

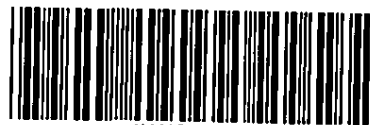
THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Report and Accounts

Year ended 31 December 2006

Registered Number 3226964

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THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

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THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

DIRECTORS' REPORT

The directors present their Annual Report and accounts for the year to 31 December 2006

Business review and principal activities

Thomson Travel Group (Holdings) Limited (the 'Company') is the parent undertaking for a group of companies (the 'Group') which during the year were involved in the leisure travel and holiday industry in the United Kingdom

The loss of the Company for the year to 31 December 2006 was £460.6m (2005 profit of £5.9m). No dividends were received (2005 nil) and no dividends were paid during the year (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 TUI Northern Europe Limited, 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 of the Company during the year and their interests were

P F Rothwell

W Waggott

J Mann

R Churchill-Coleman, (alternate for P Rothwell)

(resigned 15 May 2007)

D Mattison, (alternate for J Mann)

T Butler, (alternate for P Rothwell)

(appointed 23 May 2007)

Subsequent to the year end, on 15 May 2007, R Churchill-Coleman resigned as director. On 23 May 2007, Tony Butler was appointed as 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 GROUP (HOLDINGS) LIMITED

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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INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

We have audited the financial statements of Thomson Travel Group (Holdings) 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 GROUP (HOLDINGS) LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

	Notes	2006 £m	2005 £m
Net interest payable	3	(12.1)	(12.3)
Investment impairment		(452.1)	-
Loss on ordinary activities before tax	4	(464.2)	(12.3)
Profit on disposal of subsidiary	5	-	14.6
(Loss)/profit on ordinary activities before tax		(464.2)	2.3
Tax on (loss)/profit on ordinary activities	6	3.6	3.6
(Loss)/profit on ordinary activities after tax		(460.6)	5.9
(Loss)/retained profit for the financial period	14	(460.6)	5.9

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 total recognised gains and losses has been presented

There are no material differences between the (loss)/profit on ordinary activities before taxation and the (loss)/retained profit for the year stated above and their historical cost equivalents

The notes on pages 7 to 12 form part of the financial statements

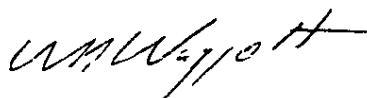
THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

BALANCE SHEET

As at 31 December 2006

	Notes	2006 £m	2005 £m
Fixed assets			
Investments	8	657.5	1,100.7
Current assets			
Debtors	9	236.5	244.2
Creditors: amounts falling due within one year	10	(488.8)	(482.1)
Net current liabilities		(252.3)	(237.9)
Total assets less current liabilities		405.2	862.8
Creditors: amounts falling due after more than one year	11	(3.0)	-
Net assets		402.2	862.8
Capital and reserves			
Called up share capital	12	73.1	73.1
Share premium account	13	735.9	735.9
Reserves	14	(406.8)	53.8
Shareholder's funds	15	402.2	862.8

The financial statements on pages 5 to 12 were approved by the Board of Directors and signed on their behalf by



W Waggott
Director

29 October 2007

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The policies have been applied consistently throughout the current and preceding years.

(1) 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 income streams (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.

(2) 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.

(3) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date and which could give rise to an obligation to pay more or less taxation in the future. Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on a non-discounted basis, at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

2 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 AG, which are publicly available (see note 17). Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of FRS1. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the TUI AG group or investees of the TUI AG group.

3 NET INTEREST PAYABLE

	2006 £m	2005 £m
Interest receivable on		
- group loans	9.7	9.6
Interest payable on		
- group borrowings	(21.8)	(21.9)
	(12.1)	(12.3)

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The auditor's remuneration was borne by another group company in the current and previous year

No directors received any emoluments for their services as directors to the company

5 PROFIT ON THE SALE OF A SUBSIDIARY

No subsidiaries were disposed in 2006 CVT Solutions Limited was sold by the company on 30 December 2005 for a profit of £14.6m

