

**Western & Oriental plc**  
**(“Western & Oriental” or “the Group”)**  
**Audited results for the twelve months ended 30 September 2009**

3 December 2009

Western & Oriental plc, the specialist luxury travel group, today announces results for the full year ended 30 September 2009.

**Highlights:**

- Trading conditions remained difficult throughout the year, characterised by global recession, poor consumer confidence, weak Sterling and health scares
- Despite a tough trading environment significant improvement was achieved year-on-year driven by early and decisive action taken to reduce costs and integrate products
- Maiden profit before tax and profit after tax (before Separately Disclosed Items) of £14k and £44k compared to a loss before tax and loss after tax (before Separately Disclosed Items) in 2008 of £4.2m and £3.7m respectively
- EBITDA (before Separately Disclosed Items) improved by £2.2m to £0.4m (2008: loss £1.8m)
- Overall revenue reduced by 8% to £57.6m (2008: £62.7m)
- W&O Events revenue up 8% to £21.4m (2008: £19.8m)
- Gross profit margins improved year-on-year to 16.3% (2008: 15.5%)
- Administrative expenses\* down 27% to £9.8m (2008: £13.5m)
- Central costs down 14% to £3.0m (2008: £3.5m)
- Overall pre tax loss reduced by 80% to £0.8m (2008: £4.1m)
- Further cost savings anticipated in 2010 as the full benefits of actions taken in 2009 materialise
- Recent marketing and sales appointments to drive organic revenue reflect improving optimism for 2010
- The group remains debt free. As at 30 September 2009 cash and cash equivalents amounted to £5.1m

\* before Separately Disclosed Items of £0.4m (2008:£0.8m), relating to restructuring costs and the delivery of cost savings

**Commenting on the results, David Howell, Chairman, said:**

“Despite the difficult trading year the group has made material progress culminating in the delivery of a profit before tax and a positive EDITDA result (before Separately Disclosed Items) for the year. The group’s decisions to significantly reduce the cost base at the end of the 2008 financial year and integrate the product offerings, coupled with a degree of consumer confidence post August 2009, allows the board to view 2010 with some increased optimism”.

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## **CHAIRMAN'S STATEMENT**

The year under review for Western & Oriental has been a year of further progression on many fronts. The financial year generated a maiden profit before and after tax and an EBITDA profit (earnings before interest, tax, depreciation and amortisation) before Separately Disclosed Items. Overall, the trading year has been extremely difficult dominated by the "credit crunch", the global financial crisis, the significant decline in the value of Sterling against its major trading currencies, the US Dollar and the Euro and health scares caused by Swine flu. These factors resulted in a significant fall in consumer confidence and reduced advanced booking patterns materially. However, despite the challenging background, the group has continued to make significant progress in the areas of brand rationalisation and internal efficiency.

Departure based sales for the year amounted to £57.6 million (2008: £62.7 million). This compares to £50.0 million of booked sales. The difference represents the unwinding of the forward order position, as customers are now booking much later in the cycle than previously.

During the second half of the 2009 financial year we took the opportunity to significantly reduce the committed villa stock thereby reducing the overall risk profile of the group. The costs associated with this realignment of the business have been taken to Separately Disclosed Items. This is more fully described in the Financial Review.

We have also continued to review the level of overheads in the group during the year. Further cost reductions were made in the second half of the year particularly in the Events business. These actions will further reduce costs as we move into the 2010 financial year.

During the year the group delivered an overall profit after tax (before non-recurring Separately Disclosed Items) of £44,000 compared to a loss after tax (before non-recurring Separately Disclosed Items) in the previous year of £3.7 million.

The group also generated an £0.4 million EBITDA profit before Separately Disclosed Items for the year compared to an EBITDA loss before Separately Disclosed Items of £1.8 million in 2008 (EBITDA is calculated as underlying operating profit / loss before the charge for depreciation and amortisation of £0.4m; 2008: £2.0m). The much improved results have largely been achieved by major reductions in overheads announced in last year's full year statement and the 2009 interim results.

