission to trading on AIM and Placing

1. Introduction

Your Board announced today the Placing and that the Company has conditionally agreed to acquire Itravel2000.com.

itravel2000.com is a privately owned on-line travel agent specialising in the sale of travel and travel related products primarily to retail customers. Sales are made by means of various internet web sites (catering to worldwide destinations) and a customer call centre located in Mississauga, Ontario, Canada. The consideration will be up to Can$51.5 million (£24.5 million) comprising an initial adjusted payment based on Can$42 million (£20.0 million) and a deferred, contingent payment of up to Can$9.5 million (£4.5 million). The initial payment consists of cash of Can$21 million (£9.95 million) and the issue of 7,938,780 Exchangeable Shares. These shares are required to be exchanged on a one for one basis for shares in Travelzest within five years of completion of the Acquisition. The deferred, contingent payment is dependant on the performance of itravel2000.com for the financial year ending 31 October 2007 and consists of up to Can$4.75 million (£2.26 million) in cash and the issue of such number of Exchangeable Shares as would have a market value of Can$4.75 million (being 1,795,676 Exchangeable Shares at the Current Exchange Rate and at the Placing Price).

The Company is raising up to £11 million from the Debt Facility to finance the Acquisition. The Company is also raising £5.3 million from the Placing to provide working capital for the Enlarged Group and to finance the costs of the Proposals.

Owing to the size of the Acquisition, which constitutes a reverse takeover of the Company under the AIM Rules, the transaction is conditional on and requires the prior approval of the Shareholders, which is being sought at the EGM to be held on 5 October 2006.

Additionally, because CanCo will have the right (pursuant to the exercise of rights under the Exchange Agreement) to own more than 30 per cent. of the Enlarged Issued Share Capital immediately following the Acquisition, CanCo would normally be required under Rule 9 of the Code to make a general offer for the Ordinary Shares not owned by CanCo. The Panel has, however, agreed to waive this obligation subject to the approval of the Shareholders. A resolution seeking the approval of the Shareholders for such a Waiver is therefore included in the Notice of EGM set out at the end of this document.

This document, which comprises an admission document, sets out the background to, and reasons for, the Proposals and explains why the Board considers that they are in the best interests of the Company and that it recommends that Shareholders vote in favour of the Resolutions.

2. Background information on Travelzest

Travelzest is a travel group with high quality brands offering specialist holiday programmes. The Company has the following trading subsidiaries:

VFB Holidays

VFB Holidays, the Group's original subsidiary company was incorporated on 5 February 1974 with Michael Bruce-Mitford and his wife as directors. In the financial year to 31 October 2005 VFB provided approximately 24,000 holidays and reported a turnover of approximately £11 million.

VFB is currently promoting approximately 350 holiday cottages throughout France for the summer 2006 season, and has booking arrangements with over 150 hotels, most of which are privately owned and are located in rural or semi-rural locations. VFB undertakes occasional inspections of the cottages to ensure that standards are maintained.

VFB specialises in cottage holidays in France, but also has a number of other holiday programmes including: Short Breaks, France à la Carte (hotel accommodation), Corsica, Escorted Tours and River Cruises.

Holiday Express Limited ("Holiday Express")

Holiday Express is a UK on-line travel agent, specialising in on-line travel fulfilment services and online travel sales. Holiday Express' retail business (acting as travel agent), providing package holidays, charter flights and ski booking services, accounts for the vast majority of its revenue and the remainder of its revenue is generated through acting as a tour operator. Holiday Express operates through a number of travel website domain names, including:

– www.holiday.co.uk
– www.flight.co.uk
– www.discountholidays.com

Holiday Express has also recently established a new tour operator called Far Away Holidays specialising in holidays to Thailand, South Africa, Vietnam and other long haul destinations. Holiday Express was acquired on 3 October 2005.

Best of Morocco Limited ("Best of Morocco")

Best of Morocco is a tour operator specialising in tailor-made holidays to Morocco for individuals or small groups. It provides a personalised service and its experienced staff help each customer select the hotels/resorts from a range which are appropriate for the customer's style of holiday. Best of Morocco is the premier agent in the UK for the Marathon des Sables, a foot race that takes place in the Sahara Desert in April each year, covering some 230km. Best of Morocco was acquired on 30 November 2005.

Peng Travel Limited ("Peng Travel")

Peng Travel was formed in 1971 to arrange naturist holidays for the UK market. Since then, it has grown to become Britain's leading naturist tour operator. Peng Travel offers to customers a range of naturist resorts worldwide. Peng Travel was acquired on 5 May 2006.

Fair's Fare Limited ("Fair's Fare")

Fair's Fare is a UK firm of airfare analysts, offering travel planning services to both private and business clients. Fair's Fare seeks out price options on major airlines, but primarily for long-haul travellers in the first and business class cabins. Fair's Fare was acquired on 9 June 2006.

3. Strategy

Travelzest intends to continue to acquire a number of specialist niche travel businesses and online travel agents in order to create a travel group of high quality brands and distribution businesses. The Directors are looking for companies which are able to demonstrate a successful track record during the last two years. The Directors intend that companies which join the Group in the future will be specialist by virtue of the types of travel that they sell or have strong online distribution capabilities. Specialist travel may be by destination, by type of holiday (for example skiing or golf) or by customer type. Travelzest is also interested in acquiring internet based travel distribution companies and counter-seasonal profitable travel companies in order to create a travel group which achieves profits in the winter and summer seasons.

4. The Proposed Acquisition

itravel2000.com is a privately owned online travel agent specialising in the sale of travel and travel related products. Sales are made through various internet web sites and a customer call centre located in Mississauga, Ontario. The majority of itravel2000.com's income is from commission relating to the sale of 3rd party tour packages to destinations in and around the Caribbean. The greater proportion of itravel2000.com's revenue and profit is generated in the winter season which is a popular time for travel for Canadians.

Founded in 1994, itravel2000.com is one of Canada's largest privately owned online travel retailers. itravel2000.com has invested in the development of software applications to assist its online activities. itravel2000.com's web site experiences more than 25 million hits per week.

In 2004, there were just over 3,000 International Air Transport Association (IATA) approved travel agents in Canada. The advent of online travel booking has lowered the barriers to entry and made the market more competitive, both in pricing and product offerings, in a short period of time.

itravel2000.com has grown its gross sales from Can$30m in 2001 to Can$178m in 2005. The greater proportion of itravel2000.com's business is winter-based, thus providing counter-seasonal revenue to the predominantly summer-based revenues of Travelzest's businesses in Europe.

Despite the pricing pressures faced by the suppliers and tour operators, in part due to high oil prices and events such as terrorism and natural disasters, commission rates and incentives payable to itravel2000.com have not reduced in recent years. However, some suppliers are providing incentives to consumers such as discounted fares and online booking options to encourage buying directly from the supplier.

itravel2000.com's strategy is to diversify its revenue mix by increasing its air, car and hotel offerings and so reducing the dependence on predominantly winter package holiday product offerings. itravel2000.com is therefore investing in technology and looking to negotiate contracts with new suppliers to enhance its product offerings and introduce dynamic packaging to provide a holiday product itself rather than depending on 3rd party operators.

Subject to the passing of the proposed Resolutions at the EGM, Travelzest will acquire itravel2000.com for an aggregate initial consideration of Can$42 million (subject to a completion adjustment) of which Can$21 million will be paid in cash on completion and 7,938,780 Exchangeable Shares will be issued in ExchangeCo. CanCo will be entitled to exchange the Exchangeable Shares on a one for one basis for the Consideration Shares. Contingent consideration, depending on the future performance of the business, of a maximum of Can$9,500,000 will be payable, 50 per cent. in cash and 50 per cent. in Exchangeable Shares further details of which are set out in Part VI of this document.

Pursuant to the terms of the Acquisition Agreement the Vendors have the right until 31 January 2009 to appoint one director to the board of the Company.

CanCo will have the potential to own, pursuant to the terms of the Additional Consideration under the Acquisition Agreement, such number of Ordinary Shares as would have a market value of Can$4.75 million. At the Current Exchange Rate and at the Placing Price this would represent for CanCo an aggregate shareholding of 38.32 per cent of the then issued share capital of the Company.

However, the exchange rate and the share price at the date the Additional Consideration is payable may result in the actual percentage of CanCo's aggregate shareholding in the Company being in excess, or far in excess, of 38.32 per cent.

Immediately following Admission, CanCo will have the right pursuant to the Exchange Agreement to own 7,938,780 Ordinary Shares (which would equate to an aggregate of 33.63 per cent. of the then issued share capital of the Company, assuming the Current Exchange Rate and the Placing Price).

Further details of the Acquisition Agreement are set out in Part VI of this document.

5. Details of the Debt Facility

The Company has entered into a conditional Debt Facility pursuant to which it has agreed to raise debt of up to £11 million. The proceeds of the Debt Facility, which will be drawn in one amount, will be used to satisfy, *inter alia*, the cash element of the consideration to be paid to the Individual Vendors for the Acquisition and to contribute £500,000 to the Blocked Account for the purposes of later satisfying certain deferred and contingent consideration payments in respect of the acquisitions summarised in paragraph 5 of Part VIII of this document. The Debt Facility is conditional, *inter alia*, upon the passing of Resolutions by the Shareholders, completion of the Acquisition (save as regards any condition in the Acquisition Agreement relating to the Debt Facility itself being unconditionally available) and Admission.

Further details of the Debt Facility are set out in paragraph 5.16 of Part VIII of this document.

6. Current trading and prospects

The Directors intend to make further acquisitions during the next 12 months. They have identified a number of targets which would enhance the Group's portfolio. Current trading is in line with expectations and the Directors look forward to the remainder of the year with confidence and expect itravel2000.com to make a strong contribution during the winter months (in its normal course of business).

7. Competition

The Directors believe that Travelzest's UK tour operators operate in a niche market compared to that of the large tour operators (being Thomson Holidays, Airtours, Thomas Cook and First Choice), who typically provide package holidays to mainstream package holiday destinations. Whilst the Directors understand that there is competition amongst the smaller tour operators in the sector, they intend to take advantage of the economies of scale as the Group grows.

itravel2000.com competes with two of the large UK tour operators who own Canadian travel businesses and is in competition with Canadian travel businesses such as Air Transat and large US on-line travel agencies such as Expedia and Travelocity.

8. Warrants

On 27 April 2005, the Company issued Warrants to Christopher Mottershead and Midicorp over an aggregate of 20 per cent. of the Company's issued share capital in accordance with the terms of the Warrant Instrument. The Deed of Confirmation contains a provision whereby, should the Company issue further capital, a proportional number of further Warrants will be issued to Christopher Mottershead and Midicorp, with a strike price equal to the share issue price at that time. Details of the current number of Warrants which have been issued to Christopher Mottershead and Midicorp Corporate Finance Limited are set out in paragraph 5.1 of Part VIII. **Pursuant to the terms of the Warrant Instrument and the letter of termination referred to in paragraph 5.1.4 of Part VIII of this document, a further 1,000,000 Warrants will be issued to Midicorp at a price of 126 pence per share as a result of the issue of the Consideration Shares and such number of Warrants will be issued to Christopher Mottershead at a price of 126 pence per share so that he will hold Warrants equivalent to 10 per cent. of the then enlarged issued share capital as a result of the issue of the Consideration Shares.** Further details of the Warrant Instrument, the Deed of Confirmation and the circumstances in which such Warrants will be issued, are set out in paragraph 5.1 of Part VIII of this document.

Immediately following Original Admission, Merchant Securities Limited was granted 86,900 Warrants, further details of which are set out in paragraph 5.10 of Part VIII of this document. In addition Merchant Securities Limited will be granted further Warrants following Admission based on 3 per cent. of the monies raised by Merchant Securities Limited as part of the Placing. Further details of the terms of these Warrants are set out in paragraph 5.11 of Part VIII of this document.

9. Share Options

The Directors believe it is important that directors and employees of the Company are appropriately and properly motivated and rewarded. To assist in the recruitment, retention and motivation of employees of high calibre, as necessary, the Directors consider that the Company must have an effective remuneration strategy. To this end, the Directors have established the EMI Scheme and an unapproved option scheme under which eligible persons will be invited to participate at the discretion of the remuneration committee of the Board. Further details of the EMI Scheme and the unapproved option scheme and the options issued are set out in paragraph 3 of Part VII of this document.

10. Details of the Placing

The Company is proposing to raise £5.3 million, before expenses, through the issue of 4,206,349 Placing Shares at a price of 126 pence per Placing Share pursuant to the Placing Agreement.

The Placing has been split into two tranches. The first tranche of £1.2 million (the VCT Placing Shares) will be VCT qualifying and admission of the VCT Placing Shares will occur, subject to passing Resolutions 3, 4 and 5. Proceeds of the VCT Placing will be used for working capital purposes within the UK. The second tranche of £4.1 million (the Non-VCT Placing Shares) will be issued up to five days later. £1.5 million of the proceeds of the Non-VCT Placing will be paid into the Blocked Account in accordance with the terms of the Facility Agreement. The remaining £2.6 million will be used to pay the expenses of the Proposals and for ongoing working capital for the Enlarged Group.

The Placing is not conditional on the Acquisition. However, as a condition precedent under the Facility Agreement, the Company is obliged to provide evidence that at least £4 million is raised through the issue of the Placing Shares.

The Placing Shares will represent approximately 26.84 per cent. of the Enlarged Issued Share Capital. Following Admission, the Existing Ordinary Shares will represent approximately 73.16 per cent. of the Enlarged Issued Share Capital. At the Placing Price and assuming the Initial Consideration Shares have been issued, the Company's market capitalisation will be £29.7 million.

Upon Admission, the Directors (and persons connected and/or associated with them) will hold, in aggregate, approximately 19.59 per cent. of the Enlarged Issued Share Capital.

The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares. Dealings in the VCT Placing Shares on AIM are expected to commence on 6 October 2006. Dealings in the Non-VCT Placing Shares on AIM are expected to commence on 9 October 2006. It is expected that CREST accounts will be credited on the respective days that the VCT Placing Shares and Non-VCT Placing Shares are admitted to AIM and that certificates will be despatched by first class post by 19 October 2006.

11. Directors

Biographical details of the Directors are as follows:

Michael Bruce-Mitford, *Non-Executive Chairman*, aged 60, incorporated VFB Holidays in 1974 with his wife Françoise. Michael was Chairman of the Association of Independent Tour Operators from 1987 to 1990 and served on its governing council for a total of nine years. In addition to the awards won by VFB, the French Government honoured Michael in 1991 with the Medaille du Tourism, and subsequently in 2002 they awarded him the Government's gold medal.

Christopher Mottershead, *Chief Executive,* aged 47, was managing director of TUI UK between 2001 and 2004 with responsibility for Thomson Holidays, Lunn Poly, Travelhouse and other travel businesses based in the UK. Prior to this, he was President and CEO of North American Leisure Group, part of Airtours plc (now Mytravel plc). He joined Airtours Holidays in 1993 where his roles included managing director and finance director. He joined Airtours from Aspro Travel & Inter European Airways where he was group finance director.

Colin McKinlay, *Group Finance Director,* aged 37, has held a number of senior financial positions within the travel industry. Operating at an international level, he has extensive experience in periods of aggressive growth and expansion and the handling of restructuring and turnaround environments. Colin was previously Chief Financial Officer of Thomas Cook UK & Ireland where he was responsible for all aspects of finance, IT, and central support functions during a period of record profitability. Prior to this, he enjoyed a nine year career in MyTravel Group (formerly Airtours Plc). During that time he gained considerable international experience both in continental Europe and Canada where he was Chief Financial Officer of MyTravel's North American Leisure Group, working closely with its then Chief Executive Chris Mottershead. Colin qualified as a Chartered Accountant at Coopers & Lybrand in Manchester.

Richard Hall, *Non-executive Director & Company Secretary,* aged 65 is a Chartered Accountant and has carried out the duties of finance director and company secretary for a number of international companies, including INMOS International Plc. He was finance director of Information Technology Plc from 1986 to 1988 and National Telecommunications Plc from 1988 to 1989, both of which companies were listed on the Official List. Since 1989, Richard has run his own consultancy with a number of non-executive directorships including another AIM quoted company offering corporate, commercial and financial advice to major clients. He joined the board in 2003 prior to the company joining the OFEX market.

Peter Thomson, *Non-executive Director,* aged 73, started his career at ICI Paints. After 2 years in North America, he was successively marketing manager, general sales manager and European manager, and was involved in developing the Dulux brand. He moved on to Courtaulds Plc as group marketing director and was subsequently group managing director of the seven office furniture companies then owned by Wagon Industrial Holdings. Since 1983, he has worked with a number of small or medium-sized developing companies as a part-time director or adviser.

12. Lock-ins and orderly market arrangements

The Acquisition Agreement provides that CanCo, as a condition to closing, will enter into a direct undertaking with the Company and Daniel Stewart, that for a period of two years following completion of the Acquisition, CanCo shall not sell or dispose of any interests in the Exchangeable Shares (or the Initial Consideration Shares into which such Exchangeable Shares may be exchanged) held by it and that for a period of twelve months following expiry of this period, it will only sell Initial Consideration Shares derived from exchanging such Exchangeable Shares if any such disposal is first notified to the Company's brokers and is effected through the Company's brokers (after consultation with in good faith with the Company's brokers) from time to time in an orderly manner. Similar provisions will apply to further Exchangeable Shares issued by ExchangeCo (and any Contingent Shares issued by the Company) as Additional Consideration.

13. The City Code

The terms of the Proposals give rise to certain considerations under the Takeover Code. Brief details of the Panel, the Takeover Code and the protection they afford are given below.

The Takeover Code is issued and administered by the Panel. The Takeover Code is designed principally to ensure fair and equal treatment of all shareholders in relation to takeovers.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with them are interested) carry 30 per cent. or more of the voting rights of a company, that person is normally required by the Panel to make a general offer in cash to the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company at the highest price paid by that person or any person acting in concert with it in the previous 12 months.

Rule 9 of the Takeover Code further provides that, *inter alia*, where any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any such person acting in concert with him, acquires an interest in any other shares which increase the percentage of shares carrying voting rights in which he is interested, such person is normally required by the Panel to make a general offer in cash to holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company at the highest price paid by that person or any person acting in concert with it in the previous 12 months.

Under the Takeover Code, a concert party arises when persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company. Under the Takeover Code, control means an interest or interests in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control.

The number of Contingent Shares that may be issued to CanCo is dependent on both the exchange rate of the Can$ to the £ and the share price of the Ordinary Shares.

Following Admission, CanCo will, pursuant to the provisions of the Acquisition Agreement and the Exchange Agreement (on and subject to exercise of its rights to exchange the Exchangeable Shares for Initial Consideration Shares) own in aggregate 7,938,780 Ordinary Shares representing approximately 33.63 per cent. of the then issued share capital of the Company. In addition CanCo will have the potential to own up to (on and subject to exercise of its rights to exchange the Exchangeable Shares for Contingent Shares, being 1,795,676 Contingent Shares at the Current Exchange Rate and at the Placing Price), in aggregate, such number of Ordinary Shares as would have a market value of Can$4.75 million (being 9,734,456 Exchangeable Shares at the Current Exchange Rate and at the Placing Price, which would represent 38.32 per cent. of the then issued share capital of the Company (assuming full Additional Consideration is paid as described in Part VI of this document)). However, the exchange rate and the Company's share price at the date the Additional Consideration is payable may result in the actual percentage of CanCo's aggregate holding in the Company being in excess, or far in excess, of 38.32 per cent.

The Panel has deemed that a concert party exists consisting of CanCo, Starline, CanCo Holding, Ely Trust and the beneficiaries of the Ely Trust being Edward J. Carroll, Elizabeth Carroll, Shane G. Carroll, Jonathan G. Carroll, Jeffrey D. Mackenzie and J. Brian Hewlitt. Details of each of the members of the Concert Party, and their potential interests in the Company are set out in paragraph 9 of Part VIII of this document.

Following completion of the Acquisition, any decrease in the Current Exchange Rate or decrease of the share price of the Ordinary Shares will have a further dilutive effect to Shareholders as this would increase the number of Contingent Shares to which CanCo would be entitled as Additional Consideration. **If the share price of the Ordinary Shares were to increase by 10 per cent. of the Placing Price and if the Current Exchange Rate were to increase by 10 per cent. (against the Can$) then CanCo would have the potential to own up to 37.92 per cent. of the issued share capital of the Company.**

If the share price of the Ordinary Shares were to decrease by 10 per cent. of the Placing Price and if the Current Exchange Rate were to decrease by 10 per cent. (against the £) then CanCo would have the potential to own up to 38.80 per cent. of the issued share capital of the Company.

If the share price of the Ordinary Shares were to become 5.5 pence then the Concert Party would hold in excess of 75 per cent. of the Ordinary Shares.

The Panel has been consulted by Daniel Stewart on behalf of the Company and has agreed that it will not require CanCo to make a general offer for Ordinary Shares in the Company which might otherwise arise as a result of the exercise of its rights to exchange the Exchangeable Shares for Consideration Shares pursuant to the terms of the Acquisition Agreement, subject to Resolution 2 (as set out in the notice convening the Extraordinary General Meeting) being passed on a poll by the Shareholders. To be passed, Resolution 2 will require a simple majority of the votes cast by the Shareholders on a poll.

For so long as they hold in aggregate interests in shares carrying between 30 and 50 per cent. of the Company's voting rights, and for so long as they are considered to be acting in concert, the Concert Party members will be unable to acquire further interests in Ordinary Shares (except for the Ordinary Shares issued in relation to Additional Consideration) without triggering a Rule 9 mandatory bid.

14. Dividend policy

The Directors intend that distributable profits will be re-invested in the Company and accordingly do not anticipate paying a dividend in the immediate future.

15. Corporate governance

The Directors support high standards of corporate governance and confirm that, following Admission, they intend to comply with the provisions of the QCA Guidelines so far as is reasonably practicable taking into account the Company's size.

An audit committee, comprising Richard Hall and Peter Thomson, has been established to determine the application of the financial reporting and internal control principles, including reviewing the effectiveness of the Group's financial reporting, internal control and risk management procedures and the scope, quality and results of the external audit. The audit committee is chaired by Richard Hall.

A remuneration committee, comprising Richard Hall and Peter Thomson, has been established to review the performance of the Executive Directors and will set their remuneration, determine the payment of bonuses and share options. The remuneration committee is chaired by Peter Thomson.

The Company intends to continue to hold bi-monthly Board meetings at which financial and other reports are considered and, where appropriate, voted upon.

The Company has adopted a code of dealing for directors' and key employee's share dealings which is appropriate for a company traded on AIM and in accordance with Rule 12 of the AIM Rules.

16. Admission, settlement and CREST

Application will be made to the London Stock Exchange for the Existing Ordinary Shares, the Placing Shares and when issued, the Consideration Shares to be admitted to trading on AIM. Admission of the VCT Placing Shares to trading on AIM is expected to take place on 6 October 2006. Admission of the non VCT Placing Shares is expected to take place on 9 October 2006 Readmission of the Enlarged Group Ordinary Shares to trading on AIM is expected to take place on or before 17 October 2006.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles contain provisions concerning the transfer of Ordinary Shares which are consistent with the transfer of Ordinary Shares in dematerialised form under the CREST Regulations.

17. Additional information

Your attention is drawn to the Risk Factors set out in Part II and to the information contained in Parts III to VIII of this document.

18. United Kingdom taxation of dividends

The Company is not currently required to, nor will it, withhold at source any amount in respect of UK tax from any dividend paid by the Company, whether in respect of Ordinary Shares, Placing Shares or Consideration Shares.

19. Extraordinary General Meeting

The EGM notice convening the EGM to be held at the offices of Daniel Stewart, Becket House, 36 Old Jewry, London EC2R 8DD at 10.00 a.m. on 5 October 2006 is set out at the end of this document.

At the EGM the following Resolutions will be proposed:

(i) to approve the Acquisition;

(ii) on a poll, to approve the Waiver with regard to the Consideration Shares;

(iii) to increase the authorised share capital;

(iv) to authorise the Directors to issue Warrants and to allot equity securities in respect of the Consideration Shares, and the Placing Shares;

(v) to disapply pre-emption rights in respect of the Consideration Shares, Options and Warrants and further to authorise the Directors to allot equity securities for cash without the application of pre-emption rights of up to 30 per cent. of the then issued Ordinary Shares); and

(vi) to amend the restriction on borrowing powers, so that the aggregate amount that can be borrowed becomes the greater of four times the Adjusted Capital and Reserves (as defined in the Articles) and £30,000,000.

20. Recommendation

The Directors, who have been so advised by Daniel Stewart, consider the terms of the Acquisition and the Waiver of the obligations under Rule 9 of the Takeover Code to be fair and reasonable so far as Shareholders as a whole are concerned.

In giving its advice, Daniel Stewart has taken into account the Directors' commercial assessments.

Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the EGM as they have irrevocably undertaken to do so in respect of their own beneficial shareholdings amounting to 3,069,939 Ordinary Shares (representing 26.78 per cent. of the existing issued share capital of the Company as at the date of this document).

In addition, certain Shareholders have irrevocably undertaken to vote in favour of the Resolutions in respect of the 1,173,212 Ordinary Shares held by them (representing 10.23 per cent. of the existing issued share capital of the Company as at the date of the document) (further details can be found in paragraph 10.14 of Part VIII of this document).

Yours faithfully

Michael Bruce-Mitford
Non-executive Chairman

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a degree of risk. Accordingly, prospective investors should consider carefully the specific risk factors set out below in addition to the other information contained in this document before investing in Ordinary Shares. The Directors consider the following risks and other factors to be the most significant for potential investors in the Group or (following the Acquisition) the Enlarged Group. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Group or (following the Acquisition) the Enlarged Group's business. References in this section to "the Group" means the Group and for the Enlarged Group as the context applies.

Specific risks relating to Travelzest

1. Risk of potential future acquisitions

In the future, as part of its growth strategy, the Group may acquire other companies or businesses. Acquisitions by the Group may require the use of significant amounts of cash, dilutive issues of equity securities and the incurrence of debt, each of which could materially and adversely affect the Group's business, results of operations, financial condition or the market price of Ordinary Shares. In addition, acquisitions involve numerous risks, including difficulties in the assimilation and integration of the operations of any acquired business or company, particularly in circumstances where a newly-acquired member may be geographically distant from other members of the Group. While there are currently no commitments or agreements with respect to any acquisition, the Group does expect there to be future acquisitions and if such an acquisition does occur, there can be no assurance that the Group's business, results of operations or financial condition would not be materially and adversely affected thereby.

2. Retention of key management

The Company's future performance, and that of any companies which it invests in or acquires, will depend on its ability to retain the services of the Directors and to be able to attract, motivate and retain the services of suitable personnel. Although such individuals have entered into service or employment agreements with the Company, the loss of the services of any such individual may affect the business, operations, revenues and/or prospects of the Company. The operations of the Company are specialised and its ability to recruit high calibre individuals in this sector may be difficult.

3. Future dilution

As part of the consideration for the Acquisition, the Company may issue Additional Consideration. Up to Can$4,750,000 will be paid in Exchangeable Shares. The number of Exchangeable Shares issued is determined by reference to the market price of the Ordinary Shares and the prevailing exchange rate. It is therefore not possible to predict how many Exchangeable Shares will be issued as part of the Additional Consideration, and consequently in the event that the Travelzest share price falls significantly the Additional Consideration could be highly dilutive for Shareholders.

Industry specific risks

1. Competitive market place

Travelzest is operating in an increasingly competitive online UK and international travel market. There are a number of existing online travel suppliers in addition to recent entrants to the market. As well as travel agencies, many travel suppliers sell direct to consumers, by telephone and particularly online, and this activity is expanding and the changing distribution landscape is driving down commission income in the UK. There is a risk that commission income could also be driven down in Canada.

2. Terrorism

A significant proportion of the Group's business depends on flight based leisure travel. Should the public perception of the risk of airline travel increase due to acts of terrorism or as a result of the perceived increase in the threat of terrorism, this could result in a material decline in flight based holidays and consequently a material adverse effect on the Group. The perceived increased level in terrorist activity may have an adverse affect on leisure consumers' travel activities.

3. Unforeseen events

The travel industry is susceptible to unforeseen events including political instability, regional hostilities, recession, unusual weather (such as hurricanes) and other adverse occurrences. Any event that results in decreased travel generally or to any of Travelzest's major destinations, is likely to have a corresponding adverse affect on Travelzest's business. The Company intends to mitigate this by building up a portfolio of holiday destinations.

4. Foreign exchange rates

Even though the Company to some extent mitigates currency risk by taking out forward currency contracts, adverse currency movements may impair the profitability of the Company. The Enlarged Group will have some exposure to the Can$.

5. Short booking visibility

In recent years the consumer has increasingly made holiday bookings later, making it more difficult for travel companies to forecast their future revenues accurately. This issue may lead to companies suffering the cost of prebooked unsold flights and accommodation. The Directors intend to mitigate this by seeking to acquire businesses which are not reliant upon pre-booked accommodation.

6. Suitably priced accommodation

In order to attract the end consumer, the Group relies on being able to source competitively priced, quality accommodation. Should the market rates of accommodation prices increase, it may affect the ability of the Group to sell holidays.

7. Competition

There can be no guarantee that competitors will not emerge who might bring superior products or services to the market or have the funds available to be able to offer similar products or services at a lower price or with lower margins.

8. Consumer spending

The increasing consumer debt burden may reduce consumer spending, particularly in the event of a rise in interest rates, on substantial items such as holidays. If the level of consumer credit available to individuals is reduced this may affect the Group's sales.

9. Availability of air tickets

If the availability of air tickets diminishes or prices increase, it could have an adverse affect on the trading of the Company. This is partly mitigated by road and train alternatives.

10. Health and Safety Inspections

No health and safety risk assessments have been undertaken at either the UK Group premises or at any property rented out by the Group, and the lack of such assessments may result in offences which have been or are being committed by the Company. The Directors are not aware, based on their past knowledge and experience that any customer has or will pursue an action or proceedings arising from a breach of any health and safety legislation.

11. Changes in consumer purchasing

Customers are able to create their own holidays online which may therefore have an adverse affect on tour operators and travel agents.

General risks

1. The price at which investors realise their Ordinary Shares will be influenced by a large number of factors; some specific to the Company and its proposed operations, and some generally. These factors could include the performance of the Company's operations, large purchases or sales of shares in the Company, absence of liquidity in the Ordinary Shares, legislative or regulatory changes affecting the business of the Company and general economic conditions. This investment may be volatile and investors could lose some or all of their investment.

2. Although the Company has a defined strategy, there can be no guarantee that its objectives or any of them will be achieved on a timely basis or at all.

3. Unexpected problems associated with the integration of a new project, asset or company may be encountered. Such problems could adversely affect the Company's ability to generate profits.

4. Although it is the Company's intention to issue Ordinary Shares to satisfy all or part of the consideration payable for certain acquisitions, sellers of target companies or assets may not be prepared to accept shares traded on AIM.

5. Potential investors should be aware that the value of the Ordinary Shares can go down as well as up and that an investment in a share which is to be traded on AIM is likely to be less realisable and to carry a higher degree of risk than an investment in a share listed on the Official List.

6. The Company may face competition from other entities with comparatively greater resources to invest in similar target companies and assets. There can be no assurance that competition will not limit the Company's ability to implement its strategy.

7. Following Admission, certain Directors (and companies connected and/or associated with them), members of their families will own, in aggregate, approximately 19.59 per cent. of the Enlarged Issued Share Capital. As a result, these Shareholders will be able to exercise significant control over all matters requiring Shareholders' approval, which could delay or prevent an outside party from acquiring or merging with the Company. The ability of these Shareholders to prevent or delay such transactions could cause the price of the Ordinary Shares to decline.

8. CanCo, on and subject to exercise of its rights in full relating to the Exchangeable Shares will own approximately 38.32 per cent. of the issued share capital of the Company at the time of exercise (assuming the Current Exchange Rate and the Placing Price and that all Contingent Shares are issued). Depending on the exhange rate and the Company's share price at the date the Additional Consideration is payable CanCo's aggregate shareholding may be in excess or far in excess of 38.32 per cent. As a result, CanCo will be able to exercise significant control over all matters requiring Shareholders' approval, which could delay or prevent an outside party from acquiring or merging with the Company. The ability of CanCo to prevent or delay such transactions could cause the price of the Ordinary Shares to decline.

Investors should consider carefully whether an investment in the Company is suitable for them in light of the risk factors outlined above, their personal circumstances and the financial resources available to them. Accordingly, investors in any doubt about whether an investment in the Company is suitable are advised to consult an investment adviser who is authorised under FSMA, and who specialises in investments of this kind.

PART III(a)

Section A : Accountants' Report on Financial Information of Travelzest Plc

Horwath Clark Whitehill LLP
Chartered Accountants
10 Palace Avenue, Maidstone
Kent ME15 6NF

The Directors
Travelzest Plc
Redwood House
7 St Martin's Place
London
WC2N 4HA

and

The Directors
Daniel Stewart & Company plc
Beckett House
36 Old Jewry
London
EC2R 8DD

12 September 2006

Dear Sirs

Travelzest plc and its subsidiaries ("Travelzest" or the "Group")

INTRODUCTION

We report on the financial information set out in Section B in Part III(a) of this Admission Document. This financial information has been prepared for inclusion in the Admission Document dated 12 September 2006 of Travelzest plc (the "Company") issued in connection with the proposed acquisition of itravel2000.com, placing of 4,206,349 Ordinary Shares and re-admission of the Company's enlarged share capital to AIM.

Responsibility

The directors of Travelzest plc are responsible for preparing the financial information on the basis of preparation set out in Section B in Part III(a) and in accordance with applicable United Kingdom accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Section B in Part III(a) gives, for the purposes of the Admission Document dated 12 September 2006, a true and fair view of the state of affairs of Travelzest at the dates stated and of its profits, cash flows and recognised gains and losses for the years then ended in accordance with the basis of preparation set out in Section B in Part III(a) and in accordance with applicable United Kingdom accounting standards.

Declaration

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

Yours faithfully

Horwath Clark Whitehill LLP
Chartered Accountants

Section B: Financial Information of Travelzest Plc

The financial information set out in this Section B of Part III(a), which has been prepared in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited financial statements of Travelzest for the three years ended 31 October 2005 and the audited non statutory interim accounts for the six months ended 30 April 2006. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act. Grant Thornton UK LLP, Chartered Accountants and Registered Auditors, audited the financial statements of Travelzest for the year ended 31 October 2004 and 31 October 2005, a predecessor firm Grant Thornton, Chartered Accountants and Registered Auditors audited the financial statements for the year ended 31 October 2003. Grant Thornton UK LLP, Chartered Accountants and Registered Auditors audited the non statutory interim accounts for the six months ended 30 April 2006 and reported to the Directors of Travelzest. Each report was unqualified and did not contain a statement under 237(2) or (3) of the Act.

PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of Travelzest plc.

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The financial information consolidates the accounts of Travelzest and its subsidiary undertakings. Intra-group transactions are eliminated on consolidation and all figures relate to external transactions only. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting except for those qualifying as group reconstructions where merger accounting is used. The results of newly acquired companies are consolidated from the date that control passed.

Merger relief

The Company was entitled to the merger relief offered by section 131 of the Companies Act 1985 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of VFB Holidays and the Holiday Express Group Limited.

On acquisition, the investment in the Company's immediate subsidiary was recorded in the Company's balance sheet at the fair value of the assets acquired, with the difference between this and the nominal value of the shares issued being credited to a merger reserve.

