

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or, if you are not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all your ordinary shares in Holidaybreak plc please pass this document, together with the Annual Report and Financial Statements and Form of Proxy enclosed therewith, without delay to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

# Holidaybreak plc

(Registered in England No. 2305562)

Registered Office:  
Capita Registrars,  
Proxy Department,  
The Registry,  
34 Beckenham Road,  
Beckenham,  
Kent BR3 4TU

24 December 2009

Dear Shareholder

## 2010 Annual General Meeting

I am pleased to invite you to attend and participate in the 2010 Annual General Meeting of the Company to be held at The Lowry, Pier 8, Salford Quays, Manchester M50 3AZ at 11.30am on Wednesday 24 February 2010.

As you will see from the formal Notice of Meeting set out on pages 4 and 5 of this document, in addition to the ordinary business to be dealt with at the Meeting, there are items of special business contained in Resolutions 9 to 14 (inclusive). We are asking shareholders to approve a number of amendments to our Articles of Association, primarily to reflect the implementation of the Companies (Shareholder Rights) Regulations 2009 ('the Shareholders' Rights Regulations') and the remaining provisions of the Companies Act 2006 ('the Act'). An explanation of all the resolutions to be put to the Annual General Meeting is set out on pages 2 to 3 of this document.

Your Directors believe that the resolutions referred to in this letter, which are to be proposed at the Annual General Meeting, are in the best interests of the Company and of the shareholders as a whole and recommend shareholders to vote in favour of them.

Whether or not you intend to come to the meeting, please complete the enclosed Form of Proxy in accordance with the instructions printed on it and post it to the Company's Registrar, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible, but in any event to arrive no later than 11.30am on 22 February 2010. Completion and posting of the Form of Proxy will not preclude you from attending and voting in person at the Annual General Meeting should you wish to do so. Your vote is very important to us. Even if you are unable to attend the meeting in person, you can still vote by appointing a proxy and I urge you to complete and return the Form of Proxy by post, or alternatively register your proxy electronically by:

- using the CREST electronic proxy appointment service, principally for institutional investors; or
- visiting the Company's Registrars' website at [www.capitaregistrars.com](http://www.capitaregistrars.com). If you are a private shareholder wishing to appoint a proxy, do please take advantage of this facility to do so electronically. All you need is the Investor Code which is printed on the Form of Proxy.

To be valid, electronic proxy voting instructions must reach the Company's Registrars, Capita Registrars, no later than 11.30am on 22 February 2010.

The Directors and I look forward to seeing as many of you as possible at the Annual General Meeting.



**John Coleman**  
Executive Chairman

## EXPLANATORY NOTES

### Annual Report and Financial Statements: Resolution 1

The shareholders will be asked to receive and consider the Company's accounts, Directors' Report and Auditors' Report for the year ended 30 September 2009.

### Declaration of a final dividend: Resolution 2

Final dividends are approved by the shareholders, subject to the amount of any such dividend being recommended by the Directors. The Directors are recommending a final dividend for the year ended 30 September 2009 of 7.9p per ordinary share and Resolution 2 seeks shareholders' approval to the declaration of such dividend. If approved, the dividend will be payable on 7 May 2010 to shareholders on the register at the close of business on 9 April 2010.

### Directors' Remuneration Report: Resolution 3

The Company is required to seek approval of the Directors' Remuneration Report, as set out on pages 31 to 36 of the Company's Annual Report and Financial Statements 2009. Shareholders should be aware that the vote is advisory and that no aspect of an individual Director's remuneration will be conditional on the vote being carried. However, the Board will take the vote into account in considering the future development and operation of the Company's remuneration policy and practice.

### Re-election of Directors: Resolutions 4 to 6

In accordance with the Company's Articles of Association, every Director must seek re-election once every three years. In addition, such number of other Directors must retire so that the total number of Directors to retire represents one third of the Directors holding office (excluding any Director who has been appointed to the Board since the last Annual General Meeting). In accordance with the Articles of Association, any Director who has been appointed by the Board since the last Annual General Meeting is required to step down at the next Annual General Meeting following their appointment and seek reappointment by the shareholders.

