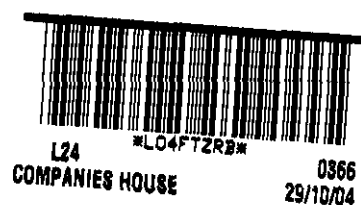


Specialist Holidays Group Limited

(Registered number: 3343095)

**Annual report and financial statements
for the year ended 31 December 2003**



Specialist Holidays Group Limited

Contents

	Page
Officers and professional advisers	2
Directors' report and statement of Directors' responsibilities	3
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8-13

Specialist Holidays Group Limited

Officers and professional advisers

Directors

D J Rowe
A Russell
D H Mattison
H P Farmer

Secretary

A Russell

Registered Office

Greater London House
Hampstead Road
London
NW1 7SD

Bankers

Barclays Bank PLC
PO Box 112
Horsham
West Sussex RH12 1YQ

Solicitors

Allen & Overy
One New Change
London EC4M 9QQ

Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Specialist Holidays Group Limited

Directors' report

The Directors present their report and the audited financial statements for Specialist Holidays Group Limited ('the Company') for the year ended 31 December 2003.

The Directors who served during the year are set out on page 2 to the accounts.

Principal activities and review of business

The principal activity of the Company is that of a holding Company. Details of subsidiary undertakings are set out in Note 5 of the attached financial statements.

The Directors do not anticipate any significant changes in the activities as a holding Company in the foreseeable future.

Results and dividends

There is no profit or loss for the year as the Company has not traded in the period (2002: loss £4,881,051). The Directors do not recommend payment of a dividend (2002:nil)

Directors and their interests

The following Directors had an interest in the shares of a group company as follows:-

As at 12.02.03 and 31.12.03	
A ordinary shares of £0.01p	Lorimer Investments Limited
D J Rowe	799
D H Mattison	545
H P Farmer	434
A Russell	171

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 2003 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.

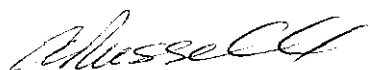
Specialist Holidays Group Limited

Directors' report (Continued)

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

A handwritten signature in cursive script, appearing to read 'A Russell', written in dark ink.

A Russell
Secretary

21 October 2004

**Independent auditors' report to the members of
Specialist Holidays Group Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet 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.

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 2003 and of its result 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

21 October 2004

Specialist Holidays Group Limited

Profit and loss account for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Administrative expenses and operating loss		-	(5,650)
Income from shares in group undertakings		-	769
Result/(loss) on ordinary activities before taxation		-	(4,881)
Tax on result/(loss) on ordinary activities	4	-	-
Result/(loss) on ordinary activities after taxation		-	(4,881)
Retained result/(loss) for the financial period	9	-	(4,881)

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 result on ordinary activities before taxation and the retained result for the year stated above and their historical cost equivalents.

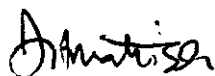
The notes on pages 8 to 13 form an integral part of these financial statements.

Specialist Holidays Group Limited

Balance sheet as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Investments	5	12,498	12,498
Current assets			
Debtors	6	769	769
Cash at bank and in hand		11	11
		780	780
Creditors: amounts falling due within one year	7	(4,632)	(4,632)
Net current liabilities		(3,852)	(3,852)
Total assets less current liabilities		8,646	8,646
Capital and reserves			
Called up share capital	8	13,569	13,569
Share premium account	9	16	16
Capital redemption reserve	9	14	14
Profit and loss account	9	(4,953)	(4,953)
Total equity shareholders' funds	10	8,646	8,646

The financial statements on pages 6 to 13 were approved by the Board of Directors on 21 October 2004 and were signed on its behalf by:



D H Mattison
Director

The notes on pages 8 to 13 form an integral part of these financial statements.

Specialist Holidays Group Limited

Notes to the financial statements for the year ended 31 December 2003

1 Accounting policies

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

a) Basis of accounting

The financial statements have been prepared in accordance with historical cost convention. The accounts have been prepared on a going concern basis.

b) Basis of 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. Therefore, the Company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare consolidated financial statements.

c) 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.

d) Investments

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

(e) Cash flow statement and related party disclosures

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). 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 group or investees of the TUI Northern Europe Limited.

Specialist Holidays Group Limited

Notes to the financial statements for the year ended 31 December 2003 (Continued)

2 Profit and loss account

The auditors' remuneration was borne by a fellow subsidiary within TUI Northern Europe Limited in both 2003 and 2002.