6. TAXATION

The tax credit for the year end comprises

	2006 £m	2005 £m
United Kingdom		
- Group tax relief at 30% (2005 30%)		
- current year	(3.6)	(3.6)
Tax on (loss)/profit on ordinary activities	(3.6)	(3.6)
Tax reconciliation*	2006 £m	2005 £m
(Loss)/profit on ordinary activities before taxation	(464.2)	2.3
Expected tax (credit)/charge at 30%	(139.3)	0.7
Effects of Non taxable expense/(income)	135.7	(4.3)
Tax on (loss)/profit on ordinary activities	(3.6)	(3.6)

There are no factors that may affect future tax charges

Deferred tax liabilities have not been discounted

7 DIRECTORS AND EMPLOYEES

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)

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

8. INVESTMENTS

	£'000
Cost	
At 1 January	1,102.5
Additions	8.9
At 31 December 2006	1,111.4
Impairment	
At 1 January	(1.8)
Provided during the year	(452.1)
At 31 December 2006	(453.9)
Net book value	
At 31 December 2006	657.5
At 31 December 2005	1,100.7

On 24 August 2006, the company acquired 100% of the issued share capital of Explorers Travel Club Limited for cash consideration of £5.9m and deferred consideration of £3.0m

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.

Each tour operator brand and retail brand was reviewed as an income generating unit. 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 unit 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 228 (1) of the Companies Act 1985 no group accounts have been prepared as the Company is a wholly owned subsidiary undertaking of a company registered in England and Wales and, as a consequence, the financial statements relate only to the individual undertaking.

PRINCIPAL SUBSIDIARY UNDERTAKINGS

At 31 December 2006 the Company's principal subsidiary undertakings were

Company	Country of incorporation or registration, and operation	Proportion of share capital held by the company
Thomsonfly Limited	England	100%
Specialist Holidays Group Limited	England	100%
TUI UK Limited	England	100%

Thomsonfly Limited operates the UK airline of the group, Specialist Holidays Group Limited is a holding company and TUI UK Limited is a holiday tour operator.

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

9 DEBTORS

	2006 £m	2005 £m
Amount due from subsidiary undertakings	217.3	225.9
Amount due from group undertakings	14.7	-
Other debtors	0.9	14.6
Group tax relief	3.6	3.7
At 31 December	236.5	244.2

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. Balances with dormant companies are interest free and all others bear interest at the Bank of England base rate.

10 CREDITORS amounts falling due within one year

	2006 £m	2005 £m
Amount due to subsidiary undertakings	37.3	47.3
Amount due to parent undertakings	451.5	434.8
At 31 December	488.8	482.1

Amounts owed to group undertakings are unsecured and have no fixed date of repayment. Balances with dormant companies are interest free and all others bear interest at the Bank of England base rate.

11 CREDITORS amounts falling due after more than one year

	2006 £m	2005 £m
Deferred consideration	3.0	-
At 31 December	3.0	-

The deferred consideration relates to the acquisition of Explorers Travel Club Limited in August 2006 (see note 8).

12 SHARE CAPITAL

Authorised – 2006 and 2005		£m
Equity	365,380,040 ordinary shares of 20p each	73.1
Non-equity	65,409,965 6 52% preference shares of £1 each	65.4
	26,512,967 6 8% preference shares of £1 each	26.5
	79,108,428 7 75% preference shares of £1 each	79.1
		244.1
Allotted, called up and fully paid – 2006 and 2005		£m
Equity	365,380,040 ordinary shares of 20p each	73.1

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

13 SHARE PREMIUM ACCOUNT

	£m
At 1 January and 31 December 2006	735.9

14 RESERVES

	Profit and loss account 2006 £m	Profit and loss account 2005 £m
At 1 January	53.8	47.9
(Loss)/profit for the year	(460.6)	5.9
At 31 December	(406.8)	53.8

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2006 £m	2005 £m
(Loss)/profit for the financial period	(460.6)	5.9
Net (decrease)/increase in shareholder's funds	(460.6)	5.9
Shareholder's funds at 1 January	862.8	856.9
Shareholder's funds at 31 December	402.2	862.8

16 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 Group (Holdings) 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, the Chancellor announced a decrease in the corporation tax rate from 30% to 28%, effective from April 2008. The impact of this change is not material to the results of the company.

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS continued

17 ULTIMATE PARENT UNDERTAKING

Within the meaning of the Companies Act 1985, the Company's immediate parent undertaking is TUI NE 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 for which group accounts are drawn up and of which the Company is a member and 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 NE is registered 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 TUI AG website address www.TUI-group.com