Turnover and total transaction value

Turnover is the total amount receivable by the Group for services provided, excluding Value Added Tax. Turnover in respect of tour operations is recognised on the date of holiday departure. Turnover for the travel agency business is recognised based on the commission receivable and on receipt of the final balance from the customer. Total transaction value represents the price at which services have been sold where the Group acts either as principal or agent.

Brochure costs

The costs of brochure publication are charged to the profit and loss account in the season to which they relate.

Intangible fixed assets

Purchased goodwill, representing the excess of the fair value of the consideration (including deferred consideration) given over the fair value of the separable net assets acquired, arising on consolidation in respect of acquisitions capitalised. Goodwill is fully amortised by equal annual instalments over its estimated useful life, and is calculated separately for each acquisition. For each acquisition the Directors estimated a useful economic life of twenty years, being the period over which economic benefit is expected to accrue.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures and fittings	– 15 per cent. straight line
Computer equipment	– 25 per cent. straight line
Improvements to property	– 20 per cent. straight line

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The pension costs charged against operating profits are the contributions payable to defined contribution pension schemes in respect of the accounting period.

Government grants

Regional Selective Assistance grants which are project related are released to the profit and loss account over a period to match the grant received rateably with the constituent parts of the project expenditure towards which the grant is assisting. Revenue grants are credited to the profit and loss account to match the expenditure to which they relate.

Deferred tax

Deferred is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity. The Group uses financial instruments to manage the Group's exposure to fluctuations in foreign exchange rates. Gains and losses are taken to the profit and loss account.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Notes	*Year ended 31 October 2003 £'000*	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Total transaction value		10,874	11,493	12,215	9,099
Turnover		10,874	11,493	11,292	3,702
Cost of sales		(8,031)	(8,810)	(8,352)	(2,384)
Gross profit		2,843	2,683	2,940	1,318
Administrative expenses		(2,661)	(2,794)	(3,007)	(2,717)
Operating profit/(loss)	1	182	(111)	(67)	(1,399)
Net interest receivable	5	77	97	125	87
Profit/(loss) on ordinary activities before taxation		259	(14)	58	(1,312)
Taxation on profit/(loss) on ordinary activities	6	(73)	1	(32)	394
Profit/(loss) on ordinary activities after taxation		186	(13)	26	(918)
Minority Interest		69	–	–	–
Profit/(loss) for the financial period	16	255	(13)	26	(918)
Earnings per share	8				
Basic		6.65p	(0.45)p	0.81p	(11.03)p
Diluted		5.91p	(0.45)p	0.70p	(11.03)p

All amounts relate to continuing activities.

There are no recognised gains and losses other than those reported in the profit and loss account.

CONSOLIDATED BALANCE SHEETS

	Notes	*31 October 2003 £'000*	*31 October 2004 £'000*	*31 October 2005 £'000*	*30 April 2006 £'000*
Fixed assets					
Intangible fixed assets	9	–	–	3,916	4,498
Tangible assets	10	160	130	699	638
		160	130	4,615	5,136
Current assets					
Debtors	11	211	296	549	1,845
Cash		1,757	1,692	5,753	5,463
		1,968	1,988	6,302	7,308
Creditors: amounts falling due within one year	12	(745)	(750)	(2,980)	(6,145)
Net current assets		1,223	1,238	3,322	1,163
Total assets less current liabilities		1,383	1,368	7,937	6,299
Creditors: amounts falling due after one year	13	–	–	(1,214)	(10)
Provisions for liabilities and charges	14	(2)	–	(18)	(18)
Net assets		1,381	1,368	6,705	6,271
Capital and reserves					
Called up share capital	15	66	66	162	170
Share premium account		–	–	4,441	4,491
Merger reserve		25	25	799	1,225
Profit and loss account		1,290	1,277	1,303	385
Equity shareholders' funds	16	1,381	1,368	6,705	6,271
Minority interest		–	–	–	–
Shareholders' funds		1,381	1,368	6,705	6,271

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	*Year ended 31 October 2003 £'000*	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Reconciliation of operating profit/(loss) to net cash outflow from operating activities					
Operating profit/(loss)		182	(111)	(67)	(1,399)
Amortisation of intangible assets		–	–	16	116
Depreciation of tangible fixed assets		72	80	74	100
Profit on disposal of fixed assets		(1)	–	–	–
(Increase)/decrease in debtors		54	(85)	(51)	(759)
Increase/(decrease) in creditors		(137)	199	(104)	3,387
Net cash inflow from operating activities		170	83	(132)	1,445
Cash Flow Statement					
Net cash inflow from operating activities		170	83	(132)	1,445
Returns on investments and servicing of finance	17	77	97	125	87
Taxation	17	(171)	(88)	(3)	(28)
Capital expenditure	17	(84)	(50)	(31)	(29)
Acquisitions		–	–	(454)	(1,794)
Equity dividend paid		–	(107)	–	–
Cash outflow before use of liquid resources and financing		(8)	(65)	(495)	(319)
Financing	17	10	–	4,525	51
Increase/(decrease) in cash in the period		2	(65)	4,030	(268)
Reconciliation of net cash flow to movement in net funds					
Increase/(decrease) in cash in the period and change in net funds		2	(65)	4,030	(268)
Net funds at beginning of period		1,755	1,757	1,692	5,722
Net funds at end of period	18	1,757	1,692	5,722	5,454

NOTES TO THE FINANCIAL STATEMENTS

1 Total transaction value and turnover

Total transaction value represents the gross value of business carried out by the Group and is derived as follows:

	Year ended 31 October 2003 £'000	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Tour operations	10,874	11,493	11,141	2,999
Travel agency:				
Direct sales	–	–	12	128
Agency sales	–	–	1,062	5,972
	10,874	11,493	12,215	9,099

Turnover represents the gross value of business carried out by the Group during the period and is derived as follows:

	Year ended 31 October 2003 £'000	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Tour operations	10,874	11,493	11,141	2,999
Travel agency:				
Direct sales	–	–	12	128
Agency sales	–	–	139	575
	10,874	11,493	11,292	3,702

The turnover and loss before taxation are attributable to the principal activities of the Group, all of which originate in the United Kingdom.

2 Operating profit/loss

Operating profit/loss is stated after charging/(crediting):

	Year ended 31 October 2003 £'000	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Amortisation of goodwill	–	–	16	116
Depreciation				
– Owned assets	72	80	74	100
Profit on disposal of fixed assets	(1)	–	–	–
Exchange loss/(gain)	(81)	–	(8)	2
Auditors remuneration – as auditors	17	18	41	40
– other services	9	7	7	4
Operating leases				
– Vehicles	40	25	24	10
– Property	–	–	71	78

3 Directors' emoluments

	Year ended 31 October 2003 £'000	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Emoluments	42	45	233	157
Pension contributions to money purchase schemes	4	5	16	12
Directors' emoluments	46	50	249	169
The number of directors who are accruing benefits under Travelzest pension schemes were as follows:				
Money purchase schemes	1	1	2	1
Included in the above are emoluments, excluding pension contributions paid to:				
Highest paid director	27	23	195	108
The value of company contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to:				
Highest paid director	–	5	9	12

The following Directors held the following share options and warrants over the 2p ordinary shares of the Company:

Date of issue	*C A L Mottershead*		*C G McKinlay*		*Exercise*
	Options	*Warrants*	*Options*	*Warrants*	*Price*
01/04/2005	40,000	–	–	–	126.0p
27/04/2005	–	367,085	–	–	126.0p
19/10/2005	–	656,074	–	–	126.0p
19/10/2005	–	5,357	–	–	140.0p
19/10/2005	–	2,625	–	–	137.5p
As at 31 October 2005	40,000	1,031,141	–	–	
02/12/2005	–	9,091	–	–	137.5p
01/02/2006	81,632	–	–	–	122.5p
31/01/2006	–	54,692	–	–	122.5p
14/02/2006	–	5,000	–	–	125.5p
03/04/2006	–	–	156,862	–	127.5p
03/04/2006	–	19,608	–	–	127.5p
19/04/2006	–	9,653	–	–	129.5p
As at 30 April 2006	121,632	1,129,185	156,862	–	

4 Staff Costs (including directors)

The aggregate payroll costs were:

	Year ended 31 October 2003 £'000	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Wages and salaries	1,046	1,087	1,616	891
Social security costs	94	95	174	73
Pension costs	35	29	52	14
	1,175	1,211	1,842	978

The weekly average number of staff during the period was:

Sales	28	27	29	39
Administration	28	31	32	44
	56	58	61	83

5 Net interest receivable

	Year ended 31 October 2003 £'000	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Bank interest receivable	77	98	126	87
Interest payable on bank borrowing	–	(1)	(1)	–
	77	97	125	87

6 Taxation

	Year ended 31 October 2003 £'000	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Year ended 30 April 2006 £'000*
UK corporation tax based on the results for the period at 30%	90	3	35	(394)
Adjustment in respect of prior periods	(6)	(2)	–	–
Total current tax	84	1	35	(394)
Deferred tax credit	(11)	(2)	(3)	–
Tax on profit/(loss) on ordinary activities	73	(1)	32	(394)
The UK corporation tax is made up as follows:				
Profit/(loss) on ordinary activities before tax	259	(14)	58	(1,312)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	78	(4)	17	(394)
Expenses not deductible for tax	13	1	4	2
Depreciation in excess of Capital allowances	–	6	9	(3)
Short term timing differences	–	2	(2)	–
Small company tax relief	(1)	–	–	–
Goodwill and fair value adjustments	–	–	–	(34)
Other adjustments	–	(2)	7	35
Adjustment in respect of prior periods	(6)	(2)	–	–
Total current tax	84	1	35	(394)

7 Dividends

	Year ended 31 October 2003 £'000	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Year ended 30 April 2006 £'000*
Dividends paid	107	–	–	–

8 Earnings per share

Basic earnings per share is based upon an equity loss of £918,000 (2005: gain £26,967, 2004: loss £12,938, 2003: profit £185,842) and 8,320,184 (2005: 3,328,993, 2004: 2,857,000, 2003: 2,793,598) ordinary shares of 2p each, being the average number of shares in issue during the period.

The diluted earnings per share is based upon fully diluted share capital of N/a (2005: 3,843,019, 2004: N/a, 2003: 3,143,735) ordinary shares of 2p each. In the periods ended 30 April 2006 and 31 October 2004, Travelzest, incurred a loss. As conversion of the deferred shares would therefore be anti-dilutive no adjustment to the basic earnings per share was required.

9 Intangible fixed assets

	Goodwill
	£'000
Cost:	
At 1 November 2002, 31 October 2003 and 31 October 2004	–
Additions	3,932
At 31 October 2005	3,932
Adjustment to goodwill*	(1,224)
Additions	1,922
At 30 April 2006	4,630
Amortisation:	
At 1 November 2002, 31 October 2003 and 31 October 2004	–
Provision for the period	(16)
At 31 October 2005	(16)
Provision for the period	(116)
At 30 April 2006	(132)
Net book value:	
At 31 October 2003 and 31 October 2004	–
At 31 October 2005	3,916
30 April 2006	4,498

*In accordance with FRS7: 'Fair values in acquisition accounting' and adjustment has been made to the fair value of the deferred consideration and fees accrued in respect of the Holiday Express Group Limited acquisition of £1,224,353.

10 Tangible fixed assets

	Improvements to property £'000	*Fixtures & fittings £'000*	*Computer Equipment £'000*	*Total £'000*
Cost:				
At 1 November 2002	–	242	358	600
Additions	–	3	83	86
Disposals	–	(5)	(10)	(15)
At 31 October 2003	–	240	431	671
Additions	–	34	16	50
Disposals	–	–	–	–
At 31 October 2004	–	274	447	721
Additions	6	159	483	648
Disposals	–	(3)	(24)	(27)
At 31 October 2005	6	430	906	1,342
Additions	70	218	192	480
At 30 April 2006	76	648	1,098	1,822
Depreciation:				
At 1 November 2002	–	197	256	453
Provision for the period	–	13	59	72
Disposal	–	(5)	(9)	(14)
At 31 October 2003	–	205	306	511
Provision for the period	–	18	62	80
At 31 October 2004	–	223	368	591
Provision for the period	–	19	55	74
Disposals	–	(3)	(19)	(22)
At 31 October 2005	–	239	404	643
Provision for the period	73	238	230	193
At 30 April 2006	73	477	634	1,184
Net book value:				
At 31 October 2003	–	35	125	160
At 31 October 2004	–	51	79	130
At 31 October 2005	6	191	502	699
At 30 April 2006	4	171	464	638

In the period ended 30 April 2006 the Group acquired tangible fixed assets with a net book value of £11,000 as part of the purchase of subsidiary companies (2005: £612,431, 2004: £Nil, 2003: £Nil) the value of these amounts are aggregated in additions and provision for the period respectively. Further details are shown in the acquisitions note.

11 Debtors

	31 October 2003 £'000	31 October 2004 £'000	31 October 2005 £'000	30 April 2006 £'000
Trade debtors	–	–	27	22
Other debtors	63	47	189	153
Corporation tax	–	–	–	394
Prepayments and accrued income	148	249	333	1,276
	211	296	549	1,845

12 Creditors: amounts falling due within one year

	31 October 2003 £'000	31 October 2004 £'000	31 October 2005 £'000	30 April 2006 £'000
Bank overdraft	–	–	31	9
Trade creditors	132	124	635	4,541
Other creditors	–	–	11	25
Corporation tax	90	3	188	197
Social security & other taxes	69	71	237	76
Proposed dividend	107	–	–	–
Customer deposits	242	385	571	478
Pension accrual	–	8	–	–
Accruals & deferred income	105	159	240	819
Deferred consideration	–	–	1,067	–
	745	750	2,980	6,145

The bank overdraft is secured by a floating charge over assets of the Group.

13 Creditors: amounts falling due after more than one year

	31 October 2003 £'000	31 October 2004 £'000	31 October 2005 £'000	30 April 2006 £'000
Deferred consideration	–	–	1,195	–
Accruals and deferred income	–	–	19	10
	–	–	1,214	10

14 Provisions for liabilities and charges

	Accelerated Capital Allowances £'000	*Total Deferred Taxation £'000*
Provision:		
At 30 November 2002	13	13
Provision for the period	(11)	(11)
At 31 October 2003	2	2
Provision for the period	(2)	(2)
At 31 October 2004	–	–
Acquired with subsidiaries	21	21
Provision for the period	(3)	(3)
At 31 October 2005	18	18
Provision for the period	–	–
At 30 April 2006	18	18

Travelzest had capital losses of approximately £222,471 (2005: £222,471, 2004: £200,773, 2003: £200,773) to be carried forward against future capital gains.

15 Share capital

	31 October 2003 £'000	*31 October 2004 £'000*	*31 October 2005 £'000*	*30 April 2006 £'000*
Authorised:				
25,000,000 ordinary shares of £0.02 each	500	500	500	500
450,000 deferred shares of £0.02 each	9	9	–	–
	509	509	500	500
Allotted, called up and fully paid:				
Number of shares:				
ordinary shares of £0.02 each	2,857,000	2,857,000	8,122,233	8,518,134
deferred shares of £0.02 each				
Nominal value of shares:				
ordinary shares of £0.02 each	57	57	162	170
deferred shares of £0.02 each	9	9	–	–
	66	66	162	170

The Company made the following issues of ordinary shares during the Review Period:

Date of issue	*No. of shares issued*	*Subscription value per share*	*Total Nominal value*	*Total Consideration*
21/01/2003	285,700	25.8p	5,714	68,142
27/04/2005	39,682	126.0p	794	49,999
30/09/2005	4,087,477	126.0p	81,750	5,150,221
03/10/2005	624,217	126.0p	12,484	786,513
03/10/2005	42,857	140.0p	857	60,000
19/10/2005	21,000	137.5p	420	28,875
31/01/2006	355,901	121.7p	7,118	433,132
14/02/2006	40,000	125.5p	800	50,200

15 Share capital (continued)

The share issue on 21 January 2003 of 285,700 ordinary shares of £0.02 per share was to acquire the minority interest in VFB Holidays Limited. The difference between the fair value of the consideration, £68,142, and the nominal value of the shares has been taken to the merger reserve in accordance with section 131 of the Companies Act 1985.

The issue of 624,217 ordinary shares on 3 October 2005 was partial consideration for the acquisition of Holiday Express Group Limited, this qualifies for merger relief and has been taken to the merger reserve in accordance with section 131 of the Companies Act 1985.

The share issue on 31 January 2006 was as part of the deferred payment for the acquisition of the Holiday Express Group Limited. The premium on this issue amounting to £426,013 qualifies for merger relief and has therefore been charged to the merger reserve.

The total premium on the remaining share issues of £49,400 (2005: £5,205,274, 2004: £Nil, 2003: £Nil) has been credited net of expenses to the share premium account.

Deferred shares

On 31 January 2003 Travelzest issued 450,000 deferred shares of £0.02 at par.

The deferred shares carried the right to be redesignated as ordinary shares. During the year ended 31 October 2005, this right was exercised following a qualifying listing as defined in the articles of association. As a result 450,000 ordinary shares of £0.02 each were issued in the Company in exchange.

Warrants and options

During the Review Period, the following warrants to acquire ordinary shares of 2p each were issued:

Date of issue	*Number*	*Exercise Price*
27/04/2005	734,170	126.0p
19/10/2005	1,399,048	126.0p
19/10/2005	10,714	140.0p
19/10/2005	5,250	137.5p
02/12/2005	18,182	137.5p
31/01/2006	109,383	122.5p
14/02/2006	10,000	125.5p
03/04/2006	39,216	127.5p
19/04/2006	19,305	129.5p

The subscription rights to each warrant in issue must be exercised within 10 years of the date of grant.

During the Review Period the following options were granted over ordinary 2p shares:

Date of issue	*Number*	*Exercise Price*
01/04/2005	40,000	126.0p
02/12/2005	72,727	137.5p
01/02/2006	81,632	122.5p
03/04/2006	156,862	127.5p
19/04/2006	77,220	129.5p

16 Shareholders Funds

	Share Capital £'000	*Profit & Loss account £'000*	*Share Premium £'000*	*Merger Reserve £'000*	*Total Shareholders Funds £'000*
At 30 November 2002	51	1,142	–	(38)	1,155
Profit for the financial period	–	255	–	–	255
Shares issued during the period	15	–	–	63	78
Dividend	–	(107)	–	–	(107)
At 31 October 2003	66	1,290	–	25	1,381
Loss for the financial period	–	(13)	–	–	(13)
At 31 October 2004	66	1,277	–	25	1,368
Shares issued during the period	96	–	5,205	774	6,075
Costs of share issue	–	–	(764)	–	(764)
Profit for the financial period	–	26	–	–	26
At 31 October 2005	162	1,303	4,441	799	6,705
Shares issued during the period	8	–	50	426	484
Loss for the financial period	–	(918)	–	–	(918)
At 30 April 2006	170	385	4,491	1,225	6,271

17 Gross Cash Flows

	Year ended 31 October 2003 £'000	*Year ended 31 October 2004 £'000*	*Year ended 31 October 2005 £'000*	*Year ended 30 April 2006 £'000*
Returns on investments and servicing of finance				
Interest received	77	98	126	
Interest paid	–	(1)	(1)	
	77	97	125	87
Taxation				
Corporation tax paid	(171)	(88)	(3)	(28)
Capital expenditure				
Payments to acquire tangible fixed assets	(86)	(50)	(36)	(29)
Receipts from sales of tangible fixed assets	2	–	5	–
	(84)	(50)	(31)	(29)
Acquisitions				
Purchase of subsidiary undertakings	–	–	(1,815)	(2,704)
Net cash acquired with subsidiary	–	–	1,361	910
	–	–	454	(1,794)
Financing				
Issue of equity share capital	–	–	4,525	51
Issue of deferred shares	10	–	–	–
	10	–	4,525	51

18 Analysis of Changes in Net Funds

	1 November 2002 £'000	*Cash Flows £'000*	*31 October 2003 £'000*	*Cash Flows £'000*	*31 October 2004 £'000*	*Cash Flows £'000*	*31 October 2005 £'000*	*Cash Flows £'000*	*30 April 2006 £'000*
Cash at bank and in hand	1,755	2	1,757	(65)	1,692	4,061	5,753	(290)	5,463
Bank overdraft	–	–	–	–	–	(31)	(31)	22	(9)
Net funds	1,755	2	1,757	(65)	1,692	4,030	5,722	(268)	5,454

Details of significant non cash transactions associated with acquisitions are detailed in the acquisitions note.

19 Contingent Liabilities

The Group has provided bonds jointly in the names of VFB Holidays Limited and Vacances Franco-Britannique Limited, Holiday Express (UK) Limited and The Best of Morocco Limited (subsidiaries of the Company) in favour of the Civil Aviation Authority and the Association of Independent Tour Operators Trust Limited, amounting to £970,750 and £733,000 respectively. In the event of default, Travelzest could be held liable to the extent of its net trading liabilities at the time of default.

Lloyds TSB Bank plc holds an unlimited debenture over the assets of Travelzest in respect of overdraft, forward exchange and bonding facilities. In addition the bank holds an unlimited debenture over the assets of the Group in respect of banking facilities.

20 Capital Commitments

At 30 April 2006 there were £Nil of capital commitments outstanding (2005: £Nil, 2004: £Nil, 2003: £33,298).

21 Commitments under Operating Leases

Annual commitments under non-cancellable operating leases at each period end are as follows:

	31 October 2003			*31 October 2004*		
	Land and Buildings £'000	*Other £'000*	*Total £'000*	*Land and Buildings £'000*	*Other £'000*	*Total £'000*
Expiring within one year	–	3	3	–	2	2
Expiring in one to five years	–	23	23	–	26	26
Expiring after five years	70	–	70	70	–	70
	70	26	96	70	28	98

	31 October 2005			*31 October 2006*		
	Land and Buildings £'000	*Other £'000*	*Total £'000*	*Land and Buildings £'000*	*Other £'000*	*Total £'000*
Expiring within one year	–	5	5	53	10	63
Expiring in two to five years	–	7	7	55	8	63
Expiring after five years	87	–	87	–	–	–
	87	12	99	108	18	126

22 Related party transactions

The following rented holiday accommodation purchases were made from directors of Travelzest during the Review Period:

	31 October 2003	*31 October 2004*	*31 October 2005*	*30 April 2006*
	£	*£*	*£*	*£*
M J Bruce – Mitford	14,097	14,033	15,085	6,812

At each period end no amounts were outstanding in respect of these transactions.

During the period the Group entered into the following transactions with Odyssey Experience Limited (formerly TCA Holidays Limited) a company controlled by M J Bruce-Mitford, a director of the Company, and his wife.

	31 October 2003	*31 October 2004*	*31 October 2005*	*30 April 2006*
	£	*£*	*£*	*£*
Sales to Odyssey Experience Limited:				
Sale of transport services to Odyssey	188,454	206,762	337,933	184,734
Period end balance due to Travelzest	–	32,776	–	44,267

The following transactions occurred with Normandy Holdings Limited, a company under the control and ownership of M J Bruce-Mitford and his wife.

	31 October 2003	*31 October 2004*	*31 October 2005*	*30 April 2006*
	£	*£*	*£*	*£*
Purchases from Normandy Holdings Limited:				
Rental of office accommodation	70,000	70,000	70,000	42,500
Building insurance premium	1,421	1,651	–	–
Management services of M J Bruce Mitford	15,000	15,000	15,000	–
Provision of a charge over the assets of Normandy Holdings to secure Travelzest's bonding requirements	3,750	4,025	4,025	2,239
Amount owed to/(from) Normandy Holdings Limited at the period end	6,000	–	–	–

J F Beckett, a director of VFB Holidays Limited (a subsidiary of the Company) was until 13 October 2005 a director of the AITO Trust Limited through whom Travelzest obtains its non-licensable bonding. During the Review Period and whilst J F Beckett was a director of the AITO Trust Limited Travelzest paid the AITO Trust Limited £Nil (2005: £7,537, 2004: £7,318, 2003: £7,787).

All of the above transactions were on normal commercial terms and an arm's length basis.

23 Derivatives and other financial instruments

Travelzest finances its operations through retained profits. Travelzest uses financial instruments comprising cash and short term deposits, including cash received in advance from customers. The main purpose of these financial instruments is to finance the Group's operations. Travelzest has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risk arising from Travelzest's financial instruments and operations is considered to be foreign currency risk. The Board reviews and agrees policies for managing this risk.

Currency risk

Travelzest enters into foreign currency options and forward contracts. Their purpose is to manage the currency risks arising from the Group's operations. It is, and has been throughout the Review Period, Travelzest's policy that no trading in financial instruments shall be undertaken.

As a result of significant operations in Europe, Travelzest has transactional currency exposure. Such exposures arise from purchases made in foreign currencies. Approximately 73 per cent. (2005: 72 per cent., 2004: 72 per cent., 2003: 71 per cent.) of the Group's purchases are denominated in currencies other than Sterling. Travelzest's policy is to reduce currency exposures through the use of foreign currency options and forward contracts.

Group companies have monetary assets in currencies other than Sterling of £148,629 (2005: £58,931, 2004: £78,284, 2003: £34,068) denominated in Euros. Foreign exchange differences on retranslation of these assets are taken to the profit and loss account

During the year ended 31 October 2005, Travelzest made foreign currency gains of £1,629 (2005: £7,822, 2004: £104, 2003: £80,823)

Financial risk

Travelzest seeks to manage financial risk to ensure liquidity is available to meet the identifiable needs of Travelzest and to invest cash assets safely and profitably.

Liquidity risk

Short term flexibility is achieved through the use of money market bank deposit facilities.

Fair Values

The Group had entered into forward contracts for the sum of £6,047,833 (2005: £5,483,049, 2004: £6,620,666, 2003: £5,458,000) for the purchase of Euros. These contracts were revalued at the period end on the basis of the identical contracts being achievable. As a consequence Travelzest had an unrecognised loss of £19,299 (2005:gain £47,137, 2004:gain £115,343, 2003: £nil).

Therefore, there was no material difference between the fair value and the book value of the Group's forward currency options.

24 Acquisitions

Travelzest made the following acquisitions during the Review Period:

	Date	*Business segment*
Holiday Express Group Limited and its subsidiaries	3 October 2005	Holiday and travel services
The Best of Morocco	30 November 2005	Holiday and travel services

The acquisitions have been dealt with using the acquisition method of accounting.

The fair values in respect of the acquisitions are summarised below:

Holiday Express Group Limited

Net assets acquired:	*Book value £'000*	*Fair value adjustments £'000*	*Fair Value (provisional) £'000*
Tangible fixed assets	362	250	612
Debtors	202	–	202
Cash at bank and in hand	1,394	–	1,394
Creditors	(1,166)	–	(1,166)
Bank overdrafts	(33)	–	(33)
Deferred taxation	(21)	–	(21)
Deferred government grants	(19)	–	(19)
	718	250	969
Goodwill			3,932
			4,901
Satisfied by			
Cash			1,454
Shares			787
Deferred consideration			2,262
Acquisition costs			398
			4,901

An adjustment to increase tangible fixed assets by £250,000 has been made to reflect their fair value and the value of goodwill acquired accordingly.

The deferred consideration is payable in two stages and dependent upon the results of the Holiday Express Group for each of the years ended 30 September 2005 and 30 September 2006. It is payable by a mixture of 60 per cent. cash and 40 per cent. by the issue of ordinary shares in the Company, up to the maximum total consideration of £2,262,000.

24 Acquisitions (continued)

The profit after taxation of the Holiday Express Group for its financial period to the date of the acquisition (1 October 2004 – 3 October 2005) was £360,370 (year ended 30 September 2004 – £342,089). The summarised profit and loss account for the period from 1 October 2004 to 3 October 2005 is as follows:

Profit & Loss Account

	£'000
Total transaction value	20,943
Turnover	3,456
Cost of sales	(2,322)
Gross Profit	1,134
Other operating expenses (net)	(708)
Operating profit	426
Finance charges (net)	94
Profit on ordinary activities before taxation	520
Tax on profit on ordinary activities	(159)
Profit on ordinary activities after taxation	361

The Best of Morocco Limited

Net assets acquired:

	Fair Value (provisional) *£'000*
Tangible fixed assets	11
Debtors	143
Cash at bank and in hand	910
Stock	3
Creditors	(916)
	151
Goodwill	1,922
	2,073

Satisfied by	
Cash	1,858
Acquisition costs	215
	2,073

The book value of the net assets acquired was not materially different from their fair value.

24 Acquisitions (continued)

The loss after taxation of the Best of Morocco for its financial period to the date of the acquisition (1 August 2005 – 30 November 2005) was £42,227. The summarised profit and loss account for the period from 1 August 2005 to 30 November 2005 is as follows:

Profit & Loss Account

	£'000
Turnover	598
Cost of sales	(438)
Gross Profit	160
Administrative expenses	(193)
Operating loss	(33)
Interest receivable	20
Loss on ordinary activities before taxation	(13)
Tax on profit on ordinary activities	(9)
Loss on ordinary activities after taxation	(22)

There were no other gains or losses in the period other than those included within the above results.

25 Post balance sheet events

After the Review Period end the Company completed the acquisition of Peng Travel Limited a naturist tour operator. The total consideration of £1,852,022 was satisfied by £1,439,798 cash and 317,951 ordinary 2p shares for a total consideration of £412,224.

In addition the Company completed the acquisition of The Montpelier Collection Limited, owner of Fair's Fare which seeks out the best financial options on all major airlines, but primarily for long haul travellers in first and business class cabins. The Company was acquired for a consideration of £3,950,000 satisfied by £1,250,000 cash, £2,000,000 loan notes and 542,636 ordinary 2p shares for a total consideration of £700,000. In addition there is potential deferred consideration of £3,500,000 if the business achieves certain profit targets in 2007; any deferred consideration will be settled by the issue of shares in the Company.

After the Review Period the Company placed 2,085,714 new shares with investors at 126p per share. The number of shares in issue following the placing and the above acquisitions was 11,464,435.

On 5 May 2006 the Company issued 79,488 warrants to acquire ordinary shares in the Company at an exercise price of 129.65p per share. On 10 June 2006 the Company issued a further 657,088 warrants to acquire ordinary shares in the Company at an exercise price of 127.5p. These warrants were issued equally to C A L Mottershead and a third party.

On 7 July 2006 the Company granted 31,496 options to acquire ordinary shares in the Company at an exercise price of 127p per share.

A further 2,033,465 warrants over the 2p ordinary shares of the Company will be issued on Admission at an exercise price of 126p which can be exercised up to ten years from the date of admission.

PART III(b)

Section A: Accountants' Report on Financial Information of Holiday Express Group Limited

Horwath Clark Whitehill

Horwath Clark Whitehill LLP
Chartered Accountants
10 Palace Avenue, Maidstone
Kent ME15 6NF

The Directors
Travelzest Plc
Redwood House
7 St Martin's Place
London
WC2N 4HA

and

The Directors
Daniel Stewart & Company plc
Beckett House
36 Old Jewry
London
EC2R 8DD

12 September 2006

Dear Sirs

Holiday Express Group Limited ("Holiday Express")

We report on the financial information set out in Section B in Part III(b) to the Admission Document. This financial information has been prepared for inclusion in the Admission Document dated 12 September 2006 of Travelzest plc issued in connection with the proposed acquisition of itravel2000.com, placing of 4,206,349 Ordinary Shares and readmission of Travelzest's enlarged share capital to AIM.

Responsibility

The directors of Holiday Express Group Limited are responsible for preparing the financial information on the basis of preparation set out in Section B in Part III(b) and in accordance with the applicable United Kingdom accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Section B in Part III(b) gives, for the purposes of the Admission Document dated 12 September 2006, a true and fair view of the state of affairs of Holiday Express Group Limited at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in Section B in Part III(b) and in accordance with the applicable United Kingdom accounting standards.

Declaration

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

Yours faithfully

Horwath Clark Whitehill LLP
Chartered Accountants

Section B: Financial Information on Holiday Express

The financial information on Holiday Express has been extracted from the published audited accounts of Holiday Express. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act. Broomfield & Alexander, Chartered Accountants and Registered Auditors, have reported under section 235 of the Act on the statutory accounts of Holiday Express for the period from incorporation to 30 September 2002, a successor practice Broomfield & Alexander Limited reported under section 235 of the Act on the statutory accounts of Holiday Express for the years ended 30 September 2003 and 30 September 2004. Each report was unqualified and did not contain a statement under 237(2) or (3) of the Act. Grant Thornton LLP conducted a non-statutory audit of the interim financial information of Holiday Express Group Limited for the period ended 30 April 2006. Their report to the directors was unqualified and did not contain a statement under 237(2) or (3) of the Act.

PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of Holiday Express.

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The financial information consolidates the accounts of Holiday Express and its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method the results of all the subsidiary undertakings are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

Turnover

Turnover is the total amount receivable by the Company for services provided, excluding Value Added Tax. Turnover in respect of tour operations is recognised on the date of holiday booking, but before any discounts are given, which are included in the profit and loss account as a cost of sale. Turnover for the travel agency business is recognised based on the commission receivable. Total transaction value represents the price at which services have been sold where the Group acts either as principal or agent.

Revenue income is recognised in the profit and loss account at the date the holiday is booked and not the date that the holiday is taken. The related cost of holidays booked is charged to the profit and loss account on the same basis. Holidays booked that are subsequently cancelled are charged to the accounting period in which cancellation takes place.

Goodwill

Purchased goodwill, representing the excess or discount of the fair value of the consideration given over the fair value of the separable net assets acquired, arising on consolidation in respect of acquisitions is capitalised. Goodwill is fully amortised by equal annual instalments over its estimated useful life. The estimated useful life is calculated separately for each acquisition, and for all of the acquisitions since incorporation of the Company has been estimated at five years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Improvements to property	– 20 per cent. on cost
Fixtures and fittings	– 15 per cent. on reducing balance and 15 per cent.–20 per cent. on cost
Motor vehicles	– 25 per cent. on cost
Computer equipment	– 25 per cent. on cost

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, except for gains on disposal of fixed assets which will be rolled over into replacement assets. Timing differences are differences between the Company's taxable profits and its results as stated in the financial information that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial information.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based upon tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Pensions

Holiday Express operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Operating leases

Rentals in respect of operating leases are charged to the profit and loss account as incurred.

Investments

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

Government grants

Regional Selective Assistance grants which are project related to the profit and loss account over a period in order to match the grant received rateably with the constituent parts of the project expenditure towards which the grant is assisting. Revenue grants are included in deferred income which is then credited to the profit and loss account to match the expenditure to which they relate.

The company uses financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. Gains and losses are taken to the profit and loss account when incurred.

Financial instruments

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity. The Group uses financial instruments to manage the Group's exposure to fluctuations in foreign exchange rates. Gains and losses are taken to the profit and loss account.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Notes	*Year ended 30 September 2003 £'000*	*Year ended 30 September 2004 £'000*	*Period ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Total transaction value		20,481	22,419	22,018	6,228
Turnover		3,229	3,563	3,510	843
Cost of sales		1,939	2,283	(2,425)	(346)
Gross profit		1,290	1,280	1,085	497
Administrative expenses		(895)	(873)	(832)	(797)
		395	407	253	(299)
Other operating income		36	20	46	–
Operating (loss)/profit	1	431	427	299	(299)
Interest receivable and similar items		45	86	107	20
Interest payable and similar items		(12)	–	(9)	–
(Loss)/Profit on ordinary activities before taxation		464	513	397	(279)
Taxation on (loss)/profit on ordinary activities	4	(157)	(171)	(174)	84
(Loss)/Profit for the financial period	14	307	342	223	(195)

All amounts relate to continuing activities.

