

Date: 29 June 2010
On behalf of: Travelzest plc ("Travelzest" or the "Group")
Embargoed until: 0700 hrs

Travelzest plc

Interim results for the six months to 30 April 2010

Travelzest plc, the travel group specialising in a broad base of travel products and specialist travel programmes to consumers in the United Kingdom and North America, is pleased to announce its interim results for the six months ended 30 April 2010.

Financial highlights

- Total transaction value increased 14% to £118.7 million (2009: £104.0 million)
- Revenue increased 9% to £18.9 million (2009: £17.4 million)
- Gross profit increased 7% to £12.3 million (2009: £11.5 million)
- Underlying operating profit increased 32% to £3.1 million (2009: £2.3 million)
- Profit before tax increased 142% to £1.4 million (2009: £0.6 million)
- Basic earnings per share increased to 0.34 pence (2009: Loss of 0.57 pence per share). Fully diluted earnings per share increased to 0.32 pence (2009: Loss of 0.47 pence per share)
- Operating cash flow improved by £2.0 million, and cash and cash equivalents improved 146% to £9.3 million (2009: £3.8 million)
- Net debt decreased to £7.7 million (2009: £11.7 million)

Operational highlights

- Both UK and North American operations are now operating with a lower cost base and a more efficient structure
- North American operations continue to show strong revenue growth from both itravel2000 and The Cruise Professionals. As at 30 April 2010, bookings for summer 2010 departures were up 35% year on year, with itravel2000 providing the majority of this growth
- Trading in the UK operations continue to improve. As of 30 April 2010, Merchant operations bookings for summer 2010 departures were up 14% year on year with Best of Morocco, Tapestry Collection, and Faraway Holidays providing the majority of growth
- Operational restructuring is substantially complete with the UK and North American business units now unified. Further restructuring is planned for completion by the end of the current financial year with the launch of new unified online distribution store and call centre in Cheltenham

Commenting on the results, Jonathan Carroll, Chief Executive, said:

"We are delighted to report the Group's best performance on record for the first half of the financial year. Our top line growth and strong underlying operating profit growth is a testament to the Group's ability to develop and deliver its strategies even in an uncertain global economic environment."

"The restructuring undertaken in the last financial year provided the necessary reduction in our cost structure, whilst also providing for a more efficient and effective management structure. We look forward to launching the Group's new marketing and distribution strategies and to the opening of the new UK call centre which will complete the restructuring and integration of the UK and North American operations."

"As we continue to review new opportunities for the remainder of 2010 and 2011, we believe Travelzest is well positioned to capitalise on growth areas in the UK and North America."

Commenting on the results, Mark Molyneux, Chairman, said:

"These results are the reward of the excellent management team at Travelzest. Under the inspirational and tireless leadership of our Executive Directors, Jonathan Carroll and Jack Fraser, the team are transforming Travelzest into a very market focussed and efficient Group."

Enquiries:

Travelzest plc
Jack Fraser

0844 335 6623
lorag@travelzestplc.com

Redleaf Communications
Rebecca Sanders-Hewett / Anna Dunkin / Lucy Salaman

020 7566 6700
travelzest@redleafpr.com

Investec Investment Banking (Nominated Adviser)
Martin Smith / Duncan Williamson

020 7597 5970

Merchant John East Securities Limited (Broker)
Graeme Cull / Simon Clements

020 7628 2200

CHIEF EXECUTIVE'S INTERIM STATEMENT

Overview

Travelzest has delivered a record first half performance following the restructuring of both the UK and North American operations which commenced in September 2009. The primary strategy for the Group continues to be to drive growth and shareholder value through the development of new and existing revenue streams within a highly efficient and scalable operating structure. The booking trends in both the UK and North America remain robust.

Results

Group transaction value for the six months to 30 April 2010 increased by 14% to £118.7 million (2009: £104.0 million) and revenue increased by 9% to £18.9 million (2009: £17.4 million). Gross profit increased by 7% to £12.3 million (2009: £11.5 million) with gross profit margins on total transactions value dropping slightly to 10.4% from 11.1%.