3 Employee costs and Directors emoluments

The Company had no employees during the year (2002: Nil). The Directors' remuneration for their services to the Company was £nil (2002: £nil)

4 Taxation on loss on ordinary activities

	2003 £'000	2002 £'000
The taxation charge for the period comprises:		
Current Tax:		
Tax on profit on ordinary activities	-	-
<hr/>		
Tax Reconciliation:		
Loss on ordinary activities before taxation	-	(4,881)
Expected tax credit at 30%	-	1,464
Effects of:		
Income not taxable	-	231
Impairment of fixed asset investments	-	(1,695)
	-	-

Specialist Holidays Group Limited

Notes to the financial statements for the year ended 31 December 2003 (Continued)

5 Fixed assets investments

Subsidiary undertakings

	Shares in subsidiary undertakings £'000	Loans to subsidiary companies £'000	Total £'000
Cost less impairment :			
At 1 January 2003	12,223	275	12,498
At 31 December 2003	12,223	275	12,498

Shares in subsidiary undertakings are stated at cost of £17,873,000 less an impairment of £5,650,000.

Fixed asset investments comprise interests in the ordinary share capital of wholly owned subsidiary undertakings.

Trading Subsidiary Undertakings

	Country of Incorporation	Principal Activity	Class and percentage of shares and voting rights held:
Specialist Holidays Limited (**)	England	Property management	Ordinary – 100%
Specialist Holidays Contracting Limited	England	Property management	Ordinary – 100%
Specialist Holiday Group Ireland Limited	Ireland	Tour operator	Ordinary – 100% (*)
Crystal Holidays Inc.	USA	Tour operator	Ordinary – 100% (*)
TUI UK Italia Srl (formerly Petit Palais Srl)	Italy	Hotel services	Ordinary – 100%

Specialist Holidays Group Limited

Notes to the financial statements for the year ended 31 December 2003 (Continued)

5 Fixed assets investments (continued)

Non-trading subsidiary undertakings:

	Country of Incorporation	Principal Activity	Class and percentage of shares and voting rights held:
Crystal International Travel Group Limited	England	Dormant	Ordinary – 100%
American Holidays (NI) Limited	England	Dormant	Ordinary – 100% (*)
Magic Connoisseurs Ltd (formerly Jersey Travel Service Ltd)	England	Dormant	Ordinary – 100%
Step into Africa Ltd (formerly Guernsey Travel Service Ltd)	England	Dormant	Ordinary – 100%
Tropical Places Limited	England	Dormant	Ordinary – 100% (*)
Crystal Holidays Limited	England	Dormant	Ordinary – 100% (*)
Jetsave International Limited	England	Dormant	Ordinary – 100% (*)
The Hive Creative Ltd (formerly Charles Grimsey Associates Ltd) (**)	England	Dormant	Ordinary – 100% (*)
Something Special Holidays Limited (**)	England	Dormant	Ordinary – 100% (*)
C.I.Srl (formerly Crystal Italia Srl) (in liquidation)	Italy	Dormant	Ordinary – 100%
Spanish Harbour Travel Services Limited	England	Dormant	Ordinary – 100%
Spanish Harbour Holidays Ltd	England	Dormant	Ordinary – 100%
Something Special (Transport) Limited	England	Dormant	Ordinary – 100%
Villa Options Limited	England	Dormant	Ordinary – 100%

The Company's interests in subsidiaries marked (*) are held directly. Interests in all other subsidiaries are held indirectly.

In the opinion of the Directors the investments in subsidiary undertakings are worth at least the amounts which they are stated in the balance sheet.

** On 31 December 2002 the trade and substantially all the net assets of these companies were transferred to TUI UK Ltd, another group undertaking. None of these companies, with the exception of Specialist Holidays Ltd, have traded since that date. Since 1 January 2003 Specialist Holidays Ltd has traded as a property management company.

6 Debtors

	2003 £'000	2002 £'000
Amounts receivable from subsidiary undertaking	769	769

Specialist Holidays Group Limited

Notes to the financial statements for the year ended 31 December 2003 (Continued)

7 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Amounts due to group undertakings	4,632	4,632

Amounts due to group undertakings include an interest free intra-group loan of £4,000,000 from TUI Northern Europe Limited repayable on demand.

8 Share capital

	2003 £'000	2002 £'000
Authorised:		
1,356,972,200 Ordinary shares of 1p each	13,569	13,569
Allotted, called up and fully paid:		
1,356,902,701 Ordinary shares of 1p each	13,569	13,569

9 Reserves

	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000
Balance at 1 January 2003	16	14	(4,953)
Retained result for the year	-	-	-
Balance at 31 December 2003	16	14	(4,953)

10 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Result/(loss) for the financial year	-	(4,881)
Net decrease in shareholders' funds	-	(4,881)
Opening shareholders' funds	8,646	13,527
Closing shareholders' funds	8,646	8,646

Specialist Holidays Group Limited

Notes to the financial statements for the year ended 31 December 2003 (Continued)

11 Ultimate parent Company

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. 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