

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

for the year ended 30 September 2008

Company Number: 3226964

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THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Directors' Report for the year ended 30 September 2008

The Directors submit their report and audited financial statements for Thomson Travel Group (Holdings) Limited (the "Company") for the year ended 30 September 2008.

Business review and principal activity

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.

Future outlook and principal risks

The Company will continue to be non-trading, only receiving and paying interest on inter-group funding, and the principal risks and uncertainties of the Company are integrated with the principal risks of the TUI Travel PLC group of Companies ("TUI Travel Group") and are not managed separately. Accordingly, the principal risks and uncertainties of the TUI Travel Group, which include those of the Company, are disclosed on pages 34 and 35 of the TUI Travel PLC Directors' report and financial statements which does not form part of this report. Note 15 details where this document can be obtained.

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.

Results and dividends

The loss of the Company after taxation for the year ended 30 September 2008 was £11.4m (9-month period ended 30 September 2007: loss of £8.7m). No dividends were received (9-month period ended 30 September 2007: £nil) and no dividends were paid during the year (9-month period ended 30 September 2007: £nil). The Directors do not recommend the payment of a final dividend.

Directors

The Directors at the date of this report are:

J P M Bowtell	(appointed 3 March 2008)
W H Waggott	
J S Mann	
A L John	(appointed 3 March 2008)

The following Directors also served during the year:

P F Rothwell	(resigned 21 December 2007)
D H Mattison - alternate for J Mann	(resigned 31 March 2008)
F A Butler - alternate for P F Rothwell	(resigned 21 December 2007)

Directors' Insurance

The intermediate parent Company, TUI Travel PLC, maintains Directors' & Officers' Liability insurance policies on behalf of the Directors of the Company for all wrongful acts.

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Directors' Report for the year ended 30 September 2008 (continued)

Policy and practice on payment of suppliers

It is the Company's policy wherever possible to agree terms of payment with suppliers in advance to ensure that they are made aware of the terms of payment and both parties abide by those terms. The Company did not trade with external suppliers and therefore no trade creditors existed at any time during the year.

Post balance sheet event

On 1 October 2008 the entire issued share capital of Thomson Airways Limited (formally Thomsonfly Limited) was transferred from the Company to TUI Travel Holdings Limited (formally CBQ No 1 Limited) a fellow subsidiary in the TUI Travel Group.

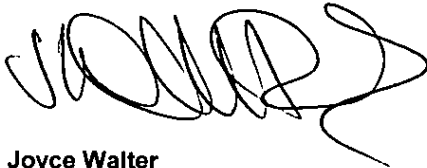
Statement of disclosure of information to auditors

The Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



Joyce Walter
Company Secretarty

16 April 2009

Registered Office:
TUI Travel House
Crawley Business Quarter
Fleming Way
Crawley
RH10 9QL

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Statement of Directors' Responsibilities in respect of the Directors' report and the financial statements for the year ended 30 September 2008

The Directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with United Kingdom generally accepted accounting practice (United Kingdom Accounting Standards and applicable law). The Company 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 for that year.

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 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.

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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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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 30 September 2008 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 in respect of the Directors' Report and the financial statements.

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 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 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

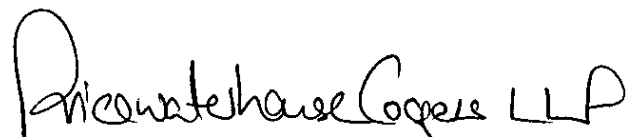
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 30 September 2008 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
21 April 2009

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Profit and loss account for the year ended 30 September 2008

	Note	Year ended 30 September 2008 £m	9-month period ended 30 September 2007 £m
Net interest payable	4	(16.1)	(11.3)
Investment impairment	6	-	(0.8)
Loss on ordinary activities before tax	2	(16.1)	(12.1)
Tax on loss on ordinary activities	5	4.7	3.4
Loss for the financial year / period	12	(11.4)	(8.7)

A note on historical profits and losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

The Company has no other recognised gains or losses other than disclosed in the profit and loss account. Accordingly a statement of total recognised gains and losses is not presented.

