

Specialist Holidays Limited

(Registered Number: 1976915)

**Annual report and financial statements
for the year ended 31 December 2002**



Specialist Holidays Limited

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Specialist Holidays Limited

Officers and Professional Advisers

Directors

D J Rowe
C V Bringham
S J Leak
D J Marshall (resigned 31 March 2002)
K C Ivie (resigned 20 December 2002)
A Russell (appointed 29 November 2002)
D H Mattison (appointed 29 November 2002)
H P Farmer (appointed 29 November 2002)

Company Secretary:

A Russell

Registered Office

Greater London House
Hampstead Road
London
NW1 7SD

Bankers

Barclays Bank PLC
PO Box 112
Horsham
West Sussex RH 12 1 YQ

Solicitors

Allen & Overy
One New Change
London
EC4M 9QQ

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Specialist Holidays Limited

Directors' report for the year ended 31 December 2002

The Directors present their report and the audited financial statements for the year ended 31 December 2002.

The Directors who served during the year are set out on page 1 to the accounts.

Principal activities, trading review and future developments

The principal activity during the year is that of a tour operator.

During the year the Company sold both Jersey Travel Service and Crystal Britain to third parties for a profit of £1,385,000, see note 4.

On 31 December 2002 the Company transferred its business to TUI UK Ltd, another group Company for a consideration of £1, see note 23.

All the above trades were discontinued on that date and there was a change of principal activity to that of property management from 1 January 2003.

The overhead base will be reduced to reflect that consistent with future activities and all employees have been transferred to TUI UK Ltd.

Results and proposed dividend

The profit after tax, as shown in the profit and loss account, amounted to £3,090,000 (2001: loss £4,099,000), and has been transferred to reserves.

The profit after tax is shown after exceptional costs of £568,000 which were incurred in preparation for the fundamental reorganisation of the business processing activities to a group shared service centre, see note 4.

The Directors do not recommend payment of a dividend (2001: £Nil).

Directors' interests

No Director, who served during the period and who held office at the end of the financial period had any interest in shares or share options in the Company or TUI Northern Europe Limited at 31 December 2002.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible be identical to that of a person who does not suffer from a disability.

Specialist Holidays Limited

Directors' report for the year ended 31 December 2002 (Continued)

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house newsletter and internal intranet messaging and by giving regular briefings to managers on financial performance, future plans and other issues of importance.

Supplier payment terms

The Company is responsible for agreeing appropriate payment terms and conditions individually with its suppliers.

It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions. Trade creditors at the year end represented 30 days of purchases.

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 with the exception of the changes arising on the adoption of new accounting standards in the year as explained on page 9 under Note 1 "Accounting policies". They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 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

Following the conversion of our auditors PricewaterhouseCoopers to a limited liability Partnership (LLP) from 1 January 2003, Pricewaterhouse Coopers resigned on 23 January 2003 and the Directors appointed its successor, Pricewaterhouse Coopers LLP as auditors.

Approved by the Board of Directors and signed on behalf of the Board



D J Rowe
Director

31 July 2003

Independent auditors' report to the members of Specialist Holidays Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

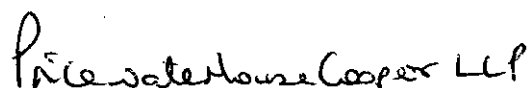
Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of the Company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

31 July 2003

Specialist Holidays Limited

Profit and loss account for the year ended 31 December 2002

	Note	Discontinued Operations	As restated
		Total 2002 £'000	Total 2001 £'000
Turnover	2	182,893	220,251
Cost of sales		(188,203)	(222,110)
Gross loss		(5,310)	(1,859)
Administrative expenses – ordinary activities		(29,221)	(31,280)
Administrative expenses – exceptional items	4	(568)	(4,470)
Administrative expenses		(29,789)	(35,750)
Operating loss		(35,099)	(37,609)
Income from shares in group undertakings		-	22,051
Profit on sale of business	4	1,385	-
Profit on transfer of business to fellow subsidiary	23	27,384	-
Interest receivable and similar income	6	719	196
Interest payable and similar charges	7	(2,671)	(608)
Loss on ordinary activities before taxation		(8,282)	(15,970)
Tax on loss on ordinary activities	5	11,372	11,871
Retained profit/(loss) on ordinary activities after taxation for the year transferred to reserves	16	3,090	(4,099)

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

The notes on pages 8 to 22 form an integral part of the financial statements.

