

Western & Oriental plc
Unaudited half year results for the six months ended 31 March 2009

21 May 2009

Western & Oriental plc, the specialist luxury travel group, today announces results for the six months ended 31 March 2009.

Highlights:

- Early and decisive action on the cost base and integration process have led to initial profitability in the seasonally weaker first half of the year
- Revenue for the six months ended 31 March 2009 was £28.4 million compared to £29.2 million at 31 March 2008 (excluding discontinued German businesses)
- W&O Events conference and incentive revenue up significantly, 34% year-on-year
- As expected, at 31 March 2009 the value of forward sales was £18.9 million, down 26.4% from £25.6 million at 31 March 2008 mainly due to customers booking significantly later
- Gross profit percentage improved from 15.9% at 31 March 2008 to 16.8% at 31 March 2009
- Administrative expenses down 31.0% to £4.9 million (31 March 2008: £7.1 million)
- Central costs reduced significantly by 21.6% to £1.3 million from £1.7 million year-on-year delivering cost savings of £0.4 million
- Further cost savings are anticipated in the traditionally stronger second half of the financial year
- Profit before tax for the period of £0.1 million (31 March 2008: £2.0 million loss before tax)
- Profit per share 0.03 pence (31 March 2008: 0.76 pence loss per share)
- Group continues to be debt free. As at 31 March 2009 cash and cash equivalents amounted to £5.7 million

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

“Despite the very challenging economic environment, revenue for the first half of the financial year remained in line with management’s expectations. Gross profit margins are significantly ahead of expectations and overall costs are below expectations with further savings to come in the second half of the year. This combination delivers a result materially ahead of management expectations and a net profit before tax for our seasonally weaker first half of the year.”

While the board continues to remain cautious in relation to the economy generally, this result leaves us well placed for the seasonally stronger second half of the financial year.”

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Six months ended 31 March 2009

Chairman's statement

I am pleased to report on the substantial progress the group has made during the past six months, especially in these difficult economic times, where we have improved gross margins and reduced on-going costs to deliver an overall profit for the first time.

Results

Departure based revenue for the period amounted to £28.4 million compared to £29.2 million for the same period last year (31 March 2008: £30.6 million including discontinued German businesses). Tour operating revenue reduced from £21.7 million to £16.5 million reflecting the effect of the closure of the German operations in September 2008 (£1.4 million), a weaker North American ski season and a reduction in the overall number of properties offered to clients where the focus during this period has been on the profitability of sales rather than the volume generated. Within the conference and incentive division revenue has grown from £8.9 million to £11.9 million on a like-for-like comparison. This sharp increase is mainly driven by new customers and increased sales to the pharmaceutical sector.

Gross margins improved from 15.9% to 16.8% compared with last year. This improvement is partly driven by tight management of any foreign exchange exposure that is created by sales and partly by the product teams ensuring that we receive best rates from our suppliers in these difficult economic times.

Administrative expenses have reduced from £7.1 million at 31 March 2008 to £4.9 million at 31 March 2009. Central costs have reduced from £1.7 million to £1.3 million reflecting the decisions taken in September 2008 to reduce significantly costs contained in overheads. The integration of the previously acquired businesses and the move to a single mid-office system has also had a substantial impact in these areas. Further actions on costs were taken in December 2008 and March 2009. The benefits of those actions are not fully reflected in this set of results. The group has also consolidated the conference and incentive division to a single brand (W&O Events) and management structure which will also bring cost and revenue benefits in the second half of the financial year.

Separately disclosed items of £0.1 million reflect the costs incurred in further reducing payroll costs in December 2008 and March 2009, the write off of the carrying value of the old mid-office system and aborted transaction costs.

For the first time the group has delivered a profit before tax of £0.1 million compared to a loss of £2.0 million in the same period last year. This is a good result in the seasonally weaker half year and in a very difficult economy.

Order book

As anticipated with the current economic situation the forward order book has reduced from £25.6 million at 31 March 2008 to £18.9 million at 31 March 2009 due to the later booking patterns of tour operating customers where forward bookings have reduced from an average of over 18 weeks forward to approximately 10 weeks forward. That lack of visibility, especially for the key summer months, does make planning more difficult.

