

HOLIDAYBREAK PLC

Results for the six months ended 31 March 2010

Holidaybreak, the education, leisure and activity travel group, announces its interim results for the six months ended 31 March 2010.

The Group traditionally reports an operating loss in the first half due to the seasonal nature of the Education and Camping businesses.

	H1 2010	H1 2009 <i>Restated</i> ³	FY 2009 <i>Restated</i> ³
	£m	£m	£m
Group revenue	150.2	153.2	473.4
Headline (loss) profit before tax ¹	(17.7)	(18.1)	28.3
Statutory (loss) profit before tax	(20.0)	(36.6)	5.3
Net debt	129.2	179.7	138.1
Dividend per share ²	3.20p	3.20p	11.10p

Summary

- Results are in line with our expectations.
- The Group was cash positive in the first half of the year for the first time.
- The strong focus on cash management has resulted in a £30.1m reduction in net debt, compared with 31 March 2009, after adjusting for the Rights Issue and for the purchase and development of PGL's Liddington site.
- Sales intake for the Education Division is currently level with last year on a like-for-like basis. The division is currently 93% booked for 2010 and 30% for 2011.
- The new outdoor education centre at Liddington opened on time and on budget in April with 400 beds. This site has a potential capacity of up to 1,400 beds, which exceeds the division's current projected capacity plans over the next three years. Liddington's potential means that this increase in capacity will be achieved at a considerably lower cost than previously anticipated.
- Sales intake for Hotel Breaks in the current year is 3% below last year.
- Sales intake for the Adventure Travel Division is 2% ahead of last year.
- Sales intake for the Camping Division is 2% ahead of last year in the context of 8% lower capacity. Approximately 82% of target sales have been booked.
- The volcanic eruption in Iceland that resulted in closure of much of Northern Europe's airspace has not had a material impact on the Group's overall financial performance.
- The Board has declared a half year dividend of 3.20p per share and continues to review the dividend policy, taking into account both current trading and outlook.
- Martin Davies was appointed Group Chief Executive with effect from 19 April.

John Coleman, Holidaybreak Chairman, said:

“These results are encouraging. The strong focus on cash management has resulted in a £30.1m reduction in net debt, compared with 31 March 2009, after adjusting for the Rights Issue and for the purchase and development of PGL’s Liddington site. Sales intake relative to last year has improved, reflecting the fact that customers are now booking later.”

“We continue to look at ways of exploiting opportunities for investment in our education businesses whilst remaining focused on cash generation and cost control across the entire Group. The Board anticipates that the Group will perform in line with its expectations for the year ending 30 September 2010.”

1. Headline (loss) profit before tax is stated before amortisation of other intangible assets acquired via business combinations of £0.9m (H1 2009: £1.7m; FY 2009: £3.5m), impairment of goodwill of £nil (H1 2009: £9.6m; FY 2009: £9.6m), exceptional restructuring costs of £nil (H1 2009: £0.2m; FY 2009: £1.6m) and IAS 39 mark-to-market revaluations of financial derivatives of £1.4m (H1 2009: £7.0m; FY 2009: £8.3m).

2. Dividend per share for H1 2009 is restated for the Rights Issue in June 2009.

3. Restated following adoption of amendments to IAS 38 ‘Intangible assets’ and IFRS 2 ‘Share based payments’ (note 2).

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Note to Editors

Holidaybreak (HBR.L) is an education, leisure and activity travel group listed on the London Stock Exchange. The Group’s four operating divisions have market leading positions in the UK and other major European markets, organising educational and activity trips for UK school children, short breaks in the UK and Europe, worldwide adventure holidays and mobile-home and camping holidays on sites throughout Europe.

For more information, please go to www.holidaybreak.co.uk.

CHAIRMAN'S STATEMENT

Introduction

These results and current trading are in line with our expectations.

Holidaybreak has market leading positions in several UK and continental European specialist travel markets. The diversity of our businesses and their geographical spread gives the Group resilience in the current economic environment.

I am particularly pleased to be able to report that continued effective working capital management has led to a reduction in net debt in the half year. The Group's businesses remain focused on delivering value for the consumer by offering quality products with great customer service at attractive prices whilst improving cash generation and keeping costs under control. In addition, the Group is continuing to look at ways of exploiting opportunities for investment and acquisitive growth in our education businesses.

The Board thanks management and staff throughout the Group for their continued hard work and commitment during this period.

Financial Review¹

The Group has traditionally reported an operating loss in the first half due to the seasonal nature of the Education and Camping businesses. In the six month period to 31 March 2010, Holidaybreak recorded a pre-tax loss on ordinary activities of £20.0m (2009: £36.6m).

The headline loss before amortisation of other intangible assets acquired via business combinations, impairment of goodwill, exceptional restructuring costs and IAS 39 mark-to-market revaluations of financial derivatives was £17.7m (2009: £18.1m).

Finance costs and other gains and losses were £8.3m (2009: £14.4m), including a non-cash charge of £1.4m (2009: £7.0m) in respect of the mark-to-market revaluations of the Group's interest rate derivatives and forward foreign currency exchange contracts.