As a result of the restructuring of operations and the implementation of centralised shared services, the more efficient operating structure has contributed to an improvement in underlying operating profit by 32% to £3.1 million (25% margin on gross profit) from £2.3 million (20% margin on gross profit). Profit before depreciation and amortisation margins for the period have also improved in both divisions due to the restructuring activities with Merchant operations improving from (18%) to (16%) and Agency operations improving from 34% to 36%.

The Group was not materially affected by various events that disrupted the travel markets in the UK and North America during the period under review. The first event of note that took place in the North American market, was the closure of Skyservice, an aircraft service provider which caused disruption to various itravel2000 major suppliers. Two other events are the volcanic ash cloud following the eruption of a volcano in Iceland which closed certain airports throughout Europe for an extended period of time, and British Airways strikes that affect seat availability on various routes. The primary reason that the above events did not have a major impact on Travelzest's operations was the swift and purposeful response delivered by Travelzest's customer service teams. In each case Travelzest's first priority was to minimise the impact to our customers and in addition to providing information to ensure that they understood what we were doing to help them through these troubling events.

The Group has incurred various exceptional charges in the period totalling £0.4 million (2009: £0.6 million). The majority of these charges relate to the restructuring of the Group and centralisation of functional teams and systems, as well as certain non-recurring charges related to the 2009 financial year.

Operating cash flow improved substantially in the period showing an increase of £2.0 million. Cash and cash equivalents increased 146% to £9.3 million (2009: £3.8 million). The implementation of centralised shared services and policies has provided improved control and management of treasury functions and overall cash management. As a result of the improvement in the Group's cash position, net debt decreased to £7.7 million (2009: £11.7 million).

Trading

Winter 2009/10

Economic conditions were difficult during winter 2009/10 and consumer confidence continued to be down year on year. Notwithstanding this difficult environment, our North American operations experienced an 8% increase in departures for the period. With the new marketing and management strategies not fully implemented, our UK operations continued to feel the effects of the economic conditions and as a result departures decreased by 7% for the period.

Summer 2010

We are seeing various signs of improvement in the North American market. However the UK market continues to be challenging, mainly due to the political uncertainty from the General Election, and the continuing economic difficulties in Europe. Even so, with new marketing and management strategies all but in place, we are showing signs of improved performance. Our summer 2010 departures as at 30 April 2010 are up by 14% in our Merchant Operations and up by 30% in our Agency Operations.

Strategy

The Group has continued to implement revenue growth strategies, and to rationalise and unify operations.

Merchant operations

In the future, the Group will maintain a focus on the expansion of its Merchant operations and will expand its distribution capabilities, product suite, and destinations serviced. Travelzest will be developing new destinations on a select basis to ensure it enters markets that are attractive to our current customer base as well as to destinations where the Group is able to continue to operate in a low risk environment.

Agency operations

The expansion of Travelzest's retail capabilities is a core area for development that we believe offers significant growth potential. The unification of all the UK brands under a single luxury retail brand, using a single back office system with both online and call centre distribution capability is set to launch in September. This unified brand, supported by Travelzest's global operations and systems, will have the ability to distribute product to new regions such as North America where the Group can cross sell its products to its extensive current customer base.

Travelzest is also reviewing the integration of a third party package product to broaden its winter and summer programmes. This will maximise its relationship with its customer base and offer a more rounded product offering all year round.

The Group's North American operations continue to expand into related regional markets. Using new online and offline marketing initiatives, Travelzest's Canadian brand itravel2000 will be able to enhance and expand its consumer awareness and cross promote other brands such as The Cruise Professionals.

Central operations

The Group's dedication to building an operation that is efficient, scalable and low cost, under which it can develop new strategies, continues to be a core principal. The Group continues to rationalise and unify infrastructure to maximise the potential of all its assets and geographically diverse operations.

