

Date: 2 July 2007
On behalf of: Travelzest plc (“Travelzest” or the “Group”)
Embargoed until: 0700hrs

Travelzest plc

Interim results for the six months to 30 April 2007

Travelzest plc, the British online travel group offering specialist travel programmes, is pleased to announce its interim results for the six months ended 30 April 2007.

Financial Highlights

- Group total transaction value increased by 849% to £86.3 million (2006: £9.1 million)
- Group turnover increased by 267% to £13.6 million (2006: £3.7 million)
- Profit before goodwill amortisation, the charge for share based payments, interest and tax was £1.7 million (2006 Restated*: £1.3 million loss)
- Profit before tax of £0.4 million (2006 Restated*: £1.4 million loss)
- Normalised diluted earnings per share (adding back goodwill amortisation and the charge for share based payments) 3.1p (2006: 9.67p loss per share)

Operational Highlights

- Excellent results from the Group’s Canadian online retail business, itravel2000.com
- Strong performance from UK winter biased specialist tour operator businesses
- Successful launch of Flight.co.uk
- Continuing investment in Holiday.co.uk
- Acquisition of Tapestry Travel Limited in December 2006 and relaunched as The Tapestry Collection, specialising in programmes to Turkey
- Wow House Limited acquired in December 2006, offering an exclusive portfolio of large prestigious houses to rent for short breaks and special occasions in the UK

* Restated to reflect FRS20 (share based payment)

Commenting on the results, Chris Mottershead, Travelzest’s Chief Executive, said:

“When the Travelzest concept was launched we set out to create a travel company which generated profits throughout the year. I am very pleased to report that we have managed to achieve a profit in the first six months in only our second year. This result is particularly pleasing as it represents an underlying year on year first six month profit improvement of £3 million.”

“Our winter biased businesses delivered excellent performances with itravel2000.com increasing sales by 17% over the same period in the previous year, and Best of Morocco by 30% year on year. This demonstrates our ability to make significant improvements to the businesses we acquire. We have also launched Flight.co.uk and Wow House, and relaunched The Tapestry Collection, all of which have made a good start. In addition we continue to develop Holiday.co.uk.”

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Chairman's statement

I am pleased to report that a half year profit has been achieved for the first time in the Group's history. This meets our strategy of creating a group which earns profits more evenly through the year than is normal in the travel industry.

Results

With growth in total transaction value of 849% to £86.3 million, the Group generated profits before interest, tax, goodwill amortisation and the effect of FRS20 (Share Based Payment) of £1.7 million for the six months ended 30 April 2007. This compares with a loss of £1.3 million for the same period in the previous year.

The Group adopted FRS 20 for the first time this year giving rise to a charge of £171,000 in the period. Further details of the effect of FRS 20 are included in the notes to the interim financial statements.

The charge for goodwill amortisation was £741,000 (2006: £116,000).

The Group reported a pre tax profit of £0.4 million (2006 Restated: £1.4 million loss).

Normalised diluted earnings per share (adding back goodwill amortisation and the effect of FRS 20) is 3.1p (2006: 9.67p loss per share).

I am particularly pleased with itravel2000.com which has delivered an excellent half year result. In addition we have seen an improved performance from a number of the Group's UK specialist businesses, demonstrating our ability to increase the profitability of businesses following acquisition.

We have continued to invest in Holiday.co.uk and are pleased to report the successful launch of Flight.co.uk, Wow House and The Tapestry Collection.

Strategy

We continue to capitalise on the changes taking place in the global travel market.

Fuelled by the growth of internet use, there are increasing opportunities for travel companies to offer niche holiday products to consumers who are more sophisticated and demanding in their leisure travel needs.

In addition the internet also provides a means of communicating and transacting with customers which is more efficient and lower cost than a traditional travel retailer.

We are building a portfolio of companies offering travel and holiday experiences which use the internet as a key distribution channel.

We believe that there are further opportunities for growth in the Canadian market which is counter cyclical in profit and cash generation to the UK and the rest of Europe. Itravel2000.com is well placed to take advantage of its position as Canada's largest online leisure travel retailer. Consumers in Canada are progressively embracing the internet as a tool for leisure research and transaction in the same way as experienced in the UK over the last ten years.

Acquisitions

The Group has acquired two companies since the start of the financial year; Tapestry Travel Limited and Wow House Limited.