Specialist Holidays Limited

Statement of total recognised gains and losses for the year ended 31 December 2002

	Note	2002 £'000	Restated 2001 £'000
Profit/(loss) for the financial year		3,090	(4,099)
Total recognised gains and losses relating to the year		3,090	(4,099)
Prior year adjustments	16	435	
Total gains recognised since last annual report		3,525	

The notes on pages 8 to 22 form an integral part of the financial statements.

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002

Balance sheet as at 31 December 2002

	Note	2002 £'000	As restated 2001 £'000
Fixed assets			
Intangible assets	8	-	8,272
Tangible assets	9	2,020	6,153
Investments	10	1,561	3,320
		3,581	17,745
Current assets			
Stock		-	-
Debtors	11	-	43,879
Cash at bank and in hand		-	17,473
		-	61,352
Creditors: amounts falling due within one year	12	-	(75,067)
Net current liabilities		-	(13,715)
Total assets less current liabilities		3,581	4,030
Provisions for liabilities and charges	13	-	(3,539)
Net assets		3,581	491
Capital and reserves			
Called up share capital	15	1,100	1,100
Profit and loss account		2,481	(609)
Total equity shareholder's funds	17	3,581	491

These financial statements were approved by the Board of Directors on 21 July 2003

Signed on behalf of the Board of Directors

D. J. Rowe

D J Rowe
Director

The notes on pages 8 to 22 form an integral part of the financial statements

Specialist Holidays Limited

Notes To The Financial Statements

For The Year Ended 31 December 2002 (Continued)

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 accounts have been prepared on a going concern basis as TUI Northern Europe Limited, the ultimate parent Company, 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 20. Therefore, the Company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare consolidated financial statements.

(c) Turnover

Turnover is attributable to the principal activity of the Company, arises wholly in the United Kingdom, and is stated net of value added tax and discounts. Sales of inclusive holidays, third party commission and in-house commissions are all taken to the profit and loss account on holiday departure.

Non revenue earning flights performed at the start and end of each season is charged to the profit and loss account over the season to which it relates.

(d) Marketing expenditure

Marketing expenditure, consisting of brochure and promotional costs is charged to the profit and loss account over the season to which it relates.

(e) Tangible fixed assets

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition, less accumulated depreciation. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Computer equipment	over 3-5 years
Fixtures, fittings and other equipment	over 10 years
Leasehold improvements	over the term of the lease
Leasehold Premises	over the term of the lease
Motor vehicles	over 5 years

Specialist Holidays Limited

Notes To The Financial Statements

For The Year Ended 31 December 2002 (Continued)

(f) 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. The adoption of this new standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt FRS19 was to reduce the tax credit on loss on ordinary activities by £45,000 (2001: increase the tax credit by £435,000) and to increase loss for the financial year by £45,000 (2001 reduce loss by £435,000). The adjustments to opening reserves are shown in note 16.

(g) Investments

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

(h) 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 Finance 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.

(i) Pension costs

The Company operates both defined contribution schemes, and defined benefit schemes on behalf of its employees and Directors. The assets of the schemes are held separately from those of the Company in independently administered funds. The pension costs of the defined contribution scheme are charged to the profit and loss account as they are incurred. The expected costs of providing pensions under defined benefit schemes, as calculated by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of the employees in the scheme in such a way that the pension cost is a substantial level percentage of current and expected future pensionable payroll.

(j) Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual instalments over the lease term.

Specialist Holidays Limited

Notes To The Financial Statements

For The Year Ended 31 December 2002 (Continued)

(k) Goodwill

Goodwill arising on acquisitions (representing the excess of the fair value of the consideration given, over the fair value of the net assets acquired), is carried in the balance sheet and amortised over its estimated useful life, not exceeding 20 years.

(l) Cash flow statement

The Company is a wholly-owned subsidiary of TUI Northern Europe 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 Financial Reporting Standard 1 (revised 1996).

2 Turnover

Turnover represents the gross value of flights and holidays which have departed in the accounting period. In the opinion of the Directors, provision of additional segmental information as required by the Companies Act 1985 would be seriously prejudicial to the interests of the group. The information has therefore not been disclosed as permitted by Paragraph 55(5) of Schedule 4 to the Companies Act 1985.

3 Information regarding Directors and employees

	2002 £'000	2001 £'000
Directors' emoluments		
Total Directors' emoluments (excluding pension contributions)	764	933
Compensation for loss of office	1	-
Company pension contributions to defined benefit scheme	57	42
Company pension contributions to money purchase scheme	42	148
Remuneration of highest paid Director (excluding pension contributions)	288	258
Pension contributions for highest paid Director	47	31
Average number of persons employed	No.	No.
Sales and administration	606	555
	£'000	£'000
Staff costs during the period (including Directors)		
Wages and salaries	14,511	12,465
Social security costs	1,434	1,178
Pension costs	589	969
	16,534	14,612

Pension costs include a charge of £nil for the Jetsave Retirements Benefit Plan (note 21). Benefits were accruing to 2 Directors under a defined benefits scheme (2001:2). Benefits were accruing to 4 Directors under money purchase schemes (2001:5).