There are no recognised gains and losses other than those reported in the profit and loss account.

CONSOLIDATED BALANCE SHEETS

	Notes	*30 September 2003 £'000*	*30 September 2004 £'000*	*31 October 2005 £'000*	*30 April 2006 £'000*
Fixed assets					
Intangible assets	6	136	90	39	16
Tangible assets	7	499	452	357	318
Investments	8	10	–	–	–
		645	542	396	334
Current assets					
Debtors	9	400	914	182	138
Cash		2,068	2,710	1,427	1,328
		2,468	3,624	1,609	1,466
Creditors: amounts falling due within one year	10	(2,117)	(2,898)	(1,247)	(1,246)
Net current assets		351	726	362	220
Total assets less current liabilities		996	1,268	758	554
Provisions for liabilities and charges	12	(10)	(21)	(37)	(18)
Creditors: amounts falling due after more than one year	11	(70)	(24)	–	(10)
Net assets		916	1,223	721	526
Capital and reserves					
Called up share capital	13	784	784	174	174
Capital redemption reserve		–	–	611	611
Profit and loss account		132	439	(64)	(259)
Shareholders' funds – Including non equity	14	916	1,223	721	526

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	*Year ended 30 September 2003 £'000*	*Year ended 30 September 2004 £'000*	*Period ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Reconciliation of operating (loss)/profit to net cash inflow/(outflow) from operating activities					
Operating (loss)/profit		431	426	299	(299)
Depreciation of tangible fixed assets		127	178	108	41
Provision against investment		–	10	–	–
Profit on disposal of fixed assets		–	–	(6)	–
Goodwill amortisation		–	–	50	24
Government grant amortisation		(36)	(20)	(20)	(20)
(Increase)/decrease in debtors		(96)	(461)	681	41
Increase/(decrease) in creditors		4	822	(1,626)	123
Net cash inflow/(outflow) from operating activities		430	955	(515)	(90)
Cash Flow Statement					
Net cash inflow/(outflow) from operating activities		430	955	(515)	(90)
Returns on investments and servicing of finance	15	(2)	51	98	20
Taxation	15	–	(148)	(171)	–
Capital expenditure	15	(32)	(85)	(6)	(1)
Acquisitions and disposals	15	(160)	–	–	–
Dividends paid		–	–	(35)	–
Cash inflow/(outflow) before financing		236	773	(530)	(71)
Financing	15	(113)	(74)	(638)	2
Increase/(decrease) in cash in the period		123	699	(1,267)	(69)
Reconciliation of net cash flow to movement in net funds					
Increase/(decrease) in cash in the period		123	699	(1,267)	(69)
Change in net funds		123	699	(1,267)	(69)
Net funds at beginning of period		1,840	1,963	2,662	1,397
Net funds at end of period	16	1,963	2,662	1,397	1,328

NOTES TO THE FINANCIAL STATEMENTS

1 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

	Year ended 30 September 2003 £'000	*Year ended 30 September 2004 £'000*	*Period ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Depreciation				
– Owned assets	79	132	108	41
Amortisation of goodwill	47	46	50	23
Amortisation of government grants	(36)	(20)	(20)	(20)
Profit on disposal of fixed assets – owned	–	–	(6)	–
Auditors – audit fees and expenses	12	12	12	12
Operating lease costs				
– Land and buildings	36	18	17	73
– Plant and equipment	2	3	2	3

2 Directors' emoluments

	Year ended 30 September 2003 £'000	*Year ended 30 September 2004 £'000*	*Period ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Directors' emoluments	171	154	–	–
Information regarding the highest paid director is as follows:				
Emoluments	83	96	–	–
Pension contributions to money purchase schemes	–	–	–	–
Directors' emoluments	83	96	–	–

3 Staff Costs (including directors)

The aggregate payroll costs were:

	Year ended 30 September 2003 £'000	*Year ended 30 September 2004 £'000*	*Period ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Wages and salaries	1,031	963	1,180	370
Social security costs	95	95	115	11
Pension costs	2	3	–	11
	1,128	1,060	1,295	392
The weekly average number of staff during the period was:				
Sales	42	44	40	14
Administration	7	7	6	14
	49	51	46	28

4 Taxation

	Year ended 30 September 2003 £'000	*Year ended 30 September 2004 £'000*	*Period ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
UK corporation tax on losses for the period at 30%	157	169	168	(84)
Adjustment in respect of prior periods	–	(9)	6	–
Total current tax	157	160	174	(84)
Deferred tax (credit)/charge at 19%	–	11	–	–
Tax on loss/profit on ordinary activities	157	171	174	(84)
The UK corporation tax is made up as follows:				
(Loss)/profit on ordinary activities before tax	464	513	494	(279)
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	139	154	148	(84)
Expenses not deductible for tax	18	26	6	–
Capital allowances for period in excess of depreciation	–	(11)	22	–
Trading losses	–	(9)	–	–
Other short term timing differences	–	–	3	–
Marginal relief	–	–	(11)	–
Total current tax	157	160	168	(84)

5 Dividends

	Year ended 30 September 2003 £'000	*Year ended 30 September 2004 £'000*	*Period ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Non Equity shares – preference shares	35	35	35	–

6 Intangible fixed assets

	Goodwill
	£'000
Cost:	
At 1 October 2002, 30 September 2003, 30 September 2004, 31 October 2005 and 30 April 2006	233
Depreciation:	
At 1 October 2002	50
Provision for the period	47
At 30 September 2003	97
Provision for the period	46
At 30 September 2004	143
Provision for the period	50
At 31 October 2005	193
Provision for the period	24
At 30 April 2006	217
Net book value:	
At 30 September 2003	136
At 30 September 2004	90
At 31 October 2005	39
At 30 April 2006	16

7 Tangible fixed assets

	Improvement to property £'000	*Fixtures & fittings £'000*	*Motor Vehicles £'000*	*Computer Equipment £'000*	*Total £'000*
Cost:					
At 1 October 2002	27	284	28	136	475
Additions	–	12	–	181	193
Disposals	(1)	–	–	–	(1)
At 30 September 2003	26	296	28	317	667
Additions	–	21	–	72	93
Disposals	–	–	(14)	(1)	(15)
At 30 September 2004	26	317	14	388	745
Additions	–	6	–	21	27
Disposals	–	–	–	(21)	(21)
At 31 October 2005	26	323	14	388	751
Additions	–	1	–	1	2
At 30 April 2006	26	324	14	389	753
Depreciation:					
At 1 October 2002	4	43	7	35	89
Provision for period	6	39	7	27	79
At 30 September 2003	10	82	14	62	168
Provision for the period	5	43	4	80	132
Disposals	–	–	(7)	–	(7)
At 30 September 2004	15	125	11	142	293
Provision for the period	6	43	3	56	108
Disposals	–	–	–	(7)	(7)
At 31 October 2005	21	168	14	191	394
Provision for the period	3	18	–	20	41
Disposals	–	–	–	–	–
At 30 April 2006	24	186	14	212	435
Net book value:					
At 30 September 2003	16	214	14	255	499
At 30 September 2004	11	192	3	246	452
AT 31 October 2005	5	155	–	197	357
At 30 April 2006	2	138	–	178	318

8 Fixed Asset Investment

	Unlisted Investment *£'000*
Cost:	
At 1 October 2002,30 September 2003, 30 September 2004, 31 October 2005, 30 April 2006	10
Provision:	
At 1 October 2002 and 30 September 2003	–
Provision for the period	10
At 30 September 2004, 31 October 2005 and 30 April 2006	10
Net book value:	
At 30 September 2003	10
At 30 September 2004, 31 October 2005 and 30 April 2006	–

9 Debtors

	30 September 2003 *£'000*	*30 September 2004* *£'000*	*31 October 2005* *£'000*	*30 April 2006* *£'000*
Trade debtors	297	707	27	19
Other debtors	73	160	91	60
Prepayments	30	47	64	59
	400	914	182	138

10 Creditors: amounts falling due within one year

	30 September 2003 *£'000*	*30 September 2004* *£'000*	*31 October 2005* *£'000*	*30 April 2006* *£'000*
Bank loans and overdrafts	105	48	30	–
Trade creditors	1,429	2,283	798	976
Corporation tax	158	168	172	88
Social security & other taxes	165	157	126	50
Other creditors	22	16	11	23
Accruals & deferred income	239	226	110	109
	2,117	2,898	1,247	1,246

11 Creditors: amounts falling due after more than one year

	30 September 2003 £'000	*30 September 2004 £'000*	*31 October 2005 £'000*	*30 April 2006 £'000*
Other creditors	26	–	–	–
Accruals & deferred income	44	24	–	10
	70	24	–	10

An analysis of the maturity of loans and overdrafts is given below:

	30 September 2003 £'000	*30 September 2004 £'000*	*31 October 2005 £'000*	*30 April 2006 £'000*
Within one year	105	48	30	–

12 Provisions for liabilities and charges

	Accelerated Capital Allowances £'000	*Total Deferred Taxation £'000*
Provision:		
At 1 October 2002 and 30 September 2003	10	10
Provision for the period	11	11
At 30 September 2004	21	21
Release for the period	(2)	(2)
At 31 October 2005 and 30 April 2006	19	19

13 Share capital

	30 September 2003 £'000	*30 September 2004 £'000*	*31 October 2005 £'000*	*30 April 2006 £'000*
Authorised:				
400,000 ordinary shares of £1 each	400	400	400	400
600,000 preference shares of £1 each	600	600	600	600
	1,000	1,000	1,000	1,000
Allotted, called up and fully paid:				
200,000 ordinary shares of £1 each	200	200	174	174
584,000 preference shares of £1 each	584	584	–	–
	784	784	174	174

The preference shares are entitled to a fixed cumulative preferential dividend of 6 per cent. per annum. On winding up the repayment of capital paid up on these shares will be in priority to any payment of ordinary shares. The preference shares are not entitled to any further or other participation in the profits or assets of the company.

The preference shares can be redeemed at par at any time after 1 August 2002 with a month's notice in writing.

On 15 November 2004 Holiday Express purchased and cancelled 26,500 of its own ordinary shares at £3.94 per share.

On 30 September 2005, 584,000 £1 Preference shares were redeemed at par.

14 Shareholders' Funds

	Ordinary Shares £'000	*Profit & Loss Account £'000*	*Capital Redemption Reserve £'000*	*Non-Equity Preference Shares £'000*	*Total Shareholders' Funds £'000*
At 1 October 2002	200	(140)	–	584	644
Profit for the financial period	–	307	–	–	307
Dividend	–	(35)	–	–	(35)
At 30 September 2003	200	132	–	584	916
Profit for the financial period	–	342	–	–	342
Dividend	–	(35)	–	–	(35)
At 30 September 2004	200	439	–	584	1,223
Profit for the financial period	–	285	–	–	285
Redemption of own shares	(26)	(788)	611	(584)	(787)
At 31 October 2005	174	(64)	611	–	721
Loss for the financial period	–	(195)	–	–	(195)
At 30 April 2006	174	(259)	611	–	526

15 Gross Cash Flows

	Year ended 30 September 2003 £'000	*Year ended 30 September 2004 £'000*	*Period ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Returns on investments and servicing of finance				
Interest received	45	86	97	20
Interest paid	(12)	–	–	–
Dividends paid on non-equity shares	(35)	(35)	–	–
	(2)	51	97	20
Taxation				
Corporation tax paid	–	(148)	(171)	–
Capital expenditure				
Payments to acquire tangible fixed assets	(33)	(93)	(27)	(1)
Receipts from sales of tangible fixed assets	1	8	21	–
	(32)	(85)	6	(1)
Acquisitions and disposals				
Purchase of business	(160)	–	–	–
Financing				
Repurchase of ordinary shares	–	–	(104)	–
Redemption of preference shares	–	–	(584)	–
Directors loan	(80)	(74)	52	–
Repayment of loan	(65)	–	(2)	2
Grant received	32	–	–	–
	(113)	(74)	(638)	2

16 Analysis of Changes in Net Funds

	1 October 2002 £'000	*Cash Flows £'000*	*30 September 2003 £'000*	*Cash Flows £'000*	*30 September 2004 £'000*	*Cash Flows £'000*	*30 September 2005 £'000*	*Cash Flows £'000*	*30 April 2006 £'000*
Cash at bank and in hand	2,083	(15)	2,068	642	2,710	(1,283)	1,427	(100)	1,327
Bank overdraft	(243)	138	(105)	57	(48)	18	(30)	30	–
Net Funds	1,840	123	1,963	699	2,662	(1,265)	1,397	(70)	1,327

17 Capital Commitments

At 30 April 2006 there were no capital commitments. (2005: £Nil, 2004: £Nil, 2003: £Nil; 2002: £Nil).

18 Commitments under Operating Leases

Annual commitments under non-cancellable operating leases at each period end are as follows:

	30 September 2003			*30 September 2004*		
	Land and Buildings £'000	*Other £'000*	*Total £'000*	*Land and Buildings £'000*	*Other £'000*	*Total £'000*
Expiring within one year	–	–	–	–	–	–
Expiring in one to five years	27	16	43	27	2	29
Expiring after five years	–	–	–	–	–	–
	27	16	43	27	2	29

	31 October 2005			*30 April 2006*		
	Land and Buildings £'000	*Other £'000*	*Total £'000*	*Land and Buildings £'000*	*Other £'000*	*Total £'000*
Expiring within one year	–	–	–	18	1	19
Expiring in one to five years	–	2	2	55	2	57
Expiring after five years	18	–	18	–	–	–
	18	2	20	73	3	76

19 Related party transactions

The following retail sales were made to directors of Holiday Express during the Review Period:

	30 September 2003 £'000	*30 September 2004 £'000*	*31 October 2005 £'000*	*30 April 2006 £'000*
D L Powell	14	2	1	–
S L Powell	6	1	–	–
D R Singh	5	1	10	–
E J Whiting	–	3	–	–

The amounts owed by the directors at the period ends and the maximum amounts outstanding during the year were as follows:

	30 September 2003		*30 September 2004*		*31 October 2005*		*30 April 2006*	
	Maximum £'000	*Balance £'000*	*Maximum £'000*	*Balance £'000*	*Maximum £'000*	*Balance £'000*	*Maximum £'000*	*Balance £'000*
D L Powell	6	–	92	35	35	27	35	–
S L Powell	–	–	7	7	7	7	7	–
D R Singh	–	–	6	6	–	–	–	–
E J Whiting	–	–	4	4	–	–	–	–

No interest was charged to directors in respect of these balances.

S L Powell loaned Holiday Express £65,000 in the period ended 30 September 2002, which was repaid during the year ended 30 September 2003, interest amounting to £1,083 in the period ended 30 September 2002 and £5,414 in the year ended 30 September 2003.

During the period ended 30 September 2002, E J Whiting entered into an arrangement to sell a car to Holiday Express. This transaction was completed at an arm's length price of £14,000.

The following retail sales were made to shareholders or close family members of directors of Holiday Express during the Review Period:

	30 September 2003		*30 September 2004*		*31 October 2005*		*30 April 2006*	
	Sales £'000	*Balance £'000*	*Sales £'000*	*Balance £'000*	*Sales £'000*	*Balance £'000*	*Sales £'000*	*Balance £'000*
D Twitchin	3	3	4	67	4	6	–	–
C Powell	–	–	–	–	2	–	–	–
D Powell	–	–	–	–	5	–	–	–

D L Powell and S L Powell are shareholders and directors of Ski Express (Wales) Limited. During the period ended 30 April 2006, Holiday Express recharged wages and other costs totalling £Nil (2005: £23,304, 2004: £22,376, 2003: £15,885). Holiday Express also made cash advances to Ski Express (Wales) Limited of £Nil in 2006 (2005: £Nil, 2004: £31,480, 2003: £Nil) and at the period ended 2006 £Nil (2005: £73, 2004: £68,885, 2003: £37,910) was outstanding.

19 Related party transactions (continued)

The following transactions occurred with Comtec (Europe) Limited, a company with common directors and shareholders.

	30 September 2003 £'000	*30 September 2004 £'000*	*31 October 2005 £'000*	*30 April 2006 £'000*
Sales to Holiday Express (UK) Limited:				
Sale of capital items	17	8	–	–
Commissions	–	–	–	–
Recharge of other administrative expenses and management fees	357	328	331	17
Purchases from Holiday Express (UK) Limited:				
Sales commissions	16	–	–	–
Recharge of expenses and retail purchases	14	28	44	–
Recharge of staff costs	166	94	75	6
Amount owed to Comtec (Europe) Limited at the period end	–	115	3	1

20 Derivatives and other financial instruments

Holiday Express finances its operations through retained profits. Holiday Express uses financial instruments comprising cash and short term deposits, including cash received in advance from customers. The main purpose of these instruments is to finance Holiday Express's operations. Holiday Express has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

Financial, currency and liquidity risk

Holiday Express has no significant borrowings and, as a result, the directors do not consider that Holiday Express is exposed to significant interest rate or liquidity risks. Holiday Express operations are handled almost entirely in sterling and as a result, the directors do not consider that Holiday Express is exposed to significant foreign currency risk.

Holiday Express seeks to manage financial risk to ensure liquidity is available to meet the identifiable needs of Holiday Express and to invest cash assets safely and profitably.

Short term flexibility is achieved through the use of money market bank deposit facilities.

21 Acquisitions

During the review period Holiday Express made the following acquisitions:

Company	*Date of acquisition*
Internet holidays limited	28 February 2003
Internet flights limited	28 February 2003

The fair value tables in respect of these acquisitions can be summarised as follows:

	Year ended 30 September 2003 £'000	*Year ended 30 September 2004 £'000*	*Period ended 31 October 2005 £'000*	*Period ended 30 April 2006 £'000*
Net assets acquired:				
Intangible fixed assets	160	–	–	–
	160	–	–	–
Satisfied by:				
Cash	160	–	–	–
Goodwill	–	–	–	–

The book value of assets acquired during the year ended 30 September 2003 was £4, this did not reflect what the directors believed to be the fair value of the URL's owned by those companies and therefore these values were adjusted in accordance with FRS7: Fair Values in Acquisition Accounting.

22 Contingent Liabilities

On 30 April 2006 the company provided bonds in favour of Association of British Travel Agents of £303,600 in the event of default the company could be held liable to the extent of its net trading liabilities at the time of default.

At 30 April 2006 the company also provided a bond in favour of Thomson Holidays Limited in the form of £200,000 cash deposit.

PART III(c)

Section A: Accountants' Report on Financial Information of Best of Morocco Limited

Horwath Clark Whitehill

Horwath Clark Whitehill LLP
Chartered Accountants
10 Palace Avenue, Maidstone
Kent ME15 6NF

The Directors
Travelzest plc
Redwood House
7 St Martin's Place
London
WC2N 4HA

and

The Directors
Daniel Stewart & Company plc
Beckett House
36 Old Jewry
London
EC2R 8DD

12 September 2006

Dear Sirs

Best of Morocco (the "Company")

We report on the financial information set out in Section B in Part III(c) to the Admission Document. This financial information has been prepared for inclusion in the Admission Document dated 12 September 2006 of Travelzest plc issued in connection with the proposed acquisition of itravel2000.com, placing of 4,206,349 Ordinary Shares and readmission of Travelzest's enlarged share capital to AIM.

Responsibility

The directors of Best of Morocco Limited are responsible for preparing the financial information on the basis of preparation set out in Section B in Part III(c) and in accordance with the applicable United Kingdom accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Section B in Part III(c) gives, for the purposes of the Admission Document dated 12 September 2006, a true and fair view of the state of affairs of Best of Morocco Limited at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in Section B in Part III(c) and in accordance with the applicable United Kingdom accounting standards.

Declaration

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

Yours faithfully

Horwath Clark Whitehill LLP
Chartered Accountants

Section B: Financial Information of Best of Morocco Limited

The financial information on Best of Morocco Limited has been extracted from the published audited accounts of Best of Morocco Limited. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act. Monahan's, Chartered Accountants and Registered Auditors, have reported under section 235 of the Act on the statutory accounts of Best of Morocco for the three years ending 30 July 2005. Grant Thornton LLP conducted a non-statutory audit of the interim financial information of Best of Morocco Limited for the period ended 30 April 2006. Their report to the directors was unqualified and did not contain a statement under 237(2) or (3) of the Act.

PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of Best of Morocco Limited.

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents sales, exclusive of Value Added Tax, and is recognised at the date of departure.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful lives on the following bases:

Land and Buildings	– 10 per cent. straight line basis
Motor Vehicles	– 25 per cent. straight line basis
Fixtures, fittings and equipment	– 25 per cent. straight line basis

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, except for gains on disposal of fixed assets which will be rolled over into replacement assets. Timing differences are differences between the Company's taxable profits and its results as stated in the financial information that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial information.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based upon tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at that balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the translation. Exchange differences are taken into account in arriving at the operating profit.

Financial Instruments

The company uses financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. Gains and losses are taken to the profit and loss account when incurred.

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity. The Group uses financial instruments to manage the Group's exposure to fluctuations in foreign exchange rates. Gains and losses are taken to the profit and loss account.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the profit and loss account.

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for slow moving and obsolete items.

Brochure costs

The costs of brochure publication are charged to the profit and loss account in the season to which they relate.

PROFIT AND LOSS ACCOUNTS

	Notes	*Year ended 31 July 2003 £'000*	*Year ended 31 July 2004 £'000*	*Year ended 31 July 2005 £'000*	*9 Months ended 30 April 2006 £'000*
Turnover		2,660	2,451	2,441	2,000
Cost of sales		(1,893)	(1,661)	(1,703)	(1,403)
Gross Profit		767	790	738	597
Administrative expenses		(573)	(720)	(611)	(345)
Operating Profit	1	194	70	127	252
Interest receivable and similar items		31	36	65	31
Profit on ordinary activities before taxation		225	106	192	283
Taxation on loss on ordinary activities	4	50	48	29	–
Profit on ordinary activities after taxation		175	58	163	283

All amounts relate to continuing activities.

There are no recognised gains and losses other than those reported in the profit and loss account.

BALANCE SHEETS

	Notes	*31 July 2003 £'000*	*31 July 2004 £'000*	*31 July 2005 £'000*	*30 April 2006 £'000*
Fixed assets					
Tangible fixed assets	5	502	58	49	8
Current assets					
Stock		1	5	6	2
Debtors	6	114	195	38	14
Cash		704	1,119	1,381	1,079
		819	1,319	1,425	1,095
Creditors: amounts falling due within one year	7	(292)	(352)	(491)	(647)
Net current assets		527	967	934	448
Total assets less current liabilities		1,029	1,025	983	456
Creditors: amounts falling due after more than one year	7	17	–	–	–
Net assets		1,012	1,025	983	456
Capital and reserves					
Called up share capital	8	50	50	50	50
Profit and loss account		962	975	933	406
Shareholders' funds	9	1,012	1,025	983	456

CASH FLOW STATEMENTS

	Notes	*Year ended 31 July 2003 £'000*	*Year ended 31 July 2004 £'000*	*Year ended 31 July 2005 £'000*	*9 Months ended 30 April 2006 £'000*
Reconciliation of operating profit to net cash inflow/(outflow) from operating activities					
Operating profit		194	70	127	252
Loss on fixed asset disposals		–	143	–	6
Depreciation of tangible fixed assets		63	18	18	31
Decrease/(increase) in debtors		55	(82)	157	25
(Decrease)/increase in creditors		(340)	62	150	194
Decrease/(increase) in stock		2	(4)	–	4
Net cash inflow/(outflow) from operating activities		(1)	209	452	512
Cash Flow Statement					
Net cashflow from operating activities		(1)	209	452	512
Returns on investments and servicing of finance	10	31	36	65	31
Capital expenditure	10	(37)	283	(10)	4
Taxation		(58)	(50)	(40)	(38)
Equity dividends paid		(27)	(45)	(205)	(810)
Cash inflow/(outflow) before financing		(93)	432	262	(301)
Financing	10	17	(17)	–	–
(Decrease)/increase in cash in the period		(76)	415	262	(301)
Reconciliation of net cash flow to movement in net (debt)/funds					
(Decrease)/increase in cash in the period		(76)	415	262	(301)
(Increase)/decrease in net debt		(17)	17	–	–
Change in net (debt)/funds		(93)	432	262	(301)
Net funds at beginning of period		780	687	1,119	1,381
Net funds at end of period	11	687	1,119	1,381	1,079

NOTES TO THE FINANCIAL STATEMENTS

1 Operating Profit

Operating profit is stated after charging:

	Year ended 31 July 2003 £'000	*Year ended 31 July 2004 £'000*	*Year ended 31 July 2005 £'000*	*9 Months ended 30 April 2006 £'000*
Depreciation				
– Owned assets	63	19	19	31
(Profit)/Loss on disposal of fixed assets	(1)	143	–	6
Auditors remuneration – as auditors	9	8	11	7
Pension costs	28	3	7	43

2 Directors' emoluments

	Year ended 31 July 2003 £'000	*Year ended 31 July 2004 £'000*	*Year ended 31 July 2005 £'000*	*9 Months ended 30 April 2006 £'000*
Emoluments and other benefits	201	248	264	50
Information regarding the highest paid director is as follows:				
Emoluments	80	202	202	48
Pension contributions to money purchase schemes	–	–	–	–
Directors' emoluments	80	202	202	48

3 Staff Costs (including directors)

The aggregate payroll costs were:

	Year ended 31 July 2003 £'000	*Year ended 31 July 2004 £'000*	*Year ended 31 July 2005 £'000*	*9 Months ended 30 April 2006 £'000*
Wages and salaries	281	356	387	154
Social security costs	18	19	18	14
Pension costs	28	3	7	43
	327	378	412	211
Average staff numbers				
Sales and administration	10	10	10	6

4 Taxation

	Year ended 31 July 2003 £'000	*Year ended 31 July 2004 £'000*	*Year ended 31 July 2005 £'000*	*9 Months ended 30 April 2006 £'000*
Analysis of the tax charge				
Current tax :				
UK corporation tax	50	48	29	–
Total current tax	50	48	29	–
The UK corporation tax is made up as follows:				
Profit on ordinary activities before tax	225	106	192	283
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	43	20	36	55
Expenses not deductible for tax	1	1	1	–
Depreciation on non qualifying assets	7	1	1	–
Depreciation in excess of capital allowances	(1)	2	(1)	–
Group relief received for nil payment	–	–	–	(55)
Unrelieved loss on sale of Tigmi	–	24	–	–
Overprovision of tax in earlier years	–	–	(8)	–
Total current tax	50	48	29	–

5 Tangible fixed assets

	Land and Buildings £'000	*Motor Vehicles £'000*	*Fixtures, Fittings and equipment £'000*	*Total £'000*
Cost:				
At 1 June 2002	461	25	145	631
Additions	–	8	30	38
Disposals	–		(6)	(6)
At 31 July 2003	461	33	169	663
Additions	4	2	2	8
Disposals	(465)		(53)	(518)
At 31 July 2004	–	35	118	153
Additions	–		10	10
At 31 July 2005	–	35	128	163
Additions	–	2	1	3
Disposals	–	(28)	(34)	(62)
At 30 April 2006	–	9	95	104
Depreciation:				
At 1 June 2002	12	14	77	50
Provision for the period	34	11	19	64
Eliminated on disposal	–	–	(6)	(6)
At 31 July 2003/1 August 2003	46	25	90	161
Provision for the period	–	3	15	18
Eliminated on disposal	(46)	–	(38)	(84)
At 31 July 2004/1 August 2004	–	28	67	95
Provision for the period		3	15	18
Eliminated on disposal	–	–	–	–
At 31 July 2005/1 August 2005	–	31	82	113
Provision for the period	–	1	30	31
Eliminated on disposal	–	(25)	(24)	(49)
AT 30 April 2006	–	7	89	96
Net book value:				
At 31 July 2003	415	8	79	502
At 31 July 2004	–	7	51	58
At 31 July 2005	–	4	45	49
At 31 April 2006	–	2	6	8

6 Debtors

	31 July 2003 £'000	*31 July 2004 £'000*	*31 July 2005 £'000*	*30 April 2006 £'000*
Due within one year				
Trade Debtors	–	–	–	4
Other loans	99	–	–	–
VAT	2	2	–	–
Prepayments and accrued income	13	42	35	6
Directors current accounts	–	–	–	1
Other Debtors	–	151	3	3
	114	195	38	14

7 Creditors: amounts falling due within one year

	31 July 2003 £'000	*31 July 2004 £'000*	*31 July 2005 £'000*	*30 April 2006 £'000*
Trade creditors	39	24	24	9
Social security & other taxes	5	5	5	7
Taxation	50	48	37	–
Other creditors	5	27	32	
Accruals & deferred income	192	248	393	631
	291	352	491	647

Creditors: amounts falling due after one year

	31 July 2003 £'000	*31 July 2004 £'000*	*31 July 2005 £'000*	*30 April 2006 £'000*
Subordinated loan	17	–	–	–

The subordinated loan had no fixed repayment term but was repaid in full during the year ended 31 July 2004.

8 Share capital

	31 July 2003 £'000	*31 July 2004 £'000*	*31 July 2005 £'000*	*30 April 2006 £'000*
Authorised, allotted, called up and fully paid:				
50,000 ordinary shares of £1 each	50	50	50	50

9 Shareholders Funds

	Share Capital £'000	*Profit & Loss account £'000*	*Total Equity Shareholders Funds £'000*
At 1 August 2002	50	814	864
Profit for the financial period	–	175	175
Dividends	–	(27)	(27)
At 31 July 2003	50	962	1,012
Profit for the financial period	–	58	58
Dividends	–	(45)	(45)
At 31 July 2004	50	975	1,025
Profit for the financial period	–	163	163
Dividends	–	(205)	(205)
At 31 July 2005	50	933	983
Profit for the financial period	–	283	283
Dividends	–	(810)	(810)
31 December 2005	50	406	456

10 Gross Cash Flows

	Year ended 31 July 2003 £'000	*Year ended 31 July 2004 £'000*	*Year ended 31 July 2005 £'000*	*9 Months ended 30 April 2006 £'000*
Returns on investments and servicing of finance				
Interest received	31	36	65	31
Capital expenditure				
Payments to acquire tangible fixed assets	(38)	–	(10)	(3)
Receipts from sale of tangible fixed assets	1	283	–	7
	(37)	283	(10)	4

11 Analysis of Changes in Net Funds

	1 August 2003 £'000	*Cash Flows £'000*	*31 July 2003 £'000*	*Cash Flows £'000*	*31 July 2004 £'000*	*Cash Flows £'000*	*31 July 2005 £'000*	*Cash Flows £'000*	*30 April 2006 £'000*
Cash at bank and in hand	780	(77)	703	415	1,119	262	1,381	(302)	1,079
	780	(77)	703	415	1,119	262	1,381	(302)	1,079
Subordinated loan	–	(17)	(17)	17	–	–	–	–	–
Net funds	780	(94)	686	433	1,119	262	1,381	(302)	1,079

12 Contingent Liabilities

There were no contingent liabilities as at 30 April 2006 (2005: £Nil, 2004: £Nil, 2003: £Nil).

13 Capital Commitments

At 30 April 2006 there were £Nil of capital commitments outstanding (2005: £Nil, 2004: £Nil, 2003: £Nil).

14 Commitments under Operating Leases

Annual commitments under non-cancellable operating leases at each period end are as follows:

	31 July 2003			*31 July 2004*		
	Land and Buildings £'000	*Other £'000*	*Total £'000*	*Land and Buildings £'000*	*Other £'000*	*Total £'000*
Expiring within one year	–	–	–	–	–	–
Expiring in one to five years	–	–	–	–	–	–
Expiring after five years	–	–	–	–	–	–
	–	–	–	–	–	–

	31 July 2005			*30 April 2006*		
	Land and Buildings £'000	*Other £'000*	*Total £'000*	*Land and Buildings £'000*	*Other £'000*	*Total £'000*
Expiring within one year	–	–	–	15	–	15
Expiring in two to five years	–	–	–	–	–	–
Expiring after five years	–	–	–	–	–	–
	–	–	–	15	–	15

15 Related party transactions

	31 July 2003 £	31 July 2004 £	31 July 2005 £	30 April 2006 £
Balance owed to Mr and Mrs C Lawrence	–	(5)	(16)	–
Balance owed from Mr C Lawrence	–	151	–	–
Rent paid to Mr and Mrs C Lawrence	47	47	47	47

On 31 July 2004 contracts were exchanged to sell the freehold property to Mr C Lawrence. The valuation was agreed by a professional third party. The completion balance was included in debtors, and was paid in September 2004.

During the period the Company entered into the following transactions with Max Lawrence Productions, a company in which Max Lawrence is a director.

	31 July 2003 £	31 July 2004 £	31 July 2005 £	30 April 2006 £
Photo shoot productions	3	–	–	–
Period end balance due to Max Lawrence Productions	–	–	–	–

During the period the Company entered into the following transactions with hotels in which Mr M Lawrence, a director of the Company, has an interest.

	31 July 2003 £	31 July 2004 £	31 July 2005 £	30 April 2006 £
Accommodation payments	–	–	227	–

16 Derivatives and other financial instruments

Best of Morocco finances its operations through retained profits. Best of Morocco uses financial instruments comprising cash and short term deposits, including cash received in advance from customers. The main purpose of these financial instruments is to finance the Company's operations. Best of Morocco has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risk arising from Best of Morocco's financial instruments and operations is considered to be foreign currency risk. The Board reviews and agrees policies for managing this risk.

Currency risk

Best of Morocco operates bank accounts denominated in foreign currency to manage the currency risks arising from the Company's operations. It is, and has been throughout the Review Period, Best of Morocco's policy that no trading in financial instruments shall be undertaken.

As a result of significant operations overseas, Best of Morocco has transactional currency exposure. Such exposures arise from purchases made in foreign currencies. Best of Morocco's policy is to reduce currency exposures through the use of bank accounts denominated in foreign currency.

The Company has monetary assets in currencies other than Sterling of £61,482 (2005: £48,080, 2004: £48,751, 2003: £33,387) denominated in Euros. Foreign exchange differences on retranslation of these assets are taken to the profit and loss account.

During the period ended 30 April 2006, Best of Morocco made foreign currency gains of £481 (2005: £13,205 loss, 2004: £3,272 gain, 2003: £4,816 loss)

Financial risk

Best of Morocco seeks to manage financial risk to ensure liquidity is available to meet the identifiable needs of Best of Morocco and to invest cash assets safely and profitably.

Liquidity risk

Short term flexibility is achieved through the use of money market bank deposit facilities.

PART III(d)

Section A: Accountants' Report on Financial Information of Peng Travel Limited

Horwath Clark Whitehill

Horwath Clark Whitehill LLP
Chartered Accountants
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Kent ME15 6NF

The Directors
Travelzest Plc
Redwood House
7 St Martin's Place
London
WC2N 4HA

and

The Directors
Daniel Stewart & Company plc
Beckett House
36 Old Jewry
London
EC2R 8DD

12 September 2006

Dear Sirs

Peng Travel Limited ("Peng" or the "Company")

We report on the financial information set out in Section B in Part III(d) to the Admission Document. This financial information has been prepared for inclusion in the Admission Document dated 12 September 2006 of Travelzest plc issued in connection with the proposed acquisition of iTravel2000.com, placing of 4,206,349 Ordinary Shares and readmission of Travelzest's enlarged share capital to AIM.

Responsibility

The directors of Peng are responsible for preparing the financial information on the basis of preparation set out in Section B in Part III(d) and in accordance with the applicable United Kingdom accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Section B in Part III(d) gives, for the purposes of the Admission Document dated 12 September 2006, a true and fair view of the state of affairs of Peng at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in Section B in Part III(d) and in accordance with the applicable United Kingdom accounting standards.

