

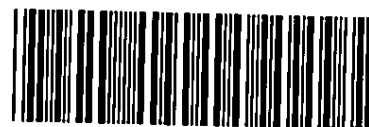
**THOMSON TRAVEL INTERNATIONAL LIMITED**

**REPORT AND ACCOUNTS**

**Year ended 31 December 2006**

**Registered Number 595595**

WEDNESDAY



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# THOMSON TRAVEL INTERNATIONAL LIMITED

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# THOMSON TRAVEL INTERNATIONAL LIMITED

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## DIRECTORS' REPORT

The directors have pleasure in presenting their Annual Report together with the accounts for the year ended 31 December 2006

### Business review and principal activities

The Company is a parent undertaking for investments in travel businesses

The Company results for the year to 31 December 2006 was loss of £10.2m (2005 £nil)

### Future outlook and principal risks

The company will continue to be non-trading 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 Group, which include those of the Company, are disclosed on page 4 of the group's annual report which does not form part of this 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

The directors during the year were as follows

H P Farmer	(resigned 31 December 2006)
D H Mattison	
A Russell	
R Churchill-Coleman	(appointed 3 January 2007, resigned 15 May 2007)
P Tymms	(appointed 15 May 2007)

Subsequent to the year end, on 3 January 2007, R Churchill-Coleman was appointed as director. On 15 May 2007 he resigned as director. On that date P Tymms was appointed director.

### Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

# THOMSON TRAVEL INTERNATIONAL LIMITED

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## DIRECTORS' REPORT (continued)

### Statement of Directors' Responsibilities continued

The directors confirm that they have complied with the above requirements in preparing the financial statements

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.

### Provision of information to auditors

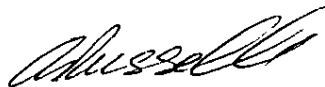
The directors confirm that so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all the steps that ought to have been taken as directors, in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

### Auditors

The company has passed an elective resolution to dispense with the holding of annual general meetings. 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

29 October 2007

PricewaterhouseCoopers LLP  
10 Bricket Road  
St Albans AL1 3JX  
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Facsimile +44 (0) 1727 892333  
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## INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF THOMSON TRAVEL INTERNATIONAL LIMITED

We have audited the financial statements of Thomson Travel International 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 loss 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  
29 October 2007

## THOMSON TRAVEL INTERNATIONAL LIMITED

### PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Impairment of investment	5	(10,166)	-
<b>Loss on ordinary activities before tax</b>		<b>(10,166)</b>	<b>-</b>
Tax on loss on ordinary activities	3	-	-
<b>Loss on ordinary activities after tax and loss for the financial year</b>	10	<b>(10,166)</b>	<b>-</b>

All amounts relate to continuing operations

There were no recognised gains or losses other than those included in the profit and loss account and accordingly no separate statement of recognised gains and losses has been presented

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

The notes on pages 7 to 11 form part of these financial statements

# THOMSON TRAVEL INTERNATIONAL LIMITED

## BALANCE SHEET

As at 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Investments	5	5,873	16,039
<b>Current assets</b>			
Cash at bank and in hand		8	8
<b>Creditors, amounts falling due within one year</b>	6	(15,213)	(15,213)
<b>Net current liabilities</b>		(15,205)	(15,205)
<b>Net (liabilities)/assets</b>		(9,332)	834
<b>Capital and reserves</b>			
Called up share capital - equity shares	7	3	3
Other reserves	8	368	368
Profit and loss account	9	(9,703)	463
<b>Shareholder's (deficit)/funds</b>	10	(9,332)	834

The financial statements on pages 5 to 11 were approved by the Board and signed on its behalf by



P Tymms  
Director  
29 October 2007

# THOMSON TRAVEL INTERNATIONAL LIMITED

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## NOTES TO THE ACCOUNTS

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, except where noted below.

#### 1) Basis of preparation

These financial statements have been prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards. The Directors have received confirmation of ongoing support from their parent company, TUI Northern Europe Limited. On this basis they consider it appropriate to prepare the financial statements on a going concern basis.

#### 2) Investments

Investments are stated at cost. Provision is made to write down the cost of investments where the directors consider that there is a permanent impairment in the value of those investments.

Investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash income flows (income generating units).

The expected income flows generated by the assets are discounted using appropriate discount rates, which reflect the risks associated with the groups of assets.

#### 3) Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

### 2 CASH FLOW STATEMENT 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 the 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.