Bob Baddeley and James Greenbury are retiring by rotation at the 2010 Annual General Meeting and, being eligible, are offering themselves for re-election. John Coleman, who was appointed on 8 April 2009 also retires in accordance with the Articles of Association and is offering himself for reappointment.

Mr Baddeley was appointed Group Finance Director in February 1995. He is a chartered accountant.

Mr Greenbury is a Non-executive Director and is designated as the Senior Independent Director. He is a member of the Board's audit, remuneration and nomination committees. Mr Greenbury has previously built up a number of successful companies in the support services sector. He also holds an MBA from Stanford Business School and earlier in his career was a partner with Bain and Company, strategy consultants.

Mr Coleman was appointed a Non-executive Director on 8 April 2009 and became Chairman on 1 May 2009. He chairs the nomination committee and is a member of the remuneration committee. He is currently chairman of Aga Rangemaster

Group plc and a non-executive director of Travis Perkins plc. He was chief executive of House of Fraser plc from 1996 to 2006 and is a chartered management accountant. He assumed the role of Executive Chairman in July 2009 whilst the search for a Group Chief Executive is ongoing.

All of the Directors offering themselves for re-election/reappointment have wide business knowledge and bring valuable skills and experience to the Board. The Board believes that these Directors continue to be effective and to demonstrate commitment to the role, including sufficient commitment of time for the Board, committee meetings and any other duties.

Fuller biographies for each of the Directors can be found on the Company's website at [www.holidaybreak.co.uk](http://www.holidaybreak.co.uk).

### Reappointment and remuneration of auditors: Resolutions 7 and 8

Resolution 7 proposes to reappoint Deloitte LLP as auditors to the Company and Resolution 8 authorises the Audit Committee to fix the auditors' remuneration.

### Political donations: Resolution 9

Resolution 9 is designed to deal with the rules on political donations contained in the Act. Under the rules, political donations to any political parties, independent election candidates or political organisations or the incurring of political expenditure are prohibited unless authorised by shareholders in advance. What constitutes a political donation, a political party, a political organisation or political expenditure is not easy to decide, as the legislation is capable of wide interpretation. Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties, and support for bodies representing the business community in policy review or reform, may fall within this. Therefore, notwithstanding that we have not made a political donation in the past, and we have no intention either now or in the future of making any political donation to any political party, political organisation or independent election candidate or incurring any political expenditure, the Board has decided to put forward this resolution. This will allow the Company to support the community and put forward its views to wider business and Government interests without running the risk of being in breach of the law. As permitted under the Act, the resolution also covers any political donations made, or political expenditure incurred, by any subsidiaries of the Company. A cap of £50,000 has been placed on each of the categories authorised under this resolution.

### Authority to allot shares: Resolution 10

The directors of a company may only allot shares if they have been authorised to do so by shareholders in a general meeting. Accordingly, Resolution 10 seeks to renew for a further period, expiring at the conclusion of the 2011 Annual General Meeting or, if earlier, 15 months after the passing of this resolution, the authority to allot relevant securities previously granted to the Directors.

This authority will relate to a total of 23,523,800 ordinary shares of 5p each, with a nominal value of £1,176,190 representing not more than one-third of the issued ordinary share capital of the Company as at 27 November 2009. The Directors have no present intention of allotting, or agreeing to allot, any shares pursuant to this authority otherwise than in connection with employees' share schemes to the extent permitted by such schemes.

### **Disapplication of pre-emption rights: Resolution 11**

Resolution 11 seeks to renew the authority conferred on the Directors at last year's Annual General Meeting to allot equity securities for cash on a non pre-emptive basis.

It is proposed that the Directors be authorised to issue shares for cash up to an aggregate nominal value of £176,425, which represents 5% of the Company's issued share capital as at 27 November 2009, without first having to offer such shares to existing shareholders. This limit is in line with guidelines issued by the ABI Pre-Emption Group and the Directors confirm that no more than 7.5% of the issued share capital will be utilised over any three-year period. In addition, in accordance with normal practice, the Resolution would enable the Board to deal with overseas shareholders and fractional entitlements as it thinks fit in the context of any rights issue or open offer.

The authority, if granted, will expire at the conclusion of the 2011 Annual General Meeting or 15 months from the passing of the resolution (whichever is the earlier).

