UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☑ **ANNUAL REPORT PURSUANT TO SECTION 13(A) OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006 **Commission File Number: 1-31349**

THE THOMSON CORPORATION

(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English (if applicable))

Ontario
(Province or other jurisdiction of incorporation or organization)
2741
(Primary Standard Industrial Classification Code Number (if applicable))
98-0176673
(I.R.S. Employer Identification Number (if applicable)
Metro Center, One Station Place, Stamford, Connecticut 06902, (203) 539-8000
(Address and telephone number of Registrant's principal executive offices)

Thomson Holdings Inc.
Attn: Deirdre Stanley, Esq., Senior Vice President and General Counsel
Metro Center, One Station Place, Stamford, Connecticut 06902, (203) 539-8000
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Debt Securities
For annual reports, indicate by check mark the information filed with this Form:
☑ Annual information form ☑ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

640,437,013 common shares and 6,000,000 Series II preference shares

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the file number assigned to the Registrant in connection with such Rule.

Yes o 82-___ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No o

DISCLOSURE CONTROLS AND PROCEDURES

The disclosure provided under the heading “Disclosure Controls and Procedures” on page 41 of Exhibit 99.2 (Management’s Discussion and Analysis) is incorporated by reference herein.

INTERNAL CONTROL OVER FINANCIAL REPORTING

a. **Changes in internal control over financial reporting**.

The disclosure provided under the heading “Internal Control over Financial Reporting” on page 41 of Exhibit 99.2 (Management’s Discussion and Analysis) is incorporated by reference herein.

b. **Management’s report on internal control over financial reporting.**

The disclosure provided under the heading “Internal Control over Financial Reporting” on page 41 of Exhibit 99.2 (Management’s Discussion and Analysis) and the disclosure provided under the heading “Management’s Report on Internal Control over Financial Reporting” on page 1 of Exhibit 99.3 (Audited Consolidated Financial Statements) are incorporated by reference herein.

c. **Auditor’s attestation report on internal control over financial reporting.**

The disclosure provided under the heading “Independent Auditor’s Report” on page 2 of Exhibit 99.3 (Audited Consolidated Financial Statements) is incorporated by reference herein.

AUDIT COMMITTEE FINANCIAL EXPERT

The disclosure provided under the heading “Audit Committee” on page 41 of Exhibit 99.1 (Annual Information Form) is incorporated by reference herein.

CODE OF ETHICS

The disclosure provided under the heading “Code of Business Conduct and Ethics” on page 47 of Exhibit 99.1 (Annual Information Form) is incorporated by reference herein.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The disclosure provided under the heading “Principal Accountant Fees and Services” on page 44 of Exhibit 99.1 (Annual Information Form) is incorporated by reference herein.

OFF-BALANCE SHEET ARRANGEMENTS

The disclosure provided under the heading “Off-Balance Sheet Arrangements, Commitments and Contractual Obligations” on page 29 of Exhibit 99.2 (Management’s Discussion and Analysis) is incorporated by reference herein.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The disclosure provided under the heading “Off-Balance Sheet Arrangements, Commitments and Contractual Obligations” on page 29 of Exhibit 99.2 (Management’s Discussion and Analysis) is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant has a separately designated Audit Committee of its Board of Directors established in accordance with Section 3(a)(58)(A) of the Exchange Act. The disclosure provided under the heading "Audit Committee" on page 41 of Exhibit 99.1 (Annual Information Form) is incorporated by reference herein.

DISCLOSURE PURSUANT TO REQUIREMENTS OF THE NEW YORK STOCK EXCHANGE

The disclosure provided under the headings "Controlled Company," "Independent Directors," "Presiding Directors at Meetings of Non-Management and Independent Directors," "Communications with Non-Management and Independent Directors and Presiding Directors" and "Corporate Governance Guidelines and Board Committee Charters" beginning on page 45 of Exhibit 99.1 (Annual Information Form) is incorporated by reference herein.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

a. Undertaking.

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

b. Consent to Service of Process.

The Registrant has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

THE THOMSON CORPORATION

By: /s/ Deirdre Stanley
Name: Deirdre Stanley
Title: Senior Vice President and General Counsel

Date: March 1, 2007

EXHIBIT INDEX

Exhibit Number	Description
99.1	Annual Information Form for the year ended December 31, 2006
99.2	Management’s Discussion and Analysis for the year ended December 31, 2006
99.3	Audited Consolidated Financial Statements for the year ended December 31, 2006
99.4	Consent of PricewaterhouseCoopers LLP, Independent Auditors
99.5	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.7	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

EXHIBIT 99.1

THE THOMSON CORPORATION

Annual Information Form

For the Year Ended December 31, 2006

March 1, 2007

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In this annual information form, “Thomson,” “we,” “us” and “our” each refers to The Thomson Corporation and its consolidated subsidiaries unless the context requires otherwise.

Unless the context requires otherwise, references in this annual information form to “$,” “US$” or “dollars” are to United States (U.S.) dollars. References in this annual information to “C$” are to Canadian dollars. In 2006, the average daily exchange rate was US$1.00 = C$1.13.

Information contained on our website or any other websites identified in this annual information form is not part of this annual information form. All website addresses listed in this annual information form are intended to be inactive, textual references only. The Thomson logo and other trademarks, trade names and service names of our company and our subsidiaries mentioned in this annual information form are the property of our company and our subsidiaries.

1. FORWARD-LOOKING STATEMENTS

Certain statements included in this annual information form constitute forward-looking statements. When used in this annual information form, the words “anticipate,” “believe,” “plan,” “estimate,” “expect,” “intend,” “will,” “may” and “should” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect our current expectations concerning future results and events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, which include, but are not limited to:

- actions of our competitors;
- our failure to fully derive anticipated benefits from our acquisitions or complete dispositions;
- failures or disruptions of our electronic delivery systems or the Internet;
- our failure to meet the special challenges involved in expansion of our operations outside North America;
- the failure of our significant investments in technology to increase our revenues or decrease our operating costs;
- our failure to develop new products, services, applications and functionalities to meet our customers’ needs, attract new customers or expand into new geographic markets;
- increased accessibility by our customers to free or relatively inexpensive information sources;
- our failure to maintain the availability of information obtained through licensing arrangements and changes in the terms of our licensing arrangements;
- changes in the general economy;
- our failure to recruit and retain high quality management and key employees;
- increased self-sufficiency of our customers;
- inadequate protection of our intellectual property rights;
- actions or potential actions that could be taken by our principal shareholder, The Woodbridge Company Limited, or Woodbridge;
- our failure to realize the anticipated savings and operating efficiencies from the THOMSON*plus* initiative;
- an increase in our effective income tax rate; and
- impairment of our goodwill and identifiable intangible assets.

These factors and other risk factors described in this annual information form represent risks that our management believes are material. Other factors not presently known to us or that we presently believe are not material could also cause actual results to differ materially from those expressed in our forward-looking statements. We caution you not to place undue reliance on these forward-looking statements that reflect our view only as of the date of this annual information form. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. CORPORATE STRUCTURE

The Thomson Corporation was incorporated under the Business Corporations Act of Ontario, Canada by articles of incorporation dated December 28, 1977. We restated our articles on February 28, 2005. Our registered office is Suite 2706, Toronto Dominion Bank Tower, P.O. Box 24, Toronto-Dominion Centre, Toronto, Ontario M5K 1A1, Canada. Our principal executive office is at Metro Center, One Station Place, Stamford, Connecticut 06902, United States.

The following provides information about our intercorporate relationships with our principal subsidiaries as of December 31, 2006. As of that date, we beneficially owned, directly or indirectly, 100% of the voting and non-voting securities of each of these subsidiaries. Certain subsidiaries, each of which represents not more than 10% of the consolidated assets and not more than 10% of the consolidated revenues of our company, and all of which, in the aggregate, represent not more than 20% of the total consolidated assets and the total consolidated revenues of our company at December 31, 2006, have been omitted. Indentation indicates the voting securities are directly or indirectly owned by the subsidiary listed above. Our legal structure is not indicative of our operational structure.

Subsidiary	Jurisdiction of Incorporation/Formation
Thomson Canada Limited	Ontario, Canada
Thomson U.S. Holdings Inc.	Delaware, U.S.A.
THI (U.S.) Inc.	Delaware, U.S.A.
Thomson U.S. Inc.	Delaware, U.S.A.
The Thomson Corporation Delaware Inc.	Delaware, U.S.A.
Thomson TradeWeb LLC	Delaware, U.S.A.
Thomson Healthcare Inc.	Florida, U.S.A.
Thomson Financial Holdings Inc.	Delaware, U.S.A.
Thomcorp Holdings Inc.	New York, U.S.A.
Quantitative Analytics, Inc.	Illinois, U.S.A.
Thomson Financial LLC	Delaware, U.S.A.
Thomson Scientific Inc.	Pennsylvania, U.S.A.
Thomson Legal & Regulatory Inc.	Minnesota, U.S.A.
West Publishing Corporation	Minnesota, U.S.A.
West Services Inc.	Delaware, U.S.A.
Thomson Learning Inc.	Delaware, U.S.A.
Thomson Professional & Regulatory Inc.	Texas, U.S.A.
The Gale Group, Inc.	Delaware, U.S.A.
Thomson Holdings Inc.	Delaware, U.S.A.
The MEDSTAT Group, Inc.	Delaware, U.S.A.
Thomson Holdings S.A.	Luxembourg
Thomson Finance SA	Luxembourg
Thomson International SA	Luxembourg
The Thomson Corporation PLC	England and Wales
The Thomson Organisation Limited	England and Wales
TTC (1994) Limited	England and Wales
Thomson Information & Publishing Holdings Limited	England and Wales
Thomson Information & Solutions Limited	England and Wales
Thomson Legal & Regulatory Limited	England and Wales
Thomson Financial Limited	England and Wales

3. GENERAL DEVELOPMENT OF THE BUSINESS

Overview

We are one of the world's leading information services providers. We are focused on providing products and services that:

- serve business and professional customers;
- target customer segments and sub-segments that we believe provide the best opportunities for growth and profitability;
- integrate critical, must-have data with software, tools and services;
- generate subscription-based or recurring revenues;
- reach customers directly through a technology platform;
- integrate into customers' workflows; and
- are scalable and leverageable.

Through ongoing portfolio optimization and a disciplined capital allocation, we continue to shift our product and services portfolio to a higher percentage of electronic workflow solutions.

While we are a Canadian company, our operational headquarters are based in Stamford, Connecticut. Our corporate center initiates and executes strategy and manages other company-wide functions. Through December 31, 2006, we organized our operations in the following market groups that were structured on the basis of the customers they served:

- **Thomson Legal & Regulatory** - a leading provider of information solutions to legal, tax, accounting, intellectual property, compliance and other business professionals, as well as government agencies;
- **Thomson Financial** - a leading provider of products and integration services to financial and technology professionals in the corporate, investment banking, institutional, retail wealth management and fixed income sectors of the global financial community; and
- **Thomson Scientific & Healthcare** - a leading provider of information and services to researchers, physicians and other professionals in the healthcare, academic, scientific, corporate and government marketplaces.

In October 2006, we announced our intention to divest the entirety of our **Thomson Learning** market group, including those businesses serving the higher education, careers, library reference, corporate e-learning and e-testing markets. We expect to complete the sale in 2007. See "Acquisitions and Dispositions" below for more information.

In October 2006, we also announced a realignment of our operations, effective January 1, 2007. While we previously announced that we would manage our business along six business segments, we subsequently decided that our North American Legal and International Legal & Regulatory businesses will be managed as one segment within Thomson Legal to better serve our customers in those markets. Effective January 1, 2007, Thomson Tax & Accounting became an individual segment which was previously contained within the Thomson Legal & Regulatory market group. Also effective January 1, 2007, Thomson Scientific and Thomson Healthcare became individual segments. They previously comprised the Thomson Scientific & Healthcare market group.

As such, we will report on the following five business segments beginning with results for the first quarter of 2007:

- **Thomson Legal**;
- **Thomson Tax & Accounting**;
- **Thomson Financial**;
- **Thomson Scientific**; and
- **Thomson Healthcare**.

2006 Operational Priorities

In 2006, we made progress on our three key operational priorities:

2006 Objective	2006 Progress
Accelerate revenue growth from existing businesses through workflow solutions.	Revenue growth from existing businesses was up 6% compared to 2005 (total revenues increased 8%).
Optimize the business portfolio to improve growth and returns.	Announced a decision to sell Thomson Learning and refined internal investment process.
Optimize our infrastructure to support growth and improve profitability.	Launched THOMSON*plus* initiative in mid-2006, which is already driving efficiencies. THOMSON*plus* is a coordinated series of initiatives that are designed to increase our company's organizational efficiency and effectiveness by leveraging technology and scale and adopting industry best practices. The result is a common, robust infrastructure that can be leveraged across our company.

2007 Operational Priorities

For 2007, our three key operational priorities are:

- Successfully complete the sale of Thomson Learning and deploy the proceeds in a manner that will result in long-term value creation for shareholders;
- Continue to increase revenue growth from existing businesses through the build-out of new and existing solutions; and
- Continue to aggressively implement THOMSON*plus* initiatives to drive operational efficiency and effectiveness across the organization.

Acquisitions and Dispositions

During the last three years, we made a number of tactical acquisitions that complemented our existing information businesses. For many of our acquisitions, we purchased information or a product or service that we integrated into our operations to broaden the range of our offerings. As alternatives to the development of new products and services, these acquisitions often have the advantages of faster integration into our product and service offerings and cost efficiencies. These acquisitions have further strengthened our leadership position, expanded our product offerings and enabled us to enter adjacent markets and tap new revenue streams. In addition, as part of our continuing strategy to optimize our portfolio of businesses, to sharpen our strategic focus on providing electronic workflow solutions to business and professional markets and to ensure that we are investing in parts of our business that offer the greatest opportunities to achieve growth and returns, we also actively pursued the sale of a number of businesses during the last three years. For more information on acquisitions and dispositions that we made in 2004, 2005 and 2006, please see our Management’s Discussion and Analysis for the year ended December 31, 2006.

4. DESCRIPTION OF THE BUSINESS

Overview

We serve customers principally in the following sectors: law, tax, accounting, financial services, scientific research and healthcare. We believe these sectors are fundamental to economic development globally and consequently have strong potential for consistent long-term growth.

We have a leading market position and well recognized and respected brands in each of our principal markets. Our revenues in 2006 (which exclude all discontinued operations, including Thomson Learning) were approximately $6.6 billion and we derived approximately 82% of our revenues from subscription and other similar contractual arrangements, which are generally recurring in nature. In 2006, we derived 83% of our revenues from our operations in North America.