Declaration

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

Yours faithfully

Horwath Clark Whitehill LLP
Chartered Accountants

Section B: Financial Information of Peng Travel Limited

The financial information on Peng has been extracted from the audited accounts of Peng. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act. Clemence Hoar Cummings, registered auditors, have reported under section 235 of the Act on the statutory accounts of Peng for the three years ended 31 December 2005. Each report was unqualified and did not contain a statement under 237(2) or (3) of the Act.

PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of Peng.

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover comprises the total amount receivable by the Company for the goods and services, exclusive of Value Added Tax, and is recognised at the date of departure.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful life on the following bases:

Fixtures and Fittings – 15 per cent. Reducing balance basis

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, except for gains on disposal of fixed assets which will be rolled over into replacement assets. Timing differences are differences between the Company's taxable profits and its results as stated in the financial information that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial information.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based upon tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at that balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the translation. Exchange differences are taken into account in arriving at the operating profit.

Financial Instruments

The company uses financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. Gains and losses are taken to the profit and loss account when incurred.

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity. The Group uses financial instruments to manage the Group's exposure to fluctuations in foreign exchange rates. Gains and losses are taken to the profit and loss account.

Brochure Costs

The costs of brochure publication are charged in the profit and loss account in the season to which they relate.

PROFIT AND LOSS ACCOUNTS

	Notes	*Year ended 31 December 2003 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2005 £'000*
Turnover		2,660	2,735	2,586
Cost of sales		(2,214)	(2,211)	(2,095)
Gross Profit		446	523	491
Administrative expenses		(377)	(265)	(256)
Operating Profit	1	69	258	235
Interest receivable and similar items		43	41	56
Profit on ordinary activities before taxation		112	299	291
Taxation on loss on ordinary activities	4	18	57	61
Profit on ordinary activities after taxation		94	242	230

All amounts relate to continuing activities.

There are no recognised gains and losses other than those reported in the profit and loss account.

BALANCE SHEETS

	Notes	*31 December 2003 £'000*	*31 December 2004 £'000*	*31 December 2005 £'000*
Fixed assets				
Tangible fixed assets	5	2	1	–
Current assets				
Debtors	6	31	50	66
Cash		1,410	1,704	1,928
		1,441	1,754	1,994
Creditors: amounts falling due within one year	7	(333)	(403)	(412)
Net current assets		1,108	1,351	1,582
Total assets less current liabilities		1,110	1,352	1,582
Capital and reserves				
Called up share capital	8	50	50	85
Profit and loss account		1,060	1,302	1,497
Shareholders' funds	9	1,110	1,352	1,582

CASH FLOW STATEMENTS

	Notes	*Year ended 31 December 2003 £'000*	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2005 £'000*
Reconciliation of operating profit to net cash inflow/(outflow) from operating activities				
Operating loss		69	258	235
Depreciation of tangible fixed assets		1	1	1
Decrease/(increase) in debtors		24	(19)	(16)
(Decrease)/increase in creditors		(122)	31	6
Net cash inflow/(outflow) from operating activities		(28)	271	226
Cash Flow Statement				
Net cashflow from operating activities		(28)	271	226
Returns on investments and servicing of finance	10	43	41	56
Taxation		(37)	(19)	(57)
Cash inflow/(outflow) before financing		(22)	293	225
Financing		–	–	–
(Decrease)/increase in cash in the period		(22)	293	225
Reconciliation of net cash flow to movement in net funds				
(Decrease)/increase in cash in the period		(22)	293	225
Change in net funds		(22)	293	225
Net funds at beginning of period		1,432	1,410	1,703
Net funds at end of period	11	1,410	1,703	1,928

NOTES TO THE FINANCIAL STATEMENTS

1 Operating Profit

	Year ended 31 December 2003 £'000	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2005 £'000*
Depreciation			
– Owned assets	1	1	1
Auditors remuneration – as auditors	6	6	6

2 Directors' emoluments

	Year ended 31 December 2003 £'000	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2005 £'000*
Emoluments and other benefits	26	31	32
Emoluments	26	31	32
Pension contributions to money purchase schemes	–	–	–
Directors' emoluments	26	31	32

3 Staff Costs (including directors)

The aggregate payroll costs were:

	Year ended 31 December 2003 £'000	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2005 £'000*
Wages and salaries	106	129	116
Social security costs	14	15	12
	120	144	128
The average monthly number of staff during the period was:			
Directors and administration	6	6	6

4 Taxation

	Year ended 31 December 2003 £'000	*Year ended 31 December 2004 £'000*	*Year ended 31 December 2005 £'000*
UK corporation tax based on the results for the period at 19%	18	57	61
Total current tax	18	57	61
The UK corporation tax is made up as follows:			
Profit on ordinary activities before tax	112	299	291
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%	21	57	55
Expenses not deductible for tax	–	–	4
Short term timing difference arising on pension payments	(3)	–	–
Additional tax at the rate of 32.75%	–	–	2
Total current tax	18	57	61

5 Tangible fixed assets

	Fixtures and Fittings £'000
Cost:	
At 1 January 2003, 2004 and 2005	53
Disposals for the period ending 31 December 2005	(22)
At 31 December 2005	31
Depreciation:	
At 1 January 2003	50
Provision for the period	1
At 31 December 2003	51
Provision for the period	1
At 31 December 2004	52
Provision for the period	1
Eliminated on disposal	(22)
At 31 December 2005	31
Net book value:	
At 31 December 2003	2
At 31 December 2004	1
At 31 December 2005	–

6 Debtors

	31 December 2003 £'000	*31 December 2004 £'000*	*31 December 2005 £'000*
Due within one year			
Trade debtors	–	2	–
Other debtors	28	39	51
Prepayments and accrued income	3	9	15
	31	50	66

7 Creditors: amounts falling due within one year

	31 December 2003 £'000	*31 December 2004 £'000*	*31 December 2005 £'000*
Trade creditors	291	326	329
Social security & other taxes	1	3	14
Taxation	19	57	61
Other creditors	8	7	4
Accruals & deferred income	14	10	4
	333	403	412

8 Share capital

	31 December 2003 £'000	*31 December 2004 £'000*	*31 December 2005 £'000*
Authorised, allotted, called up and fully paid:			
85,000 (50,000 at 31 December 2003 and 2004) ordinary shares of 1p each	50	50	85

50,000 preference shares of 1 Euro each were allotted as a fully paid bonus issue out of reserves during the year ended 31 December 2005.

9 Shareholders Funds

	Share Capital £'000	*Profit & Loss account £'000*	*Total Equity Shareholders Funds £'000*
At 1 January 2003	50	966	1,016
Profit for the financial period	–	94	94
At 31 December 2003	50	1,060	1,110
Profit for the financial period	–	242	242
At 31 December 2004	50	1,302	1,352
Loss for the financial period	–	230	230
Shares issued in the period	35	(35)	–
31 December 2005	85	1,497	1,582

10 Gross Cash Flows

	Year ended 31 December 2003 £'000	*Year ended 31 December 2004 £'000*	*Ten months ended 31 December 2005 £'000*
Returns on investments and servicing of finance			
Interest received	43	41	56
	43	41	56

11 Analysis of Changes in Net Funds

	1 January 2003 £'000	*Cash Flows £'000*	*31 December 2003 £'000*	*Cash Flows £'000*	*31 December 2004 £'000*	*Cash Flows £'000*	*31 December 2005 £'000*
Cash at bank and in hand	1,432	(22)	1,410	1,703	1,703	225	1,928
Net funds/(debt)	1,432	(22)	1,410	1,703	1,703	225	1,928

12 Related party transactions

The Company has undertaken the following transactions with P Englert, a Director of the Company, as follows:

	31 December 2003 £'000	*31 December 2004 £'000*	*31 December 2005 £'000*
Cash drawn	–	10	(10)
Amounts paid on behalf of the company	–	–	1
Motor mileage claimed	–	–	3
Total	–	10	(6)
At each period end the following amounts were outstanding:			
Amounts due from P Englert	–	10	4

13 Contingent liabilities

Charges of £323,711 in favour of Allied Irish Bank (GB) were given by the company to cover the ABTA, CAA and International Lifestyles (Europe) Limited indemnities given by the bank.

14 Derivatives and other financial instruments

Peng Travel finances its operations through retained profits. Peng Travel uses financial instruments comprising cash and short term deposits, including cash received in advance from customers. The main purpose of these financial instruments is to finance the Company's operations. Peng Travel has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risk arising from Peng Travel's financial instruments and operations is considered to be foreign currency risk. The Board reviews and agrees policies for managing this risk.

Currency risk

Peng Travel enters into foreign currency options and forward contracts. Their purpose is to manage the currency risks arising from the Company's operations. It is, and has been throughout the Review Period, Peng Travel's policy that no trading in financial instruments shall be undertaken.

As a result of significant operations overseas, Peng Travel has transactional currency exposure. Such exposures arise from purchases made in foreign currencies. Peng Travel's policy is to reduce currency exposures through the use of bank accounts denominated in foreign currency.

The Company has monetary assets in currencies other than Sterling of £168,806 (2004: £169,073, 2003: £88,506) denominated in Euros. Foreign exchange differences on retranslation of these assets are taken to the profit and loss account.

During the period ended 31 December 2005, Peng Travel made foreign currency gains of £Nil (2004: £Nil, 2003: £90,000 loss)

Financial risk

Peng Travel seeks to manage financial risk to ensure liquidity is available to meet the identifiable needs of Peng Travel and to invest cash assets safely and profitably.

Liquidity risk

Short term flexibility is achieved through the use of money market bank deposit facilities.

Fair Values

The Group had entered into forward contracts for the sum of £688,115 (2004: £169,703, 2003: £88,506) for the purchase of Euros. These contracts were revalued at the period end on the basis of the identical contracts being achievable with no significant exchange difference.

Therefore, there was no material difference between the fair value and the book value of the Group's forward currency options.

15 Post balance sheet events

In May 2006 the Company was sold to Travelzest plc for total consideration of £1,179,500, which was satisfied by £1,348,300 cash and 317,951 ordinary 2p shares for a total consideration of £411,200.

PART III(e)

Section A: Accountants' Report on Financial Information of The Montpelier Collection Limited

Horwath Clark Whitehill

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Chartered Accountants
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The Directors
Travelzest plc
Redwood House
7 St Martin's Place
London
WC2N 4HA

and

The Directors
Daniel Stewart & Company plc
Beckett House
36 Old Jewry
London
EC2R 8DD

12 September 2006

Dear Sirs

The Montpelier Collection Limited ("Montpelier" or the "Company")

We report on the financial information set out in Section B in Part III(e) to the Admission Document. This financial information has been prepared for inclusion in the Admission Document dated 12 September 2006 of Travelzest plc issued in connection with the proposed acquisition of itravel2000.com, placing of 4,206,349 Ordinary Shares and readmission of Travelzest's enlarged share capital to AIM.

Responsibility

The directors of Montpelier are responsible for preparing the financial information on the basis of preparation set out in Section B in Part III(e) and in accordance with the applicable United Kingdom accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of Opinion

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the

financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out in Section B in Part III(e) gives, for the purposes of the Admission Document dated 12 September 2006, a true and fair view of the state of affairs of Montpelier at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in Section B in Part III(e) and in accordance with the applicable United Kingdom accounting standards.

Declaration

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

Yours faithfully

Horwath Clark Whitehill LLP
Chartered Accountants

Section B: Financial Information of The Montpelier Collection Limited

The financial information on Montpelier has been extracted from the audited accounts of Montpelier. The financial information does not constitute statutory accounts within the meaning of section 240 of the Act. White Hart Associates LLP, registered auditors, have reported under section 235 of the Act on the statutory accounts of Montpelier for the three years ended 31 December 2005. Each report was unqualified and did not contain a statement under 237(2) or (3) of the Act.

PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information of Montpelier.

Accounting convention

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated Profit and Loss Account and Balance Sheet include the financial statements of the company and its subsidiary made up to each financial year end. The results of subsidiaries sold, acquired or transferred are included in the profit and loss account up to or from the date control passes. Intra-group sales, profits and balances are eliminated fully on consolidation.

Turnover and Total Transaction Value

Turnover represents commissions earned from the sale of passenger holidays and other activities to travel facilities, not of value added tax and trade discounts recognised at the date of booking. Total Transaction Value represents the price at which services have been sold where the Company or its subsidiary acts as Principal or Agent.

Turnover is attributable to one continuing activity, wholly undertaken in the United Kingdom

Intangible Assets

Acquired goodwill is written off in equal instalments over its useful economic life. However, following a detailed review at 31 December 2005, the directors decided that all amounts should be fully amortised at this date as the continuing estimated useful economic life of each amount was no longer readily identifiable.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful life on the following bases:

Plant and machinery	25 per cent. straight line

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, except for gains on disposal of fixed assets which will be rolled over into replacement assets. Timing differences are differences between the Company's taxable profits and its results as stated in the financial information that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial information.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based upon tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at that balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the translation. Exchange differences are taken into account in arriving at the operating profit.

Financial Instruments

The company uses financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. Gains and losses are taken to the profit and loss account when incurred.

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity. The Group uses financial instruments to manage the Group's exposure to fluctuations in foreign exchange rates. Gains and losses are taken to the profit and loss account.

Brochure Costs

The costs of brochure publication are charged in the profit and loss account in the season to which they relate.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchases contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

PROFIT AND LOSS ACCOUNTS

	Notes	*Year ended 31 December 2003* £	*Year ended 31 December 2004* £	*Year ended 31 December 2005* £
Total Transaction Value		17,491,479	17,392,275	16,136,439
Turnover		3,662,373	2,074,067	2,062,691
Distribution costs		(397,888)	(276,910)	(240,769)
Administrative expenses		(3,622,938)	(1,751,514)	(2,996,800)
Operating (loss)/profit	1	(358,453)	45,643	(1,174,878)
Interest from investments		500	–	–
Interest receivable		193	111	288
Interest payable	3	(37,910)	(19,920)	(14,829)
(Loss)/profit on ordinary activities before taxation		(395,670)	25,834	(1189,419)
Taxation on (loss)/profit on ordinary activities	4	17,746	(20,643)	78,953
(Loss)/profit on ordinary activities after taxation		(377,924)	5,191	(1,110,466)
Minority interests		(4,907)	–	–
(Loss)/profit for the financial year	15	(382,831)	5,191	(1,110,466)

All amounts relate to continuing activities.

There are no recognised gains and losses other than those reported in the profit and loss account.

BALANCE SHEETS

	Notes	*31 December 2003* £	*31 December 2004* £	*31 December 2005* £
Fixed assets				
Intangible assets	6	1,071,911	639,829	–
Tangible fixed assets	7	117,718	16,725	11,506
Investments	8	46,095	10,000	10,000
		1,235,724	666,554	21,506
Current assets				
Debtors	9	1,954,424	1,738,676	992,669
Cash		271,652	139,085	214,396
		2,226,076	1,877,761	1,207,065
Creditors: amounts falling due within one year	10	(2,406,245)	(1,614,795)	(1,715,808)
Net current assets		(180,169)	262,966	(508,743)
Total assets less current liabilities		1,055,555	929,520	(487,237)
Creditors: amounts falling due after more than one year	11	(329,564)	(244,000)	–
Provisions for liabilities and charges				
Deferred taxation	13	(5,835)	6,852	69,143
		720,156	692,372	(418,094)
Capital and reserves				
Called up share capital	14	51,200	51,200	51,200
Other reserves	15	598,331	–	–
Profit and loss account	15	35,554	641,172	(469,294)
		685,085	692,372	(418,094)
Minority Interests	15	35,071	–	–
Shareholders' funds	15	720,156	692,372	(418,094)

CASH FLOW STATEMENTS

	Notes	*Year ended 31 December 2003* £	*Year ended 31 December 2004* £	*Year ended 31 December 2005* £
Reconciliation of operating profit to net cash inflow/(outflow) from operating activities				
Operating profit		(358,453)	45,643	(1,174,878)
Depreciation charges		121,896	25,115	8,294
Amortisation of goodwill		50,068	56,068	739,829
(Profit)/loss on disposal of fixed assets		80,090	–	–
Loss on disposal of investment		27,682	1,830	–
Increase in debtors		(401,796)	215,748	746,007
Increase in creditors		768,470	(362,719)	607,099
Net cash inflow/(outflow) from operating activities		287,957	(18,315)	926,351
Cash Flow Statement				
Net cash inflow/(outflow) from operating activities		287,957	(18,315)	926,351
Returns on investments and servicing of finance	16	(37,217)	(19,809)	(14,541)
Capital expenditure	16	(163,858)	18,819	(3,075)
Taxation	16	(192,154)	(16,870)	62,493
		(105,272)	(36,175)	971,228
Equity dividends paid	16	(55,000)	–	–
Cash inflow/(outflow) before financing		(160,272)	(36,175)	971,228
Financing		(130,256)	(399,102)	(244,000)
(Decrease)/increase in cash in the period		(290,528)	(435,277)	727,228
Reconciliation of net cashflow to movement in net funds				
(Decrease)/increase in cash in the period		(290,528)	(435,277)	727,228
Decrease in debt and lease financing		130,256	96,392	244,000
Change in net debt		(160,272)	(338,885)	971,228
Net debt at beginning of period	17	(258,301)	(418,573)	(757,458)
Net debt at end of period	17	(418,573)	(757,458)	213,770

NOTES TO THE FINANCIAL STATEMENTS

1 Operating (Loss)/Profit

Operating (loss)/profit is stated after charging:

	Year ended 31 December 2003 £	*Year ended 31 December 2004* £	*Year ended 31 December 2005* £
Depreciation of tangible fixed assets	121,896	25,115	8,294
Amortisation of goodwill	50,068	56,068	76,218
Exceptional amortisation of goodwill arising from impairment	–	–	663,611
Loss on disposal of investments	27,682	1,830	–
Operating lease rentals – land buildings	165,593	129,943	129,891
Auditors remuneration	16,500	9,500	9,500

2 Directors' emoluments

	Year ended 31 December 2003 £	*Year ended 31 December 2004* £	*Year ended 31 December 2005* £
Directors' emoluments	312,992	184,034	259,006
Information regarding the highest paid director is as follows:			
Emoluments	147,492	118,701	153,855
Pension contributions to money purchase schemes	–	–	14,000
Directors' emoluments	147,492	118,701	167,855

3 Interest payable

	Year ended 31 December 2003 £	*Year ended 31 December 2004* £	*Year ended 31 December 2005* £
Bank loans and overdrafts	2,025	19,624	14,829
Other loans	28,113	296	–
Finance charges payable under finance leases	7,772	–	–
	37,910	19,920	14,829

4 Taxation

	Year ended 31 December 2003	*Year ended 31 December 2004*	*Year ended 31 December 2005*
	£	*£*	*£*
Analysis of charge in period			
Current tax:			
UK corporation tax on profits of the period	–	16,460	(16,460)
Adjustments in respect of previous periods	–	–	(202)
Total current tax	–	16,460	(16,662)
Deferred tax:			
Origination and reversal of timing differences	(17,746)	4,183	(62,291)
Tax on (loss)/profit on ordinary activities	(17,746)	20,643	(78,953)
The UK corporation tax is made up as follows:			
Profit on ordinary activities before tax	(395,670)	25,834	(1,189,419)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(118,701)	7,750	(356,826)
Permanent timing differences	33,137	17,528	162,852
Net timing differences	13,677	711	(1,840)
Other differences	–	(9,529)	6,187
Group relief	64,400	–	–
Expenses not deductible for tax	7,487	–	–
Losses utilised in prior years	–	–	25,956
Losses carried forward	–	–	147,211
Total current tax	–	16,460	(16,460)

5 Equity Dividends

	Year ended 31 December 2003	*Year ended 31 December 2004*	*Year ended 31 December 2005*
	£	*£*	*£*
Equity dividends on ordinary shares	55,000	–	–

6 Intangible fixed assets

	Goodwill
	£
Cost:	
At 1 January 2003	1,003,104
Adjustment of Deferred Consideration	156,090
Additions	73,000
Disposals	(80,090)
At 31 December 2003	1,152,104
Adjustment of Deferred Consideration	(3,000)
Disposals	(373,014)
As at 31 December 2004	776,090
Adjustment of Deferred Consideration	100,000
As at 31 December 2005	876,090
Amortisation:	
At 1 January 2003	30,125
Provided during the year	50,068
At 31 December 2003	80,193
Provided during the year	56,068
At 31 December 2004	136,261
Provided during the year	739,829
At 31 December 2005	876,090
Net book value:	
At 31 December 2003	1,071,911
At 31 December 2004	639,829
At 31 December 2005	–

7 Tangible fixed assets

	Plant & Machinery
	£
Cost:	
At 1 January 2003	430,878
Additions	61,142
As at 31 December 2003	492,020
Additions	15,446
Disposals	(210,121)
At 31 December 2004	297,345
Additions	3,075
As at December 2005	300,420
Depreciation:	
At 1 January 2003	252,406
Charge for the year	121,896
At 31 December 2003	374,302
Charge for the year	25,115
On disposals	(118,797)
At 31 December 2004	280,620
Charge for the year	8,294
At 31 December 2005	288,914
Net book value:	
At 31 December 2003	117,718
At 31 December 2004	16,725
At 31 December 2005	11,506

Included within Plant and Machinery are assets with a net book value of £Nil (2004: £Nil, 2003: £17,553) held under finance leases and hire purchase contracts.

8 Fixed Asset Investments

	2003	*2004*	*2005*
	£	*£*	*£*
Cost			
At 1 January	38,061	46,095	10,000
Additions	75,540	–	–
Disposals	(67,506)	(36,095)	–
At 31 December	46,095	10,000	10,000
Other investments			
Listed investments	3,095	–	–
Unlisted investments	43,000	10,000	10,000
Valuation			
Listed investments – market value	2,350	–	–

9 Debtors

	31 December 2003 £	*31 December 2004* £	*31 December 2005* £
Due within one year			
Trade debtors	1,416,735	1,627,575	516,636
Other debtors	154,029	9,116	401,227
Prepayments and accrued income	383,660	101,985	74,806
	1,954,424	1,738,676	992,669

10 Creditors: amounts falling due within one year

	31 December 2003 £	*31 December 2004* £	*31 December 2005* £
Bank Loans and overdrafts	349,833	652,543	626
Obligations under finance lease and hire purchase contracts	10,828	–	–
Trade creditors	1,719,645	870,102	997,662
Corporation tax	–	16,460	–
Other taxes and social security costs	228,672	61,310	33,046
Other creditors	38,629	1,396	635,399
Accruals & deferred income	58,638	12,984	49,075
	2,406,245	1,614,795	1,715,808

11 Creditors: amounts falling due after one year

	31 December 2003 £	*31 December 2004* £	*31 December 2005* £
Obligations under finance lease and hire purchase contracts	9,564	–	–
Other creditors	320,000	244,000	–
	329,564	244,000	–

Included in other creditors are loans totalling £Nil (2004: £244,000, 2003: £170,000). These loans were subject to subordinated undertakings given to the Civil Aviation Authority and could not be repaid without their prior written consent, following the change to a Small Business ATOL in 2005 these undertakings were no longer required.

12 Obligations under finance leases and hire purchase contracts

	31 December 2003 £	*31 December 2004* £	*31 December 2005* £
Amounts payable:			
Within one year	10,828	–	–
Within two to five years	9,564	–	–
	20,392	–	–

13 Deferred Taxation

	31 December 2003 £	*31 December 2004* £	*31 December 2005* £
Accelerated capital allowances	5,835	(6,852)	(69,143)
At 1 January	23,581	5,835	(6,852)
Transferred on group reorganisation	–	–	(16,870)
Deferred tax charge in profit and loss account	(17,746)	(12,687)	(45,421)
At 31 December	5,835	(6,852)	(69,143)

14 Share capital

	31 December 2003 £	*31 December 2004* £	*31 December 2005* £
Authorised:			
Ordinary shares of £1 each	60,000	60,000	60,000
Authorised, called up and fully paid:			
Ordinary shares of £1 each	51,200	51,200	51,200

15 Reconciliation of movement in shareholders' funds

	Share capital £	*Other reserves* £	*Minority interest* £	*Profit and loss* £	*Total* £
At 1 January 2003	51,200	598,331	30,164	473,385	1,153,080
Loss for the financial year	–	–	–	(377,924)	(377,924)
Dividend	–	–	–	(55,000)	(55,000)
Minority share of profits	–	–	4,907	(4,907)	–
At 31 December 2003	51,200	598,331	35,071	35,554	720,156
Profit for the financial year	–	–	–	5,191	5,191
Transferred on group reorganisation	–	(598,331)	(35,071)	600,427	(32,975)
At 31 December 2004	51,200	–	–	641,172	692,372
Loss for the financial year	–	–	–	(1,110,466)	(1,110,466)
At 31 December 2005	51,200	–	–	(469,294)	(418,094)

16 Gross cash flows

	Year ended 31 December 2003 £	Year ended 31 December 2004 £	Year ended 31 December 2005 £
Returns on investments and servicing of finance			
Dividends received	500	–	–
Interest received	193	111	288
Interest paid	(30,138)	(19,920)	(14,829)
Interest element of finance lease rental payments	(7,772)	–	–
	(37,217)	(19,809)	(14,541)
Capital expenditure			
Payments to acquire intangible fixed assets	(67,000)	–	–
Payments to acquire tangible fixed assets	(61,142)	(15,446)	(3,075)
Payments to acquire investments	(75,540)	–	–
Receipts from sales of investments	39,824	34,265	–
	(163,858)	18,819	(103,075)
Financing			
Capital element of finance lease rental payments	(50,256)	(20,392)	–
Repayment of loans	(80,000)	(378,710)	(244,000)
	(130,256)	(399,102)	(244,000)

17 Analysis of changes in net debt

	At 1 January 2003 £	Cash Flows £	At 31 December 2003 £	Cash Flows £	At 31 December 2004 £	Cash Flows £	At 31 December 2005 £
Cash at bank and in hand	338,404	(66,752)	271,652	(132,567)	139,085	75,311	214,396
Bank overdrafts	(126,057)	(223,776)	(349,833)	(302,710)	(652,543)	651,917	(626)
	212,347	(290,528)	(78,181)	(435,277)	(513,458)	727,228	213,770
Debt due after 1 year	(400,000)	80,000	(320,000)	76,000	(244,000)	244,000	–
Finance leases	(70,648)	50,256	(20,392)	20,392	–	–	–
Total	(258,301)	(160,272)	(418,573)	(338,885)	(757,458)	971,228	213,770

18 Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £Nil (2004: £Nil, 2003: £29,124).

19 Other financial commitments

At the year end the group had annual commitments under non-cancellable operating leases as set out below:

	2003		*2004*		*2005*	
	Land and buildings	*Other*	*Land and buildings*	*Other*	*Land and buildings*	*Other*
	£	*£*	*£*	*£*	*£*	*£*
Operating leases which expire:						
Within one year	21,195	–	–	–	–	–
Within two to five years	68,750	–	80,000	–	80,000	–
In over five years	75,648	–	–	–	–	–
	165,593	–	80,000	–	80,000	–

20 Contingent liabilities

At 31 December 2005 there were contingent liabilities outstanding in respect of counter indemnities and guarantees given by the group, in the normal course of business, to its travel bond insurance obligors, in respect of Civil Aviation Authority bonds amounting to £168,500 (2004: £305,190, 2003: £305,190).

21 Related parties

The Ringwood Collection Limited is another group holdings company in which R S Anand and J N Sturdy-Morton, former directors, are directors and the shareholders were the same as for The Montpelier Collection plc. On 31 August 2005 the trade and business assets of BF Ringwood Limited and MF Ringwood Limited, the two wholly owned subsidiaries of the Ringwood Collection Limited, were sold to a third party. BF Ringwood Limited and MF Ringwood went into liquidation. All remaining amounts owed to Fair's Fare Limited were therefore written off and there are no amounts shown as owed within debtors as at 31 December 2005.

Fareplay Limited is another company in which R S Anand, former director, is materially interested as a director and shareholder. At 31 December 2005, Fair's Fare Limited owed Fareplay limited £445,000 (2004: £Nil, 2003: £Nil) in respect of amounts loaned to it and was owed £99,167 (2004: £Nil, 2003: £Nil) by Fareplay Limited. These amounts are shown within creditors and debtors respectively.

22 Transactions with Directors

During the year ended 31 December 2005, Fair's fare Limited paid director's fees amounting to £40,789 (2004: £16,000, 2003: £12,000) to J. Webber Finance Limited, a company in which J D Webber is a director and shareholder. J D Webber resigned as a director of both The Montpelier Collection plc and Fair's Fare Limited on 25 April 2006.

Fair's Fare Limited continues to hold an Air Travel Organisers Licence (ATOL 5336) granted by the Civil Aviation Authority until September 2006, but renewed this licence in September 2005 on the basis of a Small Business ATOL rather than the standard ATOL. In consideration of the continuation of the licence two of the former directors, R S Anand and J D Webber, have entered into Deeds of Guarantee in favour of the Air Travel Trust Fund. These are personal guarantees that can be called upon in the event of failure of the company, its travel bonds being insufficient to protect consumer funds and the company having materially traded in excess of its licence.

23 Derivatives and other financial instruments

Montpelier finances its operations through retained profits. Montpelier uses financial instruments comprising cash and short term deposits, including cash received in advance from customers. The main purpose of these instruments is to finance Montpelier's operations. Montpelier has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

Financial, currency and liquidity risk

Montpelier has no significant borrowings and, as a result, the directors do not consider that Montpelier is exposed to significant interest rate or liquidity risks. Montpelier operations are handled almost entirely in sterling and as a result, the directors do not consider that Montpelier is exposed to significant foreign currency risk.

Montpelier seeks to manage financial risk to ensure liquidity is available to meet the identifiable needs of Montpelier and to invest cash assets safely and profitably.

Short term flexibility is achieved through the use of money market bank deposit facilities.

24 Acquisitions

Fair's Fare Limited the subsidiary of the Montpelier Collection made the following acquisitions during the Review Period:

	Date	*Business segment*
The trade and assets of Holiday Planners Limited	1 February 2003	Travel agent
The trade and assets of Kinetics Travel Services Limited	18 September 2003	Travel agent
The trade and assets of Arrowguide Limited	30 September 2003	Travel agent

The acquisitions have been dealt with using the acquisition method of accounting.

The fair values in respect of the acquisitions are summarised below:

Net assets acquired:

	Year ended 31 December 2003 £	*Year ended 31 December 2004* £	*Year ended 31 December 2005* £
Goodwill	73,000	–	–
Satisfied by			
Cash	67,000	–	–
Deferred consideration	6,000	–	–
	73,000	–	–

The deferred consideration was based upon the future profitability of the acquired businesses. The directors estimated the deferred consideration based upon their best estimates at the date of acquisition. Subsequent revisions of estimated deferred consideration are shown in the note of intangible assets.

The profit after taxation of the acquisitions to the date of acquisition was not available as the acquisitions were of trade and assets only.

PART IV

Section A: Accountants' Report on Financial Information of 1360944 Ontario Inc. (formerly itravel2000.com Inc.)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
North American Centre
5700 Yonge Street, Suite 1900
North York, Ontario
Canada M2M 4K7

The Directors
Travelzest plc
Redwood House
7 St Martin's Place
London WC2N 4HA
England

and

The Directors
Daniel Stewart & Company plc (the "Nominated Adviser")
Becket House
36 Old Jewry
London EC2R 8DD
England

12 September 2006

Dear Sirs

1360944 Ontario Inc. (formerly itravel2000.com Inc.)

We report on the financial information set out in Section B in Part IV to the Admission Document. This financial information has been prepared for inclusion in the Admission Document dated 12 September 2006 of Travelzest plc issued in connection with the proposed acquisition of 1360944 Ontario Inc. (formerly itravel2000.com Inc.), the placing of 4,206,349 Ordinary Shares and readmission of the Company's enlarged share capital to AIM.

Responsibility

The directors of Travelzest plc are responsible for preparing the financial information on the basis of preparation set out in Section B in Part IV and in accordance with applicable Canadian accounting standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion, the financial information set out in Section B in Part IV gives, for the purposes of the Admission Document dated 12 September 2006, a true and fair view of the state of affairs of 1360944 Ontario Inc. at the dates stated and of its profits and cash flows for the periods then ended in accordance with the basis of preparation set out in Section B in Part IV and in accordance with Canadian generally accepted accounting principles.

Declaration

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

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

Section B: Financial Information of 1369044 Ontario Inc.
(formerly itravel2000.com Inc.)

Principal accounting policies

The following accounting policies, which are in accordance with Canadian generally accepted accounting principles, have been applied consistently in dealing with items which are considered material in relation to the financial information of 1360944 Ontario Inc. (the company), which changed its name from itravel2000.com Inc. effective 11 August 2006. All currency references are to Canadian dollars.

Basis of presentation

These consolidated financial statements include the results of the company and its subsidiaries. Intercompany balances and transactions have been eliminated.

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Funds held in trust

The company receives monies from customers as payment for travel services. Prior to such amounts being paid to the travel service provider, monies received are maintained in a trust account.

Cash and cash equivalents

Cash and cash equivalents consist of unrestricted cash and bank indebtedness.

Employee future benefits

The company provides health care benefits to certain senior employees following their retirement.

Segmented disclosure

The company has determined that it only operates in one business and geographic segment.

Equipment

Equipment is recorded at cost. Amortisation is provided over the related assets' estimated useful lives using the following methods and annual rates:

Furniture and equipment	20 per cent. declining balance
Computer hardware	30 per cent. declining balance
Computer software	20 per cent. declining balance
Leasehold improvements	over the term of the lease

The company evaluates the recoverability of its equipment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable based on undiscounted future cash flows. If not recoverable, an impairment loss will be recognised for the difference between the asset's carrying amount and its fair value.

Computer software under development represents amounts expended to develop interactive software and other technologies. Amortisation of such costs will commence when they are made available for use and will be amortised using the straight-line basis over five years.

Goodwill

Goodwill represents the excess of the purchase price of the business acquired over the fair value of the underlying net tangible assets acquired at the date of acquisition. Effective 1 October 2002, the company prospectively implemented the recommendations of Section 3062 issued by The Canadian Institute of Chartered Accountants (CICA) on goodwill and other intangible assets. Under the new standard, goodwill is no longer amortised but is subject to an annual impairment review. Any permanent impairment in the book value of goodwill will be written off against earnings. The company has completed its review and has determined the book value of the existing goodwill is not impaired.

Stock-based compensation

Effective 1 October 2003, the company prospectively adopted the fair value-based method of accounting for stock-based payments to employees and non-employees, in accordance with the recommendations of Section 3870 issued by the CICA. Compensation cost is recognised as expense and contributed surplus over the period that the related services are provided, or immediately, if vested upon grant. Consideration paid on the exercise of stock options, together with related cumulative compensation cost recognised, is credited to share capital when stock options are exercised.

Earnings per share

As the company is a private company, earnings per share have not been disclosed.

Revenue recognition

Commission revenue for air travel, cruises, hotel rooms, car rentals and vacation packages is recognised upon confirmation of the reservation with suppliers. Performance based compensation from travel suppliers is recognised in accordance with the terms of the agreements when the performance measures in the agreements are met based on confirmation of the reservations with suppliers.

Large group travel commission revenue for air travel, cruises, hotel rooms, car rentals and vacation packages is recognised upon departure date of the reservation. Large group travel performance based compensation from travel suppliers is recognised in accordance with the terms of the agreements when the performance measures in the agreements are met based on the departure date of the reservations.