### **Order book**

The forward order book at 30 September 2009 amounted to £18.5 million (2008: £25.7 million) which represents a fall of 28.0% year-on-year. The position at 30 September 2009 is similar to that reported at 31 March 2009. The fall in the order book has come about due to two factors, namely the lack of consumer confidence in the Travel business where customers booking patterns have significantly shortened and in the Events business where a number of clients have reduced their plans for 2009 and 2010, especially in the automotive and financial sectors.

During September and October 2009 consumer confidence appears to be improving and we are starting to see bookings return to more historic levels.

## **CHAIRMAN'S STATEMENT (continued)**

### **“One brand” strategy**

During the year considerable progress has been made towards a “one brand” strategy. The new generation of tour operating brochures are now all styled under the W&O Travel brand. Within that brand a number of the acquired businesses have been consolidated into a single brochure, for example, Tropical Locations now includes India, the Caribbean and Arabia, as well as its traditional outbound destinations in Asia and the Indian Ocean.

In the conference and incentive businesses we have again consolidated to a single brand, W&O Events, which is operated under one management team. This has improved the overall management and effectiveness of the division.

It is anticipated that in addition to synergies, the above actions will provide a much improved platform for organic growth as we move into the 2010 financial year.

### **Directors and senior management**

During the year we have added a further non-executive director to the board, Jeremy Goldberg. Jerry has a background in the leisure sector and has added to the overall skill base of the board.

Post year-end we have also recruited a new Head of Sales and Head of Marketing for W&O Travel. These positions will assist the group in growing organic revenue in the new financial year.

### **Outlook**

The outlook for 2010 shows some signs of an improving economy and much improved consumer confidence. Based on these improvements the board has decided to invest in organic growth in the Travel sector by spending more on marketing and recruiting highly qualified people to help grow the brand.

Current trading is in line with the improving market conditions. We therefore view the outlook for 2011 and beyond with improved confidence.

**David Howell**

Chairman

3 December 2009

## **REVIEW OF OPERATIONS**

### **Overview**

Operationally, 2009 has been a year of further consolidation and integration across all facets of the group. Within the Travel businesses we have moved rapidly towards a single brand, W&O Travel, for the majority of outbound destinations. Within the Events division we have fully integrated the business focusing activities to a single brand and operating structure.

The successful integration and re-branding leave the Travel division well placed to take advantage of any improvement in consumer confidence in 2010. The group anticipates a gradual return to more historic booking patterns, although we will continue to trade in a very competitive market place. As consumer confidence grows it is anticipated that the Events sector will start to improve in late 2010 as customers once again start to book incentives for their sales teams and distributors.

### **W&O Travel**

The majority of the 2010 brochures are now featured under the W&O Travel brand. We have consolidated into eight main brochures, although Regent Holidays will continue with four Citybreak brochures. The main brochures within Travel are Tropical Locations, Villa, Rainbow's African and Indian Ocean destinations, Ski, Kids in the Med, the Ultimate Mediterranean Experience, South American Experience and Ranch America.

By combining brochures to a single brand collection we are able to enhance the product offering and remove those destinations/hotels that generate low sales or little gross profit. It also enables us to focus more sharply our buying activity from those suppliers where we can achieve the best rates. The reorganisation will also deliver enhanced efficiencies in the marketing and product teams, and generate customer confidence. We now have a clearer organisation structure which brings further clarity to the branding of the division enabling us to improve communication and deliver a clear message to our customers and trade partners alike. Finally, the completion of the one brand strategy further enhances the high personal service delivered by our sales teams to customers.

Towards the end of the 2009 financial year we successfully launched the first product, villas, to be sold using the dynamic packaging functionality in Travelink, our mid-office system. Dynamic packaging enables the customer to make an end-to-end booking online, without the need to talk to the sales teams. The product set will be further enhanced as we move into the 2010 financial year to include the less complicated travel plans.