We use a variety of media to deliver our products and services to our customers. We deliver information electronically over the Internet, through dedicated transmission lines, CDs and handheld wireless devices. Electronic delivery of our products and services improves our ability to provide additional products and services to our existing customers and to access new customers around the world. In 2006, electronic, software and services revenues comprised 80% of our total revenues. We also deliver some of our products and services in print and CD format. Since Thomson Learning's businesses have a higher percentage of revenues which are print-based, the percentage of our total revenues derived by our continuing operations from electronic, software and services revenues has increased.

As discussed in Section 3, "General Development of the Business," our organizational realignment became effective on January 1, 2007. In connection with this realignment, we eliminated the market group structure and now operate in five segments. The following table summarizes certain information as of December 31, 2006 about each of our new segments (effective January 1, 2007) and corporate center.

Segments and Corporate Center

	2006 Revenues (1)	% of Revenues	% of Revenues from Electronic, Software and Services	Countries	Employees
Thomson Legal	$3,053	46	66	22	14,600
Thomson Tax & Accounting	598	9	83	1	3,000
Thomson Financial	2,015	30	98	24	9,300
Thomson Scientific	602	9	95	19	2,400
Thomson Healthcare	393	6	73	10	2,600
Corporate	N/A	N/A	N/A	16	475
Total	$6,641	100	80	37	32,375

(1) In millions of U.S. dollars.

Our corporate center supports our business operations. By centralizing key functions in our corporate center, we foster a company-wide approach while allowing our segments sufficient operational flexibility and scope for initiative in dealing with customers. In addition to identifying new business opportunities and acquisitions, our corporate center oversees the planning processes of our segments and their implementation of strategy and assesses their performance. Our corporate center develops and executes capital strategy, including tax planning, and determines our overall direction on technology. In addition, our corporate center is responsible for appointing senior executives and overseeing their training and development.

In the tables included below in this section, countries are indicated in parenthesis where brands are principally associated with products and services offered in countries other than the United States.

Thomson Legal

Overview

Thomson Legal is a leading provider of workflow solutions to legal, intellectual property, compliance and other business professionals, as well as government agencies. We offer a broad range of products and services that utilize our electronic databases of legal, regulatory and business information. We are one of the largest publishers of legal textbooks and materials. Our offerings also include software to assist lawyers with practice management functions, including document management, case management and other back office functions. We also offer Internet-accessible legal directories, website creation and hosting services, law firm marketing solutions to assist our customers in their client development initiatives and continuing legal educational programs. We also provide strategic consulting advisory services to the legal industry. In 2006, we provided products and services to each of the 100 largest law firms in the world in terms of revenues and our databases are some of the largest in the world.

Thomson Legal consists of two business groups:

- North American Legal; and
- International Legal & Regulatory.

In 2006 and 2005, Thomson Legal generated revenues of approximately $3.1 billion and $2.8 billion, respectively. The following table provides additional information regarding Thomson Legal’s revenues in 2006 and 2005.

	% of Total Revenues	
	2006	2005
Electronic, software and services	66%	64%
From North America	83%	83%
Recurring/subscription-based	84%	84%

Products and Services

Thomson North American Legal

As a result of our West business, we are the leading provider in the United States of legal information-based products and services. The following provides information about our major North American Legal brands.

Major Brands	Principal Products and Services	Customers
West Westlaw LIVEDGAR LiveNote Carswell (Canada) eCarswell (Canada) West km	Legal information-based products and services	Lawyers, law students, law librarians, legal professionals and court reporters
Thomson Elite Elite 3E	Law firm management software, competitive	Lawyers and legal professionals

Major Brands	Principal Products and Services	Customers
West Monitor Suite ProLaw	intelligence	
Hildebrandt International	Strategic consulting advisory services	Lawyers and legal professionals
FindLaw HubbardOne LegalWorks	Web-based legal directory, website creation and hosting services and law firm marketing solutions	Lawyers and legal professionals
Foundation Press West Law School Publishing BAR/BRI West LegalEdcenter	Textbooks, study aids, bar review courses, continuing education materials and seminars	Law students, lawyers and legal professionals

We provide legal and regulatory solutions to virtually every large law firm, significant government institution and law school in the United States and to small and medium-sized law firms and corporate in-house legal professionals. Our information includes case law, statutes, administrative material, law reviews and treatises, competitive intelligence, securities filings, lawyer profiles, legal commentary, news, public records and legal forms, in electronic and print formats. Our North American Legal businesses offered our customers the information they need from approximately 31,000 databases as of December 31, 2006.

Our West business publishes cases, statutes and other legal information and enhances them with headnotes, synopses, key numbers and other editorial enhancements prepared by our staff of attorneys and editorial professionals. These editorial enhancements facilitate more productive research by our customers, which we believe enables them to be more efficient and effective.

Westlaw is our primary online delivery platform. Westlaw offers numerous search features and navigation tools that enable our customers to search databases that are relevant to them to research points of law, build tables of authorities or search for topically related commentary. Increased use of the Internet has allowed us to further penetrate the market for smaller and specialized law firms. With Westlaw, we also offer KeyCite, an online citation research service that, among other things, enables our customers to trace the history of a case, statute, administrative decision or regulation to determine if it is still authoritative. It also allows the customer to retrieve a list of cases that cite a particular case or compile a table of authorities.

We continue to enhance Westlaw Litigator, a service designed to assist attorneys with all phases of litigation. Westlaw Litigator combines relevant case law research materials with practical tools for case evaluation, pre-trial investigation, settlement negotiation and trial preparation and presentation. In 2006, we acquired LiveNote, a leading provider of transcript and evidence management software to litigators and court reporters. LiveNote brings new functionalities to our litigation solutions and we now provide our customers seamless access to all of the specific facts of a case, including case law, briefs, depositions, litigation profiles, dockets and court testimony.

Our acquisition of Global Securities Information (GSI)'s LIVEDGAR in 2005 enhanced our ability to provide corporate and transactional lawyers with value-added services for preparing and completing commercial transactions, such as securities offerings, mergers and acquisitions and investment management.

Carswell provides integrated knowledge and business solutions for the legal, finance and human resources markets in Canada. Online delivery to the legal market is provided through eCarswell.

Thomson Elite offers a range of software that assists law firms and government agencies of all sizes with front and back office management functions, including document management, case management, general ledger accounting, timekeeping, billing and records management. We have integrated Thomson Elite with our ProLaw business to offer a broad legal software suite of products. While our software customers are primarily based in the United States, Thomson Elite is currently expanding internationally. In 2006, the business launched Elite 3E, an advanced browser-based business optimization platform that offers powerful core financial and practice management features, including built-in collaboration, automation and a rapid application development environment in one integrated high-performance system.

Our FindLaw business offers client development services in the United States that include legal directories, website development, marketing solutions, legal news, a legal career center and other legal resources. We believe that the FindLaw.com portal was the highest trafficked legal website in 2006 with an average of approximately 2.1 million unique monthly visitors during the year. FindLaw charges law firms a fee to be included in its online legal directories but users may search its legal directories and other products and services free of charge. FindLaw provided website development and hosting services to more than 7,600 law firms in 2006. In 2006, FindLaw launched FirmSite en Español to enable law firms to offer Spanish-language content on their websites so they can better market themselves online to the Hispanic community.

Hildebrandt International, which we acquired in 2005, is a leading provider of strategic consulting advisory services to law firms, corporate law departments and government law departments throughout the world.

West Education Group is a leading provider of educational solutions to legal professionals and law students in the United States. Through BAR/BRI, we provide bar examination review courses and materials. We also have a legal textbook publishing business with over 1,600 titles in 2006, making us a leading provider of casebooks and other learning materials to law students in the United States. Our West LegalEdcenter provides online continuing legal education materials and offers one of the largest selections of video and audio continuing legal education programs on the Internet, including approximately 26,000 hours of U.S.-accredited content as of December 31, 2006.

Thomson International Legal & Regulatory

Through Thomson International Legal & Regulatory, we provide services to a number of markets primarily outside of North America. The following provides information about Thomson International Legal and Regulatory's major brands.

Major Brands	Principal Products and Services	Customers
Westlaw (1) Sweet & Maxwell (U.K., Asia) ELLIS (The Netherlands) Aranzadi (Spain) Civitas (Spain) Karnov (Denmark and Sweden) Lawbook (Australia) Brookers (New Zealand) La Ley (Argentina) Lawtel (U.K.) Consult GEE (U.K.)	Legal information-based products and services	Lawyers, law students, law librarians, trademark professionals, legal professionals
Thomson CompuMark (Europe, Japan)	Trademark search and protection information services	Business, legal and trademark professionals

(1) United Kingdom, Australia, Denmark, Hong Kong, Spain, Sweden and though a joint venture, Japan.

Thomson International Legal & Regulatory operates legal information businesses in Argentina, Australia, Denmark, France, Hong Kong, Ireland, Japan, Malaysia, the Netherlands, New Zealand, Singapore, Spain, Sweden and the United Kingdom through local operations. Through these businesses, we provide a range of primary materials, such as case law and statutes, and secondary materials, including treatises and legal commentary specific to the countries in which we operate.

Westlaw UK offers a combination of legal information from the United Kingdom and the European Union that we derive from our legal publishing businesses in those jurisdictions, together with information licensed from third parties. We also operate Lawtel, the leading U.K. online current awareness and legal information service. As a result of the continued growth of Westlaw and Lawtel, 98 of the largest 100 U.K. law firms subscribed to our online services in 2006.

In addition, we offer country-specific online legal services in Argentina, Australia, Denmark, Hong Kong, New Zealand, Spain, Sweden and the United Kingdom. In each case, we offer local content, owned or licensed by our operations in that region, supplemented with relevant information from other regions of the world, such as our databases of European Council directives maintained by our ELLIS business unit. In 2006, we formed a joint venture in Japan with Shin Nippon Hoki Shuppan K.K. to establish Westlaw Japan K.K., a business that is developing a new, state-of-the-art online service created expressly for the world's second-largest legal information marketplace in terms of users. Shin Nippon Hoki Shuppan is Japan's leading provider of print-based legal information.

In addition to launching customized online legal services in various countries, we also provide a basic Westlaw service, known as Westlaw International. Through Westlaw International, we are able to offer our current online products and services to customers in markets where we may not have an existing publishing presence or have not yet developed a fully customized Westlaw service. As of December 31, 2006, we provided Westlaw International in 60 countries.

Through Thomson CompuMark, we operate various trademark-related businesses. Through these businesses, we maintain databases containing all current trademark registrations in over 200 countries, including the United States, Canada, Japan, Mexico, South Korea and most European countries. We also offer a wide range of products and services that cover all aspects of developing and protecting trademarks, including enabling customers to screen them, determine their availability, protect them from infringement and search domain names.

Competition

Our primary global competitors in the legal and regulatory information market are Reed Elsevier (which operates Lexis-Nexis) and Wolters Kluwer NV with which we compete in the United States and in most of the other countries in which we operate. Our major competitors continued to pursue acquisitions in 2006, primarily in North America and Europe. We also compete with other companies in the United States and in our international markets which provide legal and regulatory information, practice management and client development services.

Thomson Tax & Accounting

Overview

Thomson Tax & Accounting provides tax and accounting professionals with regulatory information, software, services, tools and applications to assist them in their daily work. We are one of the leading online suppliers of this type of information in the United States.

Thomson Tax & Accounting consists of three business groups:

- Research & Guidance;
- Professional Software & Services; and
- Corporate Software & Services.

In 2006 and 2005, Thomson Tax & Accounting generated revenues of approximately $598 million and $532 million, respectively. The following table provides additional information regarding Thomson Tax & Accounting's revenues in 2006 and 2005.

	% of Total Revenues	
	2006	2005
Electronic, software and services	83%	80%
From North America	100%	100%
Recurring/subscription-based	94%	95%

Products and Services

The following provides information about our major tax and accounting brands.

Major Brands	Principal Products and Services	Customers
Research & Guidance: RIA PPC Checkpoint Quickfinder Warren Gorham & Lamont (WG&L)	Tax and accounting information-based products and services	Professional accounting firms, corporate, finance and accounting departments, law firms and governments
Professional Software & Services: Creative Solutions GoSystem UltraTax GoFileRoom	Tax and accounting software and services focused on compliance and management solutions	Professional accounting firms, tax preparers, bookkeepers and enrolled agents
Corporate Software & Services: InSource Tax Partners TrustEase eComply Fiduciary Practice Systems ePropertyTax	Tax and accounting software and services focused on compliance and document management	Corporate tax departments and financial services firms

Our tax and accounting information is available in both electronic and print formats. Our business is currently focused on developing integrated research and workflow solutions utilizing products from our software business and our information businesses to create a broader offering to tax and accounting professionals.

Through our Research & Guidance businesses, we offer a variety of tax, accounting and auditing-related information and solutions. Checkpoint is our online integrated tax and accounting solution which provides expert guidance, information, analysis and forms from various Thomson products and services (RIA, WG&L, PPC, West) as well as third party content. This information is linked to comprehensive legislative, administrative and case materials. For example, Checkpoint's CompareIt allows users to link to coverage of similar topics from one state to another, from state to federal, and from treaty to treaty across countries. Checkpoint's Create-a-Chart allows users to capture pertinent multistate tax information in one convenient table. Checkpoint covers U.S. federal, state and local taxation, international taxation, estate planning, pension and benefits, payroll, SEC compliance, GAAP compliance, internal auditing and financial management.

Software offered by our Professional Software & Services businesses perform payroll, write-up, bookkeeping, audit and practice management functions and enable our customers to interact with their clients through the Internet. Our software also assists our customers in the preparation of tax returns and enables them to file tax returns electronically.

Through our Corporate Software & Services businesses, we provide our customers with a specialized range of products for managing corporate tax, bank and trust accounting, from tax preparation software to complete tax preparation services. In 2005, we acquired Tax Partners to provide sales and use tax outsourcing services. In 2006, we acquired ePropertyTax to provide property tax solutions and compliance services.

Our tax and accounting customers are primarily in the United States and Canada.

Competition

Thomson Tax & Accounting's primary competitor across all customer segments is CCH (owned by Wolters Kluwer NV). Other major competitors include Intuit in the professional software and services market, MLM in the corporate software and services market and BNA in the information market. Thomson Tax & Accounting also competes with a number of smaller firms across the tax and accounting landscape.

Thomson Financial

Overview

Thomson Financial is a leading provider of integrated information and technology applications to the global financial services industry. We offer a broad range of financial data and develop individual workflow solutions and services. These services are specifically designed for trading professionals, portfolio managers, investment bankers, stockbrokers, financial planners, corporate executives and treasury and investor relations professionals to optimize their decision making and performance.

Thomson Financial divides its core business into three groups:

- Corporate, Investment Banking & Investment Management;
- Equities, Fixed Income & Wealth Management; and
- Omgeo.

In 2006 and 2005, Thomson Financial generated revenues of approximately $2.0 billion and $1.9 billion, respectively. The following table provides additional information regarding Thomson Financial's revenues in 2006 and 2005.