Amounts received that are contingent on future activities have been deferred in these consolidated financial statements.

Advertising revenue is recognised when the performance measures of the contracts are met and collection is reasonably assured.

Finance fees

Finance fees incurred in connection with obtaining or renegotiating financing are recognised as prepaid expenses and written off over the term of the related debt.

Foreign exchange

Monetary assets and liabilities in foreign currency are translated into Canadian dollars at the year-end rate of exchange and non-monetary assets and liabilities are translated at their respective historical exchange rates. Any gains or losses are reflected in the consolidated statements of income and retained earnings (deficit). Revenues and expenses are translated at the rate of exchange prevailing at the time of the transaction.

Future income taxes

The company follows the asset and liability method of income tax allocation. Under this method, assets and liabilities are recorded for the future income tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax basis. These future income tax assets and liabilities are recorded using substantively enacted income tax rates. The effect of a change in income tax rates on these future income tax assets and liabilities is included in income in the period in which the change occurs.

Consolidated Balance Sheets

As at 31 July 2006 and 30 September 2005 and 30 September 2004

	31 July	30 September	
	2006	2005	2004
	$	$	$
Assets			
Current assets			
Cash	565,824	124,041	262,278
Restricted cash (note 5)	2,000,000	2,000,000	2,000,000
Funds held in trust	223,601	915,769	1,065,120
Accounts receivable	3,145,098	3,403,854	2,645,919
Income taxes recoverable	–	127,127	–
Prepaid expenses and other assets	322,456	356,783	397,725
	6,256,979	6,927,574	6,371,042
Due from related parties (note 3)	2,340,086	1,569,169	391,007
Equipment (note 4)	2,726,857	1,976,214	1,434,120
Future income taxes	–	–	160,230
Goodwill	117,612	117,612	114,079
	11,441,534	10,590,569	8,470,478
Liabilities			
Current liabilities			
Bank indebtedness (note 5)	712,708	443,545	475,750
Funds held in trust	223,601	915,769	1,065,120
Accounts payable and accrued liabilities	2,166,262	2,578,116	1,618,280
Income taxes payable	50,110	–	1,017,409
Current portion of capital lease obligations (note 5)	–	10,176	16,565
Term credit facilities (note 5)	2,450,555	3,089,444	2,263,889
	5,603,236	7,037,050	6,457,013
Capital lease obligations (note 5)	–	–	10,176
Future income taxes	599,754	215,705	–
Deferred revenue	685,881	825,000	100,000
	6,888,871	8,077,755	6,567,189
Shareholders' Equity			
Share capital (note 7)	1,847,172	1,847,172	2,173,143
Contributed surplus (note 7)	936,250	936,250	–
Retained earnings (deficit)	1,769,241	(270,608)	(269,854)
	4,552,663	2,512,814	1,903,289
	11,441,534	10,590,569	8,470,478

Consolidated Statements of Income and Retained Earnings (Deficit)

For the period ended 31 July 2006 and the years ended 30 September 2005 and 30 September 2004

	Period ended 31 July	*Years ended 30 September*	
	2006	*2005*	*2004*
	$	*$*	*$*
Revenue (note 11)			
Commission income	15,845,355	17,818,483	13,709,536
Advertorial	600,505	1,303,727	857,621
Other	647,282	635,393	267,370
	17,093,142	19,757,603	14,834,527
Expenses			
General and administrative	13,317,959	14,674,952	10,504,570
Management bonus and stock-based compensation	–	1,685,009	–
Amortisation of equipment	300,478	380,647	383,266
Interest and finance fees	248,807	344,131	47,880
Gain on debt settlement (note 6)	–	–	(118,657)
	13,867,244	17,084,739	10,817,059
Income before income taxes	3,225,898	2,672,864	4,017,468
Income taxes			
Current	802,000	898,654	1,017,409
Future	384,049	375,935	414,731
	1,186,049	1,274,589	1,432,140
Net income for the period	2,039,849	1,398,275	2,585,328
Deficit – Beginning of period	(270,608)	(269,854)	(1,172,446)
Premium on redemption of shares (note 7)	–	(1,399,029)	(1,682,736)
Retained earnings (deficit) – End of period	1,769,241	(270,608)	(269,854)

Consolidated Statements of Cash Flows

For the periods ended 31 July 2006 and the years ended 30 September 2005 and 30 September 2004

	Period ended 31 July	*Years ended 30 September*	
	2006	*2005*	*2004*
	$	*$*	*$*
Cash provided by (used in)			
Operating activities			
Net income for the period	2,039,849	1,398,275	2,585,328
Amortisation	300,478	380,647	383,266
Stock-based compensation	–	936,250	–
Gain on debt settlement	–	–	(118,657)
Future income taxes	384,049	375,935	414,731
Deferred revenue	(139,119)	725,000	–
Changes in working capital	58,466	(905,226)	(150,103)
	2,643,723	2,910,881	3,114,565
Investing activities			
Increase in restricted cash	–	–	(2,000,000)
Purchase of equipment	(1,051,121)	(922,741)	(248,183)
	(1,051,121)	(922,741)	(2,248,183)
Financing activities			
Increase (decrease) in term credit facility	(638,889)	825,555	2,263,889
Repayment of convertible debentures	–	–	(1,550,580)
(Increase) decrease in amount due from related party	(770,917)	(1,178,162)	121,905
Repayment of capital lease obligations	(10,176)	(16,565)	(16,179)
Redemption of common shares	–	(1,725,000)	(2,749,420)
	(1,419,982)	(2,094,172)	(1,930,385)
Increase (decrease) in cash and cash equivalents during the period	172,620	(106,032)	(1,064,003)
Cash and cash equivalents (bank indebtedness) – Beginning of period	(319,504)	(213,472)	850,531
Bank indebtedness – End of period	(146,884)	(319,504)	(213,472)
Represented by			
Cash	565,824	124,041	262,278
Bank indebtedness	(712,708)	(443,545)	(475,750)
	(146,884)	(319,504)	(213,472)
Supplemental information			
Interest paid	161,766	173,131	47,880
Income taxes paid	744,960	2,042,190	–

Notes to Consolidated Financial Statements

31 July 2006 and 30 September 2005 and 30 September 2004

1 Business of the company

1360944 Ontario Inc. (formerly itravel2000.com Inc.) is a full service travel retailer offering consumers a wide range of travel products with air carriers, hotel operators, car rental agencies and tour operators. During 2005, the company changed its name from 1360944 Ontario Inc. to itravel2000.com Inc. Effective 11 August 2006, the company changed its name back to 1360944 Ontario Inc.

2 Acquisition

On 1 January 2005, the company acquired 90 per cent. of the shares of Digital Baxter Inc. (DB) and its subsidiaries, Traveling Software Systems Inc. (TSS) and Travx Inc. (Travx). This acquisition did not have a significant impact on the company. Goodwill of $3,533 arose on this transaction. The acquisition has been accounted for using the purchase method. Operating results of both acquired companies are included in the company's consolidated financial statements as of 1 January 2005. Subsequent to 31 July 2006, the company acquired the remaining 10 per cent. of the shares of DB and its subsidiaries for a nominal consideration. The transaction did not have a significant impact on operations.

3 Related party transactions and balances

	31 July	*30 September*	
	2006	*2005*	*2004*
	$	*$*	*$*
Due from shareholders	2,000,516	1,271,195	–
Due from related companies	339,570	297,974	391,007
	2,340,086	1,569,169	391,007

During the period, the company paid to a company under common control software development costs amounting to $nil (30 September 2005 – $194,744; 30 September 2004 – $506,321) and paid advertising costs of $380,596 (30 September 2005 – $nil; 30 September 2004 – $nil) and received advertising revenue of $344,418 (30 September 2005 – $nil; 30 September 2004 – $nil). In addition, during 2004, domain names were sold to a related company at their book value of $42,278 and during 2005 surplus office furniture with a net book value of $8,185 was sold to a director for a nominal amount. These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The amounts due from shareholders and related companies that are under common control, are non-interest bearing, due on demand, with no specific terms of repayment.

4 Equipment

	31 July 2006		
	Cost $	Accumulated amortisation $	Net $
Furniture and equipment	850,117	492,726	357,391
Computer hardware	1,216,184	865,266	350,918
Computer software	1,534,109	929,584	604,525
Leasehold improvements	159,862	48,954	110,908
Computer software under development	1,303,115	–	1,303,115
	5,063,387	2,336,530	2,726,857

	30 September 2005		
	Cost $	Accumulated amortisation $	Net $
Furniture and equipment	827,982	423,455	404,527
Computer hardware	1,117,690	763,925	353,765
Computer software	1,408,863	822,124	586,739
Leasehold improvements	155,241	26,548	128,693
Computer software under development	502,490	–	502,490
	4,012,266	2,036,052	1,976,214

	30 September 2004		
	Cost $	Accumulated amortisation $	Net $
Furniture and equipment	777,131	371,965	405,166
Computer hardware	904,950	605,309	299,641
Computer software	1,393,511	676,875	716,636
Leasehold improvements	13,270	593	12,677
	3,088,862	1,654,742	1,434,120

Computer hardware under capital leases amounted to a net book value of $nil (30 September 2005 – $28,554; 30 September 2004 – $40,791).

5 Credit facilities

	31 July 2006 $	30 September 2005 $	30 September 2004 $
Bank indebtedness (a)	712,708	443,545	475,750
Term credit facilities (b)	2,450,555	3,089,444	2,263,889
Capital lease obligations (c)	–	10,176	26,741

(a) The company has an overdraft facility of up to $2,000,000, which bears interest at prime. The company has pledged, as collateral, $1,000,000 of cash in respect of this facility. The amount drawn on this facility at 31 July 2006 was $548,074 (30 September 2005 – $422,142; 30 September 2004 – $680,088).

(b) The company has the following term credit facilities:

- A demand loan bearing interest at prime rate. The loan is repayable in equal instalments over a three-year term commencing September 2004. The balance outstanding as at 31 July 2006 was $361,108 (30 September 2005 – $638,886; 30 September 2004 – $1,000,000).
- A demand loan bearing interest at prime rate plus 0.5 per cent. The loan is repayable in equal instalments over a three-year period commencing September 2004. The balance outstanding at 31 July 2006 was $469,447 (30 September 2005 – $830,558; 30 September 2004 – $1,263,889).
- A demand loan bearing interest at prime rate plus 0.25 per cent. The loan is repayable over a five-year period in blended payments of principal and interest, commencing in February 2005. The balance amount outstanding as at 31 July 2006 was $1,620,000 (30 September 2005 – $1,620,000; 30 September 2004 – $nil).

While these loans have anticipated payment terms that extend beyond one year, they are demand in nature and as such are classified as current in these consolidated financial statements.

All of the above demand loans and overdraft are collateralised by $2,000,000 in cash, a general security agreement and personal guarantees totalling $2,000,000 by the directors of the company and an assignment of life insurance on the directors amounting to $4,350,000. The company is required to meet certain financial and non-financial covenants pursuant to the credit facilitation agreement. At 31 July 2006, the company was not in compliance with certain of these covenants. The company has discussed this non-compliance with its lender, and based on those discussions, does not anticipate any adverse consequences arising from such non-compliance. On 1 September 2006 the lender offset the outstanding balance on the term credit facilities with the $2,000,000 cash pledged. This resulted in the term credit facilities being repaid in full.

(c) The company has aggregate commitments of $nil (30 September 2005 – $10,176; 30 September 2004 – $26,741) under capital leases, of which $nil (30 September 2005 – $nil; 30 September 2004 – $10,176) is due beyond one year.

6 Convertible debentures

During fiscal 2004, the company reached a settlement agreement with former debenture holders relating to the outstanding debentures of $1,669,237. The company paid $1,550,580 to the debenture holders representing a gain on debt settlement of $118,657.

7 Share capital

Authorised

Unlimited common shares
Unlimited common Class A shares

Issued

	Number of common Class A hares	*Number of common shares*	*Amount* *$*
Balance, 1 October 2003	–	13,417,636	3,239,827
Shares redeemed	–	(4,417,636)	(1,066,684)
Balance, 30 September 2004	–	9,000,000	2,173,143
Shares redeemed	–	(1,350,000)	(325,971)
Conversion to common Class A	3,150,000	(3,150,000)	–
Stock split	6,850,000	5,500,000	–
Conversion to common shares	(10,000,000)	10,000,000	–
Balance, 30 September 2005 and 31 July 2006	–	20,000,000	1,847,172

During the 2004 year, 4,417,636 common shares were redeemed for aggregate cash consideration of $2,749,420, and the premium on redemption of $1,682,736 was charged to retained earnings.

During the 2005 year, the company redeemed 1,350,000 common shares for aggregate cash consideration of $1,725,000, and the premium on redemption of $1,399,029 was charged to retained earnings.

During the 2005 year, the company converted 3,150,000 common shares into an equal number of common Class A shares, following which the company effected a stock split of 2.2222:1 for common shares and 3.1746:1 for common Class A shares. Subsequent to the stock split, the company converted 10,000,000 common Class A shares into an equal number of common shares.

Stock options

In 2000, the company had issued 1,000,000 options to acquire common shares. These options had an exercise price of $2.25 per share, had no expiry date and were granted to employees of the company to provide an incentive to such persons with respect to company activities. No compensation cost was recognised related to these options, as they were issued prior to the company adopting, prospectively, the fair value-based method of accounting for stock options. During the 2005 year, these options were cancelled.

During the 2005 year, the shareholders granted 533,000 share options to employees and certain non–employees. These options have an exercise price of between $0.625 and $2.25 per share, are exercisable at any time and have a term of five years. A cost of $73,750 is included in the 2005 year results related to these options with a corresponding increase in contributed surplus.

7 Share capital (continued)

As described above, during the 2005 year, there was a stock split of both the common and common Class A shares. The effect of this split was that the holders of the common Class A shares, who were employees, increased their ownership of the company by approximately 9 per cent. Stock-based compensation accounting rules require this transaction to be recognised as a compensation cost. The estimated fair value of this transaction was $862,500 and is reflected as an increase in compensation cost and contributed surplus for the 2005 year.

A summary of the status of the company's stock options as at 31 July 2006, 30 September 2005 and 30 September 2004 is presented below:

	Shares	*Weighted average exercise price* $
Outstanding – 30 September 2003 and 2004	1,000,000	2.25
Granted during fiscal 2005	533,000	1.44
Exercised	–	–
Cancelled during fiscal 2005	(1,000,000)	2.25
Outstanding – 30 September 2005 and 31 July 2006	533,000	1.44
Options exercisable at year-end	533,000	
Weighted average of fair value of options granted in the year		0.09

The following table summarises the stock options outstanding as at 31 July 2006:

Exercise price	*Number outstanding*	*Remaining contractual life*
$2.25	83,000	3.6 years
$1.375	400,000	3.6 years
$0.625	50,000	3.6 years

Fair value based method of accounting

The fair value based method of accounting requires the company to estimate the fair value of an employee stock option using a pricing model that takes into account the exercise price and expected life of the option, the current price of the underlying stock, its exercise price, its expected volatility and the current risk-free interest rate for the expected life of the option.

For the calculation of the fair value of the options granted to employees, the following assumptions were used:

Risk-free interest rate	2.96%
Expected volatility	nil%
Expected lives	5 years
Exercise price	$0.625 – $2.25
Market price	$1.28

8 Commitments

Operating leases

At 31 July 2006, the company was committed to operating lease payments for its premises, vehicles and equipment in the following amounts over the next five years:

	$
2007	669,000
2008	564,000
2009	421,000
2010	278,000
2011	5,000
	1,937,000

Litigation

In the normal course of its operations, the company has been or, from time to time, may be named in legal actions seeking monetary damages. While the outcome of these matters cannot be estimated with certainty, management intends to vigorously defend them and does not expect, based on consultation with legal counsel, that they will have a material effect on the company's business or financial condition or results of operations.

Significant contracts

The company has entered into a number of significant contracts with suppliers who have advanced funds to the company.

9 Financial instruments

Fair values

The fair values of restricted cash, funds held in trust, accounts receivable, accounts payable and accrued liabilities approximated their carrying values due to the short-term nature of these instruments.

The fair values of long-term financial assets and liabilities, including any corresponding current portions, approximated their carrying value as those balances would represent the amounts the company would receive or pay to terminate the instrument agreement at the reporting date.

Credit risk

The company is exposed to credit risk on the accounts receivable from travel providers. In order to reduce its credit risk, the company has adopted credit policies that include the regular review of outstanding accounts receivable. The company does not have a significant exposure to any individual travel provider or counterparty.

10 Income tax

A reconciliation of the income tax expense for the year to the amount of income tax using the statutory rate is as follows:

	31 July	30 September	
	2006	2005	2004
	$	$	$
Accounting income	3,225,898	2,672,864	4,017,468
Tax at the applicable tax rate	1,142,935	946,995	1,409,328
Tax effect of expenses that are not deductible for income tax purposes	25,618	363,054	23,758
Miscellaneous	17,496	(35,460)	(946)
Income tax expense	1,186,049	1,274,589	1,432,140

11 Supplemental information (unaudited)

Gross travel bookings represent the total purchase price of all travel products and services, including all related taxes booked by the company. This information does not affect the company's operating results. Disclosure of gross travel bookings is not required by Canadian generally accepted accounting principles (GAAP). Gross travel bookings are not included in revenues or operating results, and should not be considered in isolation or as a substitute for other information prepared in accordance with Canadian GAAP. Management believes that gross travel bookings are meaningful because such information, and, in particular, year-to-year changes in such information, is a useful measure of market and product acceptance.

	31 July	30 September	
	2006	2005	2004
	$	$	$
Gross travel bookings	168,174,724	178,657,485	140,614,593

PART V

SECTION A

Accountants' Report on the Pro Forma Statement of Net Assets of Travelzest plc as enlarged by the acquisition of Peng Travel Limited, The Montpelier Collection Limited and itravel2000.com (the "Enlarged Group")

Horwath Clark Whitehill LLP
Chartered Accountants
10 Palace Avenue, Maidstone
Kent ME15 6NF

The Directors
Travelzest Plc
Redwood House
7 St Martin's Place
London
WC2N 4HA

and

The Directors
Daniel Stewart & Company plc
Beckett House
36 Old Jewry
London
EC2R 8DD

12 September 2006

Dear Sirs

Travelzest plc (the "Company" or "Travelzest")

We report on the unaudited pro forma combined net asset statement ("the Pro forma financial information") set out in Section B of Part V of the Admission Document of Travelzest dated 12 September 2006 (the "Admission Document"), which has been prepared on the basis described, for illustrative purposes only, to provide information about how the acquisitions of Peng Travel Limited and The Montpelier Collection Limited, the proposed acquisition of itravel2000.com and the Placing of 4,206,349 new Ordinary Shares might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 April 2006.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma financial information set out in Section B of Part V of the Admission Document.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Travelzest.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of Travelzest.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this Section V of this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with item 1.2 of Annex I of the AIM Rules.

Yours faithfully

Horwath Clark Whitehill LLP
Chartered Accountants

SECTION B

Pro Forma Statement of Net Assets of the Enlarged Group

Set out below is an unaudited pro forma statement of the combined net assets of the Enlarged Group based on the net assets of the Company as at 30 April 2006 contained in the Financial Information set out in Section B of Part III(a) of this document, which have been adjusted to show the effect of the acquisition of Peng Travel Limited, The Montpelier Collection Limited and itravel2000.com together with the proposed placing and raising of additional debt finance as if they had occurred on 30 April 2006.

The pro forma financial information has been prepared for illustrative purposes only, because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position or results, may not give a true picture of the financial position of the Enlarged Group.

		Adjustments						
	Note 1	*Note 2*	*Note3*	*Note 4*	*Note 5*	*Note 6*	*Notes 7 and 8*	
	Travelzest as at 30 April 2006 £'000	*Peng Travel as at 31 December 2005 £'000*	*The Montpelier Collection as at 31 December 2005 £'000*	*itravel 2000.com as at 31 July 2006 £'000*	*Debt Finance £'000*	*Share Placing £'000*	*Proposed Pro forma adjustments £'000*	*Group adjusted Pro forma net assets £'000*
Fixed assets								
Intangible assets	4,498	–	–	56			30,843	35,397
Tangible assets	638	–	12	1,293				1,943
Investments	–	–	10	–			(10)	–
	5,136	–	22	1,349			30,833	37,340
Current assets								
Debtors	1,845	66	993	2,753				5,657
Cash at bank	5,463	1,928	214	1,322	11,000	4,900	(14,973)	9,864
	7,308	1,994	1,207	4,075	11,000	4,900	(14,973)	15,521
Creditors: amounts falling due within one year	(6,145)	(412)	(1,716)	(2,941)	–		(5,196)	(16,410)
Net current assets/ (liabilities)	1,163	1,582	(509)	1,134	11,000	4,900	(20,169)	(899)
Total assets less current liabilities	6,299	1,582	(487)	2,483	11,000	4,900	10,664	36,441
Creditors: amounts falling due in more than one year	(10)	–	–	–	(11,000)			(11,010)
Provisions for liabilities and charges	(18)	–	70	–				52
Accruals and deferred income	–	–	–	(325)				(325)
Net assets/(liabilities)	6,271	1,582	(417)	2,158	–	4,900	10,664	25,158

Notes:

1. The net assets of the Company at 30 April 2006 have been extracted without material adjustment from the balance sheet shown in the Financial Information set out in Section B of Part III(a) of this document.

2. The net assets of Peng Travel Limited at 31 December 2005 have been extracted without material adjustment from the balance sheet shown in the Financial Information set out in Section B of Part III(d) of this document.

3. The net assets of The Montpelier Collection Limited at 31 December 2005 have been extracted without material adjustment from the balance sheet shown in the Financial Information set out in Section B of Part III(e) of this document.

4. The net assets of itravel2000.com at 31 July 2006 have been extracted without material adjustment from the balance sheet shown in the Financial Information set out in Section B of Part IV of this document. Assets and liabilities expressed in foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date of Can$2.1095:£1.

5. Adjustments have been made to show the effect of the drawdown of the bank loan of £11 million to part finance the acquisition of itravel2000.com.

6. Adjustments have been made to show the effect of the share placing:

	No. of shares issued	*Issue price*	*Equity raised £'000*
Shares issued	4,206,349	1.26	5,300
Less issue expenses			(400)
Net equity			4,900

7. Adjustments have been made to show the effect of the acquisition of Peng Travel Limited, The Montpelier Collection Limited and itravel2000.com as follows:-

   (i) The maximum consideration payable under each of the acquisitions is made up as follows:

	Peng Travel Limited £'000	*The Montpelier Collection Limited £'000*	*itravel2000.com £'000*	*Total £'000*
Satisfied by cash	618	1,250	10,500	12,368
Satisfied by shares	412	700	–	1,112
Satisfied by exchangeable shares	–	–	10,500	10,500
Deferred cash	821	–	2,375	3,196
Deferred shares	–	–	2,375	2,375
Loan notes	–	2,000	–	2,000
	1,851	3,950	25,750	31,551
Professional fees	152	223	1,500	1,875
	2,003	4,173	27,250	33,426

   (ii) The goodwill arising on each of the acquisitions that has been assumed in the pro forma, has been calculated as follows:

	Peng Travel Limited £'000	*The Montpelier Collection Limited £'000*	*itravel2000.com £'000*	*Total £'000*
Basic consideration	1,851	3,950	25,750	31,551
Acquisition cost expenses	152	223	1,500	1,875
Total consideration payable	2,003	4,173	27,250	33,426
Adjusted book value of assets to be acquired	(1,582)	417	(2,102)	(3,267)
Pre completion dividend	730	–	–	730
Investments acquired	–	10	–	10
Less intangible assets acquired	–	–	(56)	(56)
Positive goodwill arising	1,151	4,600	25,092	30,843

8. The adjustments to pro forma cash can be summarised as follows:

	£'000
Cash consideration	12,368
Acquisition cost expenses	1,875
Pre completion dividend	730
	14,973

9. No adjustments have been made to reflect the trading results of Travelzest since the date to which its Financial Information was made up.

10. No adjustments have been made to reflect the trading results of Peng Travel Limited since the date to which its Financial Information was made up.

11. No adjustments have been made to reflect the trading results of The Montpelier Collection Limited since the date to which its Financial Information was made up.

12. No adjustments have been made to reflect the trading results of itravel2000.com since the date to which its Financial Information was made up

PART VI

SUMMARY OF ACQUISITION AGREEMENT AND THE MATERIAL ANCILLARY DOCUMENTS

Acquisition Agreement

Pursuant to the Acquisition Agreement Travelzest has agreed to purchase the outstanding common shares of itravel2000.com (the "Purchased Shares") through an indirect, wholly-owned subsidiary of Travelzest, ExchangeCo.

Consideration

The purchase price payable by ExchangeCo to the Vendors for the Purchased Shares is equal to Can$42,000,000 less the sum of Can$1,500,000 and the outstanding balance, if any, owing under itravel2000.com's term debt to The Bank of Montreal (to the extent not repaid by cash collateralised thereto) at completion (the "Purchase Price"). One-half of the Purchase Price shall be paid in cash to the Individual Vendors (the "Cash Consideration") and the other half of the Purchase Price shall be paid to CanCo by the issuance of Exchangeable Shares. The 7,938,780 Exchangeable Shares issued pursuant to the Acquisition Agreement are exchangeable into Ordinary Shares, in accordance with the terms thereof and the terms of the Exchange Agreement and will be subject to the terms of the Lock-In Agreement (described on page 145 below).

The Acquisition Agreement provides that on completion of the Acquisition, any outstanding balance owing under itravel2000.com's overdraft loan facility with The Bank of Montreal shall be paid by itravel2000.com and cancelled. In addition, on completion, ExchangeCo will cause any outstanding balance owing under certain term debts owing by itravel2000.com to The Bank of Montreal pursuant to three on demand non-revolving loan facilities to be retired in full and the Vendors unconditionally released from all obligations with respect thereto. Prior to completion, all amounts owing to itravel2000.com by the Shareholders and related parties are to be fully and finally settled.

Closing Adjustments

Pursuant to the Acquisition Agreement and prior to completion of the Acquisition, itravel2000.com shall deliver to Travelzest and certain of its subsidiaries, a *bona fide* projection and estimate of the net asset value ("NAV") of itravel2000.com as at completion. If the estimated NAV is less than Can$2,411,587, the Purchase Price payable on completion shall be reduced by an amount equal to such deficiency to be applied as a direct reduction of the Cash Consideration or to be settled by a cash payment.

Within ninety days following completion, Travelzest will prepare and deliver to the Vendors an actual audited NAV calculation as of completion determined in a manner consistent with the estimated NAV calculation. If the final NAV calculation is less than the estimated NAV calculation, the Purchase Price payable on the closing shall be re-adjusted and reduced by the amount of the deficiency; and if the final NAV calculation is greater than Can$2,411,587, the Purchase Price payable on the closing shall be re-adjusted and increased by the amount of the excess.

Additional Consideration

Within one hundred twenty days after October 31, 2007, an audit of itravel2000.com and its subsidiaries shall be conducted for the period from November 1, 2006 to October 31, 2007 including a calculation of the EBITDA (as defined in the Acquisition Agreement) of itravel2000.com for the period from November 1, 2006 to October 31, 2007. If the product of the final agreed upon actual EBITDA multiplied by seven is greater than Can$42,000,000, ExchangeCo shall pay to the Vendors an amount (the "Additional Consideration") equal to the lesser of (a) the difference between the said amount and Can$42,000,000; and (b) Can$9,500,000.

One-half of the Additional Consideration is to be paid in cash to the Individual Vendors and the other half is to be paid by the issuance of Exchangeable Shares to CanCo.

CanCo will have the potential to own, pursuant to the terms of the Additional Consideration under the Acquisition Agreement, such number of Ordinary Shares as would have a market value of up to Can$4.75 million. At the Current Exchange Rate and at the Placing Price this would represent for Canco an aggregate shareholding of 38.32 per cent of the then issued share capital of the Company.

However, the exchange rate and the share price at the date the Additional Consideration is payable may result in the actual percentage of CanCo's aggregate shareholding in the Company being in excess, or far in excess, of 38.32 per cent.

Representations and Warranties

The Acquisition Agreement provides for representations and warranties by the parties thereto that are customary for a transaction of this nature.

Covenants

The Acquisition Agreement provides that the parties shall, among other things, (i) obtain all consents, approvals and authorisations as are required to be obtained in order to consummate the transaction contemplated by the Acquisition Agreement; (ii) bear their respective costs incurred in performance of the Acquisition Agreement (with the Vendors to pay to Travelzest 50 per cent. of its reasonable fees and expenses, including certain taxes incurred, in order to effect the exchangeable share acquisition structure, regardless of whether or not the Acquisition is completed); and (iii) notify the other parties if any fact or condition arises that relates to a breach of such party's representations or warranties.

The Acquisition Agreement permits the Vendors to appoint a nominee to Travelzest's board of directors, and Travelzest agrees to recommend such nominee to its Shareholders and to solicit proxies for such nominee. Until the end of itravel2000.com's 2007 fiscal year, its business shall be conducted as a separate business unit of Travelzest under the overall control of the board of directors of itravel2000.com and Travelzest shall be entitled to designate two nominees to the board of directors of itravel2000.com.

The Vendors covenant to enter into a unanimous shareholder declaration immediately subsequent to the completion of the Acquisition which will restrict the powers of the board of directors of itravel2000.com to manage or supervise the management of the business and affairs of itravel2000.com in accordance with the covenants concerning the conduct of itravel2000.com's business set out in the Acquisition Agreement. The Acquisition Agreement provides for certain positive and negative covenants by the Vendors in respect of the conduct of the business of itravel2000.com and its subsidiaries that are customary in a transaction of this nature.

Conditions of Closing

The obligations of Travelzest, CallCo and ExchangeCo to consummate the Acquisition are conditional, *inter alia*, on receipt of the passing all of the Resolutions and in particular of Resolution 1.

Indemnification

Pursuant to the Acquisition Agreement, each Vendor agrees to indemnify certain Travelzest indemnitees against all losses in respect of any inaccuracy in or breach of any representation, warranty or covenant of such Vendors and of itravel2000.com or any document delivered by such Vendors pursuant to the Acquisition Agreement. The indemnification in respect of the representations, warranties and covenants of the Vendors shall be on a several basis, and in respect of itravel2000.com, CallCo and ExchangeCo shall be on a joint and several basis. Notwithstanding the foregoing, the parties agree that the indemnification obligations arise only when the aggregate of all indemnification claims against the Vendors exceeds Can$200,000, in which case the amount of such losses, including such Can$200,000 amount may be recovered by Travelzest, CallCo and ExchangeCo. Also, absent any fraud or intentional misrepresentation, the parties agree to limit the aggregate amount payable under the indemnification obligations to an amount equal to the sum of the

Purchase Price and the Additional Consideration. The Vendors shall satisfy indemnification payments firstly from the proceeds of the Cash Consideration and thereafter by delivery of Ordinary Shares or Exchangeable Shares, as necessary for sale into the market by Travelzest's nominated adviser and broker. With limited exceptions, no indemnification shall be payable on or after 1 February, 2009 unless a claim for such indemnification is made prior to 31 January, 2009.

Assignment

The Acquisition Agreement is not assignable without the prior written consent of the parties thereto, except by: (a) Travelzest to any of its affiliates or in connection with the merger, consolidation or sale of all or substantially all of its business or assets; or (b) by each of the Vendors to any Canadian corporation wholly owned by such Vendor and each Vendor may transfer his or its shares in itravel2000.com to the corporation to whom the Acquisition Agreement is assigned on or before the closing of the Acquisition, provided that no such transfer shall relieve such Vendor of its obligations under the Acquisition Agreement. Notwithstanding the foregoing, Travelzest, CallCo and ExchangeCo may, as of the completion date of the Acquisition, assign the benefit of their rights and remedies under the Acquisition Agreement to a lender or lenders who have provided funding to ExchangeCo for the acquisition of all of the issued shares of itravel2000.com as continuing collateral security for obligations owed, and not as an outright sale, to such lender or lenders without the consent of the other parties to the Acquisition Agreement provided certain conditions are met.

Termination

The Acquisition Agreement may be terminated at any time prior to the completion of the Acquisition by Travelzest on written notice to itravel2000.com if Travelzest determines in good faith that a material adverse change has occurred with respect to the assets, properties, business, prospects, operations or financial condition of itravel2000.com or its subsidiaries, and such change is not cured within fourteen days after receipt of such notice. The Acquisition Agreement may also be terminated by Travelzest on written notice if the Shareholders do not pass the Resolutions on or prior to September 30, 2006.

Share Provisions of Exchangeable Shares

The following is a summary of the key provisions of the Exchangeable Share Provisions.

Voting

Except as required by applicable law and in the case of amendments to the Exchangeable Share Provisions, the holders of Exchangeable Shares shall not be entitled to receive notice of or to attend any meeting of the shareholders of ExchangeCo or to vote at any such meeting. However, the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares may be added to, changed or removed only with the approval of Travelzest, ExchangeCo and the holders of Exchangeable Shares holding not less the two-thirds (2/3) of the outstanding Exchangeable Shares.

Dividends

The holders of the Exchangeable Shares will be entitled to receive, subject to applicable law, dividends as are the same or economically equivalent to the type and amount of dividends declared and paid on each Ordinary Share. The declaration date, record date and payment date for dividends on the Exchangeable Shares will be the same as the relevant date for the corresponding dividends on the Ordinary Shares.

Liquidation Rights

In the event of a distribution of assets of ExchangeCo among its shareholders arising on the liquidation, dissolution, or winding-up of ExchangeCo, whether voluntary or involuntary, or any other distribution of the assets of ExchangeCo among its shareholders for the purpose of winding-up the affairs of ExchangeCo (a "**Liquidation Distribution**"), CallCo shall have the overriding right (the "**Liquidation Call Right**") to purchase from all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is an affiliate of Travelzest) on the last business day prior to the effective date of the Liquidation

Distribution (the "**Liquidation Date**") an amount per Exchangeable Share equal to the current market price of an Ordinary Share as at the date of issue of the subject Exchangeable Share, which shall be satisfied by the delivery to the holders of the Exchangeable Shares of one Ordinary Share for each Exchangeable Share plus the full amount of any and all declared and unpaid dividends on the Exchangeable Shares (the "**Unpaid Dividend Amount**"), if any, on any Exchangeable Share held by such holder on any dividend record date which occurred prior to the Liquidation Date.

In the event that CallCo does not exercise the Liquidation Call Right the holders of Exchangeable Shares will have, subject to applicable law, preferential rights to receive from the assets of ExchangeCo the same amount per Exchangeable Share as they would have each been entitled to had the Liquidation Call Right been exercised by CallCo.

Retraction

Subject to the exercise by CallCo of its Retraction Call Right (as defined in the next paragraph), a holder of Exchangeable Shares shall be entitled at any time to retract (i.e. require ExchangeCo to redeem) any or all of the Exchangeable Shares held by such holder for an amount per Exchangeable Share equal to the current market price of an Ordinary Share as at the date of issue of the subject Exchangeable Share, which, subject to applicable law, shall be satisfied in full by ExchangeCo causing to be delivered to such holder one Ordinary Share for each Exchangeable Share presented and surrendered by the holder), plus the Unpaid Dividend Amount, if any, on any such Exchangeable Share held by such holder on any dividend record date which occurred prior to the Retraction Date; provided that if, at the time of such redemption request, such holder of Exchangeable Shares holds at least two hundred and fifty thousand Canadian dollars (Can$250,000) or more of Exchangeable Shares, the minimum amount of Exchangeable Shares to be redeemed pursuant to this Section shall be two hundred and fifty thousand Canadian dollars (Can$250,000) of Exchangeable Shares.