Tapestry Travel Limited, trading as The Tapestry Collection, provides, through a knowledgeable and experienced team, high quality and bespoke programmes in Turkey, Crete and Cephalonia. This business was acquired in December 2006.

Wow House Limited, trading as The Wow House Company, was acquired in December 2006 and offers an exclusive and increasing portfolio of large, prestigious houses to rent for short and holiday breaks in the UK.

People

Travelzest has continued to recruit some of the most talented and notable professionals within the travel industry.

Carol Dray joined the Group in November 2006 as Managing Director of Flight.co.uk. Joining from Thomas Cook UK where she was Director of e-commerce, Carol also gained considerable experience from her roles at Flightcentre and Lastminute.com where she was Director of Flights and Dynamic Packaging.

Robin Sutherland joined Holiday.co.uk in April 2007 as Managing Director. Formerly Director of Retail at Expedia.co.uk, Robin brings with him invaluable experience to define and drive our continuing development of the Holiday.co.uk portal.

In addition to the above appointments Nishma Robb, Group Distribution Director, joined the Board in December 2006 highlighting the importance of the Group's online distribution strategy. I became Chairman also in December 2006, succeeding Mike Bruce Mitford.

International Financial Reporting Standards ("IFRS")

Travelzest will report under IFRS in the financial year ending 31 October 2008. Further information will be provided in due course regarding the transition to IFRS.

Outlook

Our focus in the first six months of the financial year has been to develop the existing businesses in the Group. We are pleased to report that current trading is in line with the Board's expectation.

In the coming six months we will continue to focus on existing businesses and also consider further acquisitions where these meet the Group's acquisition criteria.

Mark T J Molyneux
Chairman
2nd July 2007

Travelzest plc
Consolidated profit and loss account

	Six months ended 30 April		Year ended
	2007	2006	31 October
	£000	£000	£000
	(unaudited)	Restated (unaudited)	Restated (audited)
Total transaction value			
– continuing operations	86,281	7,697	26,147
– acquisitions	45	1,402	17,936
	<u>86,326</u>	<u>9,099</u>	<u>44,083</u>
Turnover			
– continuing operations	13,544	2,300	13,840
– acquisitions	45	1,402	5,349
	<u>13,589</u>	<u>3,702</u>	<u>19,189</u>
Cost of sales	<u>(4,392)</u>	<u>(2,384)</u>	<u>(11,937)</u>
Gross profit	9,197	1,318	7,252
Administrative expenses	(8,287)	(2,717)	(7,000)
Share based payments	(171)	(52)	(145)
	<u>1,022</u>	<u>(1,736)</u>	<u>(824)</u>
Operating profit / (loss)			
– continuing operations	1,022	(1,736)	(824)
– acquisitions	(283)	285	931
	<u>739</u>	<u>(1,451)</u>	<u>107</u>
Net interest (payable) / receivable	<u>(334)</u>	<u>87</u>	<u>152</u>
Profit / (loss) on ordinary activities before taxation	405	(1,364)	259
Tax on profit on ordinary activities	<u>(346)</u>	<u>407</u>	<u>(254)</u>
Retained profit / (loss) for the period	<u>59</u>	<u>(957)</u>	<u>5</u>
Earnings per share – basic	0.25p	(11.50)p	0.05p
Earnings per share – fully diluted	0.20p	(11.50)p	0.04p

Travelzest plc
Consolidated balance sheet

	At 30 April		At 31 October
	2007	2006	2006
	£000	£000	£000
	(unaudited)	Restated (unaudited)	Restated (audited)
Fixed assets			
Intangible assets	36,560	4,498	36,106
Tangible assets	2,195	638	2,016
	<u>38,755</u>	<u>5,136</u>	<u>38,122</u>
Current assets			
Stock	8	-	2
Debtors	6,545	1,845	3,496
Cash at bank and in hand	10,343	5,463	10,989
	<u>16,896</u>	<u>7,308</u>	<u>14,487</u>
Creditors: amounts falling due within one year	<u>(10,373)</u>	<u>(6,197)</u>	<u>(8,522)</u>
Net current assets	<u>6,523</u>	<u>1,111</u>	<u>5,965</u>
Total assets less current liabilities	45,278	6,247	44,087
Creditors: amounts falling due after more than one year	(19,654)	(10)	(18,198)
Provisions for liabilities and charges	<u>(241)</u>	<u>(41)</u>	<u>(271)</u>
Net assets	<u>25,383</u>	<u>6,196</u>	<u>25,618</u>
Capital and reserves			
Share capital	313	170	313
Share premium account	11,632	4,491	11,632
Exchangeable shares	10,365	-	10,003
Merger reserve	2,320	1,225	2,320
Profit and loss account	753	310	1,350
Equity capital and reserves	<u>25,383</u>	<u>6,196</u>	<u>25,618</u>