	% of Total Revenues	
	2006	**2005**
Electronic, software and services	98%	98%
From North America	79%	80%
Recurring/subscription-based	82%	77%

Products and Services

Thomson Financial offers a variety of content, analytical applications and transaction platforms to financial professionals worldwide in the following segments:

- Investment banking;
- Wealth management;
- Investment management;
- Institutional equities;
- Fixed income;
- Corporate management;
- Institutional research;
- Hedge funds; and
- Private equity and consultants.

While we continue to sell many of our products and services separately, our applications are also combined under the Thomson ONE brand to provide integrated workflow solutions. Thomson ONE is a flexible open architecture framework that allows for easy integration and delivery. This platform gives us the flexibility to customize our content offering to our customers. Our current Thomson ONE workflow solutions are designed to meet the distinct needs of professional users in each segment that we serve.

In 2006, the number of Thomson ONE workstations increased approximately 20% to 141,000 from 118,000 at the end of 2005 as a result of user migration from legacy products and new client wins. In 2007, we plan to expand the capabilities of our Thomson ONE solutions and achieve continued growth in these workstations.

We derive our financial information from regulatory bodies, public sources, proprietary research, third party providers with which we have license arrangements, and contributors with whom we have developed trusted relationships. To provide industry-leading, high-quality information, Thomson Financial employed a global research group of approximately 2,300 employees as of December 31, 2006. This group collects, enhances and manages all key content to deliver financial information to our clients. Our databases of financial information are some of the largest in the world and many have decades worth of invaluable history. Our global research group is cost efficient, ensures consistency and supports the workflow solutions offered by Thomson Financial.

Corporate, Investment Banking & Investment Management

Our Corporate, Investment Banking & Investment Management group focuses on providing investment bankers, private equity and hedge fund professionals, corporate executives, investor relations personnel and asset managers with integrated information solutions to assist them in analyzing markets and pursuing and completing transactions, including precedent analysis, company and market due diligence, financial analysis and modeling, preparation of presentation materials and securities offerings. Our products are offered as distinct modules as well as through a comprehensive information solution.

The following table provides information about our major Corporate, Investment Banking & Investment Management brands.

Major Brands	Principal Products and Services	Customers
Thomson ONE Investment Banking SDC Platinum Investext Global Access Thomson Research	Analytical tools and databases of brokerage research, transactional data, institutional holdings data, current and historical earnings estimates, pricing information, SEC filings and news	Investment bankers and private equity professionals
Thomson ONE Investment Management Quantitative Analytics (QAI) Datastream I/B/E/S First Call Baseline StreetEvents	Security and portfolio analytical tools as well as databases of real-time equity and fixed income brokerage research, current and historical analyst forecast estimates, investor presentations, company accounts data, pricing data, global aggregated forecast data at the country, sector and industry levels, market indices data, institutional holdings data, SEC filings and news	Portfolio managers, portfolio analysts, buy side traders and research analysts
Thomson ONE Corporate Thomson ONE Investor	Internet-based software applications providing corporate news and information, stock surveillance services and outbound communications services	Investor relations professionals, financial executives and asset managers
Capital Markets Intelligence (CMI)	Market intelligence and analytical services for market valuation analysis	Investor relations professionals and corporations

The Corporate, Investment Banking & Investment Management group provides online financial data and research on companies, industries and markets that allow our customers to develop and analyze financial forecasts, market share, competition, industry trends, economic climates and key industry participants. We offer a range of customizable products and services that enable our customers to effectively and efficiently manage and execute each phase of the investment process, including research and analysis, investment decisions and stock selection.

We also offer institutional securities ownership information that enables our customers to analyze who may be buying, selling and holding securities as well as mergers and acquisitions transaction data that our customers use to identify comparable transactions, business opportunities and business trends. In addition, our customers can access news, stock price information and SEC filings and analyze this information with a set of comprehensive tools.

In 2006, we acquired Quantitative Analytics, Inc. (QAI), a leading provider of financial database integration and analysis solutions. QAI's software solutions are used by investment management firms for securities selection, modeling, back testing, portfolio construction and trading strategy development. QAI integrates multiple data sources, including proprietary customer data, to create an integrated database of financial information and provides a suite of analytical tools to query or mine the database for insights and trading ideas. This acquisition has provided Thomson Financial with the ability to deliver integrated, multi-asset class workflow solutions on a global basis.

Our StreetEvents offerings are used by investment managers to monitor the activities of their company portfolios. It has a robust electronic events calendar used by corporations to post notices of earnings releases, and investor presentations. StreetEvents also has a database containing transcripts and archived webcasts of public company earnings conference calls.

For corporations, we provide information solutions primarily to investor relations professionals and financial executives. We offer online access to financial information, such as broker research, ownership and peer analysis, news, stock quotes, institutional profiles and contact data. Additionally, we provide services for the dissemination of corporate news releases, as well as comprehensive offerings for investor relations professionals that include hosting of investor websites, product webcasts for earnings calls and the dissemination of critical information to shareholders through common communication mechanisms. In 2006, we acquired AFX News, a leading European independent real-time financial news agency which provides equity-focused business, financial and economic news to the investment community. This acquisition complemented Thomson Financial News for investment professionals in North America.

Equities, Fixed Income & Wealth Management

Our Equities, Fixed Income & Wealth Management group focuses on providing wealth managers, brokers and equity and fixed income traders with integrated information solutions to assist them in managing client portfolios, analyzing securities and executing securities transactions.

The following table provides information about our major Equities, Fixed Income & Wealth Management brands.

Major Brands	Principal Products and Services	Customers
Thomson ONE Wealth Management Thomson ONE Equity Research Thomson ONE Fixed Income Thomson ONE Hedge Fund Trading InvestmentView Global Topic ILX	Electronic financial information, including real-time market data, such as pricing data, company information, news and analytics	Institutional traders, retail traders, investment advisors and hedge fund professionals
TradeWeb TradeWeb Retail	Online marketplace for fixed income securities and derivatives	Institutional and retail traders
Thomson Transaction Services	Back office data processing services	Brokers and dealers
AutEx	Electronic database and real-time network for trade order indications and trade executions	Equity traders
Thomson Transaction Analytics	Transaction cost analysis and trade execution compliance services	Brokers, market makers and exchanges

Thomson Financial provides wealth managers with workflow solutions that combine market data, news and analysis with sophisticated financial planning and portfolio and client management tools. These workflow solutions are designed specifically to meet the needs of financial advisors, brokers and sales support staff requiring real-time market data, news, charts and quotes. Thomson InvestmentView provides hypothetical illustrations, client-ready presentations, financial planning calculators and detailed fund profiles designed exclusively for financial advisors. InvestmentView enables users to deliver personalized and timely recommendations, allowing them to focus on growing their client relationships and increasing assets under management.

TradeWeb is the leading online multi-dealer-to-customer institutional marketplace for fixed income securities and derivatives. As of December 31, 2006, its multi-dealer auction model linked the trading desks of 35 of the world's leading fixed income dealers with more than 2,200 buy-side institutions in North America, Europe and Asia. By the end of 2006, TradeWeb was averaging approximately $200 billion in daily trading volume. TradeWeb is also a leading electronic straight-through-processing (STP) network for fixed income markets, providing dealers and buy-side institutions with paperless trade allocations and confirmations on its fully-integrated TradeXpress network. TradeWeb's STP network includes AccountNet, a leading derivatives counterparty management tool and a leading data warehouse for standing settlement instructions and over-the-counter derivatives legal documentation. In 2006, TradeWeb acquired LeverTrade, formerly Global Trade Technologies (GTT), a provider of web-based fixed income management systems for the retail marketplace. LeverTrade was re-branded TradeWeb Retail during 2006.

Thomson Transaction Services (formerly known as BETA Systems) allows brokerage firms to outsource the majority of their back office data processing activities, such as processing orders for securities and maintaining customer and firm accounts. Through Thomson Transaction Services, our customers are able to generate a range of customer account documents, including monthly customer statements, trade confirmations and real-time portfolios. Thomson Transaction Services interfaces with major clearing services, depositories and exchanges to process orders for securities.

Thomson Financial provides institutional and brokerage firms with access to their global trading partners, giving more routes to best execution. Thomson Order Routing handled over one billion shares traded per day over 5,700 connections during 2006. As part of Thomson Order Routing, we offer AutEx, which is a database and online real-time network for trade order indications and executions for listed and over-the-counter securities. Through AutEx, a broker/dealer is able to send a real-time indication of interest to buy or sell securities to portfolio managers. The indication of interest appears in the portfolio manager's AutEx screen and the portfolio manager can then contact the broker/dealer to make the trade. Once the trade is complete, the broker/dealer reports the transaction to all AutEx subscribers. This allows subscribers to obtain a summary of trades and indications of interest. In 2006, Thomson Financial acquired Market Systems, which was re-branded Thomson Transaction Analytics. Thomson Transaction Analytics provides compliance technology and services to measure and audit agency trading activity, which allows users to fulfill regulatory requirements to provide their customers with best execution.

Omgeo

In 2001, we formed Omgeo, a partnership with The Depository Trust & Clearing Corporation, to meet the expanding information and processing needs of our customers in the financial services industry, which resulted from a proposal to move from a three day (T+3) to a one day global settlement cycle (T+1). While the T+1 initiative has not yet been implemented, Omgeo is able to provide clients with a managed transition to a new and more efficient way of processing trades for straight-through processing and increasing trade settlement capabilities.

Competition

Thomson Financial's two major competitors are Bloomberg L.P. and Reuters Group PLC, which compete in all of its market segments. Bloomberg and Reuters are principal competitors in fixed income, institutional equities and investment management, while Reuters is a principal competitor in investment banking.

Thomson Financial also competes with FactSet Research Systems Inc., Standard & Poor's (a division of The McGraw-Hill Companies), SunGard Data Systems Inc. and MarketAxess Holdings Inc., plus a number of other smaller firms, each of which focuses primarily on specific product and service areas within the various financial market segments.

Thomson Scientific

Overview

Thomson Scientific is a leading provider of information and services to researchers, scientists and information professionals in the academic, scientific, corporate and government marketplace. We derive most of our scientific information from public sources, academic, scientific, technical and medical journals, pharmaceutical companies, healthcare industry transaction databases and practicing professionals. We supplement the collected information, in many cases, with proprietary analysis prepared by our staff of expert editors. We further enhance the value of that information by ranking, organizing, summarizing and continuously updating it to make it more accessible and of greater utility to our customers.

In 2006 and 2005, Thomson Scientific generated revenues of approximately $602 million and $569 million, respectively. The following table provides additional information regarding Thomson Scientific's revenues in 2006 and 2005**.**

	% of Total Revenues	
	2006	2005
Electronic, software and services	95%	96%
From North America	69%	68%
Recurring/subscription-based	74%	76%

Products and Services

Our scientific solutions assist scientists and other research-oriented professionals in all stages of the research and development (R&D) cycle from scientific discovery to product release. Our scientific business operates primarily in the secondary publishing market. As a secondary publisher, we enhance the value of primary publication information by abstracting, indexing, integrating and ranking the information so it is more accessible to our customers. Our products and services add further value by providing integrated workflow solutions that enable access and management of the highest quality and most relevant published materials for researchers, information specialists and administrators in diverse fields. We provide complementary products and services, such as bibliographic software programs, content hosting of well-established databases in the industry and document delivery services for full-text journal articles and patents, the main publishing channels for scientific discovery. We also customize our products for particular industries or other customer groups and make them available in one easily accessible, searchable database through the Internet and other electronic formats. Our scientific solutions are used by many of the leading academic institutions and research libraries around the world. Additionally, many of the largest global pharmaceutical, biotechnology, chemical, electronics and other high-technology companies also use our scientific information solutions to monitor competitors, develop research and business strategies, and protect patent portfolios.

The following table provides information about our major scientific brands.

Major Brands	Principal Products and Services	Customers
ISI Web of Knowledge	Comprehensive and integrated platform that includes the Web of Science as well as third-party hosted content, editorially selected websites, and tools to access, analyze and manage research information	Research scientists and scholars, government agencies, research libraries and universities and colleges
Web of Science	Comprehensive database providing a source for journal article-cited references and access to abstracted and indexed journals	Research scientists and scholars, government agencies, research libraries and universities and colleges
Thomson Pharma	Integrated web platform that delivers scientific literature, patents, commercial and regulatory information, company news communications, professional meeting reports and other relevant content	Pharmaceutical and biotechnology companies
Liquent InSight	Global regulatory compliance software	Pharmaceutical and biotechnology companies
Delphion/ MicroPatent PatentWeb	Integrated platform solutions to search patents, leverage unique productivity tools to analyze and track market developments and competitive activities, and view, download and print high-quality full-text patent images	Technical professionals, business and professional researchers
Derwent World Patents Index	Comprehensive database of patent abstracts	Technical professionals, business and professional researchers
Master Data Center	Intellectual property rights solution that processes patent annuity and trademark renewal payments	Corporations across a wide spectrum of industries
Dialog DataStar	Online database of current and archival scientific and business information	Business, science, engineering, financial and legal professionals
ScholarOne	Subscription-based software for authoring, evaluating and publishing scholarly research	Scientific, technical and medical publishers and researchers

Within our academic and government division, the ISI Web of Knowledge integrated platform offers a single point of entry for scholarly researchers. This electronic service extends our users' access to research information by offering an integrated collection of databases which, as of December 31, 2006, covered almost 22,000 peer-reviewed professional journals, leading scientific and patent information databases, journal citation reports, meetings and conference proceedings and evaluated scientific websites. Our advanced interface enables our customers to search a single database or multiple databases concurrently and links customers to full-text journal articles provided by publishers while also allowing for the seamless return to our service. The bibliographic references in our databases currently cover the period from 1900 to the present. Our databases and websites are also viewed as important distribution channels by authors and publishers of journals.

Our Thomson Pharma solution provides extensive drug-specific information throughout product lifecycles. Thomson Pharma integrates content from many of our key products with information from other businesses across Thomson. Through powerful search and analytical tools, Thomson Pharma enables our customers in the fields of biology, chemistry, licensing, business development and competitive intelligence to retrieve critical information needed to make informed decisions. In 2006, each of the 25 largest publicly traded pharmaceutical companies in terms of revenues subscribed to Thomson Pharma products. As of December 31, 2006, Thomson Pharma supplied information about the R&D portfolios of more than 13,600 entities involved in drug development, information about therapeutic patents, including links to the full text of the original patent, the pipeline status of investigational drugs, searchable chemical structures, meeting reports and bibliographic references.

Our Liquent InSight software enables our scientific customers to comply with complex rules and standards promulgated by regulatory authorities in jurisdictions around the world. Liquent InSight software also provides our customers with the ability to create, review and amend regulatory-compliant filings and dossiers to accelerate the regulatory approval process, allowing them to bring their products to market faster. Liquent InSight also keeps our customers current on international regulatory developments.