### **W&O Events**

All of the events businesses have now been integrated into a single brand under W&O Events. This has provided much better focus, reporting and management with short lines of communication and a single marketing group helping the sales teams focus on customers.

In certain industry sectors 2009 has been an extremely difficult year especially in the financial and automotive sectors where customers have reduced or cancelled programmes. We are left with little visibility in 2010 in those sectors. The pharmaceutical sector has continued to invest in events to stimulate sales, or launch new drugs to medical professionals.

## **REVIEW OF OPERATIONS (continued)**

### **Outlook**

As a consumer facing industry we have to continue to adapt to the changing nature of customer confidence and preferences. During the past twelve months we have seen a dramatic shift in customer confidence as the global recession, and all the uncertainties this brings, have weighed heavily on consumers. Booking patterns have shortened materially and all customers, businesses or individuals, have sought to achieve greater value for money putting increased pressure on margins.

We enter the 2010 financial year with some improved confidence.

We anticipate making progress in the Travel division as we invest in people and marketing to grow sales and take market share. The effect of these actions will be felt in 2011 and 2012 profitability as we put the group back into organic growth mode.

Within the Events division we anticipate the non pharmaceutical sectors starting to book events again toward the end of the 2010 financial year. The benefit of these bookings will be recognised through the income statement in 2011.

### **Ian Neale**

Group Managing Director  
3 December 2009

## **FINANCIAL REVIEW**

The 2009 full year consolidated accounts are presented under IFRS accounting policies.

### **Sales**

Total departure based revenue for the year amounted to £57.6 million (2008: £62.7 million), a decline of 8.1%. The Events business grew in the year from £19.8 million in 2008 to £21.4 million. The Travel businesses declined from £42.9 million in 2008 to £36.2 million in 2009, or 15.6%, as we rationalised the product portfolio by removing unprofitable destinations and repositioned the brands to take account of the difficult economic situation in the UK market. This performance is ahead of the majority of luxury travel operators who have all reported that 2009 was a difficult year.

### **Gross profit**

The overall gross profit margin ended the year at 16.3% (2008: 15.5%), showing an improved sales mix with proportionally more income generated by the Events division where the overall margins are higher, partially countered by a reduction in margins in the Travel division due to increased competition. Gross margin is consistently calculated after the deduction of all variable costs that are sales based.

### **Overheads**

Administration expenses before Separately Disclosed Items decreased from £13.5 million in 2008 to £9.8 million in 2009, reflecting the significant cost saving programmes announced at the end of the previous financial year and at the half year results announced in May 2009. We have continued to review the overhead expenditure during the year and have broadly matched the shortfall in Travel sales with a similar reduction in the overhead spend of that division. Central costs, included above, have also decreased from £3.5 million to £3.0 million, a reduction of 14.3%. As we move into 2010 the further actions taken during the 2009 financial year will have a positive effect on the level of spend in that year.

### **EBITDA**

EBITDA profit before Separately Disclosed Items was £0.4 million (2008: loss £1.8 million) for the year. The loss before tax amounts to £0.8 million compared to a 2008 loss £4.2 million. Of the £0.8 million loss depreciation and amortisation totals £0.4 million (2008: £2.0 million) and Separately Disclosed Items total £0.8 million (2008: £0.8 million).

### **Separately Disclosed Items**

The Separately Disclosed Items fall into three main categories:

- The restructuring of the committed villa programme to refocus our product offering - £0.4 million
- Redundancy and compensation costs to reduce the overall level of people in the group - £0.3 million
- Asset write-downs where we have moved to single operating systems in both divisions - £0.1 million

## **FINANCIAL REVIEW (continued)**

### **Financing**

Total cash at 30 September 2009 amounted to £5.1 million (2008: £8.3 million). Of the overall cash £2.0 million is subject to certain restrictions and, therefore, is not available for general use. This has been used to support our on-going licences with the Civil Aviation Authority. Additionally, a further £0.3 million is deposited with Lloyds Bank plc to support the card acquiring services to enable the group to process credit card transactions.