Separately disclosed items

The Group incurred various non-recurring restructuring charges through the reorganisation of the operations, as well as various one off charges related to the 2009 financial year. Other charges during the period are in respect to IFRS 2 which has been separately disclosed together with the amortisation of those intangible assets classified as such through the adoption of IAS 38, Intangible Assets.

Separately disclosed items decreased by 28.5% to £0.4 million (2009: £0.6 million). The Group will incur additional restructuring charges during the current financial year from the completion of the office consolidation and unification of certain systems, as well as IFRS 2 and IAS 38 charges. Total charges for the full financial year are anticipated to be substantially less than in the previous financial year.

Debt facility

The Group continues to satisfy all its obligations under its debt facilities. As announced 5 August 2009, the Group renegotiated its existing debt facilities with various new terms. The Group made its first principal and interest repayment since the renegotiation in May 2010.

Outlook

The Group has performed exceptionally well in the first half of the financial year producing strong underlying profit growth for the period. We continue to be committed to our growth strategies for the UK and North American markets, and the development of a low cost, highly efficient operational structure. The Group has continued its strategy of searching for businesses that meet the Group's strict acquisition criteria and remains cautiously optimistic for the remainder of the financial year.

Restated 2009 half year figures

During the second half of financial year 2009 Travelzest harmonised compliance and reporting policies Group wide. The impact of these policies is the restatement of 2009 half year figures reported on 31 July 2009. The policies were in full effect by the end of financial year 2009, thus the audited annual figures for 2009 are not impacted. Most subsidiaries were impacted by policy changes, however the majority of the financial adjustments relate to The Cruise Professionals, and the areas most impacted are total transaction value (reduced by £4.8 million), revenue (reduced by £5.6 million), cost of sales (reduced by £5.6 million), and administrative expenses (increased by £0.3 million). The Board believes the restated figures accurately represent the financial and operational performance of the Company and based on the policies in effect does not anticipate this change to reoccur.

Consolidated income statement

| | | Six months ended 30 April | | Year ended |
|--|-------|---------------------------|-------------------------|------------|
| | Notes | 2010 | 2009 | 31 October |
| | | £'000s | £'000s | 2009 |
| | | (unaudited) | (restated unaudited) | £'000s |
| Continuing operations | | | | |
| Total transaction value | | 118,675 | 103,988 | 189,456 |
| Revenue | 2 | 18,935 | 17,363 | 38,349 |
| Cost of sales | | (6,610) | (5,872) | (15,868) |
| Gross profit | | 12,325 | 11,491 | 22,481 |
| Administrative expenses | | (9,982) | (10,232) | (21,188) |
| Operating profit | | 2,343 | 1,259 | 1,293 |
| Analysed as: | | | | |
| Underlying operating profit | | 3,074 | 2,332 | 5,466 |
| Separately disclosed items | 7 | (404) | (566) | (2,775) |
| Amortisation of intangible assets | | (327) | (507) | (1,398) |
| Operating profit | | 2,343 | 1,259 | 1,293 |
| Net Finance costs | | (925) | (672) | (1,335) |
| Profit/(loss) on ordinary activities before taxation | | 1,418 | 587 | (42) |
| Income tax (expense)/credit | | (930) | (762) | 761 |
| Profit/(loss) for the period | | 488 | (175) | 719 |
| Basic earnings/(loss) per share | 4 | 0.34p | (0.57)p | 1.52p |
| Fully diluted earnings/(loss) per share | 4 | 0.32p | (0.47)p | 1.52p |

Consolidated statement of comprehensive income

| | Six months ended | | Year ended |
|---|------------------|-------------------------|----------------|
| | 30 April | 2009 | 31 October |
| | 2010 | 2009 | 2009 |
| | £000's | £000's | £000's |
| | (unaudited) | (restated unaudited) | |
| Profit/(loss) for the period | 488 | (175) | 719 |
| Other comprehensive income | | | |
| Exchange differences on translation of foreign operations | (718) | (1,349) | (2,661) |
| Movement in fair value of cash flow hedges | (166) | 742 | (198) |
| Other comprehensive income for the period (net of tax) | (884) | (607) | (2,859) |
| Total comprehensive income for the period | <u>(396)</u> | <u>(782)</u> | <u>(2,140)</u> |