Thomson Scientific also develops customized information solutions that can be seamlessly integrated into our customers' daily workflows. Each solution assembles sophisticated software tools with relevant patent data, our comprehensive coverage of world journal literature and other content extracted from our extensive product portfolio. Through the Derwent World Patents Index, we are one of the world's most comprehensive providers of professionally abstracted and annotated patent information. As of December 31, 2006, we assessed, classified, summarized and indexed patent documents from approximately 40 international patent-issuing authorities and our databases covered the period from 1963 to the present. Our integrated Delphion and MicroPatent PatentWeb solution provides business and professional researchers with access to full-text international patent documents supported by search, retrieval, analysis and other workflow productivity tools. In addition, our Master Data Center business has been providing intellectual property management services for over 35 years and processed over 750,000 patent and trademark payment and renewals in 2006.

Dialog DataStar provides information and news to customers of various Thomson businesses, including business, science, engineering, financial and legal professionals. Our Dialog DataStar business primarily licenses data from third parties and maintains content from authoritative publishers in science and technology, intellectual property, news and business. Dialog DataStar is an extensive source for patents, trademarks, scientific and technical journals, drug pipeline files, regulatory information, current news, company profiles and financials, and market research reports.

In 2006, we acquired ScholarOne. ScholarOne's products, which are sold to scientific, technical and medical journal publishers and scientific conference organizers, provide a web-based system that allows research authors, peer reviewers and journal editors to streamline and accelerate the article and conference-related content submission, review and evaluation process.

Competition

Our principal competitors in the scientific information market include Reed Elsevier (Science), Wolters Kluwer NV, John Wiley and Sons, Inc., CSA, Factiva, Informa plc, ACS Inc., STN International and Questel/Orbit, Inc.

Thomson Healthcare

Overview

Thomson Healthcare is a leading provider of information and services in the healthcare, corporate and government marketplaces. Our healthcare businesses provide integrated information solutions and knowledge-based tools, often at the point-of-care, to physicians, pharmacists, nurses and other health professionals. Our drug, clinical point-of-care solutions enable clinicians to efficiently access the reference resources they need to diagnose conditions, make decisions during treatment and provide patients with pertinent information regarding their condition. The demand for point-of-care information and cost and quality management solutions is driven by a combination of consumer demand for quality healthcare, cost pressures and heightened awareness of medical errors.

In 2006 and 2005, Thomson Healthcare generated revenues of approximately $393 million and $352 million, respectively. The following table provides additional information regarding Thomson Healthcare's revenues in 2006 and 2005.

	% of Total Revenues	
	2006	2005
Electronic, software and services	73%	70%
From North America	97%	97%
Recurring/subscription-based	62%	59%

Products and Services

The following table provides information about our major healthcare brands.

Major Brands	Key Products and Services	Customers
Micromedex (Healthcare Series)	Comprehensive database set of drugs, disease information, medical emergency and poison control procedures, patient education and other relevant clinical, toxicological and environmental health and safety information	Physicians, health professionals, pharmaceutical companies, hospitals, poison control centers, corporations, government agencies and insurance companies
Clinical Xpert	Medical reference and decision support tool for personal digital assistants (PDAs)	Physicians, health professionals and hospitals
PDR (Physicians' Desk Reference)	Database of U.S. Food and Drug Administration (FDA) approved drug monographs, delivered in print and electronic format	Physicians, health professionals, pharmaceutical companies and government agencies
Medstat (Advantage Suite) Solucient	Decision support products designed for managing healthcare costs and quality	Hospitals, corporate and governmental healthcare purchasers, managed care and insurance companies, pharmaceutical companies and the health services research community

Our Micromedex Healthcare Series represent a set of comprehensive databases of drug information, evidence-based acute and chronic disease information, poison and biohazard information, clinical practice guidelines and procedures and patient education information, most of which has been compiled over more than 25 years. The databases have been developed from scientific and clinical literature by expert editors and from approved drug-labeling information and were utilized by more than 7,800 facilities in approximately 80 countries during 2006.

In 2006, we acquired MercuryMD, which expanded our point-of-care handheld solutions.

The PDR (Physicians' Desk Reference) product is a drug database created in large part from U.S. Food and Drug Administration approved drug-labeling information. The PDR is distributed in a print directory format, on handheld electronic devices and through the Internet. Pharmaceutical companies provide us with the drug-labeling information and list their products in the directory. In 2006, pharmaceutical companies also sponsored the annual delivery of the PDR to practicing physicians in the United States and we sell additional copies of the directory to other healthcare professionals and consumers.

Through Medstat, we provide decision support systems, market intelligence, benchmarking databases and research for managing the purchase, administration and delivery of health services and benefits. We also develop and provide products and methodologies for organizing and understanding the data. Our decision support solutions and research provide an extensive collection of healthcare information for corporate and governmental healthcare purchasers, the managed care and health insurance industry, hospitals and integrated delivery networks, the pharmaceutical industry and the health services research community. This information helps these customers better manage the cost, quality and strategic positioning of health services and benefits.

In 2006, we acquired Solucient. Solucient's public and proprietary data has helped healthcare providers identify significant trends inside their organizations and benchmark their performance against similar organizations and national standards. We believe that this acquisition has allowed us to provide healthcare decision makers with the most comprehensive and valuable set of decision support capabilities for managing both healthcare costs and quality of care.

Competition

Our principal competitors in the clinical and drug information market are Reed Elsevier (Science) and Wolters Kluwer. Within the management decision support market, our principal competitors are Ingenix (a division of UnitedHealth Group, Inc.), McKesson Health Solutions (a division of McKesson Corporation) and 3M Health.

Discontinued Operations

Thomson Learning constituted substantially all of our discontinued operations as of December 31, 2006. In addition to Thomson Learning, our discontinued operations as of December 31, 2006 also included Thomson Scientific & Healthcare's Medical Education business and Thomson Legal & Regulatory's IOB, Market Research and NewsEdge businesses.

Thomson Learning

In February 2006, we approved the sale of three businesses in the Thomson Learning group - Peterson's, a college preparatory guide; the North American operations of Thomson Education Direct, a consumer-based distance learning career school; and K.G. Saur, a German publisher of biographical and bibliographical reference titles serving the library and academic community. The sales of Peterson's and K.G. Saur both closed in the third quarter of 2006. We intend to close the sale of Thomson Education Direct's North American operations in the first quarter of 2007.

In October 2006, we announced our plans to sell the remainder of the businesses of Thomson Learning. The aggregate revenues of these businesses in 2006 and 2005 were approximately $2.3 billion and $2.2 billion, respectively. We expect to close the sale of these businesses in 2007. The divestiture of these businesses currently encompasses the following independent sales processes:

- NETg;
- Prometric; and
- The higher education, careers and library reference businesses.

NETg

In October 2006, we announced the signing of an agreement to sell NETg to SkillSoft PLC for approximately $285 million. The sale is expected to close in the second quarter of 2007. NETg is a provider of online and instructor-led information technology and business skills training, primarily to corporations and government agencies. Principal competitors of NETg in the electronic and print-based training markets have included Skillsoft PLC, DigitalThink, Inc., Element K LLC, and MindLeaders.com, Inc.

Prometric

We are currently seeking buyers for Prometric through a competitive bidding process. We expect that the sale of Prometric will be concluded in 2007. Prometric is a global leader in testing and assessment services, primarily to corporations, professionals and professional associations, academic institutions and associations, and government agencies. Prometric's solutions include test development, test delivery and data management capabilities. As of December 31, 2006, Prometric developed or delivered assessments through a global network of testing centers in approximately 130 countries as well as directly through the Internet. Principal competitors in the computer-based testing market include Pearson VUE (a division of Pearson Plc) and Promissor (also part of Pearson Plc).

Higher education, careers and library reference businesses

We are currently seeking buyers for the higher education, careers and library reference businesses of Thomson Learning. These businesses provide textbooks, study guides and teaching guides in print and electronic formats for use in colleges, universities, technical and vocational schools, trade schools and trade associations, and for use by professors, students and professionals. In addition, these businesses offer electronic, print and microfilm reference materials for libraries, reference centers, schools, colleges, universities and corporations. The following table provides information about the major brands of these businesses.

Major Brands	Principal Products and Services	Customers
Thomson Wadsworth	Textbooks and electronic course materials in the humanities and social sciences	Colleges, universities, professors, students and professionals
Thomson South-Western	Textbooks and electronic course materials in business and economics	Colleges, universities, professors, students and professionals
Thomson Brooks/Cole	Textbooks and electronic course materials in mathematics and sciences	Colleges, universities, professors, students and professionals
Thomson Course Technology	Textbooks and print and electronic materials for information technology instruction	Colleges, universities and corporations
Thomson Delmar Learning	Textbooks and learning materials for technology, trade healthcare, professional and career education	Colleges, vocational schools, career schools, teachers and students
Thomson Education International (Netherlands, Australia and Scotland)	Textbooks and learning materials for technology, trade healthcare, professional and career education	Colleges, vocational schools, career schools, teachers and students
Thomson Gale	Print and electronic reference materials, electronic databases of magazine, newspaper and periodical content, microfilm collections and encyclopedias	Academic and public libraries, corporations, reference centers, colleges, universities and schools
Thomson Heinle	Textbooks and electronic course materials for English, modern languages and English-language training	Colleges, universities, schools, professors and students
Thomson Nelson (Canada and Australia)*	Textbooks and electronic course materials for the school and higher education markets	Colleges, universities, schools, professors and students

Major Brands	Principal Products and Services	Customers
Groupe Modulo (Canada)	French language publisher of instructional materials for the Canadian primary and secondary school markets	Colleges, universities, schools, professors and students
Thomson Paraninfo (Spain and Portugal)	Spanish language higher education textbooks in business, economics and vocational subjects	Colleges, universities, schools, professors and students
Universitas 21 Global (Asia-Pacific)**	Online university courses	Students

* = Due to Canadian regulatory requirements, Thomson Nelson's Canadian business will be divested as part of a separate sales process.

** = Joint venture.

The higher education, careers and library reference businesses of Thomson Learning have been increasingly accelerating the shift to digital and hybrid solutions from print materials. Experts in the relevant disciplines author a number of these businesses' textbooks and learning materials under long-term royalty arrangements. The authors work with editors of the Thomson Learning businesses to prepare the original materials for new editions, revised editions and teaching supplements. The depth and breadth of its product offerings mean that release dates of major textbook titles are spread out so that revenues from new product releases are spread more predictably from year to year.

The higher education businesses publish in selected disciplines that they believe offer the highest long-term growth and where they have or believe they can attain substantial market share, such as in the humanities, social sciences, languages, science, mathematics, business and economics fields. These businesses create proprietary reference material, aggregate periodical content and primary source research information and integrate this information into a broad array of sophisticated online reference libraries. The principal competitors of these businesses in the United States and internationally include Pearson Education (a division of Pearson Plc), The McGraw-Hill Companies, Houghton Mifflin Company, John Wiley & Sons, Inc. and Georg von Holtzbrinck GmbH.

The careers businesses offer textbooks, teaching guides, study guides and practice tests to professionals who are seeking to maintain or upgrade their credentials and to professors and students in degree-granting technical and vocational schools. The careers businesses create their offerings for a wide variety of disciplines, including administration, automotive, computer-assisted drafting, cosmetology, education, electronics, fire rescue, healthcare, security, travel and other trades. Principal competitors of these businesses vary. For example, in the academic and technology and trade markets, principal competitors include Pearson Education (a division of Pearson Plc) and McGraw-Hill Companies, while in allied health and nursing, Reed Elsevier is the main competitor.

Thomson Gale, the library reference business, is known for its high quality, proprietary content and innovative electronic solutions, including digital archives, e-books, databases as well as a variety of print materials. This reference business is being expanded into new markets by providing supplements to core curricula taught in primary and secondary schools and expanding the distribution of reference products in the international and primary and secondary school library markets. In the global library print reference market, principal competitors include Océano Grupo Editorial and the Grolier unit of Scholastic Inc. In the global library electronic reference market, principal competitors include ProQuest Company and EBSCO Industries, Inc.

Technology

Our businesses maintain sophisticated electronic infrastructures and highly developed online systems and support capabilities to provide our customers with electronic products and services primarily through the Internet.

We have successfully developed and are continuing to implement Novus, the next generation of our online delivery platform, which utilizes new and highly scalable technologies resulting in significantly enhanced capabilities. This platform allows us to more easily combine content from our various online services, reduce product delivery costs and reduce development time for new products and services. Thomson is increasingly using the Novus platform for its other businesses outside of Thomson Legal. We continue to upgrade and standardize our applications and infrastructure, enabling us to enhance our ability to market and sell our products over the Internet. As greater numbers of people are turning to the Internet with an expectation of instantaneous access to current information, it has fueled demand for online products and services.

Thomson Financial maintains global data collection and management systems that have enabled us to assemble and manage one of the largest and broadest database collections of financial information in the world. Thomson Financial also maintains powerful delivery platforms that enable us to provide real-time market data quickly and reliably to its customers. We believe that our systems use more open architecture than our competitors, which allows our customers to more easily utilize other information and software applications with our products and services. This delivery architecture allows us to offer modular web-based services that can be bundled together to integrate a number of our products and services into a single product offering. Thomson Financial also maintains private networks, or extranets, allowing it to provide innovative community solutions, such as AutEx. These solutions connect a large number of firms to a network and permit the online exchange of real-time trade order indications and executions. Similarly, TradeWeb's dealer-to-customer online marketplace uses client/server architecture to display real-time, best bid and offer prices from the largest dealers for a range of fixed income products, and offers secure, interactive and simultaneous trading over its Internet-based network.

Technology is an increasingly important element of the products and services of Thomson Scientific and Thomson Healthcare. We are focused on continuously improving our content management and delivery technologies so that we have the ability to provide our products in the media best suited to our customers. This includes delivery over dedicated networks, the Internet and handheld wireless devices. Both Thomson Scientific's and Thomson Healthcare's businesses deploy a common flexible content management system that improves our ability to customize and combine our products and simplifies the new product development process. These content management systems provide efficiencies in the information collection and editorial process as we are able to automatically update our databases concurrently.

Sales and Marketing

We primarily sell directly to our customers. In the United States, some of our businesses have regional sales representatives in addition to a team of account managers and sales representatives who work out of our offices to ensure that our existing customers' needs are met. Outside of the United States, some of our businesses have regional sales forces that focus on marketing and selling our products to customers located in a particular country or area. We sometimes supplement our regional sales and account management presence with a telemarketing group to assist in meeting our customers' informational requirements.

In addition, we have been successful in selling some of our products and services over the Internet. Focusing some of our marketing and sales efforts on Internet sales has allowed us to broaden our range of customers and reduce sales and marketing costs. A number of our businesses also use the Internet to provide product support to our existing customers.