### **Purchase of own shares: Resolution 12**

Resolution 12 seeks to renew the authority of the Company to make market purchases of its own shares. The authority should not be taken to imply that shares will be purchased at any particular price or indeed, at all, and the Board has no present intention of exercising this power but would wish to retain the flexibility to do so in the future. Purchases will only be made where they are, in the opinion of the Board, in the interests of the Company and where they should result in an improvement in earnings per share.

The authority given by this resolution will expire at the conclusion of the 2011 Annual General Meeting or, if earlier, 15 months after the passing of this resolution. The Board intends to seek renewal of this power at subsequent Annual General Meetings.

The resolution specifies the maximum number of shares which may be purchased (7,057,100 ordinary shares of 5p each, representing not more than 10% of the Company's issued ordinary share capital as at 27 November 2009) and the maximum and minimum prices at which they may be purchased. Purchases would only be made on the London Stock Exchange.

The Company is permitted to hold shares it has purchased in treasury, as an alternative to cancelling them. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy options exercised under any of the Company's share schemes. Whilst held in treasury, the shares are not entitled to receive any dividend or dividend equivalent (apart from any issue of bonus shares) and have no voting rights. The Directors believe it is appropriate for the Company to have the option to hold its own shares in treasury if, at a future date, the Directors exercise this authority. The Directors will have regard to investor group guidelines which may be in force at the time of any purchase, holding or re-sale of shares held in treasury.

The number of options to subscribe for shares outstanding at 27 November 2009 was 1,721,860 representing 2.13% of the issued share capital at that date. Should the authority granted by this resolution be exercised in full, that number of options would then represent approximately 2.37% of the issued share capital at that date.

### **Notice period for general meetings: Resolution 13**

Changes made to the Act by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 days, unless shareholders approve a shorter notice period of not less than 14 clear days (annual general meetings will continue to be held on at least 21 clear days' notice).

Prior to the Shareholders' Rights Regulations coming into force in August 2009, the Company was able to call general meetings (other than an annual general meeting) on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability Resolution 13 seeks the necessary shareholder approval to enable the Company to call general meetings on 14 clear days' notice. This approval will be effective until the 2011 Annual General Meeting, when it is intended that a similar resolution will be proposed to renew this authority.

In addition to shareholder approval, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must also offer an electronic voting facility which is accessible to all shareholders. The Company already provides the ability for shareholders to vote electronically.

### **Amendment to Articles of Association: Resolution 14**

It is proposed in Resolution 14 to amend the current Articles of Association ('the Current Articles') primarily to take account of changes brought about by the Act and the Shareholders' Rights Regulations. It is proposed that the amended Articles ('the New Articles') will take effect immediately following the conclusion of the Annual General Meeting.

The principal changes between the Current Articles and the New Articles are summarised in Appendix 1 following the Notice of Annual General Meeting. Changes of a minor, clarifying, conforming or purely technical nature and also some more minor changes which merely reflect changes made to the Act or the Shareholders' Rights Regulations have not been mentioned specifically. The New Articles showing all changes to the Current Articles are available for inspection, as noted on page 8 of this document.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2010 Annual General Meeting ('the Meeting') of Holidaybreak plc ('the Company') will be held at The Lowry, Pier 8, Salford Quays, Manchester M50 3AZ on Wednesday 24 February 2010 at 11.30am for the following purposes:

## Ordinary Business

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. That the Company's audited financial statements and the Reports of the Directors and Auditors for the year ended 30 September 2009 be received and considered.
2. That a final dividend of 7.9p per ordinary share in respect of the year ended 30 September 2009 be declared, which will be paid on 7 May 2010 to shareholders whose names are recorded on the register of members at the close of business on 9 April 2010.
3. That the Directors' Remuneration Report for the year ended 30 September 2009 be approved.
4. That Bob Baddeley be re-elected as a Director.
5. That James Greenbury be re-elected as a Director.
6. That John Coleman be reappointed as a Director.
7. That Deloitte LLP be reappointed as auditors to the Company to hold office until the conclusion of the next general meeting at which the accounts are presented to the Company.
8. That the Audit Committee of the Board of Directors be authorised to fix the remuneration of the auditors.