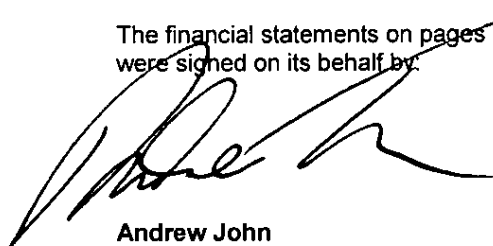
The results stated above are all derived from continuing operations.

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Balance sheet as at 30 September 2008

	Note	30 September 2008 £m	30 September 2007 £m
Fixed assets			
Investments	6	655.0	655.0
Current assets			
Debtors	7	256.6	244.4
Creditors: amounts falling due within one year	8	(529.5)	(504.8)
Net current liabilities		<u>(272.9)</u>	<u>(260.4)</u>
Total assets less current liabilities		<u>382.1</u>	<u>394.6</u>
Creditors: amounts falling due after more than one year	9	-	(1.1)
Net assets		<u>382.1</u>	<u>393.5</u>
Capital and reserves			
Called up share capital	10	73.1	73.1
Share premium account	11	735.9	735.9
Profit and loss account	12	(426.9)	(415.5)
Shareholders' funds	13	<u>382.1</u>	<u>393.5</u>

The financial statements on pages 5 to 12 were approved by the Board of Directors on 16 April 2009 and were signed on its behalf by:



Andrew John
Director

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards under the historic cost convention.

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.

Under Financial Reporting Standard 1 'Cash Flow Statements' (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Going concern

The accounts are prepared on the going concern basis as TUI Travel PLC has agreed to provide financial support to the Company in order that it can continue to trade and meet its liabilities as they fall due for as long as they remain a member of the TUI Travel Group.

Related party transactions

The Company has taken advantage of the exemption contained in Financial Reporting Standard No. 8 "Related party disclosures" as it is a wholly-owned subsidiary of TUI Travel PLC. Therefore the Company has not disclosed transactions or balances with entities that form part of the group headed by TUI Travel PLC.

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 investment's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment'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.

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

2 Loss on ordinary activities before taxation

In 2008 loss on ordinary activity before taxation was £16.1m (9 month period ended 30 September 2007: £12.1m after an impairment charge of £0.8m). Auditors' remuneration was borne by another group company.

3 Directors and employees

All Directors are remunerated by other group companies and no recharge has been made for services performed in relation to the Company (9-month period ended 30 September 2007: £nil). The Company had no employees, other than Directors, for the year ended 30 September 2008 or the 9-month period ended 30 September 2007.

4 Net interest payable

	Year ended 30 September 2008 £m	9-month period ended 30 September 2007 £m
Interest receivable and similar income on loans to group undertakings	11.0	9.0
Interest payable and similar charges on borrowings from group undertakings	(27.1)	(20.3)
Net interest payable	(16.1)	(11.3)

5 Taxation

The tax credit in the financial statements can be summarised as follows:

	Year ended 30 September 2008 £m	9-month period ended 30 September 2007 £m
Tax credit on ordinary activities:		
(i) Analysis of the credit in the year / period		
Current tax:		
UK corporation tax on loss for the year / period	(4.7)	(3.4)
Total current tax credit	(4.7)	(3.4)
Deferred tax	-	-
Total deferred tax	-	-
Tax credit on loss on ordinary activities	(4.7)	(3.4)

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

5 Taxation (continued)

(ii) Factors affecting the current tax credit for the year / period

The current tax credit for the year / period is equal to (2007: lower than) the standard average rate of corporation tax in the UK of 29% (2007: 30%). The differences are explained below:

	Year ended 30 September 2008 £m	9-month period ended 30 September 2007 £m
Loss on ordinary activities before tax	(16.1)	(12.1)
Loss on ordinary activities at the standard rate of UK corporation tax of 29% (2007: 30%)	(4.7)	(3.6)
Effects of:		
-Expenses not deducted for tax purposes	-	0.2
Current tax credit for the year / period	(4.7)	(3.4)

(iii) Factors affecting the future tax charge

The rate of taxation is expected to follow the standard rate of UK corporation tax in future periods. With effect from 1 April 2008, the UK statutory rate of corporation tax reduced to 28%. This has resulted in a blended standard statutory rate of UK tax of 29% in the year ended 30 September 2008 which will reduce to 28% in future years.