Seasonality

With the pending divestiture of Thomson Learning, our results will become less seasonal than previously reported. However, in terms of revenues and profits, the first quarter will continue to proportionately be the smallest quarter for us, and the fourth quarter will be our largest, as certain product releases are concentrated at the end of the year, particularly in the regulatory markets. Costs will continue to be incurred more evenly throughout the year. As a result, our operating margins will continue to generally increase as the year progresses. For these reasons, it may not be possible to compare the performance of our businesses quarter to consecutive quarter, and our quarterly results should be considered on the basis of results for the whole year or by comparing results in a quarter with the results in the same quarter of the previous year. While we report results quarterly, we view and manage our company from a longer-term perspective.

Intellectual Property

Many of our products and services are comprised of information delivered through a variety of media, including the Internet, software-based applications, books, journals, CDs, dedicated transmission lines and handheld wireless devices. Our principal intellectual property assets include our patents, trademarks, databases, copyrights in our content and other rights in our tradenames. We believe that our intellectual property is sufficient to permit us to carry on our business as presently conducted. We also rely on confidentiality agreements to protect our rights. In addition, we obtain significant content and data through third party licensing arrangements with content providers. We have also registered a number of website domain names in connection with our publishing and Internet operations.

Research and Development

Innovation is essential to the success of our company and is one of the primary bases of competition in our markets. Our businesses are continuously engaged in research to develop new products and services, to improve and enhance the effectiveness and ease of existing products and services, and to develop new applications for existing products and services.

Environmental Matters

We believe that our operations are in material compliance with applicable environmental laws, as well as laws and regulations relating to worker health and safety. Compliance with these laws and regulations has not had, and is not expected to have, a material effect on our capital expenditures, earnings or competitive position.

Properties and Facilities

We own and lease office space and facilities around the world to support our businesses. We believe that our properties are in good condition and are adequate and suitable for our present purposes. Our operational headquarters are in Stamford, Connecticut, where we lease office space. The following table provides summary information about our principal properties as of December 31, 2006.

Facility	Approx. Sq. Ft.	Owned/Leased	Principal Use
Eagan, Minnesota (1)	2,518,300	Owned	Thomson Legal's North American Legal's headquarters and West operating facilities
Boston, Massachusetts (2)	462,400	Leased	Thomson Financial offices
New York, New York	435,200	Leased	Thomson Financial offices and headquarters

(1) In January 2007, we announced that we plan to add approximately 425,000 square feet of office space and approximately 80,000 square feet of data center space to this facility. We expect to occupy the new office space by October 2008 and the new data center space by November 2007.

(2) Consists of three addresses.

Thomson Learning's principal property as of December 31, 2006 was the following:

Facility	Approx. Sq. Ft.	Owned/Leased	Principal Use
Independence, Kentucky	835,000	Leased	Thomson Learning distribution facility

Employees

As of December 31, 2006, our company had approximately 32,375 employees in 37 countries (excluding employees of Thomson Learning). Of that number, approximately 14,600 were employed by Thomson Legal, 3,000 by Thomson Tax & Accounting, 9,300 by Thomson Financial, 2,400 by Thomson Scientific, 2,600 by Thomson Healthcare and 475 by our corporate center. Thomson Learning had approximately 9,480 employees in 39 countries as of December 31, 2006. We believe that our employee relations are good.

Risk Factors

The risk factors below are associated with our company. The risks and uncertainties below represent certain risks that our management believes are material. If any of the events or developments discussed below actually occur, our business, financial condition or results of operations could be adversely affected. Other factors not presently known to us or that we presently believe are not material could also affect our business, financial condition or results of operations.

We operate in highly competitive markets, which may adversely affect our market share and our financial results.

We operate in highly competitive markets with significant established competitors, such as Reed Elsevier, Wolters Kluwer, Reuters Group, Bloomberg and The McGraw-Hill Companies. Our competitors have substantial financial resources, recognized brands, technological expertise and market experience. Our competitors are also continuously enhancing their products and services, developing new products and services and investing in technology to better serve the needs of their existing customers and attract new customers. Some of our competitors are acquiring additional businesses in key sectors that will allow them to offer a broader array of products and services. Certain of our traditional competitors are trying to follow our solutions strategy and narrow our lead in many areas of technology. We may also face competition from businesses that have not traditionally participated in our markets, such as Internet service companies and search providers, that could pose a threat to some of our businesses by providing more in-depth offerings, adapting their products and services to meet the demands of our customers or combining with one of our traditional competitors to enhance its products and services. In response, we are continuing to move forward aggressively in segmenting our markets and developing our solutions tailored to customers' workflows. Competition may require us to reduce the price of our products and services or make additional capital investments that would adversely affect our profit margins. If we are unable or unwilling to do so, we may lose market share and our financial results may be adversely affected.

If we are unable to fully derive the anticipated benefits from our acquisitions or complete dispositions, our financial results may be adversely affected.

A key element of our strategy is the acquisition of businesses and assets that will complement our current business, increase our size, expand our geographic scope and otherwise offer growth opportunities to us. During the past several years, we have completed a number of acquisitions and we may acquire other businesses in order to enhance our ability to serve existing markets or enter new markets. During 2004, 2005 and 2006, we completed 85 acquisitions for an aggregate cash outlay of approximately $2.3 billion. In the future, we may not be able to successfully identify attractive acquisition opportunities or make acquisitions on terms that are satisfactory to us. In addition, competition for acquisitions in the industries in which we operate is escalating, which could potentially increase costs of acquisitions or cause us to refrain from making certain acquisitions. Achieving the expected returns and synergies from our past and future acquisitions will depend in part upon our ability to integrate the products and services, technology, administrative functions and personnel of these businesses into our market groups in an efficient and effective manner. We cannot assure you that we will be able to do so or that acquired businesses will perform at anticipated levels. If we are unable to successfully integrate acquired businesses, our anticipated revenues and profits may be lower and our operational costs may be higher.

Our strategy has also historically resulted in decisions to dispose of assets or businesses. In 2006, we announced our intention to sell a number of our businesses, including Thomson Learning. We have expended, and continue to expend, costs and management resources in an effort to complete these divestitures. Any failures or delays in completing divestitures could have an adverse effect on our financial results and on our ability to execute our strategy.

Our businesses rely heavily on electronic delivery systems and the Internet and any failures or disruptions may adversely affect our ability to serve our customers.

We depend heavily on the capacity, reliability and security of our electronic delivery systems and the Internet. In 2006, electronic, software and services revenues comprised 80% of our total revenues. Heavy use of our electronic delivery systems and other factors such as loss of service from third parties, operational failures, sabotage, break-ins and similar disruptions from unauthorized tampering or hacking, human error, national disasters, power loss and computer viruses could cause our systems to operate slowly or interrupt their availability for periods of time. Our ability to effectively use the Internet may be impaired due to infrastructure failures, service outages at third party Internet providers or increased government regulation. If disruptions, failures or slowdowns of our electronic delivery systems or the Internet occur, our ability to distribute our products and services effectively and to serve our customers may be adversely affected.

Expansion of our operations outside North America involves special challenges that we may not be able to meet and that may adversely affect our ability to grow.

While our primary markets are in North America, we operate globally and have targeted certain markets outside North America for continued growth. In particular, we are focusing on opportunities in Europe and Asia-Pacific for expansion. In 2006, 83% of our revenues were from North America, 13% were from Europe, 3% were from Asia-Pacific and 1% was from other countries. There are certain risks inherent in doing business in some jurisdictions outside North America, including the following:

- difficulties in penetrating new markets due to established and entrenched competitors;
- difficulties in developing products and services that are tailored to the needs of local customers;
- lack of local acceptance or knowledge of our products and services;
- lack of recognition of our brands;
- unavailability of joint venture partners or local companies for acquisition;
- instability of international economies and governments;
- changes in laws and policies affecting trade and investment in other jurisdictions;
- exposure to varying legal standards, including intellectual property protection laws, in other jurisdictions; and
- foreign currency exchange rates and exchange controls.

These risks could affect our ability to expand successfully outside North America, which may adversely affect our ability to grow.

Our significant investments in technology may not increase our revenues or decrease our operating costs, which may adversely affect our financial results.

Over the past several years, we have made significant investments in technology, including spending on computer hardware, software, electronic systems, telecommunications infrastructure and digitization of content. In 2006, our total capital expenditures were $453 million, of which approximately 76% was for technology-related investments. We have successfully developed and are continuing to implement Novus, the next generation of our online delivery platform, which utilizes new and highly scalable technologies. Novus is designed to reduce product delivery costs and reduce development time for new products and services. We expect our investment in technology to continue at significant levels. In 2007, we expect our capital expenditures to increase both in absolute dollars and as a percentage of our revenues. We cannot assure you that as a result of our significant investments in technology, we will be able to increase our revenues or decrease our operating costs and this may adversely affect our financial results.

If we are unable to develop new products, services, applications and functionalities to meet our customers' needs, attract new customers or expand into new geographic markets, our ability to generate additional revenues may be adversely affected.

Our growth strategy involves developing new products, services, applications and functionalities to meet our customers' needs for integrated information solutions. In addition, we plan to grow by attracting new customers and expanding into new geographic markets. In Thomson Legal, for example, we continue to expand our Westlaw Litigator solutions. It may take a significant amount of time and expense to develop new products, services, applications and functionalities to meet our customers' needs, attract new customers or expand into new geographic markets. If we are unable to do so, our ability to generate additional revenues may be adversely affected.

Increased accessibility to free or relatively inexpensive information sources may reduce demand for our products and services and adversely affect our financial results.

In recent years, more public sources of free or relatively inexpensive information have become available, particularly through the Internet, and we expect this trend to continue. For example, some governmental and regulatory agencies have increased the amount of information they make publicly available for free. Public sources of free or relatively inexpensive information may reduce demand for our products and services. To the extent that our customers choose to use these public sources directly for their information needs, our financial results may be adversely affected.

We may not be willing or able to maintain the availability of information obtained through licensing arrangements or the terms of our licensing arrangements may change, which may reduce our profit margins or our market share.

We obtain significant information through licensing arrangements with content providers. Some content providers may seek to increase licensing fees for providing their proprietary content to us. If we are unable to renegotiate acceptable licensing arrangements with these content providers or find alternative sources of equivalent content, we may be required to reduce our profit margins or experience a reduction in our market share.

Parts of our businesses are affected by changes in the general economy, which may adversely affect our financial results.

The performance of parts of our businesses is dependent on the financial health and strength of our customers, which is in turn dependent on the general economies in our major markets, North America and Europe. For example, customers of Thomson Financial are particularly affected by fluctuations in the economy. A downturn in the economy a few years ago led to cost-cutting measures by some of these customers. As a result, purchases of some of our products and services were reduced. Cost-cutting by our customers in response to a weak economic climate may adversely affect our financial results.

If we do not continue to recruit and retain high quality management and key employees, we may not be able to execute our strategy.

The implementation and execution of our strategy depends on our ability to continue to recruit and retain high quality management and other employees across all of our businesses. We compete with many businesses that are seeking skilled individuals, including those with advanced technological abilities. We cannot assure you that we will be able to continue to identify or be successful in recruiting or retaining the appropriate qualified personnel for our businesses and this may adversely affect our ability to execute our strategy.

Our customers may become more self-sufficient, which may reduce demand for our products and services and adversely affect our financial results.

Our customers may decide to independently develop certain products and services that they currently obtain from us. For example, some of the customers of Thomson Financial have established a consortium to aggregate and disseminate their research reports to their institutional clients. To the extent that our customers become more self-sufficient, demand for our products and services may be reduced which may adversely affect our financial results.

Our intellectual property rights may not be adequately protected, which may adversely affect our financial results.

Many of our products and services are comprised of information delivered through a variety of media, including the Internet, software-based applications, books, journals, CDs, dedicated transmission lines and handheld wireless devices. We rely on agreements with our customers and patent, trademark, copyright and other intellectual property laws to establish and protect our proprietary rights in our products and services. Third parties may be able to copy, infringe or otherwise profit from our proprietary rights without our authorization and the Internet may facilitate these activities. The lack of specific legislation relating to the protection of intellectual property rights for content delivered through the Internet or other electronic formats creates an additional challenge for us in protecting our proprietary rights in content delivered through these media. We also conduct business in some countries where the extent of effective legal protection for intellectual property rights is uncertain. We cannot assure you that we have adequate protection of our intellectual property rights. If we are not able to protect our intellectual property rights, our financial results may be adversely affected.

We are controlled by Woodbridge, which is in a position to affect our governance and operations.

Our principal shareholder, Woodbridge, beneficially owned approximately 66% of our outstanding common shares as of February 15, 2007. Woodbridge is a private holding company that is the primary investment vehicle for members of the family of the late Roy H. Thomson, the first Lord Thomson of Fleet. As of February 15, 2007, Woodbridge and other companies affiliated with it together beneficially owned approximately 70% of our outstanding common shares.

For as long as Woodbridge has a controlling interest in us, it will generally be able to approve any matter submitted to a vote of shareholders without the consent of our other shareholders, including, among other things, the election of our board of directors and the amendment of our articles of incorporation and by-laws. In addition, Woodbridge is able to exercise a controlling influence over our business and affairs, the selection of our senior management, the acquisition or disposition of assets by us, our access to capital markets, the payment of dividends and any change of control of us, such as a merger or takeover. The effects of this control may be to limit the price that investors are willing to pay for our common shares. In addition, we cannot assure you that Woodbridge will not sell any of our common shares it owns in the future. A sale of our common shares by Woodbridge or the perception of the market that a sale may occur may adversely affect the market price of our common shares.

We may be unable to realize all of the anticipated cost savings and operating efficiencies from our THOMSONplus initiatives.

In 2006, we formally announced the THOMSON*plus* program, which is a series of initiatives designed to make us a more integrated operating company by leveraging assets and infrastructure across all segments of our business. To accomplish these initiatives, we expect to incur approximately $250 million of expenses through 2009, primarily related to technology and restructuring costs and consulting services. In 2006, we incurred $60 million of expenses associated with THOMSON*plus* and we estimate that we saved approximately $12 million from the elimination of certain positions and the relocation of others to lower cost locations resulting from our establishment of a facility in Hyderabad, India to perform certain finance functions. These savings represented an annualized cost reduction of approximately $25 million. Based on current estimates, we expect to incur expenses of approximately $100 million in 2007, $50 million in 2008 and $30 million in 2009. As a return on this investment, we expect to generate savings of approximately $50 million in 2007 and $90 million in 2008 and we should reach our targeted savings of about $150 million per year at the beginning of 2009. We cannot provide assurance that we will achieve the targeted savings and operating efficiencies as quickly as anticipated, or at all, or that the future expenses associated with THOMSON*plus* will not increase above expected levels.

If our effective income tax rate were to increase significantly in the future, our earnings and available cash would be negatively affected.