When a holder requests that ExchangeCo redeems its Exchangeable Shares, CallCo shall have an overriding right (the "**Retraction Call Right**") to purchase all (but not less than all) such shares directly from the holder of Exchangeable Shares who has exercised its retraction right at a purchase price per share equal to the Retraction Price.

Redemption

Subject to applicable law and provided that CallCo has not exercised the Redemption Call Right (as defined below), ExchangeCo will redeem all but not less than all of the then outstanding Exchangeable Shares for an amount per Exchangeable Share equal to the current market price of an Ordinary Share as at the date of issue of the subject Exchangeable Share, which, subject to applicable law, shall be satisfied in full by ExchangeCo causing to be delivered to each holder of Exchangeable Shares one Ordinary Share for each Exchangeable Share presented and surrendered by the holder), plus the Unpaid Dividend Amount, if any, on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the Redemption Date.

"**Redemption Date**" means the date, established by the board of directors of ExchangeCo for the redemption by ExchangeCo of all but not less than all of the outstanding Exchangeable Shares, provided that such board of directors shall not establish such date prior to the fifth (5th) anniversary of the date of initial issuance of Exchangeable Shares by ExchangeCo unless, inter alia:

(a) the number of Exchangeable Shares outstanding (other than Exchangeable Shares held by Travelzest and its affiliates of Travelzest) is less than ten percent (10%) of the aggregate number of Exchangeable Shares issued prior to the Redemption Date;

(b) there is an acquisition of control of Travelzest by means of any tender offer, share exchange, take-over bid or similar transaction or a sale of all or substantially all of the assets of Travelzest or an irrevocable commitment by the board of directors of Travelzest (and if required under the applicable law, the relevant percentage of the shareholders of Travelzest) to complete any such transaction (a "**Travelzest Control Transaction**");

(c) the holders of Exchangeable Shares become entitled, as a result of amendments to the Income Tax Act (Canada) or otherwise, to receive Ordinary Shares in exchange for Exchangeable Shares on a tax deferred basis under the Income Tax Act (Canada) similar to the basis set out in subsection 85(1) of the Income Tax Act (Canada).

CallCo shall have an overriding right (the "**Redemption Call Right**"), notwithstanding any proposed redemption of the Exchangeable Shares by ExchangeCo, to purchase from all but not less than all of the holders of Exchangeable Shares (other than any holder of Exchangeable Shares which is an affiliate of Travelzest) on the Redemption Date on payment by ExchangeCo to each holder of an amount per Exchangeable Share equal to the current market price of an Ordinary Share as at the date of issue of the subject Exchangeable Share, which shall be satisfied in full by CallCo causing to be delivered to such holder one Ordinary Share for each Exchangeable Share presented and surrendered by the holder, plus the unpaid dividend amount, if any, on each Exchangeable Share held by such holder on any dividend record date which occurred prior to the Redemption Date. This Redemption Call Right coupled with Travelzest's control of CallCo effectively allows Travelzest to ensure that the ExchangeCo Shares are exchanged for Ordinary Shares in the event of a Travelzest Control Transaction.

Certain Restrictions

So long as any of the Exchangeable Shares are outstanding, ExchangeCo shall not without the approval of the holders of Exchangeable Shares given in the manner set forth above under the heading "Voting":

(a) pay any dividends on the common shares of ExchangeCo or any other shares ranking junior to the Exchangeable Shares unless a dividend is at the same time declared and paid in accordance with the ExchangeCo Share Provisions to the holders of the Exchangeable Shares;

(b) redeem or purchase or make any capital distribution in respect of common shares of ExchangeCo or any other shares ranking junior to the Exchangeable Shares; or

(c) redeem or purchase any other shares of ExchangeCo ranking equally with the Exchangeable Shares with respect to the payment of dividends or on any Liquidation Distribution.

The restrictions set out in paragraphs (a), (b) and (c) above will not apply at any time when the dividends and other distributions on the outstanding Exchangeable Shares corresponding to the dividends and other distributions declared and paid on the Ordinary Shares have been declared and paid on the Exchangeable Shares.

Exchange Agreement

Pursuant to the terms of the Exchange Agreement, Travelzest has granted to the holder of Exchangeable Shares (i.e. CanCo) (a) the right (the "**Exchange Right**") to require Travelzest, upon the occurrence and during the continuance of any (i) Liquidation Distribution, or (ii) failure of ExchangeCo, by reason other than a Liquidation Distribution, to purchase any Exchangeable Shares of which the holder has exercised its right under the Exchangeable Share Provisions to require such shares to be redeemed (the "**Retracted Shares**") pursuant to a duly completed and delivered retraction request, to purchase from the holder all or any part of the Exchangeable Shares held by the holder; and (b) the Automatic Exchange Rights (as defined below).

The purchase price payable by Travelzest for each Exchangeable Share to be purchased by Travelzest under the Exchange Right shall be an amount per Exchangeable Share equal to the current market price of an Ordinary Share as at the date of issue of the subject Exchangeable Share, which shall be satisfied in full by Travelzest causing to be sent to the holder one Ordinary Share, plus to the extent not paid by ExchangeCo, the Unpaid Dividend Amount on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the closing of the purchase and sale.

Each of the following events (each a "**Travelzest Insolvency Event**") shall give rise to the automatic exchange of the Exchangeable Shares (the "**Automatic Exchange Rights**"): (a) any determination by the board of directors of Travelzest to institute voluntary liquidation, dissolution or winding-up proceedings with respect to Travelzest or to effect any other distribution of assets of Travelzest among its Shareholders for the purpose of winding up its affairs (it being understood that a sale of all or substantially all of the assets of Travelzest or any merger, consolidation or similar transaction involving Travelzest shall not, in and of itself, constitute a liquidation, dissolution or winding-up of Travelzest); and (b) the commencement of any claim, suit, petition or other proceedings with respect to the involuntary liquidation, dissolution or winding up of Travelzest or to effect any other distribution of assets of Travelzest among its Shareholders for the purpose of winding up its affairs, provided, however, that such shall only be a Travelzest Insolvency Event if Travelzest has failed to contest in good faith any such proceeding commenced in respect of Travelzest within sixty (60) days thereof or if Travelzest is not successful in any such good faith contestation and all rights of appeal have expired or been exhausted.

In order that the holder of Exchangeable Shares will be able to participate on a pro rata basis with the holders of Ordinary Shares in the distribution of assets of Travelzest in connection with a Travelzest Insolvency Event, immediately prior to the effective time of a Travelzest Insolvency Event all of the then outstanding Exchangeable Shares shall be automatically exchanged for Ordinary Shares. To effect such automatic exchange, Travelzest shall be deemed to have purchased, immediately prior to the effective time of a Travelzest Insolvency Event, each Exchangeable Share then outstanding and held by the holder of Exchangeable Shares, and the holder shall be deemed to have sold the Exchangeable Shares held by it at such time, for a purchase price per Exchangeable Share equal to the current market price of an Ordinary Share as at the date of issue of the subject Exchangeable Share, which shall be satisfied in full by Travelzest issuing to the holder one Ordinary Share, and to the extent not paid by ExchangeCo, the Unpaid Dividend Amount on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the date of the exchange.

Support Agreement

Pursuant to the Support Agreement, for so long as any Exchangeable Shares (other than Exchangeable Shares owned by Travelzest or its affiliates) remain outstanding Travelzest shall be entitled to undertake the following actions provided that it ensures the holder of the Exchangeable Shares (i.e. CanCo) shall be entitled to an equivalent economic benefit in respect of the Exchangeable Shares:

(a) declare or pay any dividend on Ordinary Shares;

(b) advise ExchangeCo sufficiently in advance of the declaration by Travelzest of any dividend on Ordinary Shares and take all such other actions as are reasonably necessary, in co-operation with ExchangeCo, to ensure that the respective declaration date, record date and payment date for a dividend on the Exchangeable Shares shall be the same as the declaration date, record date and payment date for the corresponding dividend on Ordinary Shares;

(c) do all such things as are reasonably necessary or desirable to enable and permit ExchangeCo, in accordance with applicable law, to pay and otherwise perform its obligations with respect to the satisfaction of the Liquidation Amount, the Retraction Price or the Redemption Price in respect of each issued and outstanding Exchangeable Share upon a Liquidation Distribution, the delivery of a retraction request by the holder of Exchangeable Shares or a redemption of Exchangeable Shares by ExchangeCo, as the case may be

(d) do all such things as are reasonably necessary or desirable to enable and permit CallCo, in accordance with applicable law, to perform its obligations arising upon the exercise by it of the Liquidation Call Right, the Retraction Call Right or the Redemption Call Right; provided that in the event that CallCo is unable to exercise the Liquidation Call Right, the Retraction Call Right or the Redemption Call Right, CallCo shall take all such actions and do all such things as are reasonably necessary or desirable to otherwise enable and permit delivery of the Ordinary Shares to the holder of Exchangeable Shares in accordance with the provisions of the Exchangeable Share Provisions;

(e) exercise its vote as a direct or indirect shareholder, or allow any direct or indirect subsidiary to exercise its own vote as a shareholder of ExchangeCo to initiate the voluntary liquidation, dissolution or winding-up of ExchangeCo nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of ExchangeCo;

(f) take all such actions and do all such things as are reasonably necessary or desirable to enable and permit ExchangeCo to perform its obligations, in accordance with applicable law, pursuant to the exercise of an Exchange Right by the holder of Exchangeable Shares; and

(g) provide the holder of Exchangeable Shares with the same information as is provided to holders of Ordinary Shares, such information to be provided at the same time and in the same manner as such information is provided to holders of Ordinary Shares.

In order to assist Travelzest to comply with its obligations under the Support Agreement and to permit CallCo to exercise the Liquidation Call Right, Retraction Call Right and Redemption Call Right, ExchangeCo will notify Travelzest, CallCo and the Shareholders' Representatives (as defined in the Acquisition Agreement) of certain events, such as the liquidation, dissolution or winding-up of ExchangeCo, ExchangeCo's receipt of a retraction request from a holder of Exchangeable Shares and upon the issuance by ExchangeCo of any additional Exchangeable Shares or rights to acquire Exchangeable Shares (other than future issuances contemplated by the Acquisition Agreement).

So long as any Exchangeable Shares (other than Exchangeable Shares owned by Travelzest or its affiliates) remain outstanding, Travelzest shall be entitled to undertake the following actions provided that an economically equivalent distribution or change to the Exchangeable Shares (or in the rights of the holder thereof) is made simultaneously:

(a) issue or distribute Ordinary Shares (or securities exchangeable for or convertible into or carrying rights to acquire Ordinary Shares) to the holders, as a class, of all or substantially all of the then outstanding Ordinary Shares by way of stock dividend or other distribution;

(b) issue or distribute rights, options or warrants to the holders, as a class, of all or substantially all of the then outstanding Ordinary Shares entitling them to subscribe for or to purchase Ordinary Shares (or securities exchangeable for or convertible into or carrying rights to acquire Ordinary Shares);

(c) issue or distribute to the holders, as a class, of all or substantially all of the then outstanding Ordinary Shares (A) shares or securities of Travelzest of any class other than Ordinary Shares (or securities exchangeable for or convertible into or carrying rights to acquire Ordinary Shares) (other than those referred to in (a) above, (B) rights, options or warrants other than those referred to in (b) above, (C) evidences of indebtedness of Travelzest, or (D) assets of Travelzest or its Affiliates; or

(d) subdivide, redivide, reduce, combine, consolidate, reclassify or otherwise change the Ordinary Share;

No restrictions shall apply to (i) any securities issued or distributed by Travelzest in order to give effect to and to consummate the transactions contemplated by, and in accordance with, the Acquisition Agreement or as otherwise permitted by the parties to the Acquisition Agreement, or, (ii) an issue of Ordinary Shares (or securities exchangeable for or convertible into or carrying rights to acquire Ordinary Shares) (A) to holders of Ordinary Shares who exercise an option to receive dividends in Ordinary Shares (or securities exchangeable for or convertible into or carrying rights to acquire Ordinary Shares) in lieu of receiving cash dividends or (B) pursuant to any dividend reinvestment plan or scrip dividend.

In the event of any proposed tender offer, share exchange offer, issuer bid, take-over bid or other transaction or series of transactions affecting the Ordinary Shares is recommended by the directors of Travelzest, and any Exchangeable Shares are not redeemed by ExchangeCo or purchased by CallCo pursuant to the Redemption Call Right, then Travelzest will use its reasonable efforts to take all such action necessary or desirable to enable and permit the holder of Exchangeable Shares to participate in such transaction to the same extent and on an economically equivalent basis as the holders of Ordinary Shares (including by way of conditional exchange).

Travelzest has agreed that it will not, and will cause its affiliates not to, exercise any voting rights which may be exercisable by the holder of Exchangeable Shares from time to time pursuant to the Exchangeable Share Provisions or pursuant to applicable law in respect of any matter considered at any meeting of holders of Exchangeable Shares.

Non-Competition and Non-Solicitation Agreements

As a condition to completion of the Acquisition, each of the Vendors will enter into a non-competition and non-solicitation agreement (the "**Non-Compete Agreement**") in favour of itravel2000.com and Travelzest. Specifically, for a period from the date of the Non-Compete Agreement until the date that is three years from 31 October, 2007 (the "**Non-Competition Period**"), the Vendors shall not carry on or be interested in the business of providing retail travel agency services within North America, directly or indirectly, either alone or in conjunction with any person. Notwithstanding the foregoing, a Vendor may hold shares listed on a recognised North American or United Kingdom stock exchange that does not exceed 5 per cent of the outstanding shares so listed. During the Non-Competition Period, the Vendors shall not induce any person currently related to the business of itravel2000.com, or who was so related within a one year period prior to the date of the Non-Compete Agreement, to stop dealing with itravel2000.com and its subsidiaries and affiliates or to otherwise engage competitors of itravel2000.com and its subsidiaries or affiliates. Similarly, each Vendor has agreed not to solicit any employees of itravel2000.com and its subsidiaries or affiliates for employment, or disparage or otherwise damage the reputation of itravel2000.com, Travelzest and/or their respective subsidiaries or affiliates. Likewise, Travelzest has agreed not to disparage the Vendors. The Non-Compete Agreement is governed by the laws of the Province of Ontario and the laws of Canada applicable therein and the parties attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario in respect of that agreement.

Employment Agreements

As a condition to completion of the Acquisition, each of the Individual Vendors will continue as an executive employee of itravel2000.com (each, an "**Executive**") pursuant to a revised employment agreement (the "**Employment Agreement**") with itravel2000.com. The Employment Agreement shall require each Executive to devote substantially all of his working time to the benefit of itravel2000.com until the Employment Agreement is terminated. Each Executive shall be compensated a base annual salary, payable monthly. In addition, each Executive shall be eligible to participate in itravel2000.com's bonus plan and benefit plans. Participation in benefit plans may be subject to certain pre-conditions or terms specific to such plans.

Each Executive shall be reimbursed for travel and other expenses reasonably incurred in connection with the performance of that Executive's obligations under the Employment Agreement.

Each Executive shall be entitled to vacation equal to twenty-five business days per annum on a *pro rata* basis and at a time mutually agreed on by that Executive and itravel2000.com. Five days of unused vacation time may be carried into and used in the next year.

In the event of an Executive's disability during the term of the Employment Agreement, the Executive shall continue to receive his base salary for the first 120 days of such disability, and thereafter shall be entitled to continue to receive amounts actually payable to the Executive as a result of such disability pursuant to itravel2000.com's benefit plans.

The Employment Agreement may be terminated prior to 31 October, 2007 by (a) itravel2000.com upon bankruptcy or if the Executive has engaged in fraudulent or similar conduct; and (b) the Executive on not less than twelve months' written notice to itravel2000.com. The Employment Agreement may be terminated after October 31, 2007 by (a) itravel2000.com for cause, on payment of severance or if the Executive has been absent from work due to a disability for an extended period; and (b) the Executive on not less than twelve months' written notice to itravel2000.com or where itravel2000.com has assigned him or her inconsistent duties in respect of that Executive's position or such other diminution of authority, duties or compensation that is not remedied by itravel2000.com ("**Good Reason**").

If itravel2000.com terminates the employment of the Executive, other than for cause or disability, or if the Executive terminates his employment for Good Reason, itravel2000.com shall pay the Executive a lump sum cash amount equal to twelve months of such Executive's base salary. In consideration of this payment and the continuation of benefits provided, the Executive will execute a general release in favour of itravel2000.com. In the event of termination other than for cause or the voluntary resignation of the Executive, the Executive's participation in the benefit plans provided to the Executive prior to such termination (excepting disability plans) shall be continued, or equivalent benefits provided, by itravel2000.com until the earlier of (a) twelve months following termination for reasons other than for cause; or (b) the Executive's death.

Pursuant to the terms of the Employment Agreement, each Executive agrees not to carry on or be interested in the business of providing retail travel agency services within North America, directly or indirectly, either alone or in conjunction with any person for a set period after termination of that Executive's employment. In the event that the Executive's employment is terminated prior to 31 October, 2007, that period ends on 31 October, 2010; in the event that the Executive's employment is terminated after 31 October, 2007, the Executive agrees not to compete with itravel2000.com during the twelve months following the date that the Executive gives or receives notice of termination. Notwithstanding the foregoing, an Executive may hold shares listed on a recognised North American or United Kingdom stock exchange that does not exceed 5 per cent of the outstanding shares so listed.

For a one year period following termination, each Executive agrees not to induce any person currently related to the business of itravel2000.com, or who was so related within a one year period prior to the date of the Employment Agreement, to stop dealing with itravel2000.com and its subsidiaries and affiliates or to otherwise engage competitors of itravel2000.com and its subsidiaries or affiliates. Similarly, pursuant to the terms of the Employment Agreement, each Executive agrees not to solicit any employees of itravel2000.com and its subsidiaries or affiliates for employment for one year following termination. The Employment Agreement is governed by the laws of the Province of Ontario and the laws of Canada applicable therein and the parties attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario in respect of that agreement.

Releases

Pursuant to the Acquisition Agreement, each of the Vendors has agreed to execute a release in favour of itravel2000.com on completion, pursuant to which such Vendor will forever discharge itravel2000.com and its directors, officers, employees, agents and representatives (each a "**Releasee**") from all actions, suits, proceedings, debts and other claims that such Vendor, as an officer, director, shareholder, creditor or employee of itravel2000.com, had or may have against any Releasee in any way arising out of any matter done or omitted to be done existing at any time up to or on the date of the release, excluding any possible claims under the Acquisition Agreement. The release is governed by the laws of the Province of Ontario and the laws of Canada applicable therein and the parties thereto attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.

Lock-In Agreement

Pursuant to the Acquisition Agreement, CanCo has agreed to enter into a lock-in and orderly market agreement (the "**Lock-In Agreement**") on the date of closing of the Acquisition with Travelzest and Daniel Stewart. Pursuant to the terms of the Lock-In Agreement, CanCo will agree to certain restrictions on the disposal of Exchangeable Shares and any Ordinary Shares resulting from an exchange of the Exchangeable Shares (collectively, the "**Shares**") held by CanCo. In addition, CanCo will agree not to pledge or dispose of, or agree to pledge or dispose of, directly or indirectly, any interest in any of the Shares for a period of two years from the date of issuance of such Exchangeable Shares (the "**Release Date**"). Furthermore, any such disposal of Shares during a period of twelve months following the Release Date by CanCo shall only be made through Daniel Stewart, on market terms for the carrying out of such disposal.

The restrictions on disposal do not apply to disposals pursuant to or in the event of (a) an intervening court order; (b) a takeover offer for the entire issued share capital of Travelzest; (c) a compromise agreement or arrangement between the Travelzest and its creditors; (d) the ability to give an irrevocable commitment in the case of a takeover offer; or (e) an offer by Travelzest to purchase its own shares in compliance with the Companies Act. Moreover, the restrictions on disposal do not apply to a disposal (a) with the prior written consent of Daniel Stewart to a transfer of Shares in the instance of severe financial hardship of CanCo; or (b) pursuant to CanCo's obligations to meet any liabilities arising under clause 10.3 of the Acquisition Agreement.

The Lock-In Agreement is governed by English law.

Post Completion Sale and Reorganisation

Prior to the completion of the Acquisition, ExchangeCo will incorporate CanNewCo, a wholly-owned subsidiary, with nominal share capital. Immediately following the completion of the Acquisition, ExchangeCo will transfer all of the issued and outstanding shares in the capital of itravel2000.com to CanNewCo on a tax-deferred basis under section 85(1) of the Income Tax Act (Canada) in return for a promissory note and common shares of CanNewCo.

Immediately following the transfer of the shares of itravel2000.com to CanNewCo, CanNewCo, itravel2000.com and all of the subsidiaries of itravel2000.com (2064650 Ontario Inc., The Digital Baxter Corporation and Travelling Software Systems Limited) will amalgamate under the provisions of the Canada Business Corporations Act to form a new corporation that will continue the business of itravel2000.com.

PART VII

DIRECTORS AND EMPLOYEES

1 Interests of Directors and others

1.1 The beneficial interests of the Directors and their immediate families and of persons connected with them within the meaning of section 346 of the Act in the share capital of the Company as at the date of this document (which have been notified to the Company pursuant to section 324 of the Act and which are required to be entered in the Register of Directors' interests maintained under the provisions of section 325 of the Act or could, with reasonable diligence, be ascertained by the Directors) and as they are expected to be immediately following completion of the Placing are as follows:

	Before Admission/ the Placing			*After Admission/ the Placing*		
Name	*Number of issued Ordinary Shares*	*Percentage of issued share capital*	*Share options*	*Number of issued Ordinary Shares*	*Percentage of issued share capital*	*Share options*
Michael Bruce-Mitford	2,746,300	24.0	–	2,746,300	17.52	–
Christopher Mottershead	82,539	0.7	121,632	82,539	0.53	121,632
Colin McKinlay	40,000	0.3	156,862	40,000	0.26	156,862
Richard Hall	21,100	0.2	–	21,100	0.13	–
Peter Thomson	180,000	1.6	–	180,000	1.15	–

1.2 Save as disclosed in paragraphs 1.1 of this Part VII and the 2,505,545 Warrants which will following Admission be registered in the name of Christopher Mottershead, no Director nor any member of their respective immediate families, nor any person connected with them, within the meaning of Section 346 of the Act, is interested in any share capital of the Company. Further information relating to the Warrants is set out in paragraph 5 of Part VIII of this document.

1.3 No loan or guarantee has been granted or provided by any company within the Group to any Director or any person connected with them and no loans are outstanding from the Group to any of the Directors.

1.4 The Directors, whose names appear on page 8 of this document, have been appointed to the offices and employments set out against their respective names. The agreements summarised below are each between the respective Director and the Company:

(a) Letter of appointment between the Company and Michael Bruce-Mitford dated 24 August 2005. Under the terms of the letter of appointment Mr Bruce-Mitford has agreed to act as non-executive director and non-executive Chairman of the board of directors of the Company. The appointment is for an initial term of 1 year terminable (1) if Mr Bruce-Mitford holds 30 per cent. or more of the issued share capital of the Company, by an ordinary resolution of the members of the Company approving his removal as a director of the Company or by Mr Bruce-Mitford giving to the Company 3 months' prior written notice at any time or (2) if Mr Bruce-Mitford holds less than 30 per cent. of the issued share capital of the Company by, Mr Bruce-Mitford or the Company giving to the other 3 months' prior written notice at any time. Mr Bruce-Mitford is committed to attending at least 6 board meetings, at least 1 annual meeting of the non-executive directors of the Company, the Annual General Meeting, the meetings of any committees to which he is appointed and *ad hoc* meetings of the board of the Company at the request of the Company's Chief Executive. Mr Bruce-Mitford's fee is £15,000 per annum payable in 12 equal monthly instalments less the appropriate PAYE tax and national insurance contributions.

(b) An offer letter from Travelzest to Christopher Mottershead dated 1 April 2005 confirming that on completion of the acquisition of Holiday Express Group Limited Mr Mottershead would be entitled to a one-off bonus of £100,000. Mr Mottershead agreed to and did immediately reinvest the net proceeds in Ordinary Shares at the then prevailing share price.

(c) Service agreement entered into by the Company and Christopher Mottershead dated 1 April 2005. Mr Mottershead's annual salary is £175,000. The service agreement refers to a bonus of up to 50 per cent. of his annual basic salary in cash or 100 per cent. of his annual basic salary in share options subject to the satisfaction of annual targets set by the remuneration committee of the Company. The target for the current financial year will be achieved if the Company's earnings before interest, tax, depreciation and amortisation is £900,000 or above. The bonus is to be satisfied by the grant of options over a number of shares in the Company. The service agreement is terminable by either party giving not less than 12 months' written notice to the other. The Company can place Mr Mottershead on "garden leave" during the whole or any part of the notice period. The service agreement provides that Mr Mottershead will devote his whole working time and attention to his duties under the service agreement. The service agreement provides that Mr Mottershead will not falsely represent himself as in any way being connected with or interested in the business of the Company after the termination of his employment with the Company and does not contain further post termination restraints.

(d) Consultancy agreement entered into by the Company and Richard Hall trading as Richard Hall Consultancy dated 24 August 2005. The consultancy agreement provides for annual fees of £8,000 in respect of Mr Hall's consultancy services to the Company and £10,000 in respect of his services as a non-executive director of the Company. The consultancy agreement is terminable by either party giving to the other at least 3 months' written notice. The consultancy agreement provides that Mr Hall will spend an average of not less than 10 days per annum as a non-executive director and an average of 8 days per annum providing other services under the consultancy agreement. The consultancy agreement does not contain any post termination restraints.

(e) Letter of appointment between the Company and Peter Thomson dated 24 August 2005. Under the terms of the letter of appointment Mr Thomson has agreed to act as non-executive director of the board of directors of the Company. The appointment is for an initial term of 1 year terminable by either party giving not less than 3 months' notice to the other party. Mr Thomson is committed to attending at least 6 board meetings, at least 1 annual meeting of the non-executive directors of the Company, the AGM, the meetings of any committees to which he is appointed and *ad hoc* meetings of the board of the Company at the request of the Company's Chief Executive. Mr Thomson's fee is £10,000 per annum payable in 12 equal monthly instalments less the appropriate PAYE tax and national insurance contributions.

(f) Service agreement entered into by the Company and Colin McKinlay dated 3 April 2006. Mr McKinlay's annual salary is £135,000. The service agreement refers to a bonus of up to 50 per cent. of his annual basic salary in cash or 100 per cent. of his annual salary in share options subject to the satisfaction of annual targets set by the remuneration committee of the Company. The target for the current financial year will be achieved if the Company's earnings before interest, tax, depreciation and amortisation is £900,000 or above. The bonus is to be satisfied by the grant of options over a number of shares in the Company. The service agreement is terminable by either party giving not less than 6 months' written notice to the other. The Company can place Mr McKinlay on "garden leave" during the whole or any part of the notice period. The service agreement provides that Mr McKinlay will devote his whole working time and attention to his duties under the service agreement. The service agreement provides that Mr McKinlay will not falsely represent himself as in any way being connected with or interested in the business of the Company after the termination of his employment with the Company and does not contain further post termination restraints. Colin McKinlay had no prior service agreement with the Company.

None of the agreements summarised above entitle any Director to any benefit on termination. Except for Colin McKinlay, none of the above service contracts have been altered in the previous 6 months.

1.5 The aggregate emoluments (including benefits in kind and pension contributions) for the year ended 31 October 2005 were £249,130 and it is estimated, assuming Admission, that the aggregate emoluments of the Directors for the year ending 31 October 2006 as employees or in respect of their services to the Group (including benefits in kind and pension contributions) will amount to £• under the arrangements in force at the date hereof.

1.6 Save as disclosed in this document none of the Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.

1.7 The Directorships of companies registered in England and Wales held by each of the Directors over the five years preceding the date of this document other than the Company and its subsidiaries are as follows:

Director	*Current*	*Past*
Michael Bruce-Mitford	VFB Holidays Ltd Vacances Franco-Britanniques Ltd Normandy Holdings Ltd Odyssey Experience Ltd Country Lanes Limited	
Christopher Mottershead	Match Day Media Ltd	TUI UK Limited
Peter Thomson	Dundec Holdings Ltd Caprice Management Ltd Fenners Lawn Residents' Association Ltd S T International Ltd	Braywick Heath Nurseries Ltd The Norden Farm Centre Trust Ltd
Richard Hall	Bond International Software plc Elbeco Ltd Fastline Films Ltd	FLS Group Ltd Castle Neroche (Interiors) Ltd 38/41 CHG Residents' Company Fastline Photographic Ltd
Colin McKinlay		Going Places Leisure Travel Limited My Travel Personal Finance Limited My Travel UK Limited The Travel World Group Limited

2. Employees

As at 12 July 2006 the Company and its subsidiaries employed 142 people (including the Directors). As at 31 October 2005 the Company and its subsidiaries employed 132 people (including the Directors).

3. EMI Options and Unapproved Options

3.1 On 1 April 2005, pursuant to an option agreement, the Company issued options to Chris Mottershead details of which are set out below:

Number of Shares under Option	40,000
Exercise Price per share	£1.26
Date of Grant	1 April 2005

3.2 The grant of the options was notified to Christopher Mottershead via a letter of invitation containing:

- the option agreement
- Notes for participants
- Notice of exercise
- Notice to the Inland Revenue

3.3 Notification of grant of the option was given to the Inland Revenue on 9 July 2005.

3.4 The principal terms of the Option Agreements are as follows:

(i) No option holder may hold more than £100,000 worth of shares under the EMI option (valued at the date of grant). Any excess shares will be held under an unapproved share option scheme on the same terms as the EMI option scheme.

(ii) Options issued pursuant to the Option Agreements can be exercised without reference to any performance measures.

(iii) The options granted to Christopher Mottershead on 1 April 2005 must be exercised within three years of the date of grant. All other options granted must be exercised between three and ten years of the date of grant.

(iv) Shares granted under the Option Agreements are subject to the articles of association of the Company and are subject to no additional restrictions.

(v) The options are not transferable;

(vi) Options may be exercised only by the option holder giving notice in writing to the Company specifying the number of shares in respect of which the Options are exercised and accompanied by payment of the exercise price.

(vi) An option may not be exercised after the option holder ceases to hold office or employment with the Company or the Group save:

- where cessation occurs by reason of injury, illness or disability; or
- where cessation occurs by reason of retirement at normal retirement age; or
- where cessation is for any other reason and the Board, in their discretion, consents to the exercise.

In such circumstances the option may only be exercised at the earlier of three years from the date of grant and 12 months from the cessation of employment.

(vii) In the event of the death of an option holder, the option will be exercisable by the option holder's personal representative during the twelve months immediately following his death and shall lapse and cease to be exercisable at the end of that period.

(viii) If another company acquires all the shares of the Company the option holder, if invited by the acquirer, may exchange his options for equivalent new options in the acquiring company. If the invitation to exchange is not accepted then the option will lapse at the end of the period within which the option holder could have accepted the invitation.

(ix) In addition to the above, the option may be exercised in the following circumstances:

(a) acquisition of control of the Company by a person or group of persons;

(b) takeover of the Company;

(c) reconstruction of the Company or its amalgamation with any other companies;

(d) demerger of the Company;

(e) notice being given of a resolution for the voluntary winding-up of the Company;

(f) proposal being made for a voluntary arrangement under Part I of the Insolvency Act 1986;

(g) an administration order being made under Part II of the Insolvency Act 1986;

(h) the sale of the whole of the business and assets of the Company;

(i) on admission of the Company's shares to a Relevant Market or an Approved Securities Market (excluding AIM).

(x) The option price may be adjusted in the event of a capitalisation or rights issue, sub-division, consolidation or reduction of the company's share capital, or a demerger or a declaration of special dividend or any event which may affect the value of the option. The adjustments will take place by adjusting the number of option shares and/or the exercise price. The exercise price may not be reduced below its nominal value.

(xi) The Company shall notify the option holder of any disqualifying event, as defined in paragraphs 533-566, Income Tax (Earnings and Pensions) Act 2003, within 14 days of such occurrence. The option holder may exercise their option within 40 days of the date of the disqualifying event.

(xii) The Board may make and amend such regulations, for the implementation and administration of the Option Agreements in a manner not inconsistent with the Option Agreements, as it thinks fit.

(xiii) The Company may make any amendment to the Option Agreements provided that it does not materially prejudice the interest of the option holder in relation to options granted.

(xiv) Any matter relating to the EMI option which is not dealt with by the Option Agreements shall be determined or resolved by the decision of the Board.

(xv) The option holder will bear the cost of any income tax or national insurance contributions (employers and employees) payable in respect of the exercise of the option.

(xvi) Ordinary shares issued on exercise of the option will rank equally with the ordinary shares in issue on the date of allotment, save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment.

3.5 Since 3 October 2005 the Company has also issued further options pursuant to the terms of the Option Agreements as follows:

Name of Option Holder	*Number of EMI Options*	*Exercise Price*
Chris Mottershead	40,489 (total of EMI Options including those listed in paragraph 3.1 above 80,489)	122.5 pence
Colin McKinlay	78,431	127.5 pence
Nishma Robb	77,220	129.5 pence
Steven Diederich	72,727	137.5 pence
David Oak	31,496	127 pence

3.6 The Company has also established an unapproved option scheme in January 2006. The terms of which replicated the EMI Scheme (as set out in paragraph 3.4 above) with the exception that options granted thereunder do not confer the same beneficial tax advantages as an approved EMI Scheme. The details of the unapproved options granted are set out below:

Name of Option Holder	*Number of unapproved options*	*Exercise Price*
Chris Mottershead	41,143	122.5 pence
Colin McKinlay	78,431	127.5 pence

3.7 The Company has also agreed to grant Mr McKinlay a further £100,000 worth of unapproved options on 3 April 2007.

3.8 The Company has agreed to grant £100,000 worth of unapproved options to Jack Fraser, CFO of itravel2000.com, within one month of completion of the Acquisition.

4. Save in the case of Christopher Mottershead, who was a partner in Movision, a partnership which invests in the British film industry none of the Directors are partners in a partnership nor have been partners in any partnerships in the five years preceding the date of this document.

5. No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made or been the subject of any individual arrangement.

6. On 10 February 2003 an administrative receiver was appointed to Castle Neroche (Interiors) Limited ("Castle Neroche"), by a debenture holder, Westmark Capital Finance ("Westmark"). The amount due to Westmark as at the date of the receiver's appointment was £249,073.92. The estimated deficiency for all creditors as at 14 March 2003 was £1,139,497.36. On 14 February 2003 the business and assets of Castle Neroche were sold to Clickscore Limited and the consideration for that sale was remitted to Westmark in full satisfaction of the debenture.

   Richard Hall was a non-executive director of Castle Neroche.

   The administrative receiver's appointment ceased on 11 August 2004.

   Application was made on 31 May 2005 for Castle Neroche to be struck off the companies' register and for the company to be dissolved. Castle Neroche was finally dissolved on 13 September 2005.

   Richard Hall was a director of Fastline Photographic Ltd which was placed in Creditors' Voluntary Liquidation on 14 November 2005. Richard Hall is now a director and shareholder of Fastline Films Limited, a company which acquired certain assets from the liquidator of Fastline Photographic Ltd.