Integration

The integration of the 12 businesses acquired from March 2006 to December 2007 is now largely complete. The tour operating businesses now operate on a single mid-office system and have been relocated to the London offices where economically viable to do so. The conference and incentive division now operates with a single brand and management structure and mainly from the London office. Whilst further synergies may be available from additional brochure rationalisation and product reduction, the bulk of the work has been completed.

Cash

As at 31 March 2009 cash and cash equivalents amounted to £5.7 million (31 March 2008: £9.0 million). Cash generation within the business remains strong although affected by the later booking patterns that customers have adopted and a higher bias of sales towards the conference and incentive division.

Outlook

The recession and the weakness of Sterling against the US Dollar and the Euro have all impacted on the first half results. We are therefore delighted with the materially improved result compared with last year. However, these factors continue to have a drag on the overall travel industry and we therefore approach the second half of the 2009 financial year with caution.

The original buy and build strategy continues to remain on hold in this difficult economic market. However, at some point in the downturn opportunities may arise which could warrant consideration.

The recent outbreak of Swine Flu in Mexico had a minimal impact on the small number of our customers that were resident in Mexico. Future bookings to this destination have been substituted to alternative destinations.

Sales continue at an acceptable level and whilst the market is very competitive, gross margins remain within management expectations. Costs are being continually reviewed and are expected to show significant reductions year-on-year. It is these factors that lead us to be optimistic for the year as a whole.

David Howell

Chairman

21 May 2009

Responsibility statement of the Board of Directors in respect of the condensed interim financial statements

These condensed consolidated interim financial statements for the six-month period ended 31 March 2009 have been prepared by the directors.

We confirm that to the best of our knowledge that:

- the condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the requirements of the AIM rules;
- these statements have not been subject to review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK; and
- the accounting policies applied by the group in these condensed consolidated financial statements are in accordance with International Financial Reporting Standards as adopted by the European Union ('Adopted IFRSs') and are the consistent with the accounting policies which were set out in the full annual financial statements for the year ended 30 September 2008.

The board of directors

David Howell
Ian Neale
Kerry Golds
Alan Barber
Pamela Harper

21 May 2009

Condensed Consolidated Income Statement
For the six months ended 31 March 2009
Unaudited

		Six months ended 31 March 2009 £000's	Six months ended 31 March 2008 £000's	Year ended 30 September 2008 £000's
	Notes			
Continuing operations				
Revenue	2	28,379	29,161	62,724
Cost of sales		(23,606)	(24,530)	(52,988)
Gross profit		4,773	4,631	9,736
Administrative expenses		(4,946)	(7,052)	(14,314)
Operating loss		(173)	(2,421)	(4,578)
Analysed as:				
Underlying operating profit before central costs		1,141	529	1,439
Central costs		(1,350)	(1,721)	(3,471)
Underlying operating loss	2	(209)	(1,192)	(2,032)
Separately disclosed items		(111)	-	(750)
Profit on fair value of derivatives		200	127	89
Amortisation of business combination intangibles		(27)	(1,270)	(1,800)
Impairment of goodwill		-	-	-
Share based payments		(26)	(86)	(85)
		(173)	(2,421)	(4,578)
Financial income		70	257	499
Financial expenses		(35)	(52)	(40)
Foreign exchange		209	198	-
Net finance income		244	403	459
Profit/ (loss) before tax		71	(2,018)	(4,119)
Income tax	4	8	381	552
Profit/ (loss) for the period from continuing operations		79	(1,637)	(3,567)
Loss for the period from discontinued operations		-	(75)	(857)
Profit/ (loss) for the period attributable to equity holders	2	79	(1,712)	(4,424)
Profit/ (loss) per share (pence)				
<i>From continuing and discontinued operations</i>				
Basic and diluted (pence)	3	0.03p	(0.76)p	(1.95)p
<i>From continuing operations</i>				
Basic and diluted (pence)		0.03p	(0.73)p	(1.57)p

Underlying profit or loss is defined 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 unallocated corporate expenses.