Our income tax expense in 2006 represented 11.5% of our earnings from continuing operations before income taxes. This compares with effective rates of 28.3% in 2005 and 22.6% in 2004. Our effective income tax rate is lower than the Canadian corporate income tax rate of 35.4% (36% in 2005 and 2004), due principally to the lower tax rates and differing tax rules applicable to certain of our operating and financing subsidiaries outside Canada. Specifically, while we generate revenues in numerous jurisdictions, our tax provision on earnings is computed after taking account of intercompany interest and other charges among our subsidiaries resulting from their capital structure and from the various jurisdictions in which operations, technology and content assets are owned. For these reasons, our effective tax rate differs substantially from the Canadian corporate income tax rate. Our income tax expense was further impacted by certain one-time items and the accounting for discontinued operations in 2006, 2005 and 2004. Our effective tax rate and our cash tax cost depend on the laws of numerous countries and the provisions of multiple income tax conventions between various countries in which we operate. Our ability to maintain a low effective tax rate will be dependent upon such laws and conventions remaining unchanged as well as the geographic mix of our profits. An increase in our effective tax rate could arise as a result of increases in the proportion of our earnings being generated in countries that have higher tax rates than our current effective tax rate, including the United States, the effect of changes in tax legislation and changes in tax treaties that may increase the amount of tax payable by some of our subsidiaries. An increase in our effective income tax rate would have an adverse effect on our earnings and on the amount of cash we have available.

We maintain a liability for contingencies associated with known issues under discussion with tax authorities and transactions yet to be settled and we regularly assess the adequacy of this liability. We record liabilities for known tax contingencies when, in the judgment of management, it is probable that a liability has been incurred. We reverse contingencies to income in the period when management assesses that they are no longer required or when they become no longer required as a result of statute or resolution through the normal tax audit process. Our contingency reserves principally represent liabilities for the years 2000 to 2006. It is anticipated that these reserves will either result in a cash payment or be reversed to income between 2007 and 2010.

In the normal course of business, we enter into numerous intercompany transactions related to the sharing of data and technology. The tax rules governing such transactions are complex and depend on numerous assumptions. At this time, we believe that it is not probable that any such transactions will result in additional tax liabilities, and therefore we have not established contingencies related to these items. However, because of the volume and complexity of such transactions, it is possible that at some future date, an additional liability could result from audits by the relevant taxing authorities.

Additionally, we utilize tax loss carryforwards to reduce our effective income tax rate. However, most of our remaining tax loss carryforwards are in Canada where our ability to use them in the future will likely be limited because our taxable earnings in Canada are likely to be insufficient to absorb the losses. To the extent we cannot use these losses, we have in the past, and may in the future, sell them.

We have significant goodwill and identifiable intangible assets recorded on our balance sheet that may be subject to impairment losses that would reduce our reported assets and earnings.

Identifiable intangible assets and goodwill, arising from acquired businesses, comprise a substantial portion of our total assets. At December 31, 2006, our total assets were approximately $20.1 billion, of which approximately $6.6 billion, or 33%, was goodwill and approximately $3.5 billion, or 17%, was identifiable intangible assets. Economic, legal, regulatory, competitive, contractual and other factors may affect the value of goodwill and identifiable intangible assets. If any of these factors impairs the value of these assets, accounting rules require us to reduce their carrying value and recognize an impairment charge, which would reduce our reported assets and earnings in the year the impairment charge is recognized.

The value of our Canadian dollar-denominated common shares can be negatively impacted by a strengthening of the Canadian dollar relative to the U.S. dollar.

We have U.S. dollar-denominated common shares which trade on the New York Stock Exchange and Canadian dollar-denominated shares which trade on the Toronto Stock Exchange. A significant portion of our revenues are generated in U.S. dollars and our financial statements are expressed in U.S. dollars. As such, an appreciation of the Canadian dollar relative to the U.S. dollar can have an adverse effect on the value of our Canadian dollar-denominated common shares. 2006 was the fourth consecutive year that the Canadian dollar strengthened against the U.S. dollar. During 2006, the Canadian dollar strengthened approximately 7% compared to the previous year, with an average exchange rate in 2006 of C$1.13=US$1.00, compared to C$1.21=US$1.00 in 2005, C$1.30=US$1.00 in 2004, C$1.40=US$1.00 in 2003 and C$1.57=US$1.00 in 2002.

5. DIVIDENDS

Policy

We presently pay quarterly dividends on our common shares and intend to continue to do so. Our policy is to pay common share dividends at a rate that takes into account all factors that our Board of Directors considers relevant, including our earnings, available free cash flow, financial condition and capital requirements. Effective February 2006, our Board reviews our company's common share dividend policy annually in the first quarter. The declaration of common share dividends by our Board of Directors and the amount of those dividends may be adjusted or eliminated at the discretion of our Board of Directors. As discussed below, we also pay dividends on our outstanding preference shares. In February 2007, our Board of Directors approved an increase in our annualized 2007 dividend to $0.98 per common share, which represents a quarterly dividend in 2007 of $0.245 per common share. This represents an annual increase of $0.10 per share, or 11%, over 2006.

Dividend Reinvestment Plan

Under our dividend reinvestment plan, our common shareholders may elect to have their dividends reinvested in additional common shares that are newly issued rather than purchased in the market. The price per common share is calculated by reference to the weighted average price of our common shares on the Toronto Stock Exchange during the five trading days immediately preceding the record date for each dividend payment. No brokerage commissions are payable in connection with the purchase of common shares under our dividend reinvestment plan and we bear all administrative costs. The plan is currently available to our registered common shareholders who are resident in Canada, the United States and the United Kingdom. Shareholders resident in other jurisdictions are allowed to participate in the plan only if our company determines that participation should be made available to those shareholders taking into account the necessary steps to comply with the laws relating to the offering and the sale of common shares in the jurisdiction of those shareholders.

Common Share Dividends

The table below sets forth the dividends declared on our common shares in 2004, 2005 and 2006. We pay dividends on our common shares in U.S. dollars, but our common shareholders have the option to receive dividends in equivalent Canadian dollars or British pounds sterling.

Year/Quarter	Dividend Amount Per Share
2004	
First	$0.185
Second	$0.190
Third	$0.190
Fourth	$0.190
2005	
First	$0.190
Second	$0.200
Third	$0.200
Fourth	$0.200
2006	
First	$0.220
Second	$0.220
Third	$0.220
Fourth	$0.220

Preference Share Dividends

We pay dividends on our Series II preference shares quarterly at an annual rate of 70% of the Canadian bank prime rate applied to the stated capital of such shares. The table below sets forth the dividends declared on our Series II preference shares in 2004, 2005 and 2006.

Year/Quarter	Dividend Amount Per Share
2004	
First	C$0.185792
Second	C$0.164906
Third	C$0.165839
Fourth	C$0.184314
2005	
First	C$0.183390
Second	C$0.185428
Third	C$0.188789
Fourth	C$0.208197
2006	
First	C$0.224384
Second	C$0.250437
Third	C$0.264658
Fourth	C$0.264658

6. <u>DESCRIPTION OF CAPITAL STRUCTURE</u>

Capital Structure

Our authorized share capital consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series of which 6,000,000 shares consist of a series designated as Cumulative Redeemable Floating Rate Preference Shares, Series II. At December 31, 2006, there were 640,437,013 common shares and 6,000,000 Series II preference shares outstanding.

Common Shares

Each common share entitles its holder to one vote at meetings of our shareholders and to receive dividends when declared by our Board of Directors. All dividends that our Board of Directors declares will be paid equally on all common shares, subject to the rights of holders of the preference shares. Holders of common shares will participate equally in any distribution of our assets upon our liquidation, dissolution or winding-up, subject to the rights of the holders of the preference shares. There are no preemptive, redemption, purchase or conversion rights attaching to the common shares.

Preference Shares

Our preference shares may be issued in one or more series as determined by our Board of Directors. Our Board of Directors is authorized to fix the number, the consideration per share and the rights and restrictions of the preference shares of each series. The preference shares of each series are to rank on a parity with the preference shares of each other series with respect to the payment of dividends and the return of capital on our liquidation, dissolution or winding-up. The preference shares are entitled to preference over the common shares and any other shares ranking junior to the preference shares with respect to the payment of dividends and the return of capital. The special rights and restrictions attaching to the preference shares as a class may not be amended without approval of at least two-thirds of the votes cast at a meeting of the holders of preference shares. The holders of preference shares are not entitled to any voting rights except as provided by our board of directors when authorizing a series or as provided by law.

The Series II preference shares are non-voting and are redeemable at our option for C$25.00 per share, together with accrued dividends. Dividends are payable quarterly at an annual rate of 70% of the Canadian bank prime rate applied to the stated capital of such shares.

Ownership Restrictions

There is no law or governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to non-resident holders of common shares, other than withholding tax requirements.

There is no limitation imposed by Canadian law or by our articles of incorporation or other charter documents on the right of a non-resident to hold or vote our common shares, other than as provided by the Investment Canada Act, which requires notification and, in certain cases, advance review and approval by the Government of Canada of the acquisition by a non-Canadian of control of a Canadian business.

Ratings

The following table sets forth the ratings that our company has received from rating agencies in respect of our outstanding securities.

	Moody's	Standard & Poor's	Dominion Bond Rating Service
Long-term debt	A3	A-	A (low)
Commercial paper	—	—	R-1 (low)
Trend/Outlook	Negative	Developing	Stable

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities and are indicators of the likelihood of payment and of the capacity and willingness of a company to meet its financial commitment on an obligation in accordance with the terms of the obligation. A description of the rating categories of each of the rating agencies in the table above is set out below.

Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. Credit ratings may not reflect the potential impact of all risks on the value of securities. In addition, real or anticipated changes in the rating assigned to a security will generally affect the market value of that security. We cannot assure you that a rating will remain in effect for any given period of time or that a rating will not be revised or withdrawn entirely by a rating agency in the future.

Moody's Investor Services (Moody's)

Moody's long-term credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. Moody's "A" rating assigned to our long-term debt instruments is the third highest rating of nine rating categories. Obligations rated "A" are considered upper-medium grade and are subject to low credit risk. Moody's appends numerical modifiers from 1 to 3 to its long-term debt ratings, which indicates where the obligation ranks in its ranking category, with 1 being the highest. Following our announcement of our plans to sell Thomson Learning, Moody's changed our outlook from stable to negative. Outlooks represent Moody's assessment regarding the likely direction of the rating over the medium-term.

Standard & Poor's (S&P)

S&P's long-term credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. S&P's "A" rating assigned to our long-term debt instruments is the third highest rating of 10 major rating categories. An "A" rating indicates that the obligor's capacity to meet its financial commitment is strong, but that the obligation is somewhat more susceptible to adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. S&P uses "+" or "-" designations to indicate the relative standing of securities within a particular rating category. Following our announcement of our plans to sell Thomson Learning, S&P changed our outlook from stable to developing. Outlooks represent S&P's assessment regarding the potential direction of the rating over the immediate to long-term. A developing outlook is assigned when a rating may be raised or lowered.

Dominion Bond Rating Service (DBRS)

DBRS's short-term ratings are on a scale ranging from R-1 (high) to D, representing the highest to lowest quality. DBRS's "R-1" rating assigned to our commercial paper/short-term instruments is the third highest of 10 rating categories and indicates satisfactory credit quality. The overall strength and outlook for key liquidity, debt and profitability ratios for entities with this rating is not normally as favorable as with higher rating categories, but these considerations are still respectable. DBRS's long-term credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. DBRS's "A" rating assigned to our long-term debt is the third highest of the 10 rating categories for long-term debt. Debt securities rated "A" are of satisfactory credit quality and protection of interest and principal is considered substantial. A reference to "high" or "low" reflects the relative strength within the rating category. DBRS also assigned a stable outlook to the ratings, which helps give investors an understanding of DBRS's opinion regarding the outlook for the ratings.

7. MARKET FOR SECURITIES

Our common shares are listed and traded on the Toronto Stock Exchange and the New York Stock Exchange under the symbol "TOC." Of the two marketplaces, the greatest volume of trading in 2006 occurred on the Toronto Stock Exchange. Our Series II preference shares are also listed on the Toronto Stock Exchange under the symbol "TOC.PR.B."

The following table sets forth the reported trading prices in Canadian dollars and trading volumes for our common shares on the Toronto Stock Exchange during each month in 2006.

Month	High	Low	Close	Trading Volume
January	42.48	39.50	40.76	15,898,811
February	44.48	40.72	43.48	18,726,791
March	44.33	42.68	43.55	19,201,141
April	46.32	43.15	44.68	10,437,613
May	46.50	43.00	46.50	13,452,717
June	46.50	42.64	43.01	13,817,274
July	45.47	42.40	44.77	6,698,024
August	45.69	43.82	44.50	9,167,554
September	45.80	42.50	45.00	11,216,775
October	47.82	43.65	46.46	12,217,587
November	49.19	45.87	48.71	11,301,009
December	49.54	47.25	48.38	6,951,356

The following table sets forth the reported trading prices in U.S. dollars and trading volumes for our common shares on the New York Stock Exchange during each month in 2006.

Month	High	Low	Close	Trading Volume
January	36.44	34.01	35.89	555,600
February	38.96	35.66	38.23	861,600
March	38.72	36.74	37.36	696,100
April	40.78	35.88	39.91	772,000
May	41.82	38.39	41.80	858,300
June	42.24	38.00	38.52	1,151,300
July	40.19	37.66	39.43	672,100
August	41.02	38.94	40.23	657,100
September	41.02	38.25	40.30	654,900
October	42.45	38.42	41.30	760,400
November	43.09	40.46	42.72	881,400
December	43.41	40.89	41.44	968,300

The following table sets forth the reported trading prices in Canadian dollars and trading volumes for our Series II preference shares on the Toronto Stock Exchange during each month in 2006.

Month	High	Low	Close	Trading Volume
January	25.64	25.25	25.51	94,444
February	25.85	25.35	25.68	17,054
March	26.00	25.30	25.30	318,117
April	25.59	25.25	25.50	22,072
May	25.95	25.30	25.69	31,118
June	25.99	25.23	25.23	291,196
July	25.85	25.30	25.60	28,888
August	26.05	25.40	25.50	215,317
September	25.68	25.27	25.47	246,684
October	25.60	25.42	25.50	26,250
November	26.49	25.50	26.19	37,122
December	26.39	25.50	25.69	448,256

8. DIRECTORS AND OFFICERS

Directors

The names, municipalities and countries of residence, offices and principal occupations of our directors as of the date of this annual information form are shown below. Each director has been a director since the year indicated below and has been elected or appointed to serve until our next annual meeting of shareholders to be held on May 2, 2007. All of our directors are expected to be re-elected at the upcoming shareholders meeting. All of our directors have been engaged for more than five years in their present principal occupations or in other capacities within Thomson, except where noted below.

Our Board currently has a Corporate Governance Committee, a Human Resources Committee and an Audit Committee and the members of each committee are shown below. Until September 2006, the Board also had a Finance Committee, the members of which were David K.R. Thomson, W. Geoffrey Beattie and John A. Tory. Changes in the authority of our company's management to act in certain areas, as well as a more proactive Board agenda building process, meant the Finance Committee no longer had a meaningful role to play.