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

4 Operating profit

	2002 £'000	2001 £'000
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets	1,905	1,044
Amortisation of goodwill	523	514
Operating lease charges:		
Land & buildings etc	991	828
Auditors' remuneration - audit services	135	176
- non audit services	117	-
Exchange losses/(gains)	340	(253)

Exceptional items

Administrative expenses - restructuring costs	568	4,470
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In both 2001 and 2002 exceptional costs were incurred in respect of the fundamental restructuring of the Specialist Holidays business into a division of TUI Northern Europe Limited. The amounts related to redundancy and relocation costs in 2001 and to the set up of a shared service centre in 2002

Profit on sale of business to unconnected third party	1,385	-
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The Jersey Travel Service trade was sold on 30 September 2002 for a profit of £748,000 and the Crystal Britain trade was sold on 26 April 2002 for a profit of £637,000 both to unconnected third parties, see note 10

Profit on transfer of business to fellow subsidiary	27,384	-
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The remaining trade transferred to TUI UK Ltd, a fellow group company on 31 December 2002 for a profit of £27,384,001, see note 23

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

5 Tax on profit on ordinary activities

	2002 £'000	As restated 2001 £'000
The taxation (credit) for the period comprises :		
Current tax :		
Group relief @ 30% (2001 30%)	(10,981)	(11,436)
Adjustment in respect of prior years	(436)	-
Total current tax	(11,417)	(11,436)
Deferred tax (note 14) :		
Accelerated capital allowances	56	(35)
Other timing differences	(11)	(400)
Total deferred tax	45	(435)
Tax on (loss) on ordinary activities	(11,372)	(11,871)
Tax reconciliation :		
(Loss) on ordinary activities before taxation	(8,282)	(15,970)
Expected tax (credit) at 30%	(2,485)	(4,791)
Effects of :		
Income not taxable	(8,630)	(7,080)
Expenses not deductible for tax purposes	179	-
Accelerated capital allowances and other timing differences	(45)	435
Adjustment in respect of prior years	(436)	-
	(11,417)	(11,436)

Factors that may affect future tax charges:

Based on current capital investment plans, the Company expects to continue to charge depreciation in the accounts in excess of capital allowances claimed in future years at a similar level to the current year.

Deferred tax balances have not been discounted.

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

6 Interest receivable

	2002 £'000	2001 £'000
Bank interest receivable	719	196

7 Interest payable and similar charges

	2002 £'000	2001 £'000
Bank loans, overdrafts and other loans	2,671	608

8 Intangible assets

	£'000
Goodwill	
Cost	
At 1 January 2002	10,417
Additions	-
Transferred to TUI UK Ltd	(10,417)
At 31 December 2002	-
Aggregate amortisation	
At 1 January 2002	2,145
Charge for the year	523
Transferred to TUI UK Ltd	(2,668)
At 31 December 2002	-
Net book amount at 31 December 2002	-
Net book amount at 31 December 2001	8,272

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

9 Tangible fixed assets

	Leasehold Property £'000	Computer equipment £'000	Fixtures, fittings and other equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 2002	2,806	4,453	1,658	13	8,930
Additions	251	2,664	236	2	3,153
Transferred to TUI UK Ltd	(936)	(7,117)	(1,894)	(15)	(9,962)
At 31 December 2002	2,121	-	-	-	2,121
Accumulated depreciation					
At 1 January 2002	102	2,188	485	2	2,777
Charge for the period	203	1,500	199	3	1,905
Transferred to TUI UK Ltd	(204)	(3,688)	(684)	(5)	(4,581)
At 31 December 2002	101	-	-	-	101
Net book amount					
At 31 December 2002	2,020	-	-	-	2,020
At 31 December 2001	2,704	2,265	1,173	11	6,153

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

10 Fixed assets investments

	2002 £'000
Subsidiary shareholdings at cost	
At 1 January 2002	3,320
Disposals	(1,759)
At 31 December 2002	1,561

The decrease in fixed asset investments represents the sale on 30 September 2002 of Jersey Travel Service, see note 4

The Company holds investments in the following subsidiary undertakings:

Name of Company	Holding	Country of incorporate	Proportion held	Nature of business
Magic Connoisseurs Ltd (formerly Jersey Travel Services Limited)	Ordinary shares	Great Britain	100%	Dormant
Step into Africa Ltd (formerly Guernsey Travel Services Limited)	Ordinary shares	Great Britain	100%	Dormant
C.I.S.r.l (formerly Crystal Italia S.r.l)	Ordinary Shares	Italy	100%	Hotel management
TUI UK Italia S.r.l (formerly Petit Palais S.r.l)	Ordinary shares	Italy	99%	Hotel management
Specialist Holidays Contracting Limited	Ordinary shares	Great Britain	100%	Tourism

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

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

11 Debtors

	2002 £'000	As restated 2001 £'000
Trade debtors	-	12,992
Group relief receivable	-	1,247
Other debtors	-	6,486
Prepayments and accrued income	-	22,719
Deferred tax asset (see note 14)	-	435
	-	43,879

12 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Bank overdrafts	-	6,653
Trade creditors	-	6,543
Amounts due to group undertakings	-	6,019
Taxation and social security	-	557
Corporation tax	-	436
Accruals and deferred income	-	54,859
	-	75,067

13 Provisions for liabilities and charges

	Pension Provision £'000	Restructuring Provisions £'000	Total £'000
At 1 January 2002	500	3,039	3,539
Charge for the period in profit and loss account	-	568	568
Utilised during the year	(188)	(1,591)	(1,779)
Transferred to TUI UK Ltd	(312)	(2,016)	(2,328)
At 31 December 2002	-	-	-

The restructuring provision relates to the restructuring of the Specialist Holidays business into a division of TUI Northern Europe Limited, see note 4.

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

14 Deferred tax

Deferred taxation provided in the accounts are as follows: (Asset)/liability	Provided	Restated Provided
	2002 £'000	2001 £'000
At start of period	(435)	-
Charged/(credited) to the profit and loss account (note 5)	45	(435)
	(390)	(435)
Transferred to TUI UK Ltd	390	-
At end of period	-	(435)
Provision for deferred tax		
Accelerated capital allowances	21	(35)
Other timing differences	(411)	(400)
	(390)	(435)
Transferred to TUI UK Ltd	390	-
Total provision for deferred tax	-	(435)

15 Called up share capital

	£ 2002	£ 2001
Authorised:		
Ordinary shares of £ 1 each	1,500,000	1,500,000
	£ 2002	£ 2001
Called up, allotted and fully paid		
Ordinary shares of £1 each	1,100,000	1,100,000

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

16 Profit and loss account

	2002 £'000	As restated 2001 £'000
Balance at 1 January 2002 as previously reported	(1,044)	3,490
Prior year adjustment – FRS 19	435	-
1 January 2002 as restated	(609)	3,490
Retained profit/(loss) for the year	3,090	(4,099)
Balance at 31 December 2002	2,481	(609)

17 Reconciliation of movements in shareholders' funds

	2002 £'000	As restated 2001 £'000
Profit/(loss) for the year	3,090	(26,150)
Dividend	-	22,051
Net increase/(decrease) in shareholders' funds	3,090	(4,099)
Opening shareholders' funds as previously reported	56	4,590
Prior year adjustment – FRS 19	435	-
Opening shareholders' funds as restated	491	4,590
Closing shareholders' funds	3,581	491

18 Future commitments

Operating lease commitments

At 31 December 2002 all the commitments in respect of operating leases were assigned to TUI UK Ltd as part of the transfer agreement.

19 Related party transactions

The Company is a wholly owned subsidiary of TUI Northern Europe Limited and is included in the consolidated financial statements of TUI Northern Europe Limited which are publicly available. Consequently, the Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of TUI Northern Europe Limited or investees of TUI Northern Europe Limited.

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

20 Ultimate parent companies

Within the meaning of the Companies Act 1985 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

21 Pension schemes

Jetsave Retirement Benefits Plan

SSAP 24 disclosures

The Group provides a defined benefit pension arrangement to certain employees through the Jetsave Retirement Benefits Plan. The plan was closed with effect from 31 March 2001 and all the existing members were invited to join a separate defined benefits scheme. The funds of the Plan are administered by Trustees and are separate from the funds of the company.

Independent qualified actuaries undertake a formal valuation of the Plan at least every three years. The last actuarial valuation of the Plan was carried out at 6 April 2001 and it was agreed that the deficit would be cleared by level annual payments. The market value of the Plan's assets at that date was £3.359m. The actuarial value of the Plan's assets was sufficient to cover 76% of the Plan's liabilities.