Travelzest plc
Consolidated cash flow statement

	Six months ended 30 April		Year ended
	2007	2006	31 October
	£000	£000	£000
	(unaudited)	Restated (unaudited)	Restated (audited)
Net cash inflow from operating activities	2,067	786	1,520
Returns on investments and servicing of finance			
Net interest	(334)	87	152
Net cash (outflow)/inflow from returns on investment and servicing of finance	(334)	87	152
Taxation			
UK Corporation tax paid	(386)	-	(323)
Capital expenditure			
Payments to acquire tangible fixed assets	(513)	(29)	(409)
Receipts from sales of tangible fixed assets	-	-	-
Net cash outflow for capital expenditure	(513)	(29)	(409)
Acquisitions			
Purchase of subsidiary companies	(1,480)	(2,073)	(16,730)
Cash acquired with subsidiary companies	-	909	2,998
Net cash outflow for acquisitions	(1,480)	(1,164)	(13,732)
Equity dividends paid	-	-	-
Net cash outflow before financing	(646)	(320)	(12,792)
Financing			
Issue of new ordinary shares	-	51	7,317
Loans	-	-	10,741
Net cash inflow from financing	-	51	18,058
(Decrease)/Increase in cash for the period	(646)	(269)	5,266

Cash outflow for the purchase of subsidiary companies in the period to 30 April 2007 includes £700,000 deferred consideration paid in respect of the purchase of Peng Travel Limited and £523,000 for the redemption of loan notes issued on acquisition of The Montpelier Collection Limited, the holding company of Fair's Fare Limited.

Travelzest plc
Notes to the financial statements

1. Basis of preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the company's 2006 statutory accounts except for the charge for share based employee remuneration arising from the first time adoption of FRS20.

These statements are unaudited and were approved by the Board of Directors on 29th June 2007. The financial information contained in these statements does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 and United Kingdom Generally Accepted Accounting Principles. The financial information for the year to 31 October 2006 has been extracted from the statutory accounts for that year and amended for the first time adoption of FRS20 (Share Based Payment). These accounts, which received an unqualified audit report, have been filed with the Registrar of Companies.

2. Total transaction value and turnover

(a) Total transaction value

	Six months ended 30 April		Year ended
	2007	2006	31 October
	£000	£000	2006
	(unaudited)	(unaudited)	(audited)
Tour operations	4,238	2,999	15,631
Travel agency	82,088	6,100	28,452
	86,326	9,099	44,083

(b) Turnover

	Six months ended 30 April		Year ended
	2007	2006	31 October
	£000	£000	2006
	(unaudited)	(unaudited)	(audited)
Tour operations	4,238	2,999	15,631
Travel agency	9,351	703	3,558
	13,589	3,702	19,189

Travelzest plc
Notes to the financial statements (continued)

3. Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	Six months ended 30 April		Year ended
	2007	2006	31 October
	£000	£000	2006
	(unaudited)	(unaudited)	(audited)
Operating profit/(loss)	739	(1,451)	107
Amortisation	741	116	459
Depreciation	192	100	147
Loss on disposal	-	-	1
(Decrease) / increase in stock	(7)	-	1
(Increase) in debtors	(3,048)	(807)	(571)
Increase in creditors	3,105	2,828	1,388
Exchange differences taken to reserves	345	-	(12)
	<u>2,067</u>	<u>786</u>	<u>1,520</u>
Net cash inflow from operating activities			

4. Earnings per share

The basic earnings per share is 0.25p based on an equity gain of £59,000 (2006 Restated - £957,000 loss) and 23,687,170 (2006 – 8,320,184) ordinary shares of 2p each, being the weighted average number of ordinary shares in issue during the period.