The tax credit is based on the estimated effective tax rate for the full year of 25% (2009: 48%). The headline tax rate before amortisation of other intangible assets acquired via business combinations, impairment of goodwill, exceptional restructuring costs and IAS 39 mark-to-market revaluations of financial derivatives for the half year is 24% (2009: 13%).

Capital expenditure for the half year, net of disposals, was £4.8m (2009: £2.1m). Since 2009, the Group's policy has been to defer certain outlays into the second half of the year. Net capital expenditure for the financial year is expected to be approximately £18.4m (2009: £30.5m).

Net debt at the half year was £129.2m (2009: £179.7m). The Group has, for the first time, reduced net debt in the first half of the year. The strong focus on cash management has resulted in a £30.1m reduction in net debt, compared with 31 March 2009, after adjusting for the Rights Issue and for the purchase and development of PGL's Liddington site. The half year is close to the low point in our cash flow cycle. Net debt levels typically reduce rapidly during May and June as final summer holiday balances are paid. The average net debt, based on month end

balances, for the last financial year was approximately £163.2m (2008: £160.3m). On an annualised basis, all of Holidaybreak's operations generate a good level of cash.

Management continues to assess the potential impact of the volcanic eruption in Iceland that resulted in closure of much of Northern Europe's airspace. However, current indications are that the impact will not be material to the Group's overall financial performance. Our mix of businesses means that we have minimal exposure to air travel, which principally prevails in our adventure travel businesses.

Dividend

The Board has declared a half year dividend of 3.20p per share (2009: 3.20p, restated for the Rights Issue). This will be payable on 11 August 2010 to shareholders on the register on 16 July 2010. The ex-dividend date will be 14 July 2010.

The Board will continue to keep the Company's dividend policy under review, taking into account both current trading and outlook.

Divisional review^{1,2}

Education

The seasonal nature of the business means that it generates an operating loss in the first half of the financial year. First half operating loss for the Education Division was, as expected, £3.0m (2009: £3.8m) on revenues of £44.0m (2009: £44.1m). Operating loss before amortisation of acquired intangible assets was £2.5m (2009: £2.6m).

Sales intake for the division is currently level with last year on a like-for-like basis. The division is currently 93% booked for 2010 and PGL's UK outdoor education centres are 98% booked, with revenue growth approximately 7%. The school tours business is down 5% although it is achieving improvements in gross margin, mainly through price increases at NST and rationalisation of the product portfolio.

For 2011, the division is currently 30% booked and PGL's UK outdoor education centres are 44% booked, with £21.0m in forward bookings.

The new centre at Liddington opened on time and on budget in April with 400 beds. We have exceeded our target at Liddington, taking £1.8m of bookings for 2010. Overall, PGL centres will be providing over 710,000 bed nights to 5,000 schools in 2010. Total PGL UK capacity now stands at 7,700 beds.

We will continue to invest in expanding the bed stock at Liddington. This site has a potential capacity of up to 1,400 beds, which exceeds the division's current projected capacity plans over the next three years. Liddington's potential means that this increase in capacity will be achieved at a considerably lower cost than previously anticipated. Capital expenditure for 2010 in the Education Division is anticipated to be £7.2m (2009: £17.0m) including £3.1m on increased bed capacity, particularly at Liddington.

The Group's Education Division will continue to be the key driver of growth for the Group, both organically and by acquisition of bolt-on businesses.

Hotel Breaks

The Hotel Breaks Division's first half operating profit was £4.2m (2009: £5.3m) with revenue of £65.1m (2009: £64.5m). Operating profit before amortisation of acquired intangible assets was £4.5m (2009: £5.6m).

Sales intake for Hotel Breaks in the current year is 3% below last year. The adverse weather conditions in the last quarter and the threatened RMT UK rail strike action

before Easter impacted Superbreak's trading performance during the period. Declining hotel leisure rates, attractive rail fares and the availability of popular theatre shows, such as *Lion King* and *Wicked*, have allowed us to offer customers better value short break packages, although increased sales through retail travel agents has affected margin.

Demand for our Dutch business, Bookit, has been adversely affected by the severe winter weather and the ongoing soft economic environment but recent booking trends are more encouraging.

Adventure Travel

The first half operating loss for the Adventure Travel Division was £0.7m (2009: £10.8m) on revenues of £40.9m (2009: £44.3m). Operating loss before amortisation of acquired intangible assets, impairment of goodwill and exceptional restructuring costs was £0.6m (2009: £0.8m).

Sales intake for the Adventure Travel Division is 2% ahead of last year as it benefits from stronger demand in recent months, although air disruption has impacted recent trading. The division will continue to benefit from Explore's annualised cost saving programme of approximately £1m implemented in 2009 and remains well placed to exploit any further improvement in market conditions.

In response to the closure of Northern Europe's airspace as a result of the volcanic eruption in Iceland, management at the Adventure Travel Division activated their comprehensive crisis plans promptly and effectively, providing accommodation to stranded customers and repatriating them to the UK once circumstances permitted. Although not material in Group terms, this event could impact the division's full year profits by up to £0.8m.

Travelplus (our German language-trip and gap-year specialist) is trading well and is up both in volume and revenue terms. The business is benefiting from the fact that the trips it offers are of educational benefit and less easily deferred.