## Special Business

As special business, to consider and, if thought fit, pass the following resolutions which will be proposed, as to Resolutions 9 and 10, as ordinary resolutions and, as to Resolutions 11, 12, 13 and 14, as special resolutions:

9. That, in accordance with Sections 366 and 367 of the Companies Act 2006 ('the Act'), the Company and all companies that are subsidiaries of the Company at the time at which this Resolution is passed or at any time during the period for which this Resolution has effect are authorised to:
  - (i) make political donations to political parties or independent election candidates, as defined in Sections 363 and 364 of the Act, not exceeding £50,000 in total;
  - (ii) make political donations to political organisations other than political parties, as defined in Sections 363 and 364 of the Act, not exceeding £50,000 in total; and

(iii) incur political expenditure, as defined in Section 365 of the Act, not exceeding £50,000 in total,

during the period beginning with the date of the passing of this Resolution and ending at the conclusion of the Annual General Meeting to be held in 2011 or 15 months after the date of passing this Resolution, whichever is earlier, provided that the authorised sum referred to in paragraphs (i), (ii) and (iii) above may be comprised of one or more amounts in different currencies which, for the purposes of calculating the said sum, shall be converted into pounds sterling at the exchange rate published in the London edition of the Financial Times on the day on which the relevant donation is made or expenditure incurred (or the first business day thereafter) or, if earlier, on the day on which the Company enters into any contract or undertaking in relation to the same.

10. That:

- (i) the Directors be generally and unconditionally authorised pursuant to section 551 of the Act to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,176,190 until the conclusion of the Annual General Meeting to be held in 2011 or 15 months after the passing of this Resolution but, in each case, so that the Company may make offers and enter into agreements before this authority expires which would, or might, require shares to be allotted, or rights to subscribe for or convert any securities into shares to be granted after the expiry of this authority and the Directors may allot shares and grant rights to subscribe for or convert any securities into shares in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.
- (ii) subject to paragraph (i), all existing authorities given to the Directors pursuant to section 80 of the Companies Act 1985 ('the 1985 Act') be revoked by this Resolution; and
- (iii) paragraph (ii) shall be without prejudice to the continuing authority of the Directors to allot relevant securities (as that term is defined in the 1985 Act) pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made.

11. That, subject to the passing of Resolution 10, the Directors be generally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred by Resolution 10 above, as if section 561(1) of the Act did not apply to such allotment. This power:
- (i) expires (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting to be held in 2011 or 15 months after the date of the passing of this Resolution, whichever is the earlier, but so that the Company may make offers and enter into agreements before this power expires which would, or might, require equity securities to be allotted after this power expires and the Directors of the Company may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired; and
  - (ii) shall be limited to:
    - (a) the allotment of equity securities in connection with an offer of equity securities to ordinary shareholders in proportion (as nearly as may be practicable) to their existing shareholding, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
    - (b) the allotment of equity securities for cash or otherwise than pursuant to paragraph (a) up to an aggregate nominal amount of £176,425.
12. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5p each in the capital of the Company, provided that:
- (i) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 7,057,100 representing not more than 10% of the Company's issued ordinary share capital at 27 November 2009;
  - (ii) the minimum price which may be paid for such ordinary shares is 5p per share (exclusive of expenses);
  - (iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share is the higher of: (a) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out;
- (iv) unless previously revoked or varied, the authority hereby conferred shall expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2011 and 15 months after the passing of this Resolution; and
  - (v) the Company may, before such expiry, enter into a contract or contracts to purchase ordinary shares which would or might be executed and completed wholly or partly after such expiry, and the Company may make a purchase or purchases of ordinary shares in pursuance of any such contract or contracts as if the authority hereby conferred had not expired.
13. That a general meeting of the Company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice, provided this authority expires at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this Resolution.
14. That:
- (i) the Articles of Association of the Company be amended by deleting all provisions of the Company's Memorandum which, by virtue of section 28 of the Act, are to be treated as provisions of the Company's Articles of Association; and
  - (ii) the amendments to the Articles of Association of the Company in the form produced to the meeting and, for the purposes of identification, initialled by the Chairman as described in the Notice of Annual General Meeting dated 24 December 2009 be approved.