Condensed Consolidated Balance Sheet
As at 31 March 2009
Unaudited

	Notes	As at 31 March 2009 £000's	As at 31 March 2008 £000's	As at 30 September 2008 £000's
Assets				
<i>Non-current assets</i>				
Property, plant and equipment		1,197	918	1,045
Goodwill		17,197	18,294	17,189
Deferred tax assets		-	-	14
Other intangible assets		96	656	132
		18,490	19,868	18,380
<i>Current assets</i>				
Inventories		66	86	83
Trade and other receivables		9,430	7,227	6,591
Derivative financial instruments		200	133	95
Cash and cash equivalents		5,744	9,049	8,262
		15,440	16,495	15,031
Total assets		33,930	36,363	33,411
Equity and liabilities				
<i>Capital and reserves</i>				
Issued capital	5	1,140	1,140	1,140
Share premium	5	23,367	24,193	23,367
Other reserves	5	1,111	363	1,126
Retained earnings	5	(8,036)	(5,465)	(8,156)
Total equity attributable to equity holders of the parent	5	17,582	20,231	17,477
<i>Non-current liabilities</i>				
Obligations under finance leases		66	166	126
Deferred tax liabilities		-	167	7
Provisions		-	1	-
Other liabilities		-	67	-
		66	401	133
<i>Current liabilities</i>				
Trade and other payables		16,154	15,451	15,430
Derivative financial instruments		-	-	-
Obligations under finance leases		102	86	95
Current tax liabilities		-	194	-
Provisions		26	-	276
		16,282	15,731	15,801
Total liabilities		16,348	16,132	15,934
Total equity and liabilities		33,930	36,363	33,411

Condensed Consolidated Cash Flow Statement
For the six months ended 31 March 2009
Unaudited

	Six months ended 31 March 2009 £000's	Six months ended 31 March 2008 £000's	Year ended 30 September 2008 £000's
Profit/ (loss) for the period	79	(1,712)	(4,424)
Adjustment for:			
Finance income recognised in profit and loss	(35)	(207)	(459)
Taxation income recognised in income statement	(8)	(381)	(552)
(Gain) on revaluation of fair value through profit and loss financial assets	(200)	(127)	(89)
Loss on sale of property, plant and equipment	-	-	97
Goodwill impairment charge	-	-	324
Depreciation and amortisation	176	1,379	2,028
Net foreign exchange (gain)/ loss	(13)	(166)	18
Equity-settled share-based payment expenses	26	86	85
Operating profit/ (loss) before changes in working capital and provisions	25	(1,128)	(2,972)
(Increase)/ decrease in trade and other receivables	(2,839)	196	437
Decrease in inventories	17	8	11
Increase/ (decrease) in trade and other payables	474	(431)	1,261
Cash flows from operations	(2,323)	(1,355)	(1,263)
Interest paid	(35)	(52)	(40)
Interest received	70	258	381
Income taxes paid	-	-	(115)
Cash flows from operating activities	(2,288)	(1,149)	(1,037)
Investing activities			
Acquisition of property, plant and equipment	(292)	(208)	(543)
Acquisition of intangible assets	-	-	(46)
Acquisition of subsidiaries, net of cash acquired	-	(3,234)	(3,645)
Proceeds from sale of property, plant and equipment	-	-	29
Net cash used in investing activities	(292)	(3,442)	(4,205)
Financing activities			
Other financing cash flows (net)	(53)	-	(27)
Net cash from financing activities	(53)	-	(27)
Net (decrease) in cash and cash equivalents	(2,633)	(4,591)	(5,269)
Cash and cash equivalents at start of period	8,262	13,413	13,413
Effect of foreign exchange on cash held	115	227	118
Cash and cash equivalents at end of period	5,744	9,049	8,262
Bank balances and cash	5,744	9,049	8,262

Condensed Consolidated Statement of Recognised Income and Expense
 For the six months ended 31 March 2009
Unaudited

	Six months ended 31 March 2009 £000's	Six months ended 31 March 2008 £000's	Year ended 30 September 2008 £000's
Foreign exchange translation differences for foreign operations	-	58	18
Net income recognised directly in equity	-	58	18
Profit/ (loss) for the period	79	(1,712)	(4,424)
Total recognised income/ (expense) for the period attributable to equity shareholders	79	(1,654)	(4,406)

1. Basis of preparation

Western & Oriental plc ("the company") is a company incorporated and domiciled in the United Kingdom. The group financial statements consolidate those of the company and its subsidiaries (together referred to as "the group").

The group condensed financial statements have been prepared and approved by the directors in accordance with EU- adopted International Financial Reporting Standards (Adopted IFRS).