Consolidated balance sheet

| | Notes | At 30 April | | Year ended |
|--|-------|----------------------|-------------------------|----------------------|
| | | 2010 | 2009 | 31 October |
| | | £'000s | £'000s | 2009 |
| | | (unaudited) | (restated unaudited) | £'000s |
| ASSETS | | | | |
| Non-current assets | | | | |
| Deferred tax | | 1,348 | - | 1,351 |
| Intangible assets – goodwill | | 41,129 | 42,149 | 41,129 |
| Intangible assets – other | | 3,200 | 4,102 | 3,202 |
| Property, plant & equipment | | 1,058 | 1,213 | 1,435 |
| | | <u>46,735</u> | <u>47,464</u> | <u>47,117</u> |
| Current assets | | | | |
| Inventories | | 55 | 44 | 64 |
| Trade and other receivables | | 7,890 | 8,245 | 8,174 |
| Derivative financial instruments | | - | 809 | 238 |
| Cash and cash equivalents | | 9,330 | 3,789 | 5,585 |
| | | <u>17,275</u> | <u>12,887</u> | <u>14,061</u> |
| Total assets | | <u><u>64,010</u></u> | <u><u>60,351</u></u> | <u><u>61,178</u></u> |
| EQUITY AND LIABILITIES | | | | |
| Equity attributable to equity holders of the parent company | | | | |
| Share capital | 5 | 2,903 | 619 | 2,903 |
| Share premium | 5 | 31,524 | 29,229 | 31,524 |
| Merger reserve | 5 | 2,320 | 2,320 | 2,320 |
| Translation and hedge reserve | 5 | (5,728) | (1,641) | (4,844) |
| Retained earnings | 5 | 320 | (535) | (129) |
| Total equity | | <u>31,339</u> | <u>29,992</u> | <u>31,774</u> |
| Non-current liabilities | | | | |
| Trade and other payables | | 196 | - | 6 |
| Borrowings | | 13,321 | 12,708 | 13,144 |
| Obligations under finance leases | | 344 | 391 | 347 |
| Deferred tax liabilities | | 872 | 333 | 871 |
| | | <u>14,733</u> | <u>13,432</u> | <u>14,368</u> |
| Current liabilities | | | | |
| Trade and other payables | | 11,923 | 12,131 | 11,645 |
| Borrowings | | 3,680 | 2,750 | 1,596 |
| Obligations under finance leases | | 105 | 84 | 88 |
| Derivative financial instruments | | 1,020 | 886 | 1,341 |
| Current tax liabilities | | 1,210 | 1,076 | 366 |
| | | <u>17,938</u> | <u>16,927</u> | <u>15,036</u> |
| Total liabilities | | <u><u>32,671</u></u> | <u><u>30,359</u></u> | <u><u>29,404</u></u> |
| Total equity and liabilities | | <u><u>64,010</u></u> | <u><u>60,351</u></u> | <u><u>61,178</u></u> |

Consolidated cash flow statement

| | Notes | Six months ended 30 April | | Year ended 31 October 2009 |
|---|-------|-------------------------------|---|-------------------------------------|
| | | 2010 £000's (unaudited) | 2009 £000's (Restated unaudited) | £000's |
| Cash flows from operating activities | | | | |
| Cash generated from operations | 6 | 4,353 | 2,355 | 754 |
| Income taxes paid | | (82) | (129) | (42) |
| Net cash from operating activities | | 4,271 | 2,226 | 712 |
| Cash flow from investing activities | | | | |
| Acquisition of subsidiary | | - | (162) | (11) |
| Purchase of property, plant & equipment and other intangibles | | (65) | (182) | (230) |
| Net cash used in investing activities | | (65) | (344) | (241) |
| Cash flow used in financing activities | | | | |
| Repayment of borrowings | | - | (1,000) | (1,500) |
| Interest paid | | (706) | (507) | (1,283) |
| Proceeds on issue of shares | | - | - | 4,785 |
| Net cash used in/from financing activities | | (706) | (1,507) | 2,002 |
| Net increase in cash and cash equivalents | | 3,500 | 375 | 2,473 |
| Cash and cash equivalents | | | | |
| Cash and cash equivalents at beginning of period | | 5,585 | 5,077 | 5,077 |
| Effect of foreign exchange rate changes | | 245 | (1,663) | (1,965) |
| Net movement in cash and cash equivalents | | 3,500 | 375 | 2,473 |
| Cash and cash equivalents at end of period | | 9,330 | 3,789 | 5,585 |
| Cash and cash equivalents comprise: | | | | |
| Cash | | 9,330 | 3,789 | 5,585 |
| | | 9,330 | 3,789 | 5,585 |