By Order of the Board

**Alexandra Williamson**  
**Company Secretary**  
 24 December 2009

Registered Office:  
 Hartford Manor  
 Greenbank Lane  
 Northwich  
 Cheshire  
 CW8 1HW

**Notes regarding the appointment of a proxy and voting can be found on page 6 of this document.**

Notes:

- 1 Any shareholder entitled to attend and vote at the Annual General Meeting on 24 February 2010 ('the Meeting') is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and to vote instead of him or her provided that, if more than one proxy is appointed, each proxy must be appointed to exercise rights attaching to different shares. A proxy must vote in accordance with the instructions given by the shareholder appointing them. A Form of Proxy for use by shareholders is enclosed. In order to be valid, the Form of Proxy and any power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, or an electronic proxy voting instruction, must reach the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time of the Meeting or of any adjournment of the Meeting. In accordance with section 325 of the Act, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the Act. Persons nominated to receive information rights under section 146 of the Act who have been sent a copy of this notice of meeting are hereby informed, in accordance with section 149(2) of the Act, that they may have a right under an agreement with the registered shareholder by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights. Nominated persons should contact the registered shareholder by whom they were nominated in respect of these arrangements.
- 2 Alternatively, a shareholder may register his or her proxy electronically on the Company's Registrars' website [www.capitaregistrars.com](http://www.capitaregistrars.com). In order to use this service, shareholders will be required to enter their Investor Code which is printed on the Form of Proxy. Completion and return of the Form of Proxy or registering a proxy electronically will not preclude a shareholder from attending and voting at the Meeting in person, if he or she wishes to do so.
- 3 If you wish to appoint more than one proxy, each proxy must be appointed in respect of a specified number of shares within your shareholding. If you wish to do this by completing and returning the Form of Proxy, each proxy must be appointed on a separate Form of Proxy and returned in the same envelope. Additional Forms of Proxy may be obtained by contacting the Registrar on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am - 5.30pm Monday to Friday). Alternatively, you can photocopy the enclosed Form of Proxy the required number of times before completing it. When appointing more than one proxy you must indicate the number of shares in respect of which the proxy is appointed. If you wish to appoint more than one proxy electronically using the CREST electronic proxy service, follow the procedures described in the CREST manual.
- 4 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual. CREST personal members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ('EUI') specifications and must contain the information required for such instructions, as described in the CREST manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita IRG plc (ID RA10) by the latest time(s) for receipt of proxy appointments specified in this Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita IRG plc is able to retrieve message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings and to the relevant website at [www.Euroclear.com/CREST](http://www.Euroclear.com/CREST).

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 5 Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company or the Company's Registrars, including the lodgement of an electronic proxy voting instruction, if found to contain any virus, will not be accepted.
- 6 Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
- 7 The right to vote at the Meeting is determined by reference to the register of members. Only those shareholders in the register of members of the Company as at 6.00pm on 22 February 2010 (or if this Meeting is adjourned, 6.00pm on the date that is two days before the date of the adjourned meeting) shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the Meeting.
- 8 A copy of this Notice, and other information required by section 311A of the Act can be found at [www.holidaybreak.co.uk](http://www.holidaybreak.co.uk).
- 9 Shareholders attending the Meeting have a right to ask questions. The Company must cause to be answered any question relating to the business being dealt with at the Meeting in accordance with section 319A of the Act unless (a) to do so would interfere unduly with the preparation for the Meeting or would involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
- 10 Under section 527 of the Act a shareholder or shareholders meeting the qualification criteria (set out in note 13) have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstance connected with the auditors of the Company ceasing to hold office since the previous annual general meeting at which the annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the shareholders requesting any such website publication to cover any costs incurred in complying with sections 527 or 528 of the Act and is required to forward any statement placed on a website to the Company's auditors not later than the time when it makes the statement on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under section 527 of the Act to publish on the website.
- 11 A shareholder or shareholders meeting the qualification criteria set out in note 13 below may require the Company to give shareholders notice of a resolution which may properly be proposed and is intended to be proposed at the Meeting in accordance with section 338 of the Act. A resolution may properly be proposed unless (i) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (ii) it is defamatory of any person, or (iii) it is frivolous or vexatious. Any such request must:
  - (a) identify the resolution of which notice is to be given, by either setting out the resolution in full or, if supporting a resolution requested by another shareholder, clearly identifying the resolution which is being supported;
  - (b) comply with the requirements set out in note 14 below; and
  - (c) be received by the Company no later than six weeks before the Meeting.