The year-on-year movement mainly relates to the reduction in the forward order book where customers pay advance deposits on their travel bookings. At 31 March 2009 the overall cash position was £5.7 million.

**David Howell**

3 December 2009

**Western & Oriental plc**  
**Consolidated Income Statement**  
**for the year ended 30 September 2009**

	2009 £'000	2008 £'000
<b>Continuing operations</b>		
REVENUE	57,644	62,724
Cost of sales	(48,247)	(52,988)
	<hr/>	<hr/>
GROSS PROFIT	9,397	9,736
Administrative expenses	(10,228)	(14,314)
	<hr/>	<hr/>
OPERATING LOSS	(831)	(4,578)
Analysed as:		
Underlying operating profit before central costs	3,086	1,439
Central costs	(2,981)	(3,471)
	<hr/>	<hr/>
Underlying operating profit / (loss)	105	(2,032)
Separately disclosed items	(799)	(750)
(Loss)/ profit on fair value of derivatives	(2)	89
Amortisation of business combination intangibles	(65)	(1,800)
Share based payments	(70)	(85)
	<hr/>	<hr/>
	(831)	(4,578)
Financial income	73	499
Financial expenses	(27)	(40)
	<hr/>	<hr/>
NET FINANCE INCOME	46	459
	<hr/>	<hr/>
LOSS BEFORE TAX	(785)	(4,119)
Income tax	30	552
	<hr/>	<hr/>
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(755)	(3,567)
<b>Discontinued operations</b>		
Loss for the year from discontinued operations	-	(857)
	<hr/>	<hr/>
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	(755)	(4,424)
	<hr/>	<hr/>
<b>Loss per Share (pence)</b>		
From continuing and discontinued operations:		
Basic and diluted (pence)	(0.33)p	(1.95)p
From continuing operations		
Basic and diluted (pence)	(0.33)p	(1.57)p

*Underlying operating profit or loss from continuing operations is defined by the company as operating profit or loss before amortisation of intangible assets, goodwill impairment, share based payments, profits and losses on fair value of derivatives and separately disclosed items.*

*Central costs in continuing operations are defined by the Company as the unallocated corporate expenses as disclosed in the segmental analysis note.*

**Western & Oriental plc**  
**Consolidated Balance Sheet**  
**As at 30 September 2009**

	2009 £000's	2008 £000's
<b>Assets</b>		
<i>Non-current assets</i>		
Goodwill	17,189	17,189
Intangible assets	94	132
Property, plant and equipment	998	1,045
Deferred tax assets	15	14
	<u>18,296</u>	<u>18,380</u>
<i>Current assets</i>		
Inventories	52	83
Trade and other receivables	7,320	6,591
Derivative financial instruments	93	95
Cash and cash equivalents	5,144	8,262
	<u>12,609</u>	<u>15,031</u>
<b>Total assets</b>	<u><u>30,905</u></u>	<u><u>33,411</u></u>
<b>Equity and liabilities</b>		
<i>Capital and reserves</i>		
Issued capital	1,140	1,140
Share premium	23,367	23,367
Reserves	1,196	1,126
Retained earnings	(8,974)	(8,156)
Total equity attributable to equity holders of the parent	<u>16,729</u>	<u>17,477</u>
<i>Non-current liabilities</i>		
Obligations under finance leases	48	126
Deferred tax liabilities	-	7
	<u>48</u>	<u>133</u>
<i>Current liabilities</i>		
Trade and other payables	14,058	15,430
Obligations under finance leases	70	95
Provisions	-	276
	<u>14,128</u>	<u>15,801</u>
Total liabilities	<u>14,176</u>	<u>15,934</u>
<b>Total equity and liabilities</b>	<u><u>30,905</u></u>	<u><u>33,411</u></u>

These financial statements were approved by the Board of Directors on 3 December 2009  
Signed on behalf of the Board of Directors, David Howell, Director