Primary segments - Business analysis

| | Merchant | | | Agency | | | Total | | |
|---|-------------------------------|---|-----------------------------|-------------------------------|---|-----------------------------|-------------------------------|---|-----------------------------|
| | Six months ended 30 April | | Year ended 31 October | Six months ended 30 April | | Year ended 31 October | Six months ended 30 April | | Year ended 31 October |
| | 2010 £'000s (unaudited) | 2009 £'000s (restated unaudited) | 2009 £'000s | 2010 £'000s (unaudited) | 2009 £'000s (restated unaudited) | 2009 £'000s | 2010 £'000s (unaudited) | 2009 £'000s (restated unaudited) | 2009 £'000s |
| Revenue | 6,159 | 5,697 | 19,153 | 12,776 | 11,666 | 19,196 | 18,935 | 17,363 | 38,349 |
| Results | | | | | | | | | |
| Profit from operations before depreciation and amortisation | (966) | (1,014) | 918 | 4,609 | 3,968 | 5,062 | 3,643 | 2,954 | 5,980 |
| Depreciation | (52) | (27) | (41) | (137) | (99) | (251) | (189) | (126) | (292) |
| Amortisation | (37) | (141) | (525) | (289) | (364) | (868) | (326) | (505) | (1,393) |
| Profit for the Group | | | | | | | 3,128 | 2,323 | 4,295 |
| Separately disclosed items | | | | | | | (404) | (566) | (2,775) |
| Central costs | | | | | | | (381) | (498) | (227) |
| Profit before finance items | | | | | | | 2,343 | 1,259 | 1,293 |
| Net Finance costs | | | | | | | (925) | (672) | (1,335) |
| Profit/(loss) before tax | | | | | | | 1,418 | 587 | (42) |
| Income tax expense | | | | | | | (930) | (762) | 761 |
| Profit/(loss) for the period | | | | | | | 488 | (175) | 719 |

Secondary segments – Geographical analysis

| | Revenue | | |
|----------------|-------------------------------|---|--------------------------|
| | Six months to 30 April | | Year ended 31 October |
| | 2010 £'000s (unaudited) | 2009 £'000s (restated) (unaudited) | 2009 £'000s |
| United Kingdom | 7,015 | 6,519 | 21,391 |
| North American | 11,920 | 10,844 | 16,958 |
| Group | 18,935 | 17,363 | 38,349 |

3 Income tax expense

The income tax expense of £930,490 relates primarily to overseas taxation of £960,678(2009:£931,000), this represents the application of the effective tax rate for the full year.

4 Earnings per share

The calculations for earnings per share, based on the weighted average number of shares, are shown in the table below.

| | Six months to 30 April | | Year ended |
|---|-------------------------------|---|------------------------------|
| | 2010 £'000s (unaudited) | 2009 £'000s (restated) (unaudited) | 31 October 2009 £'000s |
| Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent | 488 | (175) | 719 |
| | Millions | Millions | Millions |
| Weighted average number of shares for basic earnings per share | 145.1 | 31.0 | 47.2 |
| Weighted average number of shares for fully diluted earnings per share | 152.4 | 37.7 | 47.2 |