Directors Name and Municipality of Residence	Office and Principal Occupation	Director Since
David K.R. Thomson Toronto, Ontario, Canada	Chairman of Thomson and Chairman of The Woodbridge Company Limited (holding company)	1988
W. Geoffrey Beattie (1)(2) Toronto, Ontario, Canada	Deputy Chairman of Thomson and President of The Woodbridge Company Limited (holding company)	1998
Richard J. Harrington Westport, Connecticut, U.S.A.	President and Chief Executive Officer of Thomson	1993
Ron D. Barbaro (1)(3)(4) Toronto, Ontario, Canada	Chairman of The Brick Group Income Fund (retail company)	1993
Mary Cirillo (1) (5) New York, New York, U.S.A.	Corporate director	2005
Robert D. Daleo Alpine, New Jersey, U.S.A.	Executive Vice President and Chief Financial Officer of Thomson	2001
Steven A. Denning (2)(6) Greenwich, Connecticut, U.S.A.	Chairman of General Atlantic LLC (private equity firm)	2000
V. Maureen Kempston Darkes, O.C.(1)(2) Miramar, Florida, U.S.A.	Group Vice President, General Motors Corporation and President of GM Latin America, Africa and Middle East (automobile manufacturer)	1996

Directors Name and Municipality of Residence	Office and Principal Occupation	Director Since
Roger L. Martin (3) Toronto, Ontario, Canada	Dean of the Joseph L. Rotman School of Management at the University of Toronto (post secondary education)	1999
Vance K. Opperman (3) Minneapolis, Minnesota, U.S.A.	President and Chief Executive Officer of Key Investment Inc. (holding company)	1996
Michael J. Sabia (2) (7) Montreal, Québec, Canada	President and Chief Executive Officer of BCE Inc. and Chief Executive Officer of Bell Canada (communications companies)	2006
John M. Thompson (1)(3)(8) Toronto, Ontario, Canada	Chairman of the Board of The Toronto-Dominion Bank (financial institution)	2003
Peter J. Thomson Toronto, Ontario, Canada	Chairman of The Woodbridge Company Limited (holding company)	1995
Richard M. Thomson, O.C. (2)(3) Toronto, Ontario, Canada	Corporate director	1984
John A. Tory (2) Toronto, Ontario, Canada	Director, The Woodbridge Company Limited (holding company)	1978

(1) Member of the Corporate Governance Committee.

(2) Member of the Human Resources Committee.

(3) Member of the Audit Committee.

(4) Prior to 2004, Mr. Barbaro was Chairman and Chief Executive Officer of the Ontario Lottery and Gaming Corporation.

(5) Since September 2003, Ms. Cirillo has served as an advisor to Hudson Ventures, a venture capital fund. Ms. Cirillo served as Chairman and Chief Executive Officer of OpCenter, LLC from March 2000 to September 2003.

(6) Prior to 2005, Mr. Denning was the Managing Partner of General Atlantic Partners, LLC.

(7) Mr. Sabia has been President and Chief Executive Officer of BCE Inc. since April 2002 and Chief Executive Officer of Bell Canada since May 2002. Mr. Sabia was President and Chief Operating Officer of BCE Inc. from March 2002 to April 2002 and Chief Operating Officer of Bell Canada from March 2002 to May 2002. He was President of BCE Inc. from December 2000 to March 2002 and Vice Chair of Bell Canada from July 2000 to March 2002. Mr. Sabia was a director and officer of Teleglobe Communications Corporation and Teleglobe Inc. from February 2002 to April 2002. In May 2002, both of these companies filed for protection under the Companies' Creditors Arrangement Act (Canada) and Chapter 11 of the U.S. Bankruptcy Code.

(8) Mr. Thompson was Vice Chairman of the board of directors of IBM Corporation from 2000 to 2002.

Audit Committee

The members of our Audit Committee are Vance K. Opperman (Chair), Ron D. Barbaro, Roger L. Martin, John M. Thompson and Richard M. Thomson. The Board has determined that all of the members of the Audit Committee are independent (within the meaning of the NYSE listing standards and Canadian Securities Administrators' Multilateral Instrument 52-110 (*Audit Committees*)) as well as financially literate (within the meaning of the NYSE listing standards and Multilateral Instrument 52-110).

- Mr. Opperman is currently President and Chief Executive Officer of Key Investment Inc., and was formerly the President of West Publishing Company. He also serves on the boards of Delta Dental Plans Association, Blue Cross/Blue Shield of Minnesota and Avenet LLC. Mr. Opperman received a J.D. from the University of Minnesota Law School.

- Mr. Barbaro is Chairman of The Brick Group Income Fund, a Toronto Stock Exchange listed income fund, and was formerly the Chairman and CEO of the Ontario Lottery and Gaming Corporation. He was also formerly the President of Worldwide Operations for the Prudential Insurance Company of America. Mr. Barbaro also serves as Chairman of Trans Global Life Insurance Company.
- Mr. Martin is currently the Dean of the Joseph L. Rotman School of Management at the University of Toronto. He also serves as Chairman and a member of the Audit Committee of Workbrain Corporation, a Toronto Stock Exchange listed company. Mr. Martin received an MBA from Harvard Business School.
- Mr. Thompson is currently the non-executive independent Chairman of the Board of The Toronto-Dominion Bank, a Toronto Stock Exchange and New York Stock Exchange listed company, and was formerly the Vice Chairman of the Board of IBM Corp., a New York Stock Exchange listed company. Prior to that, he held various senior executive positions with IBM. He also serves as the member of the supervisory board of Royal Philips Electronics, a New York Stock Exchange listed company. Mr. Thompson received his undergraduate degree from the University of Western Ontario and completed the executive management programs at the Richard Ivey School at the University of Western Ontario and the Kellogg Graduate School of Business at Northwestern University.
- Mr. Thomson is a corporate director and was formerly the Chairman and Chief Executive Officer of The Toronto-Dominion Bank, a Toronto Stock Exchange and New York Stock Exchange listed company. He also serves as a director and member of the audit committee of Nexen Inc., a Toronto Stock Exchange and New York Stock Exchange listed company. He is also Vice Chairman and a member of the audit committee of S.C. Johnson & Son, Inc. Mr. Thomson received an MBA from Harvard Business School. Mr. Thomson is not related to David K.R. Thomson and Peter J. Thomson.

Our Board of Directors has also determined that Richard Thomson is qualified as an “audit committee financial expert” (within the meaning of applicable SEC rules) and that he has “accounting or related financial management expertise” (within the meaning of the NYSE listing standards).

A copy of the charter of our Audit Committee is attached to this annual information form as Schedule A and is also available on our website, *www.thomson.com*.

Executive Officers

The names, municipalities and countries of residence, offices and principal occupations of our executive officers as of the date of this annual information form are shown below. All of our executive officers have been engaged for more than five years in their present principal occupations or in other capacities within Thomson, except where noted below. Messrs. Harrington, Daleo, Hall, Smith and Wilens are members of our company’s Executive Committee.

Executive Officers Name and Municipality of Residence	Office and Principal Occupation
Richard J. Harrington Westport, Connecticut, U.S.A.	President and Chief Executive Officer
Robert D. Daleo Alpine, New Jersey, U.S.A.	Executive Vice President and Chief Financial Officer
Brian H. Hall (1) Colorado Springs, Colorado, U.S.A.	Vice Chairman

Executive Officers Name and Municipality of Residence	Office and Principal Occupation
James C. Smith (2) Stamford, Connecticut, U.S.A.	Executive Vice President and Chief Operating Officer
Michael E. Wilens (3) Westport, Connecticut, U.S.A.	Executive Vice President and Chief Technology Officer
Robert B. Bogart (4) New York, New York, U.S.A.	Executive Vice President, Human Resources
Deirdre Stanley (5) New York, New York, U.S.A.	Senior Vice President and General Counsel
Gustav D. Carlson (6) Pound Ridge, New York, U.S.A.	Senior Vice President and Chief Marketing and Communications Officer
Richard J. Benson-Armer (7) Brookfield, Connecticut, U.S.A.	Senior Vice President and Chief Strategy Officer

(1) Mr. Hall became Vice Chairman of Thomson in January 2007. He was previously Executive Vice President of Thomson and President and Chief Executive Officer of Thomson Legal & Regulatory.

(2) Mr. Smith became Executive Vice President and Chief Operating Officer of Thomson in January 2007. In 2005 and 2006, he was President and Chief Executive Officer of Thomson Learning's Academic & Reference group. Prior to that, Mr. Smith was Executive Vice President, Human Resources and Administration of Thomson.

(3) Mr. Wilens became Executive Vice President, Chief Technology Officer of Thomson in 2006. Prior to this appointment, he was President and CEO of Thomson Legal & Regulatory's North American Legal division. Prior to that, he was Chief Technology Officer of Thomson as well as Thomson Legal & Regulatory.

(4) Mr. Bogart became Executive Vice President, Human Resources of Thomson in 2005. From 2003 to 2005, he was Senior Vice President of Human Resources for Thomson Financial. Prior to joining Thomson Financial, he was the senior human resources executive and a member of the operating committee at Primerica Corporation.

(5) Prior to joining Thomson in 2002, Ms. Stanley was Executive Vice President, Business Development and Strategy for the Electronic Commerce Solutions division of USA Interactive (formerly USA Networks, Inc.). Ms. Stanley joined USA Networks in 1999 as the Deputy General Counsel.

(6) Mr. Carlson became Senior Vice President and Chief Marketing and Communications Officer of Thomson in January 2007. He joined Thomson in 2006 as Senior Vice President, Corporate Communications. Prior to joining Thomson, Mr. Carlson was Vice President, Communications for Standard & Poor's and Associate Partner, Corporate Communications at Accenture.

(7) In 2006, Mr. Benson-Armer was appointed Senior Vice President, Chief Strategy Officer of Thomson. Prior to this appointment, he was Senior Vice President, Strategic Planning and Business Development at Thomson Learning. Prior to joining Thomson in 2004, Mr. Benson-Armer was a partner at McKinsey & Company.

Ownership of Securities

At February 15, 2007, our directors and executive officers as a group beneficially owned, directly or indirectly, or exercised control or direction over, approximately 0.8% of our outstanding common shares. David K.R. Thomson and Peter J. Thomson are the Chairmen, and Mr. Beattie is the President, of Woodbridge, our controlling shareholder. Mr. Tory is a director of Woodbridge. As of February 15, 2007, Woodbridge beneficially owned approximetely 66% of our outstanding common shares. As of that date, Woodbridge and other companies affiliated with it together beneficially owned approximately 70% of our outstanding common shares.

Principal Accountant Fees and Services

PricewaterhouseCoopers LLP have been the auditors of our company since our incorporation in 1977.

Fees payable to PricewaterhouseCoopers LLP for the years ended December 31, 2006 and 2005 were as follows:

(in millions of U.S. dollars)	**2006**	2005
Audit fees	**$ 21.1**	$ 12.1
Audit-related fees	**11.5**	3.0
Tax fees	**7.4**	6.9
All other fees	**0.1**	0.1
Total	**$ 40.1**	$ 22.1

Audit Fees

These audit fees were for professional services rendered for the audits of our consolidated financial statements, reviews of interim financial statements included in our quarterly reports, the audit of management's assessment of, and the effectiveness of our internal control over financial reporting, and services that generally only the independent auditor can reasonably provide, such as comfort letters, statutory audits, consents and assistance and review of documents filed with the Securities and Exchange Commission and Canadian securities regulatory authorities.

Audit-Related Fees

These audit-related fees were for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under the "audit fees" category above. These services included advisory services related to internal controls over financial reporting, audits of our various employee benefit plans, transaction due diligence, subsidiary audits, and other services related to acquisitions and dispositions.

Tax Fees

Tax fees were for tax compliance, tax advice and tax planning. These services included the preparation and review of corporate and expatriate tax returns, assistance with tax audits and transfer pricing matters, advisory services relating to federal, state, provincial and international tax compliance, customs and duties, and restructurings, mergers and acquisitions.

All Other Fees

Fees disclosed in the table above under the item "all other fees" were for services other than the audit fees, audit-related fees and tax fees described above. These services included:

- Authoring content for inclusion in certain Thomson products and services; and
- French translations of financial statements, management's discussion and analysis and financial information included in our annual information form, prospectuses and other offering documents.

Pre-Approval Policies and Procedures

Our Audit Committee is responsible for overseeing the work of the independent auditors and has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence. The Audit Committee has adopted a policy regarding its pre-approval of all audit and permissible non-audit services provided by the independent auditors. The policy gives detailed guidance to our management as to the specific types of services that have been pre-approved by the Audit Committee. The policy requires the Audit Committee's specific pre-approval of all other permitted types of services that have not already been pre-approved. Our senior management periodically provides the Audit Committee with a summary of services provided by the independent auditors in accordance with the pre-approval policy. The Audit Committee's charter delegates to its Chair the authority to evaluate and approve engagements in the event that the need arises for approval between Audit Committee meetings. If the Chair approves any such engagements, he reports his approval decisions to the full Audit Committee at its next meeting. For the year ended December 31, 2006, none of the audit-related, tax or all other fees described above made use of the *de minimus* exception to pre-approval provisions contained in Rule 2-01(c)(7)(i)(C) of SEC Regulation S-X or Section 2.4 of the Canadian Securities Administrators' Multilateral Instrument 52-110 (*Audit Committees*).

Controlled Company

The NYSE listing standards require a listed company to have, among other things, a majority of independent directors on its Board and solely independent directors on its compensation committee and corporate governance committee. The rules permit a "controlled company" to be exempt from these requirements. A "controlled company" is a company of which more than 50% of the voting power is held by an individual, group or another company. Controlled companies are not, however, exempt from the requirement that the Audit Committee must be comprised solely of independent directors.

Our company is controlled by The Woodbridge Company Limited, which beneficially owned approximately 66% of our outstanding common shares as of February 15, 2007. As of that date, Woodbridge and other companies affiliated with it together beneficially owned approximately 70% of our outstanding common shares. The Board has determined that it is appropriate for directors affiliated with the controlling shareholder to serve on the Board committees apart from the Audit Committee. Accordingly, the Board has approved the company's reliance on the controlled company exemption. Nine of our current 15 directors are independent of both management and the controlling shareholder with the result that a majority of the directors independently represent the 30% interest in our company held by the shareholders other than Woodbridge and its affiliates.

Independent Directors

In February 2007, our Board conducted its annual assessment of the independence of each of its members. In determining independence, the Board examined and relied on the definition of "independent" in the NYSE listing standards and as referenced in National Instrument 58-101. The Board also reviewed the results of annual questionnaires completed by each director. After considering a wide variety of factors and information disclosed by each director, our Board determined that of the 15 directors standing for election at our upcoming annual meeting of shareholders, nine are independent. At our meeting of shareholders in May 2006, 15 directors were elected, eight of whom were independent.

