

SPECIALIST HOLIDAYS LIMITED

COMPANY REGISTRATION NUMBER: 1976915

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

31 DECEMBER 2005



Contents

Page

Directors' report and statement of Directors' responsibilities

1-2

Independent Auditors' report

3

Profit and loss account

4

Balance sheet

5

Notes to the financial statements

6-11

SPECIALIST HOLIDAYS LIMITED

DIRECTORS' REPORT

The directors submit their annual report together with the financial statements of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The company charges TUI UK Limited for the use of its freehold property. TUI UK Ltd also incur all related upkeep costs.

REVIEW OF THE BUSINESS

The Company traded satisfactorily during the year. The loss after tax, as shown in the profit and loss account, amounted to £44,000 (2004 loss of £97,000).

The Directors do not recommend payment of a dividend (2004: *£nil*).

DIRECTORS AND DIRECTORS' INTERESTS IN SHARES

The directors of the Company during the year were as follows:

S J Leak
A Russell
D H Mattison
H P Farmer

SPECIALIST HOLIDAYS LIMITED

DIRECTORS' REPORT (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

Approved by the Board of Directors and signed on behalf of the Board on 24 April 2006.



A Russell
Company Secretary

SPECIALIST HOLIDAYS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST HOLIDAYS LIMITED

We have audited the financial statements of Specialist Holidays Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

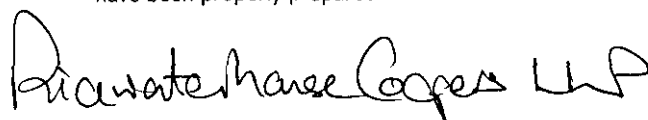
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
St Albans
24 April 2006

SPECIALIST HOLIDAYS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	<i>Note</i>	Total 2005 £'000	Total 2004 £'000
Turnover	1	141	128
Cost of sales		(143)	(133)
Gross loss		(2)	(5)
Administrative expenses		-	-
Operating loss	3	(2)	(5)
Loss on ordinary activities before taxation		(2)	(5)
Tax on loss on ordinary activities	4	(42)	(92)
Retained loss on ordinary activities after taxation	11	(44)	(97)

There are no recognised gains or losses or movements in shareholders' funds other than as stated in the profit and loss account. Accordingly no statement of total recognised gains and losses has been prepared.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

The notes on pages 6 – 11 form part of the financial statements.

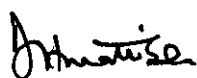
All results relate to continuing activities.

SPECIALIST HOLIDAYS LIMITED

BALANCE SHEET AT 31 DECEMBER 2005

	<i>Note</i>	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	5	1,392	1,535
Investments	6	1,561	1,561
Total fixed assets		2,953	3,096
Current assets			
Debtors	7	408	230
Total current assets		408	230
Creditors: amounts falling due within one year	8	(121)	(42)
Net current assets		288	188
Total Assets less current liabilities		3,240	3,284
Capital and reserves			
Called up share capital	9	1,100	1,100
Profit and loss account	10	2,140	2,184
Total equity shareholder's funds	11	3,240	3,284

These financial statements on pages 4-11 were approved by the Board of Directors on 24 April 2006 and were signed on its behalf by:



D H Mattison
Director

SPECIALIST HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2005

1 Accounting policies

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the most significant accounting policies, which have been applied consistently throughout the financial year, is set out below.

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

The financial statements have been prepared on a going concern basis as TUI Northern Europe Limited, the ultimate parent undertaking, has confirmed its intention to support the ongoing operations of the Company, should it be required, to ensure the Company is able to meet its liabilities as and when they fall due.

(b) Consolidated financial statements

Consolidated financial statements have not been prepared as the Company is wholly owned by TUI Northern Europe Limited, a Company incorporated in England and Wales, which prepares consolidated financial statements which are publicly available, as explained in note 12. Therefore, the Company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare consolidated financial statements.

(c) Turnover

Turnover attributable to the principal activity of the Company, arises wholly in the United Kingdom, and is stated net of value added tax and discounts.

(d) Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition, less accumulated depreciation. Depreciation is charged on freehold properties over the estimated useful life of 15 years.

(e) Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax assets and liabilities in accordance with FRS 19, using full provision accounting, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets and liabilities are not discounted.

(f) Investments

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value.

SPECIALIST HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **for the year ended 31 December 2005**

(g) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at average forward rates. The majority of assets receivable and payable in foreign currencies are hedged by future foreign exchange contracts held by TUI Finance Northern Europe Limited and are translated into sterling at the contracted rates. Amounts not hedged by such contracts at the balance sheet date are translated at the balance sheet date at the rates ruling at that date. Translation differences are dealt with in the profit and loss account. Exchange differences arising on the retranslation of the assets and liabilities of foreign currency denominated subsidiaries are taken to profit and loss reserve.