7. Peter Thomson is a non-executive director and shareholder in Dundec Holdings Limited ("Dundec").

   Dundec is the parent company of the three specialist contracting businesses mainly involved in car-park refurbishment. Administrators were appointed to Dundec on 11 January 2005. Dundec's two main subsidiaries are in creditors' voluntary liquidation and its is intended that Dundec will be wound up following completion of the liquidation of those subsidiaries. The deficiency for all creditors of Dundec as at 15 January 2005 was £361,212.

8. Save as disclosed in this Part VII, none of the Directors has been a Director of any company at the time of liquidation administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors and none of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement or the receivership of any assets of their assets been subject to receivership at the time of or within twelve months following the cessation of such directorship or partnership.

9. None of the Directors has been criticised by any statutory or regulatory authorities (including recognised professional bodies) or ever been disqualified by a Court from acting as a Director of a company or from acting in the management or conduct of the affairs of any company.

10. Save as referred to in paragraph 3 of this Part VII (EMI Options and unapproved Options) and paragraph 5.1 of Part VIII (Warrants) there are no convertible securities, exchangeable securities or securities with warrants in issue.

11. Save as referred to in this Part VII no director or member of a directors' family has any interest whether direct or indirect in the equity securities of the Company or any other related financial product.

12. On 30 September 2005 450,000 deferred shares of 2 pence each in the capital of the Company were converted into Ordinary Shares. This conversion may have resulted in a PAYE and NIC charge for the Company of approximately £300,000 which has not yet been paid. To the extent that the Company actually suffers a liability to tax in this regard it intends to seek to recover such amounts actually paid to HM Revenue and Customs from the relevant shareholders being Mr Bruce-Mitford and Mr Thomson.

PART VIII

ADDITIONAL INFORMATION

1. History and Development of the Company

1.1 The Company was incorporated on 28 August 2002 in England and Wales under the Act as a public company limited by shares with registered number 4520457 and details of its registered office are set out at the beginning of this document. The Company operates under the laws of England and Wales.

1.2 On 17 September 2002 a certificate was issued pursuant to section 117 of the Act entitling the Company to commence to do business and to borrow.

1.3 The Company's main activity is that of a holding company for its trading subsidiaries.

1.4 On 1 May 2003 the Company's shares were admitted to trading on OFEX.

1.5 On 10 May 2005 the Company changed its name from VFB Group plc to Travelzest plc.

1.6 On 3 October 2005 the Company's shares were admitted to trading on AIM.

1.7 The Company, which is the ultimate parent company of the Group, has the following subsidiary companies, all of which are wholly owned and are registered and domiciled in England and Wales:

Company Name	*Registered Number*	*Activity*	*Date of Incorporation*	*Issued Share Capital (£)*
Vacances Franco-Britanniques Ltd	1256746	Travel Services	6 October 1976	2,000
VFB Holidays Ltd	1159206	Tour operator	5 February 1974	222,222
Digital Travel Services Limited	4158722	Travel agency	12 February 2001	188,000 ordinary shares of £1.00 530,000 preference shares of £1.00
Holiday Express Group Limited	4250023	Holding Company	11 July 2001	173,500 ordinary shares of £1.00 584,000 preference shares of £1.00
Holiday Express (UK) Limited	4215384	Travel agency	11 May 2001	54,000 ordinary shares of £1.00 130,000 preference shares of £1.00
Internet Flights Limited	3030643	Dormant	24 May 1995	2 ordinary shares of £1.00
Internet Holidays Limited	3060644	Dormant	24 May 1995	2 ordinary shares of £1.00
Best of Morocco Limited	1010674	Tour Operator	11 May 1971	50,000 ordinary shares of £1.00
Sunlovers Emsdale Limited	4284071	Travel Services	10 September 2001	2 ordinary shares of £1.00
Peng Travel Limited	1023410	Tour Operator	8 September 1971	50,000 ordinary shares of £1.00 and 50,000 preferred shares of 1 Euro
Travelzest Holdings Inc	BC0763760	Holding Company	18 July 2006	1 common share
0763756 B.C. Ltd.	BC0763756	Holding Company	18 July 2006	1 common share

Company Name	*Registered Number*	*Activity*	*Date of Incorporation*	*Issued Share Capital (£)*
Fair's Fare Limited	3210033	Travel Services	10 October 1971	25,200 A Ordinary Shares of £1.00 and 25,200 B Ordinary Shares of £1.00
The Montpelier Collection Limited	4074405	Travel Services	19 September 2000	51,200 Ordinary Shares of £1.00
Faraway Holidays Limited	5845739	Dormant	14 June 2006	1 Ordinary Share of £1.00
Travelzest CanCo Limited	5703576	Holding Company	11 August 2006	1 Ordinary Share of £1.00

VFB leases the Normandy House premises from Normandy Holdings Limited, a company controlled by Michael Bruce-Mitford and his wife. The premises is let on an arms-length basis by a lease dated 21 March 2003 for a term of 10 years from 1 November 2002. A deed of surrender was entered into on 15 March 2006 pursuant to which VFB agreed to surrender the lease with effect from 30 September 2006.

1.8 Following completion of the Acquisition, the following additional companies will form part of the Enlarged Group and the following corporate entities will be amalgamated with CanNewCo to carry on the business of itravel2000.com:

Company Name	*Corporation Number*	*Activity*	*Date of Incorporation/ Formation*	*Issued Capital*
itravel2000.com	001360944	Retail travel agency services	14 June 1999	20,000,000 common shares
The Digital Baxter Corporation	001520647	holding company	8 May 2002	3,000 class RD common shares
Travelling Software Systems Limited	00152248	Software development	13 May 2002	300 DB common shares
2064650 Ontario Inc.	002064650	General partner of itravel2000.com Limited Partnership	8 February 2005	100 common shares
itravel2000.com Limited Partnership	151343191 (Business Identification Number)	Retail travel agency services	9 December 2005	100 limited partnership units

1.9 The liability of the members of the Company is limited.

1.10 The directors of itravel2000.com are Edward Carroll, Shane Carroll, Jonathan Carroll, Brian Hewlitt and Jeffrey Mackenzie.

2. Share Capital

2.1 The authorised and issued share capital of the Company (created pursuant to the provisions of the Companies Act 1985) at the date of this document and at Admission are as follows:

	Authorised		*Issued Fully Paid*	
	Number of Ordinary Shares	*£*	*Number of Ordinary Shares*	*£*
Current:	25,000,000	500,000	11,464,435	229,289
At Admission:	60,000,000	1,200,000	15,670,784	313,415.68

2.2 The following changes have occurred in the share capital of the Company since incorporation:

2.2.1 On 16 September 2002 a special resolution was passed by the members of the Company pursuant to which each of the ordinary shares on £1.00 in the share capital of the Company were sub-divided into 50 shares of 2 pence each, ranking pari passu in all respects.

2.2.2 On 16 September 2002 the Company issued 1,285,650 Ordinary Shares to Michael Bruce-Mitford and 1,285,650 Ordinary Shares to Francoise Bruce-Mitford in exchange for 90 per cent. of the entire issued share capital of VFB Holdings Limited ("VFB") further details of which are set out in paragraph 5.8 of this Part VIII.

2.2.3 On 19 December 2002 a special resolution was passed by the members of the Company to increase the nominal share capital of the Company from £500,000 to £509,000 by the creation of deferred shares of 2 pence in the capital of the Company ("the Deferred Shares").

2.2.4 On 21 January 2003 270,000 Deferred Shares were issued by the Company to Michael Bruce-Mitford and 180,000 Deferred Shares were issued to Peter Thomson.

2.2.5 On 21 January 2003 285,700 Ordinary Shares were issued by the Company to John Kirk, a director of VFB, in exchange for 10% of the entire issued share capital of VFB further details of which are set out in paragraph 5.9 of this Part VIII.

2.2.6 On 27 April 2005 39,682 Ordinary Shares were issued to Christopher Mottershead at a price of 126 pence per share.

2.2.7 On 30 September 2005 the Deferred Shares granted to each of Michael Bruce-Mitford and Peter Thomson were converted into Ordinary Shares on a one for one basis.

2.2.8 On 30 September 2005 624,217 Ordinary Shares were allotted in connection with the acquisition of the Holiday Express Group Limited as more particularly described in paragraph 5.12 of this Part VIII.

2.2.9 On 30 September 2005 4,087,477 Ordinary Shares were allotted in connection with the placing which undertaken at the time of the Original Admission at a price of 126 pence per share.

2.2.10 On 3 October 2005 42,857 Ordinary Shares were allotted to Christopher Mottershead at a price of 140 pence per share.

2.2.11 On 19 October 2005 21,000 Ordinary Shares were allotted to Richard Hall at a price of 137.5 pence per share.

2.2.12 On 31 January 2006 355,901 Ordinary Shares were allotted to the vendors of the Holiday Express Group Limited at a price per share of 121.7 pence as part of the consideration due to them as more particularly described in paragraph 5.12 of this Part VIII.

2.2.13 On 14 February 2006 40,000 Ordinary Shares were allotted to Colin McKinlay at a price per share of 125.5 pence.

2.2.14 On 5 May 2006 317,951 Ordinary Shares were allotted to Peter Englert as part of the consideration for the acquisition of Peng Travel as more particularly described in paragraph 5.14 of this Part VIII.

2.2.15 On 9 June 2006 542,635 Ordinary Shares were allotted to the vendors of The Montpelier Collection Limited as part of the consideration for the acquisition of The Montpelier Collection Limited as more particularly described in paragraph 5.15 of this Part VIII.

2.2.16 On 14 June 2006 2,085,714 Ordinary Shares were allotted by the Company at a price of 126 pence per share.

2.3 As at 11 September 2006 (being the last practicable date immediately prior to the date of this document), the Company is aware of the following persons, in addition to those disclosed in paragraph 1.1 of Part VII who, at the date of this document and following Admission, directly or indirectly, hold or will hold an interest in three per cent. or more of the share capital of the Company or exercise or could exercise control over the Company, none of which have special voting rights:

	Before Admission/ the Placing		*After Admission/ the Placing*		
Name	*Number of issued Ordinary Shares*	*Percentage of issued share capital*	*Number of issued Ordinary Shares*	*Percentage of issued share capital*	*Warrants*
Citygate Nominees Limited	5,168,964	45.09%	5,168,964	32.98%	–
Pershing Keen Nominees Limited	3,388,997	29.56%	3,388,997	21.63%	–
Ranjit Singh Anand	375,825	3.28%	375,825	2.40%	–
Simon Lloyd Powell	357,597	3.12%	357,597	2.28%	–
Midicorp Corporate Finance Limited	–	–	–	–	2,497,423

2.4 Save as disclosed in paragraph 2.3 of this Part VIII and in paragraphs 1.1 and 3 of Part VII, the Company is not aware of any other interests (within the meaning of Part VI of the Act) of any person who will, directly or indirectly, be interested in three per cent. or more of the issued share capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

2.5 The rights attaching to those shares held by the Directors (as set out in paragraph 1 of Part VII of this document) are equal in all respects to those attaching to all shares in the share capital of the Company and have no special voting rights.

2.6 Details of the termination of the engagement of Midicorp and accordingly its entitlement to Warrants are set out in paragraph 5.1.4 of this Part VIII.

2.7 Sections 198 to 203 of the Companies Act 1985 provide that any person who acquires a notifiable interest in shares in a public limited company is required to notify the company in writing of such an interest within two days of acquiring such an interest. A notifiable interest arises, *inter alia*, where a person acquires 3 per cent. or more of the issued share capital of a public limited company.

3. Memorandum and Articles of Association

3.1 *Memorandum of Association*

The Memorandum of Association of the Company provides that the Company's principal object is to act as a general commercial company.

3.2 *Articles of Association*

In this paragraph 3.2, references to "Statutes" are references to the Act and every other Act for the time being in force concerning companies and affecting the Company. The Articles of Association of the Company (the "Articles") contain provisions, *inter alia*, to the following effect.

(a) *Voting rights*

Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles to any shares or class of shares, on a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy or (being a corporation) by a duly authorised representative shall have one vote for every share of which he is the holder.

(b) *Transfer of shares*

The Board may, subject to the Statutes, and without assigning any reason for its actions refuse to register any transfer of any share which is not fully paid. The Board may also refuse to register a transfer:

(1) in the case of shares in certificated form, if it is not lodged duly stamped at the registered office of the Company;

(2) if it is not in respect of one class of share only;

(3) if it is not in favour of 4 or less transferees.

(c) *Dividends*

(1) The Company may by ordinary resolution declare dividends but no such dividends shall exceed the sum recommended by the Board.

(2) Subject to the Statutes, the Board may pay interim dividends if it appears to the Board that they are justified by the financial position of the Company. The Board may pay interim dividends on shares which confer deferred or non-preferred rights to dividends as well as on shares which confer preferential or special rights to dividends, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

(3) The Board may deduct from any dividend all sums of money presently payable to the Company by the member on account of calls or otherwise in respect of shares of the Company.

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

(5) Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall unless the Board otherwise resolves, be forfeited and revert to the Company.

(6) A general meeting declaring a dividend may, upon due recommendation of the Board, by ordinary resolution direct that it shall be satisfied wholly or partly by distribution of assets and, in particular, paid up shares or debentures of any other company.

(7) All dividends and interest shall belong and be paid to those members whose names shall be on the register of members at the date on which such dividend is declared or interest be payable respectively or such other date as the Company by ordinary resolution or the Board may determine.

(d) *Distribution of Assets on a winding-up*

If the Company shall be wound-up, the liquidator may, with the sanction of a special resolution of the Company and subject to the Statutes, divide among the members in kind the whole or any part of the assets of the Company, but no member shall be compelled to accept any assets upon which there is a liability.

(e) *Capitalisation of Profits*

(1) Upon a recommendation of the Board, the Company may pass an ordinary resolution to the effect that it is desirable to capitalise any part of the undivided profits of the Company not required if paying any preferential dividend or all or any part of any sum standing to the credit of any reserve or fund.

(2) The Board may appropriate the sum resolved to be capitalised to the members who would have been entitled to it if it were distributed by way of dividend and in the same proportions

and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the Company of a nominal amount equal to that sum, and allot the shares or debentures, credited as fully paid to those members.

(f) *Alteration of capital*

(1) Variation of rights subject to the Statutes, or any of the rights attached to any class may be varied with the written consent of the holders of at least 3/4 of nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

(2) The Company may by ordinary resolution increase its share capital by new shares of such amount as the resolution prescribes, consolidate and divide all or any of its share capital into shares of larger amount than the existing shares, subject to the Statutes sub-divide its shares into shares of smaller amounts, and cancel any shares which have not been taken or agreed to be taken and diminish the amount of its share capital by the amount of the shares so cancelled.

(3) Subject to the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve in any manner.

(g) *Purchase of Own Shares*

Subject to the Statutes and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares.

(h) *Directors*

(1) Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two but there shall be no maximum limit.

(2) Each of the Directors shall be paid a fee for their services at such rate as may be determined from time to time by the Board provided that the aggregate of such fees shall not exceed £40,000 per annum or such higher amount as the Company may by ordinary resolution determine.

(3) The Directors may be paid all travelling, hotel and other expenses properly incurred by them in the conduct of the Company's business.

(4) Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company shall receive such remuneration or extra remuneration by way of salary, commission, participation in profits or otherwise as the Board or any committee authorised by the Board may determine.

(5) At every annual general meeting one third of the Directors who are subject to retirement by rotation (or, if their number is not 3, then the number nearest but not greater than one third, shall retire from office by rotation).

(6) No person shall be disqualified from being appointed a Director, and no Director shall be required to vacate his office, by reason only of the fact that he has attained the age of 70 years or any other age nor shall it be necessary by reason of his age to give special notice under the Statutes of any resolution.

(i) *Directors interests*

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any matter in which he has to his knowledge an interest which is material and if he shall do so, his vote shall not be counted. A Director shall be entitled to vote on and be counted in the quorum in respect of any resolution concerning any of the following matters:

(1) the giving to him of a guarantee, security or indemnity in respect of any money lent or obligations incurred by him for the benefit of the Company or any of its subsidiary undertakings;

(2) the giving by the Company of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company for which he himself has assumed responsibility;

(3) his subscribing or agreeing to subscribe for or purchasing or agreeing to purchase any shares or other securities of the Company;

(4) any contract concerning any company not being a company in which a director owns 1 per cent. or more in which he is interested whether as an officer, shareholder, creditor or otherwise;

(5) any arrangement for the benefit of the employees of the Company under which he benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not according to the employees to whom the arrangement relates;

(6) any contract concerning any insurance which the Company is empowered to purchase or maintain for or for the benefit of any Director.

(j) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Statutes, to issue debentures and other securities whether outright or as collateral security, for any debt liability or obligation of the Company or any third party. The aggregate principal amount from time to time outstanding on all borrowings of the

Group (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of 4 times the adjusted capital and reserves and £15,000,000.

(k) *Meetings*

The Board may convene, subject to the Statutes, annual and extraordinary general meetings at such times and such places as it may determine. All members who are entitled to vote at such meetings shall receive notice of the same.

(l) *Overseas Shareholders*

The Articles contain no special provisions in respect of members based or residing overseas.

(m) *Pre-emption rights*

The statutory pre-emption rights contained in section 89 of the Companies Act 1985 apply to the Ordinary Shares.

4. Dividend Policy

Details of the Company's dividend policy are set out in Part I of this document.

5. Material Contracts

A. Travelzest Material Contracts

5.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group since incorporation and are, or may be, material:

(a) *Summary of the terms of the Warrant Instrument, the Deed of Confirmation and the Warrants issued pursuant thereto*

5.1.1 On 27 April 2005 the Company issued 367,085 Warrants to Christopher Mottershead and 367,085 warrants to Midicorp to subscribe in cash for Ordinary Shares at 126p per share (amounting, in aggregate to over 20 per cent. of the Company's issued share capital) pursuant to the terms of the Warrant Instrument, details of which are set out below.

5.1.2 Pursuant to the Deed of Confirmation the Company agreed with the Warrantholders that for so long as each of them remain engaged by the Company, should the Company issue further share capital, each of the Warrantholders shall be issued with a proportional number of further Warrants at no cost to the Warrantholders, with a strike price equal to the share issue price at the time of such further issue of share capital by the Company. Details of the termination of the engagement of Midicorp are set out in paragraph 5.1.4 of this Part VIII.

5.1.3 The following Warrants (including the original Warrants issued on 27 April 2005 to each of Mr Mottershead and Midicorp) have been issued and, following Admission, will have been issued to each of Christopher Mottershead and Midicorp:

Name	*Before Admission*	*Following Admission*
Christopher Mottershead	1,497,473	2,505,545
Midicorp	1,497,473	2,497,473

The Warrants have been issued subject to and with the benefit of the terms and conditions which are contained in the Warrant Instrument, the principal terms of which are summarised as follows:

(i) Subscription rights and procedures

(a) A Warrantholder has the right to subscribe in cash at a strike price equal to the share issue price at the time of issue of the Warrant to the Warrantholder for one Ordinary Share for each Warrant held by it ("Subscription Rights") at any time within the period commencing on the date of grant of the warrant and ending on the date which is 9 years and 48 weeks immediately following the date of grant of the relevant Warrant ("Final Exercise Date").

(b) Subscription Rights are not exercisable in respect of a fraction of an Ordinary Share.

(c) Once lodged, a notice of exercise will be irrevocable except with the consent of the Company. Compliance must also be made with any statutory requirements for the time being applicable.

(d) Ordinary Shares allotted pursuant to the exercise of the Subscription Rights will rank for all dividends or other distributions declared after the date of allotment of such shares but will not rank for any dividends or other distributions declared, made or paid on Ordinary Shares if the record date for such dividends or other distribution is prior to the relevant date of exercise of the Warrants in respect of the shares arising.

(e) Any Subscription Rights not exercised prior to the Final Exercise Date will lapse.

(f) Prior to the end of the Subscription Period the Company shall not without the prior sanction of an extraordinary resolution (and otherwise than on terms including consequential adjustment of Subscription Rights and subject to such conditions as may be approved or stipulated in or by the terms of such extraordinary resolution):

(i) modify the rights attached to any of its Ordinary Shares whether issued or unissued in any way which has, or might reasonably be expected to have, a material adverse effect on the rights of the Warrant holders or the abilities of such persons to enjoy such rights; or

(ii) amend any provision of its Memorandum of Association or of the Articles of Association (or pass any special resolution, whether by way of temporary or permanent relaxation or disapplication of any provision of its Memorandum of Association or of the Articles of Association, having a like or similar effect) which has, or might reasonably be expected to have, a materially adverse effect on the rights of the Warrantholders.

(ii) Adjustment of Subscription Rights

Upon any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves (other than by way of Ordinary Shares paid up out of distributable reserves in lieu of a cash dividend) to holders of the Ordinary Shares on the register on a date (or by reference to a record date) before the Final Exercise Date or upon any sub-division or consolidation of the Ordinary Shares on or before such date, the number and/or nominal amount of Ordinary Shares to be subscribed on any exercise of Subscription Rights subsequent to the record date for such capitalisation, sub-division or consolidation will be increased or, as the case may be, reduced in due proportion and the subscription price will be increased or, as the case may be, reduced in due proportion and the subscription price will be deemed adjusted accordingly with effect from the record date for such capitalisation, sub-division or consolidation.

(iii) Market dealings

Provided that at the time of issue of Ordinary Shares pursuant to the exercise of Warrants, the Ordinary Shares, or any of them, are quoted on the Official List or are traded on AIM or permission has been granted for dealings in them on any other recognised investment exchange in any part of the world, the Company will not later than 14 days after the issue of such Ordinary Shares apply to such body for for quotation, admission or permission to deal for or in such Ordinary Shares, as the case may be, and will use its reasonable endeavour to secure such permission or quotation.

(iv) Transfers

Each Warrant will be registered and, subject to any applicable fiscal or other laws or regulations, is freely transferable but no transfer may be made in circumstances where a transfer of Ordinary Shares would not be permitted and, unless otherwise determined by extraordinary resolution, Warrants may only be transferred in whole units and not fractions of a unit. When a Warrantholder transfers part only of his holding of the Warrants, the old certificate will be cancelled and a new certificate for the balance of such Warrants issued without charge.

Except as ordered by a court of competent jurisdiction or required by law, the registered holders of the Warrants will be treated as the absolute owners of those Warrants for all purposes notwithstanding any notice of ownership or other interest in them and the Company will not be bound to recognise any other claim or interest in any of the Warrants.

The Company has the right to take all requisite actions to enable the Warrants to be transferred in uncertificated form by means of a relevant system as defined in and in accordance with the CREST Regulations.

(v) Takeovers

If at any time an offer or invitation is made by the Company to the holders of the Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to each Warrantholder who shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise its Subscription Rights under the Warrant to the extent that such rights have not been exercised or lapsed prior to such record date so as to take effect as if it had exercised its rights immediately prior to the record date of such offer or invitation.

If at any time an offer is made to all holders of Ordinary Shares (or all holders of Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall:

(a) give notice to each Warrantholder and each Warrantholder shall be entitled, at any time whilst such offer is open for acceptance, to exercise its Subscription Rights under the Warrant to the extent that such rights have not lapsed or been exercised prior to the record date of such offer exercise date so as to take effect as if it had exercised its rights immediately prior to the record date of such offer and, if the Warrantholder so elects (in its sole discretion), such exercise shall be conditional upon such offer becoming unconditional in all respects; and

(b) use all reasonable endeavours to procure that a similar offer is made to Warrantholders as if all outstanding Subscription Rights had been exercised immediately before the record date for that offer,

and for the avoidance of doubt, publication of a scheme of arrangement under the Act providing for the acquisition by any person of the whole or any part of the issued share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph (v).

(vi) Winding up

If an order is made or an effective resolution is passed on or before the Final Exercise Date for the voluntary winding up of the Company and there are surplus funds available for distribution, each Warrantholder will be entitled for the purpose of ascertaining his rights in the winding up to be treated as if he had immediately before the date of the passing of the resolution fully exercised his rights to acquire Ordinary Shares pursuant to his Warrants.

(v) Meetings of Warrantholders

A meeting of Warrantholders shall in addition to all other powers (but without prejudice to any powers conferred on any other person by this Instrument) have the following powers exercisable by Extraordinary Resolution, namely:

(i) power to sanction any compromise or arrangement proposed to be made between the Company and the Warrantholders or any of them;

(ii) power to sanction any proposal by the Company for the modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Warrantholders against the Company;

(iii) power to sanction any proposal by the Company for the exchange or substitution for the Warrants of, or the conversion of the Warrants into share, stock, bonds, debentures, debenture stock or other obligations or securities of the Company, or any other body corporate formed or to be formed;

(iv) power to assent to any modification of the conditions and/or the provisions contained in the Warrant instrument which shall be proposed by the Company;

(v) power to authorise any person to concur in and execute and to do all such documents, acts and things as may be necessary to carry out and give effect to any extraordinary resolutions;

(vi) power to discharge or exonerate any person from any liability in respect of any act or omission for which such person may have become responsible under this Instrument or the Conditions;

(vii) power to give any authority, direction or sanction which under the provision of the Warrant instrument is required to be given by extraordinary resolution; and

(viii) power to appoint any persons (whether Warrantholders or not) as a committee or committees to represent the interests of the Warrantholders and to confer upon such committee any powers or discretions which the Warrantholders could themselves exercise by Extraordinary Resolution.

An extraordinary resolution shall be binding upon all Warrantholders, whether present or not present at such meeting and each of the Warrantholders shall be bound to give effect thereto accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances of such resolution justified the passing thereof. The expression "extraordinary resolution" means a resolution passed at a meeting of the Warrantholders duly convened and held and carried by a majority consisting of not less than 75 per cent. of the votes cast upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than 75 per cent. of the votes cast on a poll. A resolution in writing signed by all the Warrantholders who are for the time being entitled to receive notice of meetings shall for all purposes be as valid and effectual as an extraordinary resolution passed at a meeting duly convened and held in accordance with the provisions hereof. Such resolution in writing may be contained in one document or in several documents in like form each signed by one or more of the Warrantholders.

(vi) Lost or destroyed certificates

If a certificate for a Warrant is mutilated, defaced, lost, stolen or destroyed it will be replaced at the registered office of the Company for the time being at the expense of the Company and on such terms as to evidence and indemnity as the Company may reasonably require. Mutilated or defaced certificates must be surrendered before replacements will be issued.

(ix) Other provisions

So long as any Subscription Rights remain exercisable the Company will keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable.

So long as any Subscription Rights remain exercisable the Company will send to the Warrantholders a copy of every document sent to the holders of its Ordinary Shares at the same time as it is sent to such holders and the Warrantholders shall have the right to attend and speak but not to vote at any general meeting of the Ordinary Shareholders at which any business is to be moved which has any effect (actually or reasonably foreseeable) on the value of the Warrants or the rights attaching thereto or the enjoyment thereof.

5.1.4 Pursuant to a letter of termination dated 14 August 2006, the Company terminated the engagement of Midicorp. In addition to a cash fee of £400,000, the Company has agreed to grant to Midicorp 1,000,000 Warrants on Admission (as referred to in paragraph 5.1.3 of this Part VIII above) at a price of 126 pence per share. Midicorp has agreed that following the grant of those Warrants it shall have no further entitlement to any Warrants pursuant to the Deed of Confirmation.

5.1.5 Christopher Mottershead has waived his entitlement to Warrants pursuant to the Deed of Confirmation arising as a result of the issue of the Placing Shares. However, notwithstanding such waiver Mr Mottershead's entitlement pursuant to the Deed of Confirmation will continue in full force and effect.

5.2 Details of the Option and Option Agreement are set out in paragraph 3 of Part VII of this document.

5.3 Details of the Acquisition Agreement are set out in Part VI of this document.

5.4 *Nominated Adviser and Broker Agreement*

A Nominated Adviser and Broker Agreement dated 7 September 2005 was entered into, between the Company and Daniel Stewart plc ("the Nomad Agreement"), pursuant to which the Company has appointed Daniel Stewart plc to act as Nominated Adviser and Broker to the Company for the purposes of the AIM Rules. The Agreement commenced on the initial Admission of the Company to AIM and can be terminated by either party on the giving of three months' written notice such notice, not to be given for a period of nine months after 3 October 2005.

5.5 *The 2005 Placing Agreement*

The 2005 Placing Agreement dated 7 September 2005 between the Company (1), the Directors (2) and Daniel Stewart plc (3) pursuant to which conditional upon, *inter alia*, the Original Admission taking place on or before 8.00 a.m on 3 October 2005 (or such later time and or date as the Company and Daniel Stewart may agree being not later than 31 October 2005 Daniel Stewart agreed to use reasonable endeavours to procure subscribers for the Placing Shares proposed to be issued by the Company at the Placing Price.

The Placing Agreement contained indemnities and warranties from the Company and warranties from the Directors in favour of Daniel Stewart together with provisions which enable Daniel Stewart to terminate the Placing Agreement in certain circumstances prior to the Original Admission including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The liability of the Directors for breach of warranty under this agreement was limited. Under the Placing Agreement the Company has agreed to pay Daniel Stewart a corporate finance fee, a broking fee and commission of five per cent. of the value of the Placing Shares at the Placing Price that Daniel Stewart find placees for over the value of £500,000.

5.6 *The 2006 Placing Agreement*

The 2006 Placing Agreement dated 12 September 2006 between the Company (1), the Directors (2) and Daniel Stewart plc (3) pursuant to which conditional upon, *inter alia*, the Admission taking place on or before 8.00 a.m on 16 October 2006 (or such later time and or date as the Company and Daniel Stewart may agree being not later than 13 November 2006) Daniel Stewart agreed to use reasonable endeavours to procure subscribers for the Placing Shares proposed to be issued by the Company at the Placing Price.

The Placing Agreement contained indemnities and warranties from the Company in favour of Daniel Stewart together with provisions which enable Daniel Stewart to terminate the Placing Agreement in certain circumstances prior to the Admission including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The liability for breach of warranty under this agreement was unlimited. Under the 2006 Placing Agreement the Company has agreed to pay Daniel Stewart a corporate finance fee, a broking fee and commission of 5 per cent. of the value of the Placing Shares at the Placing Price that Daniel Stewart find placees for and 1 per cent. of the value of the Placing Shares at the Placing Price for the other Placees.

5.7 *Orderly Market Agreements*

An orderly market agreement between the Directors and Daniel Stewart was entered into on 7 September 2005. Pursuant to this agreement, the Directors undertook to Daniel Stewart, in consideration of Daniel Stewart agreeing to act as nominated adviser and broker to the Company, except in limited circumstances, not to, without the prior consent of Daniel Stewart (or a successor broker to the Company), sell or dispose of their interests in any Ordinary Shares held by them for a period of twelve months from the Original Admission, and not, for a further twelve month period, to sell or dispose of their Ordinary Shares other than through Daniel Stewart (after notification to Daniel Stewart of the same).

5.8 *Reconstruction Agreement*

On 16 September 2002 a reconstruction agreement (pursuant to section 110 Insolvency Act 1986) was entered into between (1) VFB Holdings Limited (in Liquidation); (2) the Company; (3) Michael Bruce-Mitford and Francosie Bruce-Mitford; and (4) Peter William Engel and John Wynn Davies (as liquidators) (the Reconstruction Agreement").

Pursuant to the Reconstruction Agreement Travelzest (then known as VFB Group Plc) purchased 200,000 ordinary shares of £1.00 each in the capital of VFB (then equal to 90 per cent. of the entire issued share capital of VFB) in consideration for the issue by the Company to each of Michael Bruce-Mitford and of an aggregate of 2,571,200 Ordinary Shares of £1.00 each in the capital of the Company.

5.9 *Share Exchange Agreement*

On 19 December 2002 a share exchange agreement was entered into between (1) John Anthony Kirk and (2) the Company pursuant to which the Company (then known as VFB Group Plc) acquired the remaining 10 per cent., of the issued shares in the capital of VFB (being 22,222 ordinary shares of £1.00 each) in exchange for the issue to John Kirk by the company of 285,700 Ordinary Shares.

5.10 *Merchant Securities Limited ("Merchant")*

5.10.1 In consideration for Merchant agreeing to raise a minimum of £3.5 million in connection with the Original Admission, the Company agreed to:

(a) pay Merchant a one-off fee of 10 per cent. of all funds raised by Merchant prior to the Original Admission; and

(b) following the Original Admission, Merchant were issued with 86,900 warrants over Ordinary Shares being 3 per cent. of the Ordinary Shares at that time at the original placing price (the "Merchants Warrants").

Accordingly, on 7 September 2005 the Company created a warrant instrument in respect of the Merchants Warrants, the terms of which are the same as those of the Warrant Instrument, save as to the number of warrants to be issued and as to the Merchant Warrants being conditional upon the raising by Merchant of a minimum of £3.5 million and Original Admission becoming effective.

5.10.2 On 15 May 2006 Travelzest instructed Merchant to raise equity funding on behalf of Travelzest entered into an agreement with Merchant whereby it agreed to pay Merchant a one off fee of 10 per cent. of all funds raised by Merchant on behalf of Travelzest. The total funds raised by Merchant were approximately £2,628,000 in respect of which Travelzest issued 2,085,714 Ordinary Shares. Merchant's fee was paid in cash in the sum of approximately £262,800.

5.11 In consideration of Merchant agreeing to introduce potential investors to the Company in connection with the Placing, the Company has agreed, pursuant to an engagement letter dated 11 August 2006, to pay to Merchant:

(a) a cash commission of 7 per cent. on any funds raised from clients introduced by Merchant as part of the Transaction; and

(b) warrants based on 3 per cent. of the money raised from clients introduced by Merchant as part of the Placing. The warrants will have an exercise price equal to the Placing Price and an exercise period expiring on 1 September 2008. The terms of these warrants other than in respect of the exercise period and that warrants will only be granted if monies are raised by Merchant as part of the Placing and are on exactly the same terms as the Warrant Instrument.

5.12 *Holiday Express Agreement*

On 7 September 2005 the Company entered into an agreement with the shareholders of Holiday Express Group Limited ("HEGL") whereby Travelzest agreed to acquire the entire issued share capital of HEGL.

The total potential consideration payable amounted to £4,450,000 of which £1,243,773.99 was paid in cash on completion with £786,513.01 being paid in Ordinary Shares on completion. The balance of the consideration was payable on a contingent basis dependent on the profits of the Company and its subsidiaries (as at 31 October 2005 and 31 October 2006) 60 per cent. of which will be settled in cash and 40 per cent. to be settled by the issue of further Ordinary Shares of the Company. The first tranche of the contingent consideration was paid in February 2006 by way of a cash payment of approximately £600,000 and the issue of additional Ordinary Shares of £400,000 in value.

The final element of the consideration is dependent on HEGL achieving certain profit targets in the year ending 31 October 2006. Any accounts payable will be settled 60 per cent. in cash and 40 per cent. by the issue of further Ordinary Shares.

On completion, the sum of £157,713 was deducted from the consideration payable and credited to a retention account. The retention account was put in place to meet any shortfall in the anticipated net asset figure as at completion of £800,000 (as determined by the completion accounts) and also any claim pursuant to the warranties or the tax covenant. If and when the contingent consideration is paid 8.14 per cent. of such payment is to be paid into the retention account subject to an overall retention figure of £250,000. 50 per cent. of the amounts retained in the retention account are due to be released on the date on which the first contingent consideration payment is made provided that no claims have been made under the warranties or the tax covenant with the remainder being released 18 months after the completion date.