Camping

Since the vast majority of the Camping Division's revenues occur in the second half of the financial year, the division always reports an interim operating loss. In 2010, this was £12.4m (2009: £13.4m). The division is again expected to deliver strong cash flow and good margins in the full year.

Sales intake for the Camping Division is 2% ahead of last year in the context of an 8% reduction in capacity. The division is currently over 82% booked for the 2010 season. High season sales are performing well but customers continue to book later. As a consequence, we are focusing marketing activity on stimulating low season demand.

We continue to focus on yield and occupancy management across our various sales markets in which we operate in order to maximise profitability.

Capital expenditure (net of disposal proceeds) for 2010 in the Camping Division is expected to be £8.1m (2009: £8.3m), including £6.6m on 450 replacement mobile-homes (2009: £7.0m on 442 replacement mobile-homes).

Board Changes

Martin Davies was appointed Group Chief Executive with effect from 19 April. Following Martin's appointment, I reverted to being Non-executive Chairman.

Martin joined PGL, the market leader in the residential, outdoor education and adventure sector for UK primary schools, as Chief Executive in 2004 and went on to lead the MBO in 2005. He subsequently led the sale of PGL to Holidaybreak in June

2007, following which he was appointed Managing Director of the Education Division and became a member of the plc Board.

Martin remains Managing Director of the Education Division which is at the heart of our growth plans for the Group.

Outlook

Sales intake for the year to date is level with the equivalent period in the previous year. During this period, sales intake compared to the previous year has consistently improved, in line with our view that customers are now booking later.

Each of the Group's divisions is performing as expected. We continue to look at ways of exploiting opportunities for investment in our education businesses whilst remaining focused on cash generation and cost control across the entire Group.

The Board anticipates that the Group will perform in line with its expectations for the year ending 30 September 2010.

John Coleman

Chairman

13 May 2010

¹: All comparatives have been restated as disclosed in note 2.

²: Details of adjustments to trading results throughout the divisional commentary are described in note 4.

INDEPENDENT REVIEW REPORT TO HOLIDAYBREAK PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2010 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 11. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company 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. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our 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 United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT TO HOLIDAYBREAK PLC (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditors
Manchester, United Kingdom
13 May 2010

**Condensed consolidated income statement
For the six months ended 31 March 2010**

	note	Unaudited		Audited
		Six months ended 31 March 2010	31 March 2009 <i>Restated</i>	Year ended 30 September 2009 <i>Restated</i>
		£m	£m	£m
Continuing operations				
Revenue	4	150.2	153.2	473.4
Net operating costs		(162.1)	(175.9)	(444.9)
Net operating costs before amortisation of other intangible assets acquired via business combinations, impairment of goodwill and exceptional restructuring costs		(161.2)	(164.4)	(430.2)
Amortisation of other intangible assets acquired via business combinations		(0.9)	(1.7)	(3.5)
Impairment of goodwill		-	(9.6)	(9.6)
Exceptional restructuring costs		-	(0.2)	(1.6)
Operating (loss) profit	4	(11.9)	(22.7)	28.5
Investment income		0.2	0.5	1.1
Other gains and losses		(1.4)	(7.0)	(8.3)
Finance costs		(6.9)	(7.4)	(16.0)
(Loss) profit before tax		(20.0)	(36.6)	5.3
Tax	5	5.0	5.1	(2.6)
(Loss) profit for the period		(15.0)	(31.5)	2.7
Attributable to:				
Equity holders of the parent		(15.0)	(31.5)	2.7

		Unaudited		Audited
		Six months ended 31 March 2010	31 March 2009 <i>Restated</i>	Year ended 30 September 2009 <i>Restated</i>
		Pence	Pence	Pence
Basic (loss) earnings per share	6	(21.5)	(55.0)	4.6
Diluted (loss) earnings per share	6	(21.5)	(55.0)	4.6
Headline basic (loss) earnings per share	6	(19.1)	(27.4)	37.0
Headline diluted (loss) earnings per share	6	(19.1)	(27.4)	37.0

**Condensed consolidated statement of comprehensive income
For the six months ended 31 March 2010**

	Unaudited Six months ended 31 March 2010 £m	31 March 2009 <i>Restated</i> £m	Audited Year ended 30 September 2009 <i>Restated</i> £m
(Loss) profit for the period	(15.0)	(31.5)	2.7
Exchange differences on translation of foreign operations	(0.8)	(5.6)	(2.2)
Actuarial losses on defined benefit pension schemes	-	-	(0.3)
Tax relating to components of other comprehensive income	-	-	1.7
Other comprehensive expense for the period	(0.8)	(5.6)	(0.8)
Total comprehensive (expense) income for the period	(15.8)	(37.1)	1.9
Attributable to:			
Equity holders of the parent	(15.8)	(37.1)	1.9