The results for the six months to 31 March 2009, which are unaudited, have been prepared on a basis consistent with the recognition and measurement principles of EU-Adopted International Financial Reporting Standards (Adopted IFRS), which is consistent with the accounting policies set out in the group's consolidated financial statements for the year ended 30 September 2008.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 Interim financial reporting. The statements do not include all of the information required for full annual financial statements.

The comparative figures for the financial year ended 30 September 2008 are extracted from the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985. There has been no change in accounting policies since those set out the financial statements for the year ended 30 September 2008.

Use of non-GAAP profit and loss measures

The group believes that underlying operating profit or loss provides additional guidance to the statutory measures on the performance of the business during the financial period. Underlying profit or loss is defined as operating profit before amortisation of intangible assets, goodwill impairment, share based payments, profits and losses on fair value of derivatives and separately disclosed items. Underlying profit or loss is not defined under Adopted IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for or superior to Adopted IFRS measurements of profit.

The consolidated financial statements of the group as at and for the year ended 30 September 2008 are available on request from the company's registered office at Welby House, 96 Wilton Road, London SW1V 1DW or at www.westernorientalplc.com.

2. Segment information

The following is an analysis of the revenue and results for the period, analysed by business segment, the group's primary basis of segmentation.

	Six months ended 31 March 2009 £000's	Six months ended 31 March 2008 £000's	Year ended 30 September 2008 £000's
<i>Revenue</i>			
Tour operations	16,509	21,673	44,948
Conference and incentives	11,870	8,882	19,779
	28,379	30,555	64,727
Analysed as:			
- continuing operations	28,379	29,161	62,724
- discontinued operations	-	1,394	2,003
	28,379	30,555	64,727
<i>Underlying operating (loss)</i>			
Continuing tour operations	(222)	(159)	(222)
Discontinued tour operations	-	(76)	(534)
Conference and incentives	1,363	688	1,661
Unallocated corporate expenses	(1,350)	(1,721)	(3,471)
	(209)	(1,268)	(2,566)
<i>Share based payments, impairment of goodwill, amortisation of intangibles, separately disclosed items, valuation of derivatives, financing & taxation</i>			
Continuing tour operations	215	(380)	(423)
Discontinued tour operations	-	1	(323)
Conference and incentives	4	(510)	(607)
Unallocated corporate expenses	69	445	(505)
	288	(444)	(1,858)
<i>Profit/ (Loss)</i>			
Continuing tour operations	(7)	(539)	(645)
Discontinued tour operations	-	(75)	(857)
Conference and incentives	1,367	174	1,054
Unallocated corporate expenses	(1,281)	(1,272)	(3,976)
	79	(1,712)	(4,424)
Analysed as:			
- continuing operations	79	(1,637)	(3,567)
- discontinued operations	-	(75)	(857)
	79	(1,712)	(4,424)

3. Earnings per Share

	Six months ended 31 March 2008	Six months ended 31 March 2008	Year ended 30 September 2008
Profit/ (loss) for the financial period (£000's)	79	(1,712)	(4,424)
Weighted average number of shares	227,908,553	225,001,965	226,469,965
Basic and fully diluted earnings per share	0.03p	(0.76)p	(1.95)p

4. Income tax credit

	Six months ended 31 March 2009	Six months ended 31 March 2008	Year ended 30 September 2008
Deferred tax credit	8	381	552

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

5. Reconciliation of movement in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2008	1,140	23,367	826	300	(8,156)	17,477
Total recognised income for the period	-	-	-	-	79	79
Share based payment	-	-	-	(15)	41	26
Balance at 31 March 2009	1,140	23,367	826	285	(8,036)	17,582

6. Acquisitions

The group made no acquisitions during the six months to 31 March 2009.

The group acquired 100% of the share capital and associated voting rights of Rainbow Tours Limited as at 6 December 2007 for which the final fair values were reflected in the accounts to the year ended 30 September 2008.

7. Related party transactions

There were no related party transactions to report other than those shown below.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Six months ended 31 March 2009 £'000	Six months ended 31 March 2008 £'000	Year ended 30 September 2008 £'000
Short-term employee benefits	284	366	877
Share-based payments	59	48	46
	343	414	923

8. Interim Report

This interim report was approved by the board on 21 May 2009.

A copy of the interim report will be posted to shareholders during June 2009. Additional copies will be available via the company's website, www.westernorientalplc.com or from the Company Secretary at the company's registered office, Welby House, 96 Wilton Road, London SW1V 1DW.