The agreement contains usual commercial warranties and tax warranties and a standard tax indemnity from certain of the sellers. Those sellers who have provided the warranties have provided these warranties on a joint and several basis and their liability for any such claims is limited to the purchase price received actually received by those sellers as such the limitation cap is not 100 per cent. of the consideration. The liability of the sellers under the general warranties expires on eighteen (18) months after the date of the agreement and their liability in respect of the tax warranties and indemnities expires on the seventh anniversary of the date of the agreement.

Those vendors who have received Ordinary Shares as part of their consideration have entered into lock-in provisions for a period of 24 months from issue in respect of those Ordinary Shares.

5.13 *Morocco Agreement*

On 30 November 2005 Travelzest entered into an agreement with the shareholders of The Best of Morocco Limited ("BML") whereby Travelzest agreed to acquire the entire issued share capital of BML (being 50,000 ordinary shares of £1.00 each).

The total consideration payable by Travelzest for the shares in BML was £2,667,522.20 payable on completion subject to adjustment in accordance with completion accounts to be prepared as at the date of completion in the event that the net current assets of BML at completion were not equal to £125,000. A retention of £100,000 was also retained by Travelzest for a period of 12 months following completion in respect of any warranty or tax covenant claims which may arise in this period.

The agreement contains usual commercial warranties and tax warranties and a standard tax indemnity from the sellers. The sellers liability for any such claims is limited to the purchase price received by the sellers. The liability of the sellers under the general warranties expires on the second anniversary of date of the agreement and their liability in respect of the tax warranties and indemnities expires on the seventh anniversary of the date of the agreement.

5.14 *Peng Agreement*

On 5 May 2006 Travelzest entered into an agreement with the shareholders of Peng Travel Limited ("PTL") whereby Travelzest agreed to acquire the entire issued share capital of PTL (being 50,000 ordinary shares of £1.00 each and 50,000 preferred shares of 1 Euro each).

The total consideration payable by Travelzest for the shares in PTL was £1,030,560 payable on completion 60 per cent. in cash and 40 per cent. in Ordinary Shares of the Company. This is subject to adjustment in accordance with completion accounts to be prepared as at the date of completion in the event that the net current assets of PTL at completion were not equal to £100,000. A retention of £100,000 was also retained by Travelzest for a period expiring on 12 May 2008 in respect of any warranty or tax covenant claims which may arise in this period.

The agreement contains usual commercial warranties and tax warranties and a standard tax indemnity from the sellers. The sellers liability for any such claims is limited to the purchase price received by the sellers. The liability of the sellers under the general warranties expires on the second anniversary of date of the agreement and their liability in respect of the tax warranties and indemnities expires on the seventh anniversary of the date of the agreement.

The sellers who received Ordinary Shares as part of their consideration have entered into lock-in provisions for a period of 2 years from issue in respect of those Ordinary Shares and thereafter have agreed to sell the Ordinary Shares only through the Company's broker.

5.15 *Fair's Fare Agreement*

On 9 June 2006 Travelzest entered into an agreement with the shareholders of The Montpelier Collection Limited ("MCL") whereby Travelzest agreed to acquire the entire issued share capital of MCL (being 51,200 ordinary shares of £1.00 each). MCL is the holding company of Fair's Fare Limited.

The total consideration payable by Travelzest for the shares in MCL was £7,450,000. On completion of this transaction a sum of £1,250,000 was paid in cash and also the issue of Ordinary Shares of the Company equivalent in value to £700,000. The deferred element of the consideration is contingent on performance targets for the financial periods of Fair's Fare Limited ending on 31 December 2006 and 31 December 2007 being met. If these targets are achieved, as determined by the auditors of the Company, the maximum deferred consideration shall be £2,000,000 in respect of which the Company issued loan notes to the sellers. The final element of the consideration is to be satisfied by the issue of Ordinary Shares in the Company to the sellers of the shares in MCL and is calculated by reference to a multiple of the earnings (before interest and tax) of Fair's Fare for the periods ending 31 December 2006 and 2007 and is subject to a maximum consideration equivalent in value of £3,500,000. The Consideration may be adjusted this in accordance with completion accounts to be prepared as at the date of completion in the event that the net current assets of MCL at completion were not equal to £0.

The agreement also contains set off provisions which enable the Company to retain certain amounts of the deferred consideration payable to the sellers in the event of a claim under the warranties or the tax covenant.

The agreement contains usual commercial warranties and tax warranties and a standard tax indemnity from the sellers. The sellers liability for any such claims is limited to the purchase price received by the sellers. The liability of the sellers under the general warranties expires on the third anniversary of date of the agreement and their liability in respect of the tax warranties and indemnities expires on the seventh anniversary of the date of the agreement.

The sellers who received Ordinary Shares as part of the consideration have entered into lock-in provisions for a period of 2 years from issue in respect of the Ordinary Shares and thereafter for a period of 12 months shall only sell the Ordinary Shares through the Company's broker. The same provisions will apply to any further shares issued as deferred consideration.

5.16 *Facility Agreement*

On 12 September 2006 the Company entered into the Facility Agreement for the provision of the Debt Facility with Barclays Bank PLC ("the Bank") pursuant to which Bank has agreed to provide an aggregate facility of £11,000,000 for the Enlarged Group consisting of a single term loan repayable on an amortising schedule between 31 May 2007 and 30 November 2009.

The interest payable on the Debt Facility will be the aggregate of 2.75 per cent. plus LIBOR (being the British Bankers' Association Interest Settlement Rate) for the relevant currency and interest period together with an annual percentage rate calculated by Barclays Bank PLC in connection with mandatory costs incurred by Barclays Bank PLC relating to the Debt Facility.

The Facility Agreement has been prepared on the basis of a standard LMA document and contains various warranties and representations from the Company in respect to the Enlarged Group, the Acquisition, Admission and the Placing and a number of conditions precedent which will need to be satisfied prior to the Debt Facility being made available to the Company.

The arrangement fee payable to the Bank is 2 per cent. of the total facilities with a monitoring fee of £10,000 per annum and a commitment fee for undrawn facilities of 50 per cent. of the interest rate per annum.

B. itravel2000.com Material Contracts

5.17 *The Digital Baxter Corporation*

On 1 January 2005 itravel2000.com entered into an agreement with Rinky Dink Holdings Inc to subscribe for 90 per cent. of the RD Common shares in the capital of The Digital Baxter Corporation ("DBC"). DBC also has a wholly owned subsidiary Travelling Software Systems Limited.

The consideration for the acquisition of the 2,700 RD Common shares in the capital of DBC was Can$250,000.

On 22 August 2006 itravel2000.com, Rinky Dink Holdings Inc, DBC and Michael Baxter entered into a further share purchase agreement whereby itravel2000.com acquired the remaining 300 RD Common shares (being the outstanding 10 per cent. owned by Rinky Dink Holdings Inc) in DBC for a consideration of Can$1.00.

As part of this share purchase agreement standard limited warranties and representations were provided by Rinky Dink Holdings Inc and Michael Baxter as to ownership of the shares and the fact that they are unencumbered and also compliance with any applicable laws.

In addition Michael Baxter entered into an Intellectual Property Ownership Certificate confirming that all intellectual property he has or may create during his employment with Travelling Software Systems Limited is the property of Travelling Software Systems Limited and he has also entered into a confidentiality and non-solicitation agreement with, inter alia, itravel2000.com confirming that for a period of 12 months after termination of his employment with Travelling Software Systems Limited he will not solicit the business of any customer of that corporation or any associated corporation.

5.18 *Agreements with The Bank of Montreal*

itravel2000.com has in place a number of facilities with The Bank of Montreal in connection with its business pursuant to a loan agreement dated 31 August 2004 and various ancillary facilities entered into on that date and on 23 February 2005.

The total amount of the facilities amount to Can$6.15m. As more particularly referred to in Part VI of this document the Acquisition Agreement provides for any outstanding indebtedness to The Bank of Montreal to be repaid (with the exception of the amounts owing to The Bank of Montreal in respect of the company credit card facilities which will remain in place following completion of the Acquisition) and cancelled on closing and for all security relating thereto to be released by The Bank of Montreal.

5.19 *Directors Loans*

Certain directors have outstanding indebtedness to itravel2000.com in the total sum of approximately Can$2.15m. As referred to in Part VI of this document these loans will be repaid by the Directors prior to completion of the Acquisition Agreement.

6 Significant Change

There has been no significant change in the financial or trading position of the Group since 31 October 2005 save as disclosed elsewhere in this document.

There has been no significant or material change in the financial or trading position of itravel2000.com since 31 July 2006, the date to which the last audited financial statements of itravel2000.com were prepared.

7 Legal and Arbitration Proceedings

Neither the Company, nor any member of the Enlarged Group, is currently engaged in any litigation or arbitration proceedings which have or may have a significant effect on the financial position of the Enlarged Group and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Enlarged Group.

8. Taxation

(a) *UK Taxation of Dividends*

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

Under current UK tax legislation, no tax is now withheld from dividends paid by the Company, Advance Corporation Tax ("ACT") was abolished from 6 April 1999.

UK resident individual shareholders are treated as having received gross dividend income of an amount equal to the sum of the dividend and its associated tax credit, the rate of tax credits for dividends paid from 6 April 1999 being 10 per cent. of the gross dividend (i.e. the tax credit will be one ninth of the dividend). The tax credit will effectively satisfy a UK resident individual shareholder's lower and basic rate (not higher rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. After taking account of the 10 per cent. tax credit, such a taxpayer would have to account for additional tax of 22.5 per cent. of the gross dividend (25 per cent. of the dividend). In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as his top slice of income.

Prior to 6 April 1999, in appropriate cases, individuals and charities were able to reclaim all or part of the tax credit attaching to a dividend in cash from the Inland Revenue. From 6 April 1999 they are no longer able to do so.

A UK resident (for tax purposes) corporate shareholder will generally not be liable to UK corporation tax on any dividend received from another UK resident corporate.

A UK pension fund, as defined in Section 231A Income and Corporation Taxes 1998, is restricted from claiming a repayment of the tax credit.

Shareholders not resident in the UK are generally not taxed in the UK on dividends received by them (unless exceptionally, the investment is managed by a UK investment manager acting, broadly, on arm's length terms). By virtue of double taxation agreements between the UK and other countries, some overseas shareholders are able to claim payment of all or part of the tax credits carried by the dividends they receive from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

(b) *Stamp duty and stamp duty reserve tax*

No charge to stamp duty or stamp duty reserve tax ("SDRT") will arise on the registration of applications for Placing Shares. Transfers of or sale of Ordinary Shares will be subject to *ad valorem* stamp duty (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given rounded up to the next £5.00). An unconditional agreement to transfer such shares, if not completed by a duly stamped stock transfer form within two months of the day on which such agreement is made or becomes unconditional, will be subject to SDRT (payable by the purchaser and generally at the rate of 0.5 per cent. of the consideration given). However, if within six years of the date of the agreement, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on the instrument, any liability to SDRT will be cancelled or repaid.

(c) *Capital gains taper relief*

Taper relief is available to individual and trustee shareholders, as well as personal representatives, in respect of their shares in the Company. The relief reduces the capital gain that is taxable on the shareholder on a subsequent sale of the shares. The amount of relief depends on whether the shares are "business assets" for taper relief purposes and depends on how long the shares are held before their disposal.

If a "business asset" is sold more than two years after its acquisition then 75 per cent. of the capital gain, before annual exemption, is exempt from capital gains tax. This reduces the effective capital gains tax rate on the sale for a higher rate individual taxpayer from 40 per cent. to 10 per cent. If an asset is not a "business asset" for taper relief purposes then the amount of exemption from capital gains tax is lower, with up to 40 per cent. of the capital gain being exempt from capital gains tax after a period of ten years.

The table below sets out the taper relief that is currently available on a disposal of a business asset and a non-business asset.

Number of complete years that asset is held before disposal	*BUSINESS ASSET* *% of capital gain exempt from capital gains tax*	*NON-BUSINESS ASSET* *% of capital gain exempt from capital gains tax*
0	0	0
1	50	0
2	75	0
3	75	5
4	75	10
5	75	15
6	75	20
7	75	25
8	75	30
9	75	35
10	75	40

A "business asset" for taper relief purposes includes unlisted shares in a holding company of a trading group. Shares traded on the Alternative Investment Market are treated as unlisted for these purposes. A trading group consists of a group of companies whose activities, taken together, do not include to a substantial extent activities other than trading activities.

The Company and its trading subsidiaries comprise a trading group and, as such, the Placing Shares should satisfy the definition of a business asset for taper relief purposes. Neither the Company nor the Directors, however, makes any warranty or gives any undertaking that business asset taper relief will be available in respect of any investment in the Placing Shares pursuant to this document, nor do they warrant or undertake that the Company shares will continue to qualify as business assets for taper relief purposes.

(d) *Inheritance Tax ("IHT") Business Property Relief*

Relief from inheritance tax is available on assets that qualify as "business property" as long as the asset has been owned for a minimum period of two years. 100 per cent. relief is available on all unquoted shares in a trading Company or a holding Company of a trading group. Shares traded on the Alternative Investment Market are treated as unquoted for these purposes.

Relief from IHT is restricted where the company or group's assets include assets that have not been used for the purpose of the business in the last two years nor required for the future use of the business.

The Company and its trading subsidiaries comprise a trading group and, as such, the Placing Shares should be eligible for IHT business property relief subject to the minimum ownership requirement. Neither the Company nor the Director, however, makes any warranty or gives any undertaking that IHT business property relief will be available in respect of any investment in the Placing Shares pursuant to this document, nor do they warrant or undertake that the Company Shares will continue to qualify for IHT business property relief purposes.

The above is a summary of certain aspects of current law and practice in the UK. A Shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

9. The City Code

The definition of "acting in concert" in the Takeover Code states that persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. For the purposes of Rule 9 of the Takeover Code, CanCo the directors of CanCo, Starline, CanCo Holdings, Ely Trust and the beneficiaries of the Ely Trust are or are deemed to be acting in concert.

Details of the Concert Party can be found in paragraph 9.1 below. The members of the Concert Party accept responsibility for the information contained in this document relating to CanCo and himself or itself. To the best of the knowledge of the directors of CanCo, Canco and each member of the Concert Party, (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

9.1. The shareholding of CanCo in the Company will on exercise of their rights under the Exchange Agreement (on the assumption that the right to exchange the Exchangeable Shares into Ordinary Shares is exercised in full and assuming the Current Exchange Rate and the Placing Price) be:

Name	*Ordinary Shares created by*	*Ordinary Shares at the date of this document*	*%*	*Ordinary Shares on exercise of all rights under the Exchange Agreement (assuming Exchange Rate)*	*%*
CanCo	Initial Consideration Shares	0	0	7,938,780	33.63
CanCo	Contingent Shares	0	0	1,795,676	7.07
Total		0	0	9,734,456	38.32

No other member of the Concert Party holds or will directly hold Ordinary Shares.

The Concert Party is principally based in Ontario at 5560 Explorer Dr. Mississauga ON L4W 5M3

The Concert Party has no rights to any further Ordinary Shares in addition to the shareholding of CanCo (on the assumption that the right to exchange the Exchangeable Shares into Ordinary Shares is exercised in full), assuming all deferred consideration is paid in full and no other Ordinary Shares are issued following Admission.

CanCo

6615716 Canada Inc. is a holding company (solely for holding Exchangeable Shares and has not traded) incorporated under the laws of Canada. 6615716 Canada Inc. holds 10,000,000 common shares in the capital of 1360944 Ontario Inc. The directors of 6615716 Canada Inc. are Shane G. Carroll, J. Brian Hewlitt, Jonathan G. Carroll, Edward J. Carroll and Jeffrey D. Mackenzie.

Starline

Starline Project Services Limited is an investment company incorporated under the laws of the Isle of Man. The only material asset held by Starline Project Services Limited is all of the issued and outstanding shares in the capital of CanCo. With the exception of the Ely Trust and itravel2000.com, as loan creditors, and a member of the Concert Party, as a sundry creditor, Starline Project Services Limited has no material liabilities. The directors of Starline Project Services Limited are Francis Henry Perry, Bernard Michael Shimmin and Philip Richard Whittam.

CanCo Holdings

6615635 Canada Inc. is a holding company (solely for holding shares in Starline and has not traded) incorporated under the laws of Canada. 6615635 Canada Inc. holds the sole issued and outstanding share in the capital of Starline Project Services Ltd. The directors of 6615635 Canada Inc. are Shane G. Carroll, J. Brian Hewlitt, Jonathan G. Carroll, Edward J. Carroll and Jeffrey D. Mackenzie.

Ely Trust

The Ely Trust is a discretionary *inter vivos* trust settled on October 17, 1997. The Ely Trust holds all of the issued and outstanding shares in the capital of CanCo Holding. The only other investments held by Ely Trust are: (i) all of the issued and outstanding shares in a dormant private company; (ii) all of the issued and outstanding shares in a private company which holds real estate; (iii) all of the issued and outstanding shares of a private company which holds domain name registrations. The current trustee of the Ely Trust is Tower Trustees Limited, a corporation incorporated in Nevis, St. Kitts and Nevis. The present beneficiaries of the Ely Trust are Edward J. Carroll, Elizabeth Carroll, Shane G. Carroll, Jonathan G. Carroll, Jeffrey Mackenzie and Brian Hewlitt

Shane G. Carroll

Shane G. Carroll is Chief Operating Officer of itravel2000.com. Prior to joining itravel2000.com Shane developed extensive wholesale product buying experience with Sunquest Vacations Limited. Subsequent to that, he was managing director of Chieftain Tours in Europe, where he was responsible for developing vacation packages and inclusive tours for the wholesale and direct-to-public retail markets. As Chief Operating Office of itravel2000.com, Shane operates as the day-to-day executive in charge and manages all technology, business development and corporate matters.

Jonathan G. Carroll

Jonathan G. Carroll, President of itravel2000.com, co-founded the company in 1994 with Jeffrey MacKenzie. He and Jeffrey formed a team of travel professionals. Jonathan's work extends into the community through his work with Major League Baseball's Toronto Blue Jays, as he sits on the Board of Directors for the Jays Care Foundation. He is also a founding Board Member of the Lakefield College School Foundation, which also boasts his Royal Highness, the Duke of York as a Trustee.

Jeffrey D. MacKenzie

Jeffrey D. MacKenzie is Executive Vice President of Online Sales of itravel2000.com, and a co-founder of the company. Jeff manages all day-to-day activities of the online department including customer service, product relationships and online web initiatives. Prior to joining itravel2000.com, Jeff was a licensed real estate agent practicing commercial industrial leasing and residential sales. Jeff is a graduate from George Brown College with a diploma in small business management.

J. Brian Hewlitt

J. Brian Hewlitt began his technology career in 1992. From 1996 to 1998 he was involved in website and network design, database applications development, email marketing and ecommerce consulting for Sunquest Vacations, Albatours and Virgin Holidays in Canada. From 1998 to 2005, Brian served as VP Technology, directing and overseeing itravel2000.com's online capabilities. Presently, as the Executive VP of business development, he is planning and overseeing the development of strategic technologies for company use and potential commercialisation.

Edward J. Carroll

Edward J. Carroll is Chief Executive Officer of 1360944 Ontario Inc. He is a key representative of the company both internally to staff and externally in the industry and has played a critical role in negotiations of strategic agreements with suppliers and advertising groups with whom the company deals. Edward has a background in the banking industry in the United Kingdom and began working in the travel industry in 1969 when he founded Maple Leaf Tours Ltd. in Canada. Edward subsequently founded Chieftain Tours, which was sold to Worldways Canada in 1983, and became President of the European Division of Sunquest Vacations and a director of Sunquest (AirTours plc).

Elizabeth Carroll

Elizabeth Carroll is the spouse of Edward J. Carroll.

9.2. Save as disclosed in paragraph 1.1 of Part VII of this document neither the Company, nor itravel2000.com, nor any of the Directors, nor any member of their immediate families, nor any person acting in concert with the Company nor any of their respective associates, was interested in any relevant securities on 12 September 2006 nor has any person dealt for value therein during the disclosure period and no bank, stockbroker, financial or other professional adviser (other than an exempt market-maker) to the Company or its associates (nor any person controlling, controlled by or under the same control as such bank, stockbroker, financial or other professional adviser) nor any pension fund of the Company or its associates nor any employee benefit trust or its associates, nor any person whose investments are managed on a discretionary basis by a fund manager (other than an exempt fund manager) which is controlled by, controls or is under the same control as the Company or any bank, stockbroker, financial or other professional adviser, to the Company or its associates, owned or controlled any relevant securities on 12 September 2006 nor has any such person dealt for value therein during the disclosure period.

9.3. Save as disclosed in this paragraph 9, none of the members of the Concert Party, nor any person acting in concert with any of the members of the Concert Party, nor any of their respective associates, was interested in any relevant securities on 12 September 2006 nor has any such person dealt for value therein during the disclosure period.

9.4. Neither the Company nor any of the members of the Concert Party, nor any of their respective associates nor any person acting in concert with the Company or any of the members of the Concert Party or any of their respective associates has any arrangement in relation to the relevant securities.

9.5. References in this paragraph 9 to:

(i) "relevant securities" means securities carrying voting rights issued by the Company and securities convertible into, or exchangeable for, rights to subscribe for, and options (including traded options) in respect of such securities and derivatives referenced thereto;

(ii) "arrangement" includes, in addition to indemnity and option arrangements, any arrangement, agreement or undertaking, formal or informal, of whatever nature which may be in an inducement to deal or refrain from dealing;

(iii) an "associate" are to itravel2000.com or the Company's parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status);

(iv) "connected adviser" means:

(1) in relation to itravel2000.com or the Company:

(a) an organisation which is advising that party in relation to the offer; and

(b) a corporate broker to that party;

(2) in relation to a person who is acting in concert with itravel2000.com or the Company, an organisation which is advising that person either:

(a) in relation to the offer; or

(b) in relation to the matter which is the reason for that person being a member of the relevant concert party; and

(3) in relation to a person who is an associate of itravel2000.com or of the Company by virtue of the definition of associate above, an organisation which is advising that person in relation to the offer.

9.6 For the purposes of this paragraph 9, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status and "control" means a holding, or aggregate holding, of an interest in shares carrying 30 per cent. or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding(s) give(s) *de facto* control.

9.7 For the purposes of this paragraph 9, a person is treated as "interested" in securities if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as "interested" in securities if:

(i) he owns them;

(ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;

(iii) by virtue of any agreement to purchase, option or derivative, he:

(a) has the right or option to acquire them or call for their delivery; or

(b) is under an obligation to take delivery of them,

whether the right, option or obligation is conditional or absolute or otherwise; or

(iv) he is party to any derivative:

(a) whose value is determined by reference to their price; and

(b) which results, or may result, in his having a long position in them.

9.8 Save for the Acquisition Agreement and the material ancillary agreements referred to in Part VI and the 2006 Placing Agreement referred to in paragraph 5 of this Part VIII, no agreement, arrangement or undertaking (including any compensation arrangement) exists between any of the members of the Concert Party and any Director, recent director of the Company, Shareholder or recent shareholder of the Company having any connection with or dependence upon, or which is conditional upon, completion of the Acquisition.

9.9 There is no agreement, arrangement or understanding between any of the members of the Concert Party and any other person pursuant to which any Ordinary Shares which they will acquire pursuant to the Exchange Agreement will be transferred.

9.10 To the extent that the consideration for any Ordinary Shares acquired by any of the members of the Concert Party pursuant to the Acquisition and Placing is to be satisfied in cash, such sums will be provided from their personal financial resources. Neither the payment of interest on nor repayment of, nor security for, any liability (contingent or otherwise) of any of the members of the Concert Party will depend to any significant extent on the business of the Enlarged Group.

9.11 There will be no material change or adverse effect on the current employees or management of the Company as following the Acquisition itravel2000.com will be operated from Canada as a subsidiary of the Company. There is no intention to redeploy any of the Company's fixed assets.

9.12 Neither the Concert Party nor any person acting in concert with the Company has borrowed or lent Ordinary Shares as at 12 September 2006.

10. General

10.1 The accounting reference date of the Company is 31 October.

10.2 The total costs and expenses payable by the Company in connection with the Proposals (including professional fees, commissions, the costs of printing and the fees payable to the registrars and Daniel

Stewart) are estimated to amount to approximately £2.1 million (including estimated irrecoverable VAT).

10.3 The Directors believe that there are no trademarks, patents or licences or contracts relating to intellectual property which are of fundamental importance to the Enlarged Group's business or profitability.

10.4 Daniel Stewart has given and not withdrawn its written consent to the inclusion of its report and references to their name in the form set out in this document in the form and context in which they appear.

10.5 Horwath Clark Whitehill LLP has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

10.6 PricewaterhouseCoopers LLP has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

10.7 Having made due and careful enquiry the Directors are of the opinion that the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

10.8 Other than as disclosed elsewhere in this document, no person (other than professional advisers referred to in this document) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Placing Price, or any other benefit with a value of £10,000 or more at the date of Admission.

10.9 The Ordinary Shares are in registered form and may be held in certificated form or under the CREST system, which is a paperless settlement procedure enabling securities to be evidenced and transferred otherwise than by a written instrument in accordance with the Uncertificated regulations 2001. The Company's Registrars are responsible for keeping and maintaining the Company's register of members. The International Security Identification Number of the Ordinary Shares is GB0032849084.

10.10 Each of the Directors is, or may be deemed to be, a promoter of the Company.

10.11 There are no significant investments by the Enlarged Group under active consideration. Save as referred to herein in respect of the Concert Party there are no arrangements known to the Company the operation of which may at a subsequent date result in a change of control of the Company.

10.12 There are no arrangements under which future dividends are waived or are agreed to be waived.

10.13 The following table shows the closing middle market quotations for the existing Ordinary Shares as derived from the AIM Appendix to the Daily Official List on the first business day of each month from the six months immediately preceding the date of this document and on 11 September 2006 (the latest practicable date prior to the publication of this document.

Date	*Price*
11 September 2006	124.5p
1 September 2006	125p
1 August 2006	126.5p
3 July 2006	127p
1 June 2006	127.5p
2 May 2006	130p
3 April 2006	127.5p

10.14 The Company has received irrevocable undertakings from the Directors, David Lloyd Powell, Fareplay Limited, Ranjit Singh Anand and Simon Lloyd Powell in respect of 37.01 per cent. of the issued share capital of the Company, to vote in favour of the Resolutions as set out in the Notice of EGM.

10.15 The Company, as referred to in paragraph 12 of Part VII, may also incur a liability to tax as a result of the conversion of the Deferred Shares for which it will seek to recover any such liability from the relevant shareholders.

11. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Joelson Wilson & Co., 30 Portland Place, London W1B 1LZ until one month from Admission.

(a) the Memorandum and Articles of Association of the Company and itravel2000.com;

(b) the reports from the Reporting Accountants set out in Parts III and IV of this document;

(c) the audited accounts of the Company for the periods ending 31 October 2004 and 31 October 2005;

(d) the audited accounts of itravel2000.com for the periods ended 30 September 2004 and 30 September 2005;

(e) the service contracts, letters of appointment and services agreements referred to in paragraph 1.4 of Part VII;

(f) the Option Agreements referred to in paragraph 3 of this Part VII;

(g) the material contracts referred to in paragraph 5 of this Part VIII;

(h) consent letters; and

(i) the irrevocable undertakings to vote in favour of the Resolutions.

Copies of this document are available to the public, free of charge, at the offices of Daniel Stewart & Company plc during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until one month from the date on which the Enlarged Issued Share Capital is admitted to trading on AIM.

12 September 2006

TRAVELZEST PLC

(Incorporated in England and Wales with registered number 4520457)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("Extraordinary General Meeting") of the Company will be held at the offices of Daniel Stewart & Company plc at Becket House, 36 Old Jewry, London EC2R 8DD on 5 October 2006 at 10.00a.m. for the purpose of considering and, if thought fit, passing the following resolutions ("Resolutions") of which Resolutions 1, 2, 3 and 4 will be proposed as Ordinary Resolutions and Resolutions 5 and 6 will be proposed as Special Resolutions:

ORDINARY RESOLUTIONS

1. That, subject to and conditional upon each of the other Resolutions set out in the notice convening this Extraordinary General Meeting having been passed and subject to and conditional upon the entire share capital of the Company being admitted ("Admission") to trading on AIM, the acquisition by the Company of the entire issued share capital of 1360944 Ontario Inc. (o/a itravel2000.com) ("Acquisition") on the terms and subject to the conditions set out in the sale and purchase agreement ("Acquisition Agreement") dated 12 September 2006 between 1360944 Ontario Inc. (o/a itravel2000.com), the Company, Travelzest Holdings Inc, 0763756 B.C. Ltd. ("Exchangeco") and Shane Carroll, Jonathan Carroll, Jeffrey Mackenzie, J. Brian Hewlitt and 6615716 Canada Inc. ("CanCo") which is referred to in the admission document issued by the Company to its shareholders dated 12 September 2006 ("Admission Document"); a copy of the Acquisition Agreement now produced to the meeting and initialled by the Chairman for the purposes of identification, with such minor amendments as the directors may approve, be and is hereby approved and the directors be and are hereby authorised to take all steps necessary to complete the Acquisition.

2. That, subject to and conditional upon each of the other Resolutions set out in the notice convening this Extraordinary General Meeting having been passed and subject to and conditional upon Admission, the waiver by the Panel of the obligations of the Concert Party to make a general offer under Rule 9 of the Takeover Code to the shareholders of the Company as a result of the allotment of (i) the initial consideration shares ("Initial Consideration Shares") to CanCo pursuant to the terms of an exchange rights agreement between the Company, Exchangeco and CanCo (the "Exchange Agreement") , under which CanCo may become the holder of up to 7,938,780 Ordinary Shares of 2 pence each in the capital of the Company (representing approximately 33.63 per cent. of the issued share capital of the Company following Admission); (ii) the additional consideration shares ("Contingent Shares") to CanCo pursuant to the terms of the Acquisition Agreement and pursuant to the terms of the Exchange Agreement where CanCo may become the holders of up to the value of Can$4,750,000 Ordinary Shares of 2 pence each (the number of shares to be determined in accordance with the share price and prevailing exchange rate at the time of issue) and are hereby approved.

3. That the authorised share capital of the Company be and is hereby increased from £500,000 to £1,200,000 by the creation of 35,000,000 new ordinary shares of 2 pence in the capital of the Company having attached to them the rights, privileges and restrictions set out in the articles of association of the Company.

4. That, pursuant to and in accordance with Section 80 of the Companies Act 1985 ("the Act"):

    (i) the directors be and hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) as follows:

        (a) other than pursuant to paragraphs (b), (c) and (d) below, up to a maximum nominal amount of £197,472.58 to such persons at such times and on such terms as they think proper during the period expiring at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution;

(b) subject to and conditional upon each of the other Resolutions set out in the notice convening this Extraordinary General Meeting having been passed and subject to and conditional upon Admission, up to an aggregate nominal amount of £158,775.60 in connection with the Consideration Shares;

(c) subject to and conditional upon each of the other Resolutions set out in the notice convening this Extraordinary General Meeting having been passed and subject to and conditional upon Admission, up to an aggregate nominal amount of £39,504.86 (being the potential nominal value of the Contingent Shares which may be required to be issued, calculated as at the date of Admission plus 10 per cent.) in connection with the Contingent Shares (the "Contingent Share Allotment");

(d) up to an aggregate nominal amount of £84,126.98 in connection with the placing ("Placing") of up to 4,206,349 Ordinary Shares ("Placing Shares") pursuant to the Placing; and

(ii) the Company be and is hereby authorised to make prior to the expiry of such period referred to in sub-paragraph (i) above any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period that the directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;

so that all previous authorities of the directors pursuant to the said section 80 be and they are hereby revoked provided that this resolution shall not affect the right of the directors to allot relevant securities in pursuance of any offer or agreement entered into prior to the date hereof.

SPECIAL RESOLUTION

5. Subject to and conditional on the passing of Resolution 4, that the directors be and are hereby empowered in accordance with Section 95 of the Act to allot equity securities of the Company (as defined in Section 94(2) of the Act) for cash pursuant to the authority conferred on them to allot relevant securities pursuant to the authority conferred on them by resolution 2 above, as if Section 89(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:

(i) subject to and conditional upon Admission, the allotment and issue of equity securities up to an aggregate nominal amount of £158,775.60 in connection with the Consideration Shares;

(ii) subject to and conditional upon Admission, the allotment and issue of equity securities up to an aggregate nominal amount of £39,504.86 (being the nominal value of Contingent Shares which may be required to be issued, calculated as at the date of Admission plus 10 per cent.) in connection with the Contingent Shares;

(iii) the allotment and issue of equity securities up to an aggregate nominal amount of £84,126.98 in connection with the Placing Shares;

(iv) the allotment and issue of equity securities in connection with an issue or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or any territory;

(v) subject to and conditional upon the Acquisition, the issue of warrants to subscribe for up to 1,008,072 Ordinary Shares to Christopher Mottershead;

(vi) subject to and conditional upon the Acquisition, the issue of warrants to subscribe for up to 219,471 Ordinary Shares (being 10 per cent. of the Contingent Share Allotment) to Christopher Mottershead;

(vii) the issue of warrants to subscribe for up to 1,000,000 Ordinary Shares to Midicorp Corporate Finance Limited (the "Midicorp Warrants");

(viii) the issue of warrants to subscribe for up to 102,381 Ordinary Shares to Merchant Securities Limited (the "Merchant Warrants");

(ix) the issue of 459,937 Ordinary Shares to the holders of the options;

(x) the issue of up to 2,329,923 Ordinary Shares to Christopher Mottershead, the Midicorp Warrants and the Merchant Warrants;

(xi) subject to and conditional upon the Acquisition, the allotment (otherwise than pursuant to sub-paragraphs (i) to (x) above) of equity securities for cash up to an aggregate nominal value not exceeding £141,657.38 (representing approximately 30 per cent. of the enlarged issued share capital of the Company following Admission and issue of the initial Consideration Shares), assuming the issue of 4,206,349 Placing Shares and this power, unless renewed, shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired;

(xii) in the event that the Acquisition is not completed, the allotment of equity securities for cash up to an aggregate nominal value not exceeding £94,024.70 (representing 30 per cent. of the Enlarged Issued Share Capital following Admission) and this power, unless renewed, shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

6. That, the articles of association of the Company be amended by the deletion of article 103.2 and the substitution for it of the following new article 103.2 as follows:

"103.2 The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of such rights or powers of control the Board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the Group (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount of equal to the greater of 4 (four) times the Adjusted Capital and Reserves and £30,000,000."

By order of the Board

R Hall
Company Secretary

Registered office:
Farm Cottage
Heath House
Wedmore
Somerset BS28 4UG

Dated: 12 September 2006

Notes

(1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, instead of him. A proxy need not be a member of the Company.

(1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, instead of him. A proxy need not be a member of the Company.

(2) A Form of Proxy is enclosed for your use, if desired. The instrument appointing a proxy must reach the Company's Registrars, Share Registrars Limited not less than 48 hours before the time of holding of the meeting.

(3) Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders of the Company on the register at 6.00pm on 3 October 2006, shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

(4) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedure described in the CREST manual. CREST personal members, sponsored CREST members and CREST members who had appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action for you.

To complete a valid proxy appointment or instruction using the CREST service, the CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted and received by the Company's Registrar 48 hours before the time fixed for the meeting (or any adjournment thereof). The time of receipt of the instruction will be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the change of instructions to proxies appointed through CREST should be communicated to the proxy another way.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will apply to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST service provider(s) take(s) the necessary action to ensure that a message is transmitted by means of the CREST system by a particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should refer to the sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST proxy Instruction as invalid as set out in Regulation 35.5(a) of the Uncertified Securities Regulations 2001.