Condensed consolidated balance sheet
31 March 2010

	Unaudited 31 March 2010 £m	Unaudited 31 March 2009 <i>Restated</i> £m	Audited 30 September 2009 <i>Restated</i> £m
Non-current assets			
Goodwill	139.2	140.2	140.1
Other intangible assets	27.5	28.9	28.4
Property, plant and equipment	200.3	188.4	190.5
	367.0	357.5	359.0
Current assets			
Inventories	2.8	3.0	2.4
Trade and other receivables	56.0	52.6	33.6
Current tax assets	5.5	5.7	2.8
Cash and cash equivalents	51.2	46.9	51.9
Derivative financial instruments	0.4	2.8	0.7
	115.9	111.0	91.4
Non-current assets classified as held for sale	0.4	0.7	1.1
Total assets	483.3	469.2	451.5
Current liabilities			
Trade and other payables	(180.3)	(166.2)	(117.8)
Provisions for restructuring costs	-	(0.5)	-
Current tax liabilities	-	-	(1.1)
Obligations under finance leases	(4.6)	(6.0)	(4.6)
Interest bearing loans and borrowings	(0.1)	(0.1)	(10.1)
Derivative financial instruments	(10.7)	(10.4)	(9.7)
	(195.7)	(183.2)	(143.3)
Net current liabilities	(79.8)	(72.2)	(51.9)
Non-current liabilities			
Deferred tax liabilities	(31.4)	(32.5)	(31.4)
Obligations under finance leases	(12.1)	(12.1)	(13.9)
Defined benefit pension liability	(0.5)	(0.3)	(0.5)
Interest bearing loans and borrowings	(163.6)	(208.4)	(161.4)
	(207.6)	(253.3)	(207.2)
Total liabilities	(403.3)	(436.5)	(350.5)
Net assets	80.0	32.7	101.0
Equity			
Share capital	3.5	2.4	3.5
Share premium account	69.0	38.9	69.0
Own shares	(2.6)	(2.6)	(2.6)
Other reserves	2.2	1.6	1.9
Retained earnings	7.9	(7.6)	29.2
Total equity	80.0	32.7	101.0

Condensed consolidated statement of changes in equity 31 March 2010

	Share Capital £m	Share Premium £m	Own Shares £m	Other Reserves £m	Retained Earnings £m	Total £m
Changes in equity for the six months ended 31 March 2010						
Balance at 1 October 2009 as previously stated	3.5	69.0	(2.6)	1.3	29.9	101.1
Changes in accounting policy (note 2)	-	-	-	0.6	(0.7)	(0.1)
Restated balance at 1 October 2009	3.5	69.0	(2.6)	1.9	29.2	101.0
Loss for the period	-	-	-	-	(15.0)	(15.0)
Exchange differences on translation of foreign operations	-	-	-	-	(0.8)	(0.8)
Total comprehensive expense for the period	-	-	-	-	(15.8)	(15.8)
Dividends (note 7)	-	-	-	-	(5.5)	(5.5)
Credit to equity for share-based payments	-	-	-	0.3	-	0.3
Balance at 31 March 2010	3.5	69.0	(2.6)	2.2	7.9	80.0

Changes in equity for the six months ended 31 March 2009

Balance at 1 October 2008 as previously stated	2.4	38.9	(2.6)	1.1	33.4	73.2
Changes in accounting policy (note 2)	-	-	-	0.4	(0.6)	(0.2)
Restated balance at 1 October 2008	2.4	38.9	(2.6)	1.5	32.8	73.0
Loss for the period	-	-	-	-	(31.5)	(31.5)
Exchange differences on translation of foreign operations	-	-	-	-	(5.6)	(5.6)
Total comprehensive expense for the period	-	-	-	-	(37.1)	(37.1)
Dividends (note 7)	-	-	-	-	(3.3)	(3.3)
Credit to equity for share-based payments as restated	-	-	-	0.1	-	0.1
Balance at 31 March 2009 as restated	2.4	38.9	(2.6)	1.6	(7.6)	32.7

Changes in equity for the year ended 30 September 2009

Balance at 1 October 2008 as previously stated	2.4	38.9	(2.6)	1.1	33.4	73.2
Changes in accounting policy (note 2)	-	-	-	0.4	(0.6)	(0.2)
Restated balance at 1 October 2008	2.4	38.9	(2.6)	1.5	32.8	73.0
Profit for the period as restated	-	-	-	-	2.7	2.7
Exchange differences on translation of foreign operations	-	-	-	-	(2.2)	(2.2)
Actuarial gains on defined benefit pension schemes	-	-	-	-	(0.3)	(0.3)
Tax relating to components of other comprehensive income	-	-	-	-	1.7	1.7
Total comprehensive income for the period	-	-	-	-	1.9	1.9
Tax effect on items recognised directly in equity	-	-	-	(0.1)	-	(0.1)
Rights Issue	1.1	30.1	-	-	-	31.2
Dividends (note 7)	-	-	-	-	(5.5)	(5.5)
Credit to equity for share-based payments as restated	-	-	-	0.5	-	0.5
Balance at 30 September 2009 as restated	3.5	69.0	(2.6)	1.9	29.2	101.0

Condensed consolidated cash flow statement
For the six months ended 31 March 2010