(h) Cash flow statement and related party disclosure

The Company is a wholly-owned subsidiary of TUI Northern Europe Limited and is included in the consolidated financial statements of TUI AG and TUI Northern Europe Limited, which are both publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the TUI AG group, or investees of the TUI AG group.

2 Directors and employees' emoluments

The Company had no employees during the year (2004: Nil). The employees of TUI UK Limited, another group Company, provided their services to the Company. No charge was made for this service in 2005 (2004: £Nil).

The Directors received no remuneration for their services to the Company (2004: nil).

3 Operating loss

	2005	2004
	£'000	£'000
Operating loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets	143	145
Exchange gains	-	(13)

Overhead expenses of the company including the audit fees were borne by TUI UK Limited in 2005 and 2004.

SPECIALIST HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2005

4 Tax on loss on ordinary activities

	2005 £'000	2004 £'000
The taxation charge/(credit) for the period comprises:		
Current tax:		
Group relief @ 30% (2004 30%)	42	42
Adjustment in respect of prior years	-	16
Total current tax	42	58
Deferred tax :		
Current year accelerated capital allowances	-	-
Adjustment in respect of prior years	-	34
Total deferred tax	-	34
Tax on loss on ordinary activities	42	92
Tax reconciliation:		
Loss on ordinary activities before taxation	(2)	(5)
Expected tax (credit) at 30%	(1)	(2)
Effects of:		
Expenses not deductible for tax purposes	43	44
Accelerated capital allowances and other timing differences	-	-
Adjustment in respect of prior years	-	16
Total actual amount of current taxation	42	58

SPECIALIST HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2005

5 Tangible fixed assets

	Freehold Properties £'000
Cost	
At 1 January 2005 and 31 December 2005	<u>2,121</u>
Accumulated depreciation	
At 1 January 2005	586
Charge for the period	143
At 31 December 2005	<u>729</u>
Net book amount	
At 31 December 2005	<u>1,392</u>
At 31 December 2004	1,535

6 Fixed assets investments

	2005 £'000
Subsidiary shareholdings at cost	
At 1 January 2005 and 31 December 2005	<u>1,561</u>

The Company holds investments in the following subsidiary undertakings:

Name of Company	Holding	Country of incorporate	Proportion held	Nature of business
Magic Connoisseurs Ltd	Ordinary shares	Great Britain	100%	Dormant
Step into Africa Ltd	Ordinary shares	Great Britain	100%	Dormant
TUI UK Italia S.r.l	Ordinary shares	Italy	99%	Hotel management
Specialist Holidays Contracting Limited	Ordinary shares	Great Britain	100%	Hotel management

In the opinion of the Directors the investment in the above subsidiary undertakings is worth at least the amount at which it is stated in the balance sheet.

TUI UK Italia S.r.l is an indirect subsidiary of Specialist Holidays Ltd, being 99% owned by Specialist Holidays Contracting Limited.

SPECIALIST HOLIDAYS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 December 2005

7 Debtors

	2005 £'000	2004 £'000
Amounts due from group undertakings	408	230
	<u>408</u>	<u>230</u>

8 Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Amounts owed to group undertakings	121	42
	<u>121</u>	<u>42</u>

9 Share capital

	2005 £'000	2004 £'000
Authorised:		
1,500,000 ordinary shares of £1 each	1,500	1,500
	<u>2005</u>	<u>2004</u>
	£'000	£'000
Called up, allotted and fully paid:		
1,100,000 ordinary shares of £1 each	1,100	1,100

10 Profit and loss account

	2005 £'000	2004 £'000
Balance at 1 January	2,184	2281
Loss for the year	(44)	(97)
Balance at 31 December	<u>2,140</u>	<u>2,184</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2005

11 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Balance at 1 January	3,284	3,381
Loss for the year	(44)	(97)
Balance at 31 December	3,240	3,284

12 Ultimate parent company

Within the meaning of the Companies Act 1985 the Company's immediate parent undertaking is Crystal International Travel Group Limited and TUI AG is regarded by the Directors of the Company as being the Company's ultimate parent company. Within the meaning of the said Act TUI AG is the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member and TUI Northern Europe Limited is the parent undertaking of the smallest group of undertakings for which group accounts are drawn up and of which the Company is a member. TUI AG is incorporated under the laws of Germany. TUI Northern Europe Limited is incorporated in England and Wales.

Copies of TUI's accounts are available from: Investor Relations, TUI AG, Karl-Wiechert-allee 4, D-30625 Hanover or on the TUI website address: www.TUI.com