The expenses of giving such notice must be paid by the shareholder or shareholders submitting the request by depositing with the Company not later than 13 January 2010 a sum reasonably sufficient to meet such expenses.

- 12 A shareholder or shareholders meeting the qualification criteria set out in note 13 below may require the Company to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business in accordance with section 338A of the Act. A matter may properly be included unless (i) it is defamatory of any person, or (ii) it is frivolous or vexatious. Any such request must:
  - (a) identify the matter to be included in the business, by either setting out the matter in full or, if supporting a matter requested by another shareholder, clearly identifying the matter which is being supported;
  - (b) set out the grounds for the request;
  - (c) comply with the requirements set out in note 14 below;
  - (d) be received by the Company no later than six weeks before the Meeting.

The expenses of circulating such matter must be paid by the shareholder or shareholders submitting the request by depositing with the Company not later than 13 January 2010 a sum reasonably sufficient to meet such expenses.

- 13 In order to require the Company (i) to publish audit concerns as set out in note 10, (ii) to circulate a resolution to be proposed at the Meeting as set out in note 11, or (iii) to include a matter in the business to be dealt with at the Meeting as set out in note 12, the relevant request must be made by:
- (a) a shareholder or shareholders having a right to vote at the Meeting and holding at least five per cent of the total voting rights of the Company; or
  - (b) at least 100 shareholders having a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital.

For information on voting rights, including the total voting rights of the Company, see note 15 and the website referred to in note 8.

- 14 Any request by a shareholder or shareholders to require the Company (i) to publish audit concerns as set out in note 10, (ii) to circulate a resolution to be proposed at the Meeting as set out in note 11, or (iii) to include a matter in the business to be dealt with at the Meeting as set out in note 12:
- (a) may be made either:
    - (i) in hard copy, by sending it to Alex Williamson, Holidaybreak plc, Hartford Manor, Greenbank Lane, Northwich, Cheshire CW8 1HW; or
    - (ii) in electronic form, by sending a fax to 0844 406 0014, marked for the attention of Alex Williamson or by email to alex.williamson@holidaybreak.com (please state 'Holidaybreak plc: AGM' in the subject line of the email);
  - (b) must state the full name(s) and address(es) of the shareholder(s); and
  - (c) (where the request is made in hard copy form or by fax) must be signed by the shareholder(s).

You may not use any electronic address provided either in this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated in this Notice or any such related document.

- 15 As at 27 November 2009 the Company's issued share capital consists of 70,571,606 ordinary shares of 5p each, carrying one vote each. The Company does not hold any shares in treasury. Therefore, the total voting rights in the Company as at 27 November 2009 are 70,571,606.
- 16 Copies of the service contracts for the Executive Directors and the Chairman and letters of appointment for the Non-executive Directors, the proposed amended Articles of Association referred to in Resolution 14, marked to show the changes from the current Articles, will be available for inspection during normal business hours on each business day (Saturdays, Sundays and public holidays excepted) from the date of this Notice until the date of the Meeting at the Company's registered office and at the offices of Eversheds LLP, 1 Wood Street, London, EC2V 7WS and will also be available for inspection at The Lowry, Pier 8, Salford Quays, Manchester M50 3AZ from 11.15am on the day of the Meeting until its conclusion.

# APPENDIX 1

Explanatory notes of principal changes to the Company's Articles of Association.

## 1. The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 ('the 2006 Act') significantly reduces the constitutional significance of a company's memorandum. The 2006 Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 14(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles (at Article 3) also contain an express statement regarding the limited liability of shareholders.

## 2. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the 2006 Act have in the main been amended to bring them into line with the 2006 Act in the New Articles.

## 3. Authorised share capital and unissued shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes. References to authorised share capital and unissued shares have been removed from the New Articles. Directors will still be limited as to the number of shares they can at any time allot because the allotment authority continues to be required under the Act, save in respect of the employee share schemes.