	Unaudited		Audited
	Six months ended		Year ended
	31 March	31 March	30 September
	2010	2009	2009
		<i>Restated</i>	<i>Restated</i>
	£m	£m	£m
Operating (loss) profit	(11.9)	(22.7)	28.5
Adjustments for:			
Amortisation of intangible assets	2.3	2.4	5.5
Impairment of goodwill	-	9.6	9.6
Depreciation of property, plant and equipment	2.0	2.3	14.1
Share-based payment charge	0.3	0.1	0.5
Increase in inventories	(0.4)	(0.6)	-
(Increase) decrease in receivables	(22.4)	(18.8)	0.8
Increase (decrease) in payables	46.1	25.2	(6.6)
Cash inflow (outflow) from operating activities	16.0	(2.5)	52.4
Tax refunded (paid)	0.5	(1.8)	(4.5)
Net cash from (used in) operating activities	16.5	(4.3)	47.9
Investing activities			
Acquisitions of subsidiaries net of cash acquired	-	(0.9)	(0.8)
Purchases of intangible assets	(1.5)	(0.4)	(3.1)
Purchases of property, plant and equipment	(5.4)	(2.5)	(29.0)
Proceeds on disposal of property, plant and equipment	2.1	0.8	1.6
Net cash used in investment activities	(4.8)	(3.0)	(31.3)
Financing activities			
Finance costs paid	(5.3)	(6.4)	(14.5)
Interest received	0.2	1.4	1.1
Proceeds on issue of ordinary shares	-	-	31.2
New bank loans raised	3.0	27.8	-
Repayment of borrowings	(10.0)	(10.0)	(19.2)
New finance leases	-	-	3.3
Payments under finance leases	(1.8)	(3.2)	(6.0)
Dividends paid	-	-	(5.5)
Net cash (used in) from financing activities	(13.9)	9.6	(9.6)
Net (decrease) increase in cash and cash equivalents	(2.2)	2.3	7.0
Cash and cash equivalents at beginning of period	51.8	41.7	41.7
Effect of foreign exchange rate changes	1.5	2.8	3.1
Cash and cash equivalents at end of period	51.1	46.8	51.8

Notes to the condensed interim financial statements

1. General information

The financial information for the year ended 30 September 2009 contained within these condensed interim financial statements does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Group's condensed interim financial statements were approved by the Board of Directors on 13 May 2010. This announcement is being sent to shareholders and copies of this report and the last Annual Report are available at the Company's registered office at Hartford Manor, Greenbank Lane, Northwich, Cheshire, CW8 1HW and can each be downloaded or viewed from the Group's website at www.holidaybreak.co.uk. Copies of this report have also been submitted to the UK Listing Authority and will shortly be available at the UK Listing Authority's Document Viewing facility at 25 The North Colonnade, Canary Wharf, London, E14 5HS.

2. Basis of preparation

The condensed set of financial statements for the six months ended 31 March 2010 has been prepared in accordance with IAS 34 'Interim Financial Reporting'. The annual financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These condensed interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards as adopted by the European Union, and in accordance with those policies disclosed within the Annual Report for the year ended 30 September 2009, which was filed with the Registrar of Companies on 2 March 2010, other than that as set out below.

- IAS 1 'Presentation of Financial Statements' has introduced a number of changes in the format and content of financial statements.
- Following an amendment to IAS 38 'Intangible Assets', all expenditure relating to promotional brochures should be charged to the income statement as incurred, rather than being recognised as an inventory asset until the date of despatch. As a result of this change in accounting policy, the comparative amounts for the six months ended 31 March 2009 and the year ended 30 September 2009 have been restated to reflect a decrease in inventories, a decrease in deferred tax liabilities and a net decrease in retained earnings.
- Following an amendment to IFRS 2 'Share-based Payment', options granted for SAYE schemes should be treated as cancelled when employees leave the scheme, thus resulting in an acceleration of the remaining charge with the restatement to be applied retrospectively. As a result of this change in accounting policy, the comparative amounts for the six months ended 31 March 2009 and the year ended 30 September 2009 have been restated to reflect an increase in other reserves and a decrease in retained earnings.

2. Basis of preparation (continued)

- The amendments to IFRS 7 'Financial Instruments: Disclosures' expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current period in accordance with the transitional reliefs offered in these amendments.
- The Group has adopted IFRS 8 'Operating Segments' with effect from 1 October 2009. IFRS 8 concerns the disclosure and presentation of information that allows users of its financial statements to evaluate the nature and financial effects of the business activities of the Group. This adoption has not affected the measurement of the Group's profit, assets or liabilities and, as such, no restatement of comparative amounts is required (see note 4).

Additional restatements have been made in the current period, as set out below:

- The weighted average number of ordinary shares for the six months ended 31 March 2009 has been adjusted for the bonus element inherent in the Rights Issue that was approved on 3 July 2009 in compliance with IAS 33 'Earnings per Share' (see note 6).
- During the year ended 30 September 2009, the Group completed its initial accounting in respect of the acquisition of Hertford Travel Group Limited. This resulted in an increase in the fair value of intangible assets and a related increase in deferred tax, with a corresponding net decrease in goodwill. The comparative information for 31 March 2009 has been restated to reflect this adjustment. This restatement has no impact on reported profits, equity or cash flow in the six months ended 31 March 2009.

