



Preliminary results for the year to 31<sup>st</sup> October 2008

travelzest

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## Group Highlights

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- Underlying operating profit increased by 34% to £5.1 million (2007 : £3.8 million)
- Improved operating performance
  - Solid performance from Canadian online retailer, itravel2000.com
  - UK Specialist Tour Operators benefit from low operating risk model
  - Acquisition of The Cruise Professionals Limited in Canada
  - Closure of in-house operations of Holiday Express
    - License agreement for operation of holiday.co.uk and flight.co.uk
  - Balanced profits
    - Operating profits continued to be delivered in both the first and second half of the year





# Travelzest Strategy

# Travelzest Strategy

- Travelzest continues to focus on the fastest growing sectors in the travel market :
  - Online distribution
  - Specialist experience based tour operations
- Travelzest operates a lower risk model than traditional tour operators
- Best practice improvements in operations of businesses deliver growth in earnings
- The growth in online usage and bookings, combined with the underlying growth of bespoke specialist holiday experiences, makes the potential of businesses operating in these sectors very attractive





Potential Takeover

# Potential Takeover

- On 15 August 2008, the Group announced that it was in the early stages of discussions over a potential cash offer for the entire issued and to be issued share capital of Travelzest at a price of 115 pence per ordinary share.
- On 4 November 2008, the Group announced discussions with the potential offeror continue and the majority of the due diligence had been completed. The offeror confirmed to the Group on 31 October 2008 that the remaining due diligence in relation to the potential offer was underway and that it had not discovered any matter which would lead to a reduction of the Offer from 115 pence in cash.
- On 12 November 2008, Travelzest was informed by the potential offeror that, as a consequence of the current uncertainties in financial markets, it had decided not to make an offer for the Company. Consequently, the Board announced that discussions in relation to the offer had been terminated.





# Business Highlights



**Business Highlights: Online & Agency**

# Business Highlights: Online & Agency

- Itravel2000.com maintained a strong operating performance having invested in 2008 in strategies to grow the business
  - Introduction of dynamic packaging
  - Expansion in Quebec
- Acquisition of The Cruise Professionals Limited in June 2008 continued profitable expansion into the Canadian retail market
- Solid performance from Fare's Fair despite uncertain business travel market
- Closure of in-house operations of Holiday Express and licensing of holiday.co.uk and flight.co.uk to a third party
- Integration of WOW House into VFB Holidays





## Business Highlights: UK Specialist Tour Operations

# Business Highlights: UK Specialist Tour Operations

- Travelzest owns and operates the following specialist tour operators in the UK
  - VFB Holidays
  - Best of Morocco
  - Peng Travel
  - Faraway Holidays & Malaysia Experience
  - Tapestry Collection
  - Captivating Cuba
  - JMB Travel



# Business Highlights: UK Specialist Tour Operators

- VFB Holidays and Best of Morocco proved resilient despite a downturn in demand for the core markets that these businesses serve
- Peng Travel generated an excellent result following continued modernisation of the business, product improvements and distribution channel optimisation
- Faraway Holidays and Malaysia Experience both introduced new websites and now sit on same platform as Best of Morocco and Captivating Cuba
- Tapestry Collection delivered a strong performance in only the second year of operation
- Captivating Cuba delivered the results set out in the business plan at the date of acquisition with all actions identified at this time being completed. Well placed for future growth
- JMB Travel generated results in line with expectations at the date of acquisition





# Financial Results

# Financial Highlights

	2008 £m	2007 £m	Change %
Total Transaction Value (TTV)	182.0	169.9	+ 7%
Revenue	44.3	38.5	+ 15%
Operating profit before separately disclosed items and intangible asset amortisation	5.1	3.8	+ 34%
(Loss) / profit before tax	(3.6)	2.3	-
Normalised diluted earnings per share *	7.8 pence	6.4 pence	+ 22%

\* Normalised diluted earnings per share is stated after adjusting for separately disclosed items and intangible asset amortisation and excludes the exercise of share options and warrants



# Consolidated income statement

	2008 £m	2007 £m
Total Transaction Value (TTV)	182.0	169.9
Revenue	44.3	38.5
Gross profit	22.5	20.6
<b>Underlying operating profit</b>	<b>5.1</b>	<b>3.8</b>
Separately disclosed items	(3.6)	(0.5)
Intangible asset amortisation and goodwill impairment	(3.8)	(0.4)
Net finance costs	(1.3)	(0.6)
<b>(Loss) / profit before tax</b>	<b>(3.6)</b>	<b>2.3</b>
Normalised fully diluted earnings per share	7.8 pence	6.4 pence

# Consolidated balance sheet

	2008 £m	2007 £m
Assets		
- Non current assets	46.8	41.5
- Current assets	12.8	17.9
<b>Total assets</b>	<b>59.6</b>	<b>59.3</b>
Equity		
- Attributable to equity holders	30.0	30.9
Liabilities		
- Non current liabilities	15.1	14.8
- Current liabilities	14.5	13.4
Total liabilities	29.6	28.4
<b>Total equity and liabilities</b>	<b>59.6</b>	<b>59.3</b>

# Consolidated cash flow statement

	2008 £m	2007 £m
Net cash flow from operating activities	(2.3)	2.2
Tax paid	(1.8)	(0.2)
Net cash used in investing activities	(6.5)	(3.4)
Net cash from financing activities	4.9	0.3
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(5.7)</b>	<b>(0.9)</b>
Cash and cash equivalents		
- At beginning of year	10.5	11.0
- Effect of foreign exchange rate changes	0.3	0.3
- Net movement in cash and cash equivalents	(5.7)	(0.9)
<b>Cash and cash equivalents at end of period</b>	<b>5.1</b>	<b>10.5</b>

The debt facility was fully drawn at 31 October 2008 and net debt was £10.9 million (2007: £ nil). Since the year end the Group made debt capital repayments of £1 million. Further capital repayments are due in May and November each year until May 2012

# Underlying operating profit

	2008 £000's	2007 £m
Reported operating (loss) / profit	(2,322)	2,905
Add back:		
Separately disclosed items		
- Aborted acquisition costs	316	-
- Aborted takeover costs	125	-
- Holiday Express non – recurring losses	1,237	-
- itravel move and other new project start up costs	693	-
- Termination of warrant agreement	956	-
- Share based payment charge	298	481
Separately disclosed items	3,625	481
Intangible asset amortisation	1,737	372
Goodwill impairment	2,100	
Underlying operating profit	5,140	3,758

The share based payment charge, termination of warrant agreement and elements of the Holiday Express non recurring costs and itravel move and new project start up costs, which total £2.6 million, are non-cash items



## Summary & Outlook

# Summary & Outlook

- Growth in underlying operating profits in 2008
- Group continues with strategy of owning businesses with low operational gearing
- UK market is late booking this year
- Strong sales in itravel2000, our largest subsidiary (+21%)
- Uncertainties in the broader economic climate make consumer spending predictions difficult
- Group will continue to review its strategy to ensure that it is appropriate for the challenging market conditions





Thank you

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