**Western & Oriental plc**  
**Consolidated Cash Flow Statement**  
**As at 30 September 2009**

	<b>2009</b>	2008
	<b>£000's</b>	£000's
Loss for the period	<b>(755)</b>	(4,424)
<b>Adjustments for:</b>		
Net finance income recognised in profit and loss	<b>(46)</b>	(459)
Taxation income recognised in profit and loss	<b>(30)</b>	(552)
Loss / (gain) on revaluation of derivatives at fair value through profit and loss	<b>2</b>	(89)
Loss on sale of property, plant and equipment	<b>5</b>	97
Goodwill impairment charge on discontinued operations	<b>-</b>	324
Depreciation and amortisation	<b>367</b>	2,028
Net foreign exchange (loss)/ gain	<b>(63)</b>	18
Equity-settled share-based payment expenses	<b>70</b>	85
<b>Cash flow from operations before changes in working capital and interest</b>	<b>(450)</b>	(2,972)
(Increase) / decrease in trade and other receivables	<b>(729)</b>	437
Decrease in inventories	<b>31</b>	11
(Decrease) / increase in trade and other payables	<b>(1,240)</b>	1,261
(Decrease) in provisions	<b>(276)</b>	-
<b>Cash flow from operations before interest</b>	<b>(2,664)</b>	(1,263)
Interest paid	<b>(27)</b>	(40)
Interest received	<b>77</b>	381
Income taxes rebate/ (paid)	<b>8</b>	(115)
<b>Cash flows from operating activities</b>	<b>(2,606)</b>	(1,037)
<b>Investing activities</b>		
Acquisition of property, plant and equipment	<b>(260)</b>	(543)
Acquisition of intangible assets	<b>(27)</b>	(46)
Acquisition of subsidiaries, net of cash acquired	<b>(145)</b>	(3,645)
Investment in liquid funds	<b>(2,260)</b>	-
Proceeds from sale of property, plant & equipment	<b>-</b>	29
<b>Net cash used in investing activities</b>	<b>(2,692)</b>	(4,205)
<b>Financing activities</b>		
Other financing cash flows (net)	<b>(76)</b>	(27)
<b>Net cash from financing activities</b>	<b>(76)</b>	(27)
<b>Net (decrease) /increase in cash and cash equivalents</b>	<b>(5,374)</b>	(5,269)
Cash and cash equivalents at start of period	<b>8,262</b>	13,413
Restricted cash balances	<b>2,260</b>	-
Effect of foreign exchange on cash held	<b>(4)</b>	118
<b>Cash and cash equivalents at end of period</b>	<b>5,144</b>	8,262
Bank balances and cash	<b>5,144</b>	8,262

## NOTES TO THE ACCOUNTS

### 1. Basis of preparation

Financial information in this report has been prepared in accordance with accounting policies consistent with those adopted in the 2009 financial statements which have been prepared in accordance with EU-adopted International Financial Reporting Standards.

The results for the year ended 30 September 2009 do not constitute statutory accounts as defined in section 435 of the Companies Act 2006. They are extracted from the full statutory accounts for the year which were approved by the Board of Directors on 3 December 2009, but which have not been delivered to the Registrar of Companies. The report of the Auditors on these accounts is unqualified and does not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The directors, having taken into account the Group's forecast cash flow requirements for the foreseeable future, its net cash resources, regulatory compliance requirements and having made appropriate enquiries, consider that the group has adequate resources to continue operations for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the financial statements. Management also expect the forecast cash flow requirements to be substantially lower than those experienced in the year end 30 September 2009.