# THOMSON TRAVEL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2006

### 3 TAX ON LOSS ON ORDINARY ACTIVITIES

	2006 £'000	2005 £'000
The taxation charge for the period comprises		
<b>Current tax</b>		
Group relief at 30% (2005 30%)	-	-
Tax on loss on ordinary activities	-	-
<b>Tax reconciliation:</b>	2006 £'000	2005 £'000
Loss on ordinary activities before taxation	(10,166)	-
Expected tax (credit)/charge at 30%	(3,050)	-
Effects of Non taxable expense/(income)	3,050	-
Tax on loss on ordinary activities	-	-

There are no factors that may affect future tax charges

Deferred tax liabilities have not been discounted

### 4 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

None of the directors received any emoluments in respect of their services to the Company (2005 nil) and the Company had no employees, excluding directors for the year ended 31 December 2006 (2005 nil)

The audit fees are borne by another group company

### 5 INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	£'000
<b>Cost</b>	
At 1 January	16,039
Additions	-
At 31 December 2006	16,039
<b>Impairment</b>	
At 1 January	-
Provided during the year	(10,166)
At 31 December 2006	(10,166)
<b>Net book value</b>	
At 31 December 2006	5,873
At 31 December 2005	16,039

# THOMSON TRAVEL INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2006

### 5 INVESTMENT IN SUBSIDIARY UNDERTAKINGS continued

During the year an impairment review of investments was carried out. This was triggered by the Directors' view of the market conditions in which the company operates altering significantly as a result of increased competition from internet based operators and low cost airlines.

The impairment loss was recognised for the amount by which the asset's carrying amount exceeded its recoverable amount, being the higher of an asset's fair value less costs to sell and its value in use.

The recoverable amount of each investment was determined by a value in use calculation using cash flow projections based on three year corporate financial budgets. A long-term growth rate of 1% was applied thereafter. The pre tax discount rates applied to cash flow projections were in the range 12.0% - 12.5%, and reflect the weighted average cost of capital expected for an investment in the tourism industry.

In accordance with Section 231 of the Companies Act 1985, the principal active subsidiary undertaking of the Company is -

	Country of registration		Class of Share	Percentage
Port Philip Group Limited	England and Wales		Ordinary	100.0

As the Company is the wholly owned subsidiary undertaking of a company incorporated in Great Britain, and in accordance with Section 228(1) of the Companies Act 1985, no group accounts have been prepared and, as a consequence, the financial statements relate only to the individual undertaking.

### 6 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Amounts owed to parent undertakings	15,213	15,213

Amounts owed to group undertakings are unsecured and have no fixed date of repayment. Balances with dormant companies are interest free.

### 7 CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised, allotted, called up and fully paid 3,000 ordinary shares of £1 each	3	3

## THOMSON TRAVEL INTERNATIONAL LIMITED

### NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2006

#### 8 OTHER RESERVES

	2006 £'000	2005 £'000
At 31 December	368	368

#### 9 PROFIT AND LOSS ACCOUNT

	2006 £'000	2005 £'000
At 1 January	463	463
Loss for the year	(10,166)	-
At 31 December	(9,703)	463

#### 10. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S (DEFICIT)/FUNDS

	2006 £'000	2005 £'000
At 1 January	834	834
Loss for the year	(10,166)	-
At 31 December	(9,332)	834

# THOMSON TRAVEL INTERNATIONAL LIMITED

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## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2006

### 11 NON ADJUSTING POST BALANCE SHEET EVENTS

#### Merger announcement

On 19 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 Thomson Travel International Limited) with that of First Choice. The new company was to be owned 51% by TUI AG and 49% by the existing shareholders of First Choice Holidays PLC and quoted on the London Stock Exchange.

Clearance was granted by the EU Competition authorities on 4 June 2007, under the condition that the existing group operations in Ireland, operating under the Budget Travel brand, were disposed of. The agreement of the shareholders of First Choice Holidays PLC was granted on 25 July 2007.

On 3 September 2007, the ordinary shares of the new combined group, TUI Travel PLC, were admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange's market for listed securities from that date.

On 2 October 2007, the sale of Budget Travel Limited to Primera Travel Group was agreed by the EU Competition authorities and the transaction was concluded on 16 October 2007.

#### Change in corporation tax rate

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.

### 12 ULTIMATE PARENT UNDERTAKING

Within the meaning of the Companies Act 1985, Thomson Travel Group (Holdings) Limited is the immediate parent undertaking. TUI AG is regarded by the Directors of the company as being the company's ultimate parent company and controlling party. Within the meaning of the said Act TUI AG is the parent undertaking of the largest group of undertakings for which the 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 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)