## 4. Change of name

Under the Companies Act 1985 ('the 1985 Act'), a company could only change its name by special resolution. Under the 2006 Act a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

## 5. Borrowing powers

The Current Articles restrict the borrowings of the Company's group to the greater of (i) an aggregate of £200,000,000 or (ii) an amount equal to two times the adjusted capital and reserves of the Company (as described in the Current Articles). Any borrowing in excess of these restrictions requires approval by the Company by way of ordinary resolution. The New Articles have been amended to reflect the increase to the limit of £200,000,000 to £350,000,000 which was approved by the Shareholders at an Extraordinary General Meeting held on 11 June 2007. Approval by way of ordinary resolution is still required to exceed the restrictions.

## 6. Redeemable shares

Under the 1985 Act, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

## 7. Suspension of registration of share transfers

The Current Articles permit the Directors to suspend the registration of transfers. Under the 2006 Act share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

## **8. Authority to purchase own shares, consolidate and sub-divide shares and reduce share capital**

Under the 1985 Act, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the 2006 Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

## **9. Directors refusal to register a transfer of shares**

Under the Current Articles the Directors have absolute discretion to refuse to register a transfer of shares without giving reasons for doing so. The New Articles amend this provision so that the Directors are required to send notice of any refusal setting out the reasons for refusal, to the transferee within two months of the transfer being lodged.

## **10. Notice of general meetings**

The Shareholders' Rights Regulations amend the 2006 Act to require the Company to give 21 clear days' notice of general meetings unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the relevant provision of the Current Articles by making it subject to the provisions of the Act, so as to be consistent with the new requirements.

The New Articles have been amended to reflect the provisions of the 2006 Act dealing with the requirements of notices of meetings made available on a company's website (Article 52) and the requirements in respect of the contents of a notice.

## **11. Questions at general meetings**

In accordance with the Shareholders' Rights Regulations, the New Articles include a provision enabling members to ask questions at general meetings.

## **12. Adjournments for lack of quorum**

Under the 2006 Act as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting and must deal only with business set out in the original notice of meeting. The Current Articles have been changed to reflect these requirements.

## **13. Voting record date**

Under the 2006 Act, as amended by the Shareholders' Rights Regulations, the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The New Articles contain a provision dealing with the voting record date.

## **14. Voting by proxies on a show of hands**

The Shareholders' Rights Regulations have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles reflect these changes and contain a provision clarifying how the provision of the 2006 Act giving a proxy a second vote on a show of hands should apply to discretionary authorities.

## **15. Voting by corporate representatives**

The Shareholders' Rights Regulations have amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

## **16. Chairman's casting vote**

The provision giving the chairman a casting vote in the event of an equality of votes has been removed from the New Articles as this is no longer permitted under the 2006 Act.

## **17. Publication of the results of a poll vote**

The Shareholders' Rights Regulations have amended the 2006 Act in respect of the Company's obligation to publish the results of a poll vote on its website. The New Articles reflect these requirements.

## **18. Validity of votes by proxies**

In accordance with the amendments to the 2006 Act by the Shareholders' Rights Regulations, the New Articles require a proxy to vote in accordance with his/her instructions and enable the Directors (but do not oblige them) to require evidence of the authority of any proxy. The New Articles reflect these amendments and confirm that the Company is not required to confirm that a proxy has followed instructions and also confirm that a failure to vote as instructed does not invalidate the proceedings on the resolution.

## **19. Directors' fees**

The New Articles increase the aggregate of Directors' fees to be determined from time to time, to £400,000. The Board believes it is appropriate to recommend an increase in this aggregate limit in view of the continuing increase in the scope and nature of the responsibilities of Directors. The revised limit is in line with market practice and provides flexibility for the future size and structure of the Board. Shareholders should note that this aggregate limit does not apply to salaried Directors.

## **20. Vacation of office by directors**

The Current Articles specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills.

## **21. Provision for employees on cessation of business**

The 2006 Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the Directors may exercise this power other than for a Director, former Director or shadow Director.

## **22. Use of seals**

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a Director and the Secretary or two Directors or such other person or persons as the Directors may approve.

## **23. General**

Generally the opportunity has been taken to bring clearer language into the New Articles and to conform more closely to the format of the model articles for public companies produced by the Department for Business, Innovation and Skills.