The main assumptions used were:

Assumptions	Per annum
Rate of investment returns before retirement	6%
Rate of investment returns after retirement	5%
Rate of annual increase in the Retail Price Index	2.5%

The pension cost and provision for 2002 for the Plan are as follows:

	£'000
Regular cost	0
Variation cost	689
Interest cost	90
Pension cost for the year	779
Company contributions	(140)
Difference between cost and contributions	639
Provision as at 1 January 2002	1,500
Provision as at 31 December 2002	2,139

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

21 Pension schemes (Continued)

The Plan has no active members, therefore there is no regular cost in respect of benefit accrual. The variation cost has been determined as the amount required to fully recognise the deficit in the Plan at the year end.

The Company has entered into an agreement with a fellow group entity whereby any increase in the pension deficit above the £625,000 provision established by the Company in 2001 will be borne by the affiliate. As such the difference between the deficit noted above and the provision disclosed in note 13 and the associated 2002 profit and loss account has been fully recognised in the accounts of the fellow group entity.

FRS 17 disclosures

A new pension cost accounting standard, FRS17, must be adopted for the financial year ended 31 December 2005. Under transitional arrangements the company is required to disclose the following information about the Plan and the figures that would have been shown under FRS 17 in the current balance sheet.

Composition of the Plan

The Company operated a defined benefit plan in the UK. The Plan was closed to new entrants and for future accrual from March 2001. A full actuarial valuation was carried out at 6 April 2001 and updated to 31 December 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	At year-end 31 December
	2002
Discount rate	5.47%
Inflation assumption	2.50%

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

21 Pension schemes (Continued)

The assets in the Plan and the expected rates of return were:

	Long term rate of return expected at 31 December 2002 %	Value at 31 December 2002 £000	Long term rate of return expected at 31 December 2001 %	Value at 31 December 2001 £000
Equities	7.50	1,769	6.00	2,287
Bonds	4.50	535	5.00	498
Cash	4.00	147	5.00	144
Total market value of assets		2,451		2,929
Actuarial value of liabilities		(4,605)		(3,568)
(Deficit) in the plan		(2,154)		(639)
Related deferred tax asset		646		192
Net pension (liability)		(1,508)		(447)

Under the terms of the arrangement reached with a fellow group company any increase in the pension deficit above the £625,000 provision established by the Company in 2001 will be borne by the affiliate. As such the net assets of the Company as at 31 December 2002 and 2001 would be the same under both SSAP 24 and FRS 17. As such no profit and loss account charges arise in 2002 under either accounting treatment.

TUI Pension (UK) Scheme

Employees are entitled to join the TUI Pension (UK) Scheme ('TUI' scheme). This scheme is a defined benefit scheme, is externally funded and is not contracted out of the State Earnings-Related Pension Scheme.

The TUI scheme provides benefits based on final salary and length of service. Under the Rules of the TUI scheme, the participating employers' rate of contribution is fixed but, with the minimum funding requirements ('MFR') of the Pensions Act 1995 and other relevant legislation, the scheme is, in effect, one under which the participating employers will meet the balance of costs to the extent required by that legislation. The cost recognised in the profit and loss account is equal to the contributions payable to the scheme for the year.

As at 31 December 2002 the value of the assets directly relating to Specialist Holidays Ltd could not be separately identified. Please refer to the TUI Northern Europe Ltd accounts for more information.

Specialist Holidays Limited

Notes To The Financial Statements For The Year Ended 31 December 2002 (Continued)

22 Contingent liabilities

	2002 £'000	2001 £'000
Bank guarantees	105	118

The guarantees are in respect of performance bonds for several suppliers.

On 30 August 1985 Jersey Travel Services Limited entered into a property lease which expires on 24 June 2010 at an annual rental of £7,260 plus an annual service charge of £500. On 20 February 1991 the Company assigned its interest to a third party. Under the terms of the lease the Company remains responsible for the payment of the rent for the remaining term of the lease should the underlessee fail to honour its obligations. At the balance sheet date the contingent liability for the unexpired portion of the lease amounted to £54,450 (2001: £61,710). This contingent liability is based upon the rent as charged at the date of the assignment. No details of the present rental charge are available and because the lease allows for upward rental revisions only the contingent liability may be understated by the amount of any subsequent increases.

23 Transfer of trade

On 31st December 2002 the trade and assets of Specialist Holidays Ltd were transferred to TUI UK Ltd, a fellow subsidiary of TUI NE Ltd for a consideration of £1. A profit of £27,384,001 has been recorded in respect of this transaction. No taxation charge arose as a result of this transaction.