There is no unprovided deferred taxation at either 30 September 2008 or 30 September 2007.

6 Investments

	£m
Cost	
At 1 October 2007	1,109.7
Movement in the year	-
At 30 September 2008	1,109.7
Impairment	
At 1 October 2007	(454.7)
Provided during the year	-
At 30 September 2008	(454.7)
Net book value	
At 30 September 2008	655.0
At 30 September 2007	655.0

The Directors believe that the carrying value of all investments is supported by their underlying net assets.

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

6 Investments (continued)

Principal subsidiary undertakings

At 30 September 2008 the Company's principal subsidiary undertakings were:

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

Thomson Airways Limited operates the UK airline of the TUI Travel Group; Specialist Holidays Group Limited is a holding Company and TUI UK Limited is a holiday tour operator.

The impairment review has been performed considering the full impact of the transfer of Thomson Airways Limited as described in the post balance sheet event note 14. The transfer value for Thomson Airways Limited exceeds the value of the investment in Thomson Airways Limited and therefore there is no impairment in the value of the investment in Thomson Airways Limited.

7 Debtors

	30 September 2008 £m	30 September 2007 £m
Amount owed by subsidiary undertakings	226.0	225.6
Amount owed by group companies	25.9	15.3
Group relief receivable from group companies	4.7	3.4
Other debtors	-	0.1
	<u>256.6</u>	<u>244.4</u>

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.

8 Creditors: amounts falling due within one year

	30 September 2008 £m	30 September 2007 £m
Amounts owed to subsidiary undertakings	40.7	38.9
Amounts owed to group companies	487.7	465.9
Deferred consideration	1.1	-
	<u>529.5</u>	<u>504.8</u>

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.

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

9 Creditors: amounts falling due after more than one year

	30 September 2008 £m	30 September 2007 £m
Deferred consideration	-	1.1

The deferred consideration relates to the acquisition of Explorers Travel Club Limited in August 2006. This is due to be settled during the year ending September 2009 and has therefore been reclassified as falling due within one year.

10 Share capital

	£m
Authorised – 30 September 2008 and 30 September 2007	
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
	<u>244.1</u>

Allotted, called up and fully paid – 30 September 2008 and 30 September 2007

Equity: 365,380,040 ordinary shares of 20p each	<u>73.1</u>
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11 Share premium account

	£m
At 30 September 2008 and 2007	<u>735.9</u>

12 Reserves

	Profit and loss £m
At 1 October 2007	(415.5)
Loss for the financial year	(11.4)
At 30 September 2008	<u>(426.9)</u>

THOMSON TRAVEL GROUP (HOLDINGS) LIMITED

Notes forming part of the financial statements for the year ended 30 September 2008 (continued)

13 Reconciliation of movements in shareholders' funds

	Year ended 30 September	9 month period ended 30 September
	2008 £m	2007 £m
Loss for the financial year / period	(11.4)	(8.7)
Net decrease in shareholders' funds	(11.4)	(8.7)
Opening shareholders' funds	393.5	402.2
Closing shareholders' funds	382.1	393.5

All shareholders' funds relate to equity interests.

14 Post balance sheet event

On 1 October 2008 the entire issued share capital of Thomson Airways Limited (formally Thomsonfly Limited) was transferred from the Company to TUI Travel Holdings Limited (formally CBQ No 1 Limited) a fellow subsidiary in the TUI Travel Group.

15 Ultimate parent company and controlling party

The Company is a subsidiary undertaking of TUI AG – a Company registered in Berlin and Hanover (Federal Republic of Germany), which is the ultimate parent Company. The intermediate holding Company is TUI Travel PLC. The immediate parent undertaking is TUI Northern Europe Limited.

The largest group in which the results of the Company are consolidated is that headed by TUI AG. The smallest group in which the results of the Company are consolidated is that headed by TUI Travel PLC, incorporated in the United Kingdom. No other group financial statements include the results of the Company.

Copies of the TUI Travel PLC financial statements are available from TUI Travel House, Crawley Business Quarter, Fleming Way, Crawley, West Sussex RH10 9QL. Copies of the TUI AG financial statements are available from Investor Relations, TUI AG, Karl-Wiechert-Allee 4, D-30625, Hanover or on TUI website address: www.tui-group.com.