5 Consolidated statement of changes in equity

| | Share capital | Translation & hedge Reserve | Share premium | Merger Reserve | Retained earnings | Total |
|--------------------------|---------------|-----------------------------|---------------|----------------|-------------------|-----------------------|
| | £'000 | £'000s | £'000s | £'000s | £'000s | £'000s (unaudited) |
| At 1 November 2009 | 2,903 | (4,844) | 31,524 | 2,320 | (129) | 31,774 |
| Profit for the period | - | - | - | - | 488 | 488 |
| Hedging of transactions | - | (166) | - | - | - | (166) |
| Foreign exchange reserve | - | (718) | - | - | 2 | (716) |
| Share-based payments | - | - | - | - | (41) | (41) |
| At 30 April 2010 | 2,903 | (5,728) | 31,524 | 2,320 | 320 | 31,339 |

6 Notes to the condensed cash flow statement

| | Six months ended | | Year ended |
|---|-------------------------------|--|----------------|
| | 30 April | | 31 October |
| | 2010 £'000s (unaudited) | 2009 £'000s (restated) unaudited) | 2009 £'000s |
| Operating profit | 2,343 | 1,259 | 1,293 |
| Adjustments for: | | | |
| Amortisation and impairment | 327 | 507 | 1,398 |
| Depreciation on property, plant and equipment | 193 | 131 | 301 |
| Share based payments | (41) | (70) | (557) |
| (Increase)/Decrease in inventories | 9 | (11) | (31) |
| (Increase)/Decrease in operating receivables | 1,457 | 1,855 | (1,098) |
| Increase/(Decrease) in operating payables | 65 | (1,316) | (552) |
| Net cash flow from operating activities | 4,353 | 2,355 | 754 |

7 Separately disclosed items

| | Six months ended 30 April | | Year ended 31 October |
|---|-------------------------------|---|--------------------------|
| | 2010 £'000s (unaudited) | 2009 £'000s (restated unaudited) | 2009 £'000s |
| Share based payment charge | (41) | (70) | (557) |
| Travelzest restructuring costs | 58 | 143 | 1,187 |
| Other Group companies restructuring costs | 337 | 493 | 1,998 |
| Non-recurring prior year-end charge | 50 | - | - |
| Move and other new project start up costs | - | - | 20 |
| Placing fees | - | - | 127 |
| Total separately disclosed items | 404 | 566 | 2,775 |

In addition under IAS 38, Intangible Assets, the Group incurred a charge in the period of £338,000 in respect of intangible asset amortisation (2009: £507,000).

8 Derivative financial instruments

| | Six months ended 30 April | | Year ended 31 October |
|---|-------------------------------|-------------------------------|--------------------------|
| | 2010 £'000s (unaudited) | 2009 £'000s (unaudited) | 2009 £'000s |
| Assets arising from financial derivative instruments | - | 809 | 238 |
| Liabilities arising from financial derivative instruments | 1,020 | 886 | 1,341 |

Derivative financial instruments, primarily serve to hedge future interest rate risk on the group's borrowings. The fair value of the financial derivative assets and liabilities has been determined by relevant active market valuations obtained from the Group bankers. All financial instruments have been designated as hedging instruments in accordance with IAS 39.

9 Related party transactions

Disclosure of ownership of 2149201 Ontario Inc. has been updated in respect of S Carroll and E Carroll as shareholders. A majority shareholding of 2149201 Ontario Inc. is owned by Coote Street Capital LP which has majority beneficial ownership by E Carroll, S Carroll and J G Carroll. Coote Street Capital LP is managed by its General Partner which is governed by S Carroll and J C Fraser. 2149201 Ontario Inc. has also recently appointed S Carroll as a Director.

During the year, Fair's Fare Limited paid £Nil in commissions (2009:£262,055) for services from T G Travel Limited, a company in which R S Anand, the Managing Director of Fair's Fare Limited has an interest. At the year end £17,136 is outstanding from Fairplay Limited (2009:£Nil), a company in which R S Anand has an interest, to Fair's Fare Limited.