2. Basis of preparation (continued)

As a result of the above changes, the following restatements have been made in these interim financial statements:

	Six months ended 31 March 2009 £m	Year ended 30 September 2009 £m
Net assets as previously reported	32.8	101.1
Reduction in goodwill	(0.2)	-
Increase in other intangible assets	0.3	-
Reduction in inventories	(0.2)	(0.2)
Reduction in deferred tax liability	-	0.1
Net assets as restated	32.7	101.0
Total equity as previously reported	32.8	101.1
Increase in other reserves brought forward	0.4	0.5
Increase in other reserves during the period	0.1	0.1
Total increase in other reserves	0.5	0.6
Reduction in retained earnings	(0.6)	(0.7)
Total equity as restated	32.7	101.0
(Loss) profit for the period as previously reported	(31.5)	2.8
Increase in net operating costs	-	(0.1)
(Loss) profit for the period as restated	(31.5)	2.7

3. Going Concern

The Directors, in their consideration of going concern, have reviewed the Group's future cash flow forecasts and revenue projections, which are based on market data and past experience. The Group is subject to a number of significant risks and uncertainties which are set out in note 9, which could affect the Group's ability to meet these forecasts and hence its ability to meet its banking covenants. The Directors believe that the Group is adequately placed to manage its business risks despite the ongoing uncertain consumer economic outlook and challenging macro economic conditions.

Management is currently of the opinion that the Group's forecasts and projections, after subjecting them to reasonable robust sensitivities, show that the Group should be able to operate within its current facilities and comply with its banking covenants. The Group has a robust policy towards liquidity and cash flow management and it is financed principally through £255m of bank facilities committed through to May 2013.

After making enquiries, the Directors have formed a judgment, at the time of approving the interim financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

4. Business segments

Since the previously issued half-yearly financial statements for the six months ended 31 March 2009, management has reviewed its segments in respect of the allocation of deferred tax liabilities which are now allocated to their respective segment whereas previously they were included within unallocated corporate liabilities. Management consider the revised segment information to give a better understanding of the performance and financial position of the respective business segment. The segments as at 31 March 2009 have been restated for the impact of this change.

The Group has adopted IFRS 8 'Operating Segments' with effect from 1 October 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the group that are regularly reviewed by the Group Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 'Segment Reporting') required the Group to identify two sets of segments (business and geographical), using a risks and returns approach, with the Group's system of internal financial reporting key to management personnel serving only as the starting point for the identification of such segments. However, the adoption of the standard has not affected the measurement of the Group's profit, assets or liabilities and, as such, no restatement of comparative amounts is required.

For management purposes, the Group is currently organised into the following divisions: Education, Hotel Breaks, Adventure Travel and Camping. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these divisions is presented below:

6 months ended 31 March 2010	Education £m	Hotel Breaks £m	Adventure Travel £m	Camping £m	Consolidated £m
Revenue					
Total revenue	44.0	65.1	40.9	0.2	150.2
Result					
Operating (loss) profit before amortisation of other intangible assets acquired via business combinations, impairment of goodwill and exceptional restructuring costs	(2.5)	4.5	(0.6)	(12.4)	(11.0)
Amortisation of other intangible assets acquired via business combinations	(0.5)	(0.3)	(0.1)	-	(0.9)
Segment result	(3.0)	4.2	(0.7)	(12.4)	(11.9)
Investment income					0.2
Other gains and losses					(1.4)
Finance costs					(6.9)
Loss before tax					(20.0)
Tax					5.0
Loss for the period					(15.0)

4. Business segments (continued)

6 months ended 31 March 2010	Education £m	Hotel Breaks £m	Adventure Travel £m	Camping £m	Consolidated £m
Other information					
Capital additions ¹	4.4	0.7	0.2	8.5	13.8
Depreciation and amortisation	2.2	0.9	0.5	0.7	4.3
Non-current assets held for sale ²	-	-	-	0.4	0.4
Balance sheet					
Assets					
Segment assets	234.8	65.8	44.4	81.1	426.1
Unallocated corporate assets					57.2
Consolidated total assets					483.3
Liabilities					
Segment liabilities	(74.3)	(59.2)	(24.4)	(46.4)	(204.3)
Unallocated corporate liabilities					(199.0)
Consolidated total liabilities					(403.3)

¹ Includes additions of other intangible assets and property, plant and equipment in addition to acquisition of subsidiary intangible assets and property, plant and equipment.

² Non-current assets held for sale are mobile-homes held within the Camping Division.