The diluted earnings per share is 0.20p based on average fully diluted share capital of 29,688,642 (2006 – 8,320,184) shares, derived as follows:

Issued ordinary shares and exchangeable shares	23,687,170
Share options	767,423
Warrants	5,234,049
Total	<u>29,688,642</u>

Travelzest plc
Notes to the financial statements (continued)

5. Prior period adjustment

A prior period adjustment has been made to the comparative interim results for the six months ended 30 April 2006 and in the full year financial statements ended 31 October 2006 to reflect the first time adoption of FRS20 (Share Based Payment).

The financial effect is included in the interim reported results and is summarised below.

	Six months to 30 April 2007 £000	Six months to 30 April 2006 £000	Year ended 31 October 2006 £000
Profit/(loss) before share based payments, interest, tax and goodwill amortisation	1,651	(1,283)	711
Share based payment charge	(171)	(52)	(145)
Profit/(loss) before interest, tax and goodwill amortisation	1,480	(1,335)	566
Goodwill amortisation	(741)	(116)	(459)
Operating profit/(loss)	739	(1,451)	107
Normalised fully diluted earnings/(loss) per share (adding back goodwill and share based payment charge)	3.1p	(9.67)p	4.25p

Background information on Travelzest plc

Travelzest is a British on-line travel group with high quality brands offering specialist holiday programmes and services.

Chris Mottershead, 48, the Group Chief Executive who founded the Travelzest concept in April 2005, has extensive experience in the travel industry and in working for both large and small organisations. He 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. During that time, he steered the company through one of the most difficult periods for travel and still achieved record profits. Prior to this, he was President and CEO, North American Leisure Group, Airtours plc, which he joined in 1993 and where his roles included managing director and finance director. He joined Airtours from Aspro Travel & Inter European Airways where he was Group Finance Director.

The Group currently comprises:

itravel2000.com

itravel2000.com was founded in 1994 and is an 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 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.

www.itravel2000.com

Holiday Express

Holiday Express is one of the UK's leading on-line travel businesses. It specialises in both on-line travel fulfillment services and online travel sales. Holiday Express' retail business (acting as travel agent), provides 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 owns a number of travel website domain names, including:

- www.holiday.co.uk

- www.flight.co.uk

Fair's Fare

Fair's Fare was established in 1995 and is the UK's leading firm of airfare analysts, offering a unique travel planning service to both private and business clients. The company seeks out the very best financial options, on all major airlines, but primarily for long-haul travellers in the first and business class cabins of the world's leading airlines.

VFB Holidays

VFB Holidays is a long established, award winning tour operator, which provided holidays for approximately 24,000 passengers in its last financial year. VFB is currently contracted with the owners of approximately 350 holiday cottages throughout France for the summer 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 specialises in cottage holidays in France, but also has a number of other holiday programmes including: France à la Carte (hotel accommodation), Corsica, Short Breaks, Escorted Tours and River Cruises.

www.vfbholidays.com

Best of Morocco

Best of Morocco is a tour operator specialising in high quality, tailor-made holidays to Morocco for individuals or small groups. It provides a personalised service and it's highly experienced and knowledgeable staff help each customer select the hotels / resorts from their large range which are appropriate for the customer's desired style of holiday. Best of Morocco is the premier agent for the Marathon des Sables, a foot race that takes place in Morocco in April each year, covering some 230km. Best of Morocco provides the largest contingent of runners for the race each year.

www.bestofmorocco.co.uk

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 biggest naturist tour operator. It has unrivalled experience of naturist areas worldwide

and has selected only the best. The range of naturist holidays offered is unmatched by any other British tour operator.

www.pengtravel.co.uk

Faraway Holidays

Faraway Holidays was launched by Travelzest in August 2006. It offers tailor-made holidays to many of the world's top exotic destinations in the Far East, Middle East, Indian Ocean, South Pacific and South America. Every destination offered by Faraway Holidays will have been visited by at least one member of the sales team, ensuring that customers receive informed and knowledgeable advice when planning their holiday.

www.farawayholidays.co.uk

Tapestry Collection

Travelzest acquired the assets of Tapestry Holidays and has launched a revitalised brand consisting of the very best of the Tapestry range. The Tapestry Collection will initially showcase the very best of Turkey and Crete featuring many of the most popular hotels, apartments and villas, together with some exciting new properties.

www.thetapestrycollection.com

The Wow House Company

Wow House Limited, trading as The Wow House Company, is a specialist UK accommodation provider offering an exclusive portfolio of large, prestigious houses to rent for short breaks in the UK. The company also offers a comprehensive event planning service.

www.thewowhousecompany.co.uk