### 2. Segmental reporting

	<b>2009</b>	2008
	<b>£'000</b>	£'000
<b>Continuing operations</b>		
<i>Revenue</i>		
Tour operations	<b>36,273</b>	42,945
Conference and incentives	<b>21,371</b>	19,779
	<u><b>57,644</b></u>	<u>62,724</u>
 <i>Underlying operating profit/(loss)</i>		
Tour operations	<b>902</b>	(222)
Conference and incentives	<b>2,184</b>	1,661
Unallocated corporate expenses	<b>(2,981)</b>	(3,471)
	<u><b>105</b></u>	<u>(2,032)</u>
 <i>Share based payments, amortisation of intangibles, separately disclosed items, valuation of derivatives, financing &amp; taxation</i>		
Tour operations	<b>(496)</b>	(423)
Conference and incentives	<b>(202)</b>	(607)
Unallocated corporate (expenses) / income	<b>(162)</b>	(505)
	<u><b>(860)</b></u>	<u>(1,535)</u>
 <i>Profit/(loss) for the year from continuing operations</i>		
Tour operations	<b>406</b>	(645)
Conference and incentives	<b>1,982</b>	1,054
Unallocated corporate expenses	<b>(3,143)</b>	(3,976)
	<u><b>(755)</b></u>	<u>(3,567)</u>

## NOTES TO THE ACCOUNTS (continued)

### 3. Separately disclosed items

	2009 £'000	2008 £'000
Restructuring costs	298	415
Villa business restructuring – new systems and contract re-negotiation	406	-
Discontinued systems costs	95	-
Aborted acquisition costs	-	242
Impact of the credit crunch	-	93
	799	750

#### 2009

##### RESTRUCTURING COSTS

During the year the Group restructured its central management team incurring non-recurring charges of £298,000 in respect of redundancy and other termination payments.

##### VILLA BUSINESS RESTRUCTURING COSTS

During the year the Group restructured its Villa operations renegotiating the programme, limiting the committed contracts and implementing new systems resulting in a net cost of £406,000.

##### DISCONTINUED SYSTEMS COSTS

During the year the Group ceased to use legacy reservation systems at a cost of £95,000.

#### 2008

##### ABORTED ACQUISITION COSTS

The Group incurred costs of £242,000 in respect of due diligence and legal work on potential acquisition targets. Where in 2008 this has not resulted in an acquisition taking place, the costs have been separately disclosed.

##### IMPACT OF THE CREDIT CRUNCH

The Group incurred additional costs as a result of the collapse of airlines and travel agents in the previous financial year of £93,000.

### 4. Taxation

	2009 £'000	2008 £'000
<i>Current tax</i>		
UK Corporation tax	-	-
Adjustments in respect of prior years	22	-
	22	-
<i>Deferred tax</i>		
Arising on the origin and reversal of temporary differences	8	552
	30	552

## NOTES TO THE ACCOUNTS (continued)

The deferred tax credit arises on the reversal of temporary differences between the carrying value of intangible assets in the financial statements and the amounts used for taxation purposes.

The group has accumulated tax losses of approximately £7,470,417 (2008: £7,076,747) available to carry forward against future profits. No deferred tax asset is recognised in respect of these tax losses as the prospects for recovery are uncertain. Future tax charges may be affected by the utilisation of the losses and the potential recognition of deferred tax assets.

### 5. Loss per share

Basic loss per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year.

	2009	2008
Loss for the year (£'000)	755	4,424
Weighted average number of shares	227,908,553	226,469,965
Basic and fully diluted loss per share (pence)	(0.33)p	(1.95)p

### 6. Business combinations

The Group made no acquisitions during the year ended 30 September 2009. In the last financial year the Group acquired 100% of the share capital and associated voting rights of Rainbow Tours Limited on 6 December 2007 for a total consideration of £5,049,000.

### 7. Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	3,158	2,539
Other receivables	627	646
Prepayments and accrued income	3,535	3,406
	<u>7,320</u>	<u>6,591</u>

### 8. Current trade and other payables

	2009 £'000	2008 £'000
Trade payables	3,796	2,189
Deferred consideration on business combinations	-	145
Other payables	737	448
Accruals and deferred income	9,525	12,648
	<u>14,058</u>	<u>15,430</u>