6 months ended 31 March 2009	Education £m	Hotel Breaks £m	Adventure Travel £m	Camping £m	Consolidated £m
Revenue					
Total revenue	44.1	64.5	44.3	0.3	153.2
Result					
Operating (loss) profit before amortisation of other intangible assets acquired via business combinations, impairment of goodwill and exceptional restructuring costs	(2.6)	5.6	(0.8)	(13.4)	(11.2)
Amortisation of other intangible assets acquired via business combinations	(1.2)	(0.3)	(0.2)	-	(1.7)
Impairment of goodwill	-	-	(9.6)	-	(9.6)
Exceptional restructuring costs	-	-	(0.2)	-	(0.2)
Segment result	(3.8)	5.3	(10.8)	(13.4)	(22.7)
Investment income					0.5
Other gains and losses					(7.0)
Finance costs					(7.4)
Profit before tax					(36.6)
Tax					5.1
Loss for the period					(31.5)

4. Business segments (continued)

6 months ended 31 March 2009	Education £m	Hotel Breaks £m	Adventure Travel £m	Camping £m	Consolidated £m
Other information					
Capital additions ¹	0.6	0.7	0.2	8.7	10.2
Depreciation and amortisation	2.7	0.8	0.7	0.5	4.7
Non-current assets held for sale ²	-	-	-	0.7	0.7
Balance sheet					
Restated					
Assets					
Segment assets	221.4	64.0	46.0	85.0	416.4
Unallocated corporate assets					52.8
Consolidated total assets					469.2
Liabilities					
Segment liabilities	(74.1)	(55.1)	(21.3)	(45.2)	(195.7)
Unallocated corporate liabilities					(240.8)
Consolidated total liabilities					(436.5)

¹ Includes additions of other intangible assets and property, plant and equipment in addition to acquisition of subsidiary intangible assets and property, plant and equipment.

² Non-current assets held for sale are mobile-homes held within the Camping Division.

Year ended 30 September 2009	Education £m	Hotel Breaks £m	Adventure Travel £m	Camping £m	Consolidated £m
Revenue					
Total revenue	122.3	141.3	97.9	111.9	473.4
Result					
Restated					
Operating profit before amortisation of other intangible assets acquired via business combinations, impairment of goodwill and exceptional restructuring costs	13.6	12.5	4.2	12.9	43.2
Amortisation of other intangible assets acquired via business combinations	(2.4)	(0.7)	(0.4)	-	(3.5)
Impairment of goodwill	-	-	(9.6)	-	(9.6)
Exceptional restructuring costs	(0.7)	-	(0.9)	-	(1.6)
Segment result	10.5	11.8	(6.7)	12.9	28.5
Investment income					1.1
Other gains and losses					(8.3)
Finance costs					(16.0)
Profit before tax					5.3
Tax					(2.6)
Profit for the year					2.7

4. Business segments (continued)

Year ended 30 September 2009	Education £m	Hotel Breaks £m	Adventure Travel £m	Camping £m	Consolidated £m
Other information					
Capital additions ¹	20.3	1.4	0.6	9.9	32.2
Depreciation and amortisation	6.2	1.9	1.1	10.4	19.6
Non-current assets held for sale ²	-	-	-	1.1	1.1
Balance sheet					
Restated					
Assets					
Segment assets	237.2	53.2	45.7	60.6	396.7
Unallocated corporate assets					54.8
Consolidated total assets					451.5
Liabilities					
Segment liabilities	(60.2)	(46.2)	(22.9)	(18.8)	(148.1)
Unallocated corporate liabilities					(202.4)
Consolidated total liabilities					(350.5)

¹ Includes additions of other intangible assets and property, plant and equipment in addition to acquisition of subsidiary intangible assets and property, plant and equipment.

² Non-current assets held for sale are mobile-homes held within the Camping Division.

5. Taxation

The taxation (credit) charge is based on the estimated effective tax rate for the full year of 25 per cent (31 March 2009: 14 per cent, 30 September 2009: 48 per cent).

6. (Loss) earnings per share

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	Six months ended 31 March 2010 £m	31 March 2009 <i>Restated</i> £m	Year ended 30 September 2009 <i>Restated</i> £m
(Loss) earnings			
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share being net (loss) profit attributable to equity holders of the parent	(15.0)	(31.5)	2.7
Number of shares	Number m	Number m	Number m
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	70.1	57.4	59.8
Effect of dilutive potential ordinary shares:			
Share options and awards	-	-	-
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	70.1	57.4	59.8
	Pence	Pence	Pence
Basic (loss) earnings per share	(21.5)	(55.0)	4.6
Diluted (loss) earnings per share	(21.5)	(55.0)	4.6

6. (Loss) earnings per share (continued)

	Six months ended		Year ended
	31 March 2010	31 March 2009 <i>Restated</i>	30 September 2009 <i>Restated</i>
	£m	£m	£m
(Loss) earnings			
Net (loss) profit attributable to equity holders of the parent	(15.0)	(31.5)	2.7
Add back:			
Amortisation of other intangible assets acquired via business combinations	0.9	1.7	3.5
Impairment of goodwill	-	9.6	9.6
Exceptional restructuring costs	-	0.2	1.6
IAS 39 mark-to-market revaluations of financial derivatives	1.4	7.0	8.3
Tax effect of the above	(0.7)	(2.7)	(3.6)
(Loss) earnings for the purposes of headline basic (loss) earnings per share	(13.4)	(15.7)	22.1
	Pence	Pence	Pence
Headline basic (loss) earnings per share	(19.1)	(27.4)	37.0
Headline diluted (loss) earnings per share	(19.1)	(27.4)	37.0

