

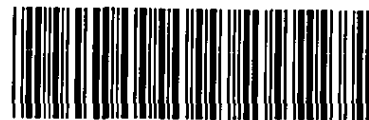
SPECIALIST HOLIDAYS LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

YEAR ENDED 31 DECEMBER 2006

REGISTERED NUMBER 1976915

THURSDAY



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## **SPECIALIST HOLIDAYS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006**

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2006

#### **Business review**

The principal activity of the company is the leasing of freehold property to TUI UK Limited (a fellow group company), who also incur all related upkeep costs

The profit for the year after tax and dividends amounts to £68,000 (2005 loss £44,000) There were no dividends during the year (2005 £nil)

#### **Future outlook and principal risks**

The company will continue to trade Any other risks and uncertainties are integrated with the principal risks of the group and are not managed separately Accordingly, the principal risks and uncertainties of the TUI Northern Europe Limited, which include those of the Company, are disclosed on page 4 of the Group's annual report

#### **Key performance indicators**

Given the straightforward nature of the business, the Company's directors are of the opinion that using KPIs is not necessary for an understanding of the development, performance or position of the company

#### **Directors and directors' interests in shares**

The directors of the company who served during the year and subsequent to year end, including their interests required to be disclosed under Schedule 7, section 2 of the Companies Act 1985, were as follows,

		<b>TUI AG Shares</b>	
		<b>01 01 06</b>	<b>31 12 06</b>
		<b>(or date of appointment)</b>	
A Russell		-	-
D H Mattison		500	750
S J Leak	(resigned 1/12/06)	-	-
H P Farmer	(resigned 31/12/06)	-	-
R Churchill-Coleman	(appointed 03/01/07, resigned 15/05/07)	-	-
P Tymms	(appointed 15/05/07)	-	-

**SPECIALIST HOLIDAYS LIMITED**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (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 2006 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.

**Disclosure of Information**

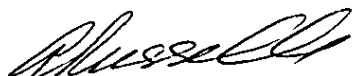
Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

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

By order of the board



**A Russell**

Company Secretary

Registered Office

Wigmore House

Wigmore Place

Wigmore Lane

Luton

LU2 9TN

25 May 2007

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SPECIALIST HOLIDAYS LIMITED**

We have audited the financial statements of Specialist Holidays Limited for the year ended 31 December 2006 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 member 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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**

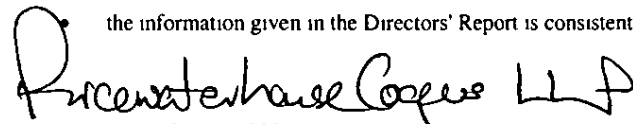
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



*PricewaterhouseCoopers LLP*

*Chartered Accountants and Registered Auditors*

*St Albans*

*25 May 2007*

# **SPECIALIST HOLIDAYS LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006**

	Notes	2006 £'000	2005 £'000
Turnover	1	139	141
Net operating costs		<u>(42)</u>	<u>(143)</u>
Profit/(loss) on ordinary activities before taxation	2	97	(2)
Tax on profit/(loss) on ordinary activities	4	(29)	(42)
Profit/(loss) for the financial year	10	<u>68</u>	<u>(44)</u>

The Company has no recognised gains and losses for the year other than the results above and therefore no separate statement of total recognised gains and losses has been presented

All results are in respect of continuing operations

There are no material differences between the profit on ordinary activities before taxation and the profit for the year stated above and their historical equivalents

The accompanying notes on pages 6 to 11 form part of the financial statements

**SPECIALIST HOLIDAYS LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2006**

	Notes	2006 £'000	2005 £'000
<b>Fixed Assets</b>			
Tangible assets	5	1,349	1,391
Investments	6	<u>1,561</u>	<u>1,561</u>
		2,910	2,952
<b>Current assets</b>			
Debtors	7	<u>519</u>	<u>409</u>
		519	409
Creditors amounts falling due within one year	8	<u>(121)</u>	<u>(121)</u>
<b>Net current assets</b>		398	288
<b>Total net assets</b>		<u>3,308</u>	<u>3,240</u>
<b>Capital and reserves</b>			
Called up share capital	9	1,100	1,100
Profit and loss account	10	2,208	2,140
<b>Shareholder's funds</b>	11	<u>3,308</u>	<u>3,240</u>

The financial statements on pages 4 to 11 were approved by the Board of Directors on 25 May 2007 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 2006**

#### **1 Accounting policies**

The principal accounting policies of the company are summarised below. These policies have been applied consistently throughout the current and preceding years.

##### **1.1 Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards.

##### **1.2 Turnover**

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

##### **1.3 Fixed assets and depreciation**

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 their estimated useful lives of 15 years. Tangible fixed assets are carried at the lower of depreciated cost and recoverable value.

##### **1.4 Deferred taxation**

Deferred taxation has been recognised as a liability or asset if a transaction has occurred at the balance sheet date that gives rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is recognised to the extent that the transfer of economic benefits in the future are more likely to occur. Deferred tax assets and liabilities recognised have not been discounted.

##### **1.5 Investments**

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

##### **1.6 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 Northern Europe Limited and are translated into sterling at 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 retranslation of the assets and liabilities of foreign currency denominated subsidiaries are taken to the profit and loss reserve.