7. Dividends

	Restated* pence per share	Actual pence per share	Six months ended		Year ended
			31 March 2010	31 March 2009	30 September 2009
			£m	£m	£m
Ordinary dividends paid					
For the year ended 30 September 2008					
Final dividend	5.73	6.80	-	3.3	3.3
For the year ended 30 September 2009					
Interim dividend	3.20	4.625	-	-	2.2
Final dividend	-	7.90	5.6	-	-
			5.6	3.3	5.5

	Restated* pence per share	Actual pence per share	Six months ended		Year ended
			31 March 2010	31 March 2009	30 September 2009
			£m	£m	£m
Ordinary dividends proposed					
For the year ended 30 September 2010					
Interim dividend	-	3.20	2.2	-	-
For the year ended 30 September 2009					
Interim dividend	3.20	4.625	-	2.2	-
Final dividend	-	7.90	-	-	5.6
			2.2	2.2	5.6

* The dividend per share has been restated to represent the theoretical dividend per share that would have been paid had the bonus shares inherent in the Rights Issue been in existence at the relevant dividend dates.

7. Dividends (continued)

Under arrangements dated 30 March 2009 and 3 April 2009, Holidaybreak Trustee Limited (as trustee of the Holidaybreak plc Employee Share Trust) and Halifax EES Trustees International Limited (as trustee of the Holidaybreak plc Employee Benefit Trust) respectively (together 'the Trustees') have agreed to waive all dividends due to them (except for 0.001 pence per share and 0.0001 pence per share respectively) from that point onwards.

As at 31 March 2010 the Trustees held 481,822 shares, representing 0.68% of the called up share capital of the Company.

As at 31 March 2009 the Trustees held 520,623 shares, representing 1.07% of the called up share capital of the Company.

As at 30 September 2009 the Trustees held 558,463 shares, representing 0.79% of the called up share capital of the Company.

Accordingly, the dividend of £5.5m recognised in the period excludes those dividends waived as detailed above.

The proposed interim dividend was approved by the Board on 13 May 2010 and has not been included as a liability as at 31 March 2010. The proposed dividend will be payable on 11 August 2010 to shareholders on the register at close of business on 16 July 2010.

8. Analysis of cash and cash equivalents and reconciliation to net debt

	31 March 2010 £m	31 March 2009 £m	30 September 2009 £m
Cash	51.2	46.9	51.9
Bank overdrafts	(0.1)	(0.1)	(0.1)
Cash and cash equivalents	51.1	46.8	51.8
Debt due within one year	-	-	(10.0)
Debt due after one year	(163.6)	(208.4)	(161.4)
Finance leases less than one year	(4.6)	(6.0)	(4.6)
Finance leases more than one year	(12.1)	(12.1)	(13.9)
Net debt at the end of the period	(129.2)	(179.7)	(138.1)

9. Risks and uncertainties

There are a number of potential risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of the financial year and beyond. These include, but are not limited to, the following:

- *Economic conditions across markets:*
Adverse economic conditions in one or more countries significant to our businesses may lead to a reduction in levels of demand for our products and thereby impact the Group's earnings and financial position;

9. Risks and uncertainties (continued)

- *Foreign exchange and interest rates:*
Fluctuating exchange rates will have financial implications for the Group (transaction and translation) and could affect the selling price of holidays and therefore impact the consumer demand for our products and services. Fluctuating interest rates will have an impact on the Group's costs and borrowings and may affect consumer demand for our products and services;
- *Consumer tastes:*
Failure to anticipate and respond to changes in consumer tastes (e.g. appetite for particular destinations or length of stay) or market trends (e.g. booking patterns) may lead to a reduction in levels of demand;
- *Major external events:*
Most of the Group's businesses are exposed to external events, including wars and international unrest, major terrorist events, natural disasters/severe weather conditions, or global pandemics/localised infestations. These events could impact trading or the Group's ability to deliver its products; and
- *Health, safety and security:*
The Group is committed to ensuring the highest standards of health, safety and security in its operations. However, there are material risks of accidents or other incidents and litigation, compensation and reputational damage arising from such accidents which would adversely affect the business of the Group.

The Board routinely monitors all these risks and uncertainties and appropriate actions are taken at Board or divisional level to mitigate these risks. The Board conducts an annual self-assessment process designed to review the effectiveness of all internal controls and risk management processes at both divisional and Group level. This process highlights the key risks to the business and what action should reasonably and cost effectively be taken to manage them.

10. Contingent liabilities and contractual commitments

Under the terms of guarantees given to the Civil Aviation Authority, Association of British Travel Agents and other relevant authorities by the Company in respect of certain subsidiaries, in the event of default, the Company could be held liable to the extent of the subsidiaries' net trading liabilities at the time of default.

During the period the Group entered into contracts with camp-site owners to lease mobile-home and tent pitches. Contracts entered into as at 31 March 2010 totalled £22.3m (31 March 2009: £20.0m, 30 September 2009: £7.4m)

11. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

There has been no change to the nature of related party transactions in the first six months of the financial year that has materially affected the financial position or performance of the Group.

Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By the order of the Board,

Martin Davies
Group Chief Executive

13 May 2010

Cautionary Statement

This interim management report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The interim management report should not be relied on by any other party or for any other purpose.

The interim management report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.