## SPECIALIST HOLIDAYS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### 1 7 Cash flow statement, group accounts and related party disclosures

The Company is a wholly-owned subsidiary of Thomson Travel Group (Holdings) Limited and is included in the consolidated financial statements of TUI Northern Europe Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of TUI Northern Europe Limited. The company has also taken advantage of the exemption available under Section 228(2) of the Companies Act and has not prepared group accounts.

#### 2 Operating profit/(loss)

	2006	2005
	£'000	£'000
Operating profit / (loss) is stated after charging		
Depreciation of tangible fixed assets	42	143
	<hr/>	<hr/>

Overhead expenses of the company including the audit fees were borne by TUI UK Limited in 2006 and 2005.

#### 3 Employees and directors' emoluments

The company had no employees during the year (2005: nil). The employees of TUI UK Limited, another group company, provided these services to the company. No charge was made for this service (2005: nil).

The Directors received no remuneration for their services to the company (2005: £nil).



**SPECIALIST HOLIDAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**4 Taxation**

The charge for taxation based on the profits for the year at 30% (2005 30%) comprises

<b>Current taxation</b>	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Current year</b>		
Group relief	<u>29</u>	<u>42</u>
<b>Current year tax charge</b>	<u>29</u>	<u>42</u>
 <b>Tax on profit/ loss on ordinary activities</b>	 <u>29</u>	 <u>42</u>
 <b>Tax reconciliation</b>		
 Loss on ordinary activities before taxation	 <u>97</u>	 <u>(2)</u>
 Expected tax charge/ (credit) at 30%	 29	 (1)
Effects of		
Expenses not deductible for tax purposes	-	43
 <b>Tax on loss on ordinary activities</b>	 <u>29</u>	 <u>42</u>

# SPECIALIST HOLIDAYS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

### 5 Tangible assets

	Freehold properties £'000
<b>Cost</b>	
As at 1 January 2006	2,121
As at 31 December 2006	<u>2,121</u>
<b>Depreciation</b>	
As at 1 January 2006	(730)
Charge for the year	(42)
As at 31 December 2006	<u>(772)</u>
<b>Net book amount</b>	
As at 1 January 2006	<u>1,391</u>
As at 31 December 2006	<u>1,349</u>

### 6 Investments

	£000s
Subsidiary shareholdings at cost	
At 1 January 2006 and 31 December 2006	<u>1,561</u>

The Company holds investments in the following subsidiary undertakings

Name of company	Holding	Country of incorporation	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 Ltd	Ordinary shares	Italy	100%	Hotel management

In the opinion of the Directors the investments in the above subsidiary undertakings are worth at least the amounts at which they are 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 Ltd

**SPECIALIST HOLIDAYS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

**7 Debtors**

	2006 £'000	2005 £'000
Amounts due from group undertakings	519	409
	<u>519</u>	<u>409</u>

**8 Creditors amounts falling due within one year**

	2006 £'000	2005 £'000
Amounts owed to group undertakings	121	121
	<u>121</u>	<u>121</u>

**9 Share capital**

	2006 £'000	2005 £'000
<b>Authorised</b>		
1,500,000 ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>
<b>Alloted and fully paid</b>		
1,100,000 ordinary shares of £1 each	<u>1,100</u>	<u>1,100</u>

**10 Reserves**

	2006 £'000	2005 £'000
Balance at 1 January	2,140	2,184
Retained profit/(loss) for the year	68	(44)
Balance at 31 December	<u>2,208</u>	<u>2,140</u>

## SPECIALIST HOLIDAYS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### 11 Reconciliation of movements in shareholder's funds

	2006 £'000	2005 £'000
Shareholder's funds at start of year	3,240	3,284
Profit/(loss) for the financial year	68	(44)
Shareholder's funds at end of year	<u>3,308</u>	<u>3,240</u>

#### 12 Non-adjusting post balance sheet events

##### Merger announcement

On 19th March 2007, TUI AG and First Choice Holidays PLC announced their intention to form TUI Travel PLC, by combining the majority of the TUI AG tourism businesses (which includes Specialist Holidays Limited and its subsidiaries) with that of First Choice Holidays PLC. The new company will be owned 51% by TUI AG and 49% by the existing shareholders of First Choice Holidays PLC. It is the intention that the newly created company will be quoted on the London Stock Exchange.

##### Change in corporation tax

On 21 March 2007 it was announced that the corporation tax rate will reduce from 30% to 28% with effect from 1 April 2008. The legislation to enact this change was not in place at the Balance Sheet date and so this change is not recognised for deferred tax purposes. The impact of the change in the calculation of the deferred tax assets is not considered to be material.

The proposal is conditional on the agreement of the shareholders of First Choice Holidays PLC and the relevant EU anti-trust authorities.

#### 13 Ultimate parent undertaking

Within the meaning of the Companies Act 1985, Crystal International Travel Group Limited is the immediate parent undertaking. 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 ("TUI NE") 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 AG's accounts are available from Investor Relations, TUI AG Karl-Wiechert-Allee 4, D-30625 Hanover or on the website address [www.tui-group.com](http://www.tui-group.com)