- Two of our directors (Messrs. Harrington and Daleo) are not independent because they are members of senior management of Thomson.
- Three of our directors (David Thomson, Peter J. Thomson and W. Geoffrey Beattie) are directors and executive officers of Woodbridge or its affiliates other than our company, and one of our directors (John A. Tory) is a director and former executive officer of Woodbridge and its affiliates other than our company. None of these individuals is a member of The Thomson

Corporation's management team. While the Board considers these directors' interests to be fully aligned with the interests of minority shareholders, and although they do not act as part of our executive management, the NYSE listing standards and National Instrument 58-101 suggest that they be considered not independent. Kenneth R. Thomson, the Chairman of Woodbridge, was a director until his death in June 2006.

- The independent directors are Mary Cirillo, V. Maureen Kempston Darkes and Messrs. Barbaro, Denning, Martin, Opperman, Sabia, Thompson and Richard M. Thomson. Richard M. Thomson is not related to David K.R. Thomson and Peter J. Thomson. In determining that all of these directors are independent, the Board considered all relevant facts and circumstances, including that in the normal course of business, The Thomson Corporation provides services to, and receives services from, companies that some of our directors are affiliated with. For example, various in-house legal departments of a number of these companies subscribe to Thomson Legal's Westlaw service. The Board determined that these types of relationships were immaterial. In particular, the Board acknowledged that Messrs. Denning and Thompson were also directors of companies that our company has a relationship with, but determined that these relationships also were not material and did not preclude a finding of independence.
  - Mr. Denning, one of our independent directors, is also a director of Hewitt Associates Inc. In February 2005, we entered into a contract with Hewitt Associates Inc. to outsource certain human resources administrative functions in order to improve operating and cost efficiencies. When we initially signed the contract, we expected to pay Hewitt an aggregate of $115 million over a five year period. This contract was subsequently renegotiated and extended in September 2006. Under the new terms, we expect to pay Hewitt an aggregate of $165 million over a 10-year period. In 2006 and 2005, we paid Hewitt $16 million and $5 million, respectively, for its services. Mr. Denning has not participated in negotiations related to the contract and has refrained from deliberating and voting on the matter by the Human Resources Committee and the Board of Directors.
  - Mr. Thompson, another of our independent directors, is the non-executive independent Chairman of the Board of The Toronto-Dominion Bank. In the normal course of business, our company has a banking relationship with The Toronto-Dominion Bank and one of the bank's affiliates has served as a dealer for our company's recent offerings of debt securities in Canada.

Pursuant to applicable rules, the Chairman cannot be considered independent because he is an executive officer of Woodbridge, which is our controlling shareholder. As Chairman, David Thomson directs the operations of the Board in such a way that it operates independently of management. The Chairman is responsible for establishing the agenda for meetings, ensuring that the Board has sufficient resources and information to carry out its functions and facilitating a constructive relationship between the Board and senior management.

Presiding Directors at Meetings of Non-Management and Independent Directors

At the conclusion of all Board meetings, the non-management directors meet as a group. W. Geoffrey Beattie, the Deputy Chairman, chairs these sessions and informs management of the substance of the meetings to the extent that action is required by management. In addition, our independent directors meet at least once each year without management directors or directors affiliated with our controlling shareholder. These meetings are chaired by John M. Thompson.

Communications with Non-Management and Independent Directors and Presiding Directors

Interested parties may contact either our non-management or independent directors as a group or the directors who preside over their meetings (Mr. Beattie and Mr. Thompson, respectively) by writing to them c/o Secretary to the Board of Directors, The Thomson Corporation, Suite 2706, Toronto Dominion Bank Tower, P.O. Box 24, Toronto-Dominion Centre, Toronto, Ontario M5K 1A1, Canada or by e-mail at *board.secretary@thomson.com*.

Code of Business Conduct and Ethics

We have a Code of Business Conduct and Ethics that applies to all employees, directors and officers, including our Chief Executive Officer, Chief Financial Officer and principal accounting officer/controller. The Code has been adopted by our Board. During January 2007, we updated the Code to make certain clarification changes and technical amendments and to improve its ease of use. These updates apply to all of our employees, directors and officers.

All of our employees, directors and officers are required to submit an acknowledgement that they have received and read a copy of the Code and understand their obligations to comply with the principles and policies outlined in it. In an effort to further promote a culture of ethical business conduct through the corporation, we require most of our employees to complete an online training course related to the Code. The Corporate Governance Committee also receives an annual report regarding the Code and our ethics hotline from our General Counsel. No material violations were reported in 2006. Also, no waivers under the Code were sought by or granted to our directors or executive officers in 2006.

A copy of the Code is available on our website at *www.thomson.com* as well as at *www.sedar.com* and *www.sec.gov*. Our Code is also available (without charge) in print or electronically to any person who requests a copy. Requests should be made to our company at the address set forth in Item 12, “Additional Information,” of this annual information form.

Corporate Governance Guidelines and Board Committee Charters

Our corporate governance guidelines and charters for each committee of our Board are posted in the “Corporate Governance” part of the “Investor Relations” section of our website at *www.thomson.com.*

Our corporate governance guidelines and committee charters are also available (without charge) in print or electronically to any person who requests a copy. Requests should be made to our company at the address set forth in Item 12, “Additional Information,” of this annual information form.

9. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As previously disclosed, we are a defendant in certain lawsuits involving our BAR/BRI business. *Park v. The Thomson Corporation and Thomson Legal & Regulatory Inc*., which was filed in the U.S. District Court for the Southern District of New York, alleges violations of U.S. federal antitrust laws. In June 2006, an additional purported class action complaint with substantially identical allegations to the Park matter, which is now captioned *Arendas v. The Thomson Corporation, West Publishing Corporation d/b/a BAR/BRI and Doe Corporation*, was filed in the Circuit Court for the Ninth Judicial Circuit in and for Orange County, Florida, alleging violations of Florida state antitrust law. We continue to defend ourselves vigorously in these cases.

In February 2007, we entered into a settlement agreement related to a lawsuit involving our BAR/BRI business that alleged violations of antitrust laws (*Rodriguez v. West Publishing Corp. and* Kaplan Inc.). Our part of the settlement is $36 million. In the fourth quarter of 2006, we established a legal reserve in this amount. If the settlement is approved by the U.S. District Court for the Central District of California, we expect to pay this amount later in 2007.

Also as previously disclosed, in 2005 we became aware of an inquiry by the Serious Fraud Office in the United Kingdom regarding the refund practices relating to certain duplicate subscription payments made by some of our customers in our Sweet & Maxwell and Gee businesses in the United Kingdom. We are continuing to cooperate fully with the authorities in their inquiry.

In addition to the matters described above, our company is engaged in various legal proceedings and claims that have arisen in the ordinary course of business. The outcome of all of the proceedings and claims against our company, including those described above, is subject to future resolution, including the uncertainties of litigation. Based on information currently known by us and after consultation with outside legal counsel, our management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on our financial condition, taken as a whole.

10. TRANSFER AGENT AND REGISTRARS

The transfer agent and registrar for our common shares in Canada is Computershare Trust Company of Canada, with transfer facilities in Toronto, Montreal, Calgary and Vancouver. In the United States, our transfer agent is Computershare Trust Company N.A., with transfer facilities in New York, New York and Denver, Colorado. Computershare Investor Services PLC is our transfer agent in the United Kingdom in London. Computershare Trust Company of Canada is also the transfer agent and registrar for our Series II preference shares, with transfer facilities only in Toronto.

11. INTERESTS OF EXPERTS

Our auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors’ report dated February 23, 2007 in respect of our consolidated financial statements with accompanying notes as at and for the years ended December 31, 2006 and December 31, 2005, as well as a report on management’s assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2006. PricewaterhouseCoopers LLP has advised that they are independent with respect to our company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario and the rules of the U.S. Securities and Exchange Commission.

12. ADDITIONAL INFORMATION

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of our common shares and securities authorized for issuance under our equity compensation plans, is contained in our management information circular for our most recent annual meeting of shareholders held in May 2006 that involved the election of directors. In the next few weeks, we intend to file and make publicly available our management information circular related to our upcoming annual and special meeting of shareholders to be held in May 2007. Additional financial information is provided in our audited consolidated financial statements and management’s discussion and analysis (MD&A) for the year ended December 31, 2006. When available, copies of these documents may be obtained by making a request in writing to Investor Relations Department, The Thomson Corporation, Metro Center, One Station Place, Stamford, Connecticut 06902, United States. Requests may also be sent by e-mail to *investor.relations@thomson.com*.

You may access other information about our company, including our disclosure documents, reports, statements or other information that we file with the Canadian securities regulatory authorities through SEDAR at *www.sedar.com* and in the United States with the SEC at *www.sec.gov*.

Information required to be provided pursuant to Form 52-110F1 (*Audit Committees*) is contained in Item 8, “Directors and Officers,” of this annual information form.

SCHEDULE A TO
ANNUAL INFORMATION FORM

AUDIT COMMITTEE CHARTER

As approved by the Thomson Board of Directors on February 23, 2007

THE THOMSON CORPORATION
AUDIT COMMITTEE CHARTER

1. PURPOSE

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities in relation to:

- the integrity of the Corporation's financial statements;
- the Corporation's compliance with legal and regulatory requirements;
- the qualifications and independence of the Corporation's auditor;
- the adequacy and effectiveness of internal controls over financial reporting and disclosure controls;
- the performance of the Corporation's internal audit function and independent auditor; and
- any additional matters delegated to the Audit Committee by the Board.

2. MEMBERS

The Board must appoint a minimum of three and a maximum of five directors to be members of the Audit Committee. The members of the Audit Committee will be selected by the Board on the recommendation of the Corporate Governance Committee. All of the members of the Audit Committee will meet the criteria for independence contained in applicable laws and stock exchange rules and regulations and at least a majority must be residents of Canada (so long as this is required under applicable law).

In addition, every member of the Audit Committee will be Financially Literate and at least one member will have accounting or related financial management expertise as the Board interprets such qualification in its business judgement. The Board will determine whether at least one member is an Audit Committee Financial Expert and will make appropriate disclosure. A member of the Audit Committee may not serve on more than two other public company audit committees except with the prior approval of the Board.

Members of the Audit Committee (i) may not accept directly or indirectly any consulting, advisory, or other compensatory fee from the Corporation or any of its subsidiaries, other than director and committee fees and pensions or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), and (ii) may not be an "affiliated person" (within the meaning of applicable law or regulations) of the Corporation or any of its subsidiaries.

3. RESPONSIBILITIES

The Audit Committee is responsible for performing the duties set out below as well as any other duties delegated to the Audit Committee by the Board.

(a) Appointment and Review of the Auditor

The auditor is ultimately accountable to the Audit Committee and reports directly to the Audit Committee. Accordingly, the Audit Committee will evaluate and be responsible for the Corporation's relationship with the auditor. Specifically, the Audit Committee will:

- select, evaluate and nominate the auditor to be proposed for appointment or reappointment, as the case may be, by the shareholders;
- review and approve the auditor's engagement letter;
- after seeking and taking into account the opinions of senior management and the officer in charge of internal audit, review the independence, experience, qualifications and performance of the auditor, including the lead audit partner, in recommending its appointment or reappointment, including considering whether the auditor's quality controls are adequate and the auditor's provision of any permitted non-audit services is compatible with maintaining its independence;
- oversee the auditor's work, including resolving any disagreements between management and the auditor regarding financial reporting;
- at least annually, obtain and review a report by the auditor describing its internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditor and any steps taken to deal with any such issues; and
- where appropriate, terminate the auditor.

(b) Confirmation of the Auditor's Independence

At least annually, and before the auditor issues its report on the Corporation's annual financial statements, the Audit Committee will:

- confirm that the auditor has submitted a formal written statement describing all of its relationships with the Corporation that in the auditor's professional judgment may reasonably be thought to bear on its independence;
- discuss with the auditor any disclosed relationships or services that may affect its independence;
- obtain written confirmation from the auditor that it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct adopted by the Ontario Institute of Chartered Accountants to which it belongs and that it is an independent public accountant with respect to the Corporation within the meaning of the federal securities legislation administered by the United States Securities and Exchange Commission; and
- confirm that the auditor has complied with applicable laws with respect to the rotation of certain members of the audit engagement team for the Corporation.

(c) Pre-Approval of Non-Audit Services

The Audit Committee will pre-approve the appointment of the auditor for any non-audit service to be provided to the Corporation or its subsidiaries, provided that it will not approve any service that is prohibited under applicable laws, rules and regulations. The Audit Committee has established policies and procedures, and may revise such from time to time, which pre-approve the appointment of the auditor for certain non-audit services. In addition, the Audit Committee may delegate to one or more independent members the authority to pre-approve the appointment of the auditor for any non-audit service to the extent permitted by applicable law, provided that any pre-approvals granted pursuant to such delegation shall be reported to the full Audit Committee at its next scheduled meeting following such pre-approval.

(d) Communications with the Auditor

The Audit Committee has the authority to communicate directly with the auditor and will meet privately with the auditor as frequently as the Audit Committee feels is appropriate to fulfill its responsibilities, which will not be less frequently than annually, to discuss any items of concern to the Audit Committee or the auditor, including, without limitation:

- planning and staffing of the audit;
- any material written communications between the auditor and management, such as any management letter or schedule of unadjusted differences;
- whether or not the auditor is satisfied with the quality and effectiveness of financial recording procedures and systems;
- the extent to which the auditor is satisfied with the nature and scope of its examination;
- any instances of fraud or other illegal acts involving senior management of the Corporation;
- whether or not the auditor has received the full co-operation of senior management and other employees of the Corporation and whether the auditor has encountered any audit problems or difficulties in the course of its audit work, including any restrictions on the scope of the auditor’s work or access to required information and any significant disagreements with management (along with management’s response);
- the auditor’s opinion of the competence and performance of the Chief Financial Officer and other key financial personnel; and
- the items required to be communicated to the Audit Committee under the Canadian authoritative guidance or under Canadian generally accepted auditing standards.

(e) Review of the Audit Plan

The Audit Committee will discuss with the auditor the nature of an audit and the responsibility assumed by the auditor when conducting an audit under Canadian generally accepted auditing standards. The Audit Committee will review a summary of the auditor’s audit plan for each audit.

(f) Review of Audit Fees

The Audit Committee will determine the auditor's fee and the terms of the auditor's engagement. In determining the auditor's fee, the Audit Committee should consider, among other things, the number and nature of reports to be issued by the auditor, the quality of the internal controls of the Corporation, the size, complexity and financial condition of the Corporation and the extent of internal audit and other support to be provided to the auditor by the Corporation.

(g) Review of Financial Statements

The Audit Committee will review and discuss with management and the auditor the annual audited financial statements, together with the auditor's report thereon, and the interim financial statements, before recommending them for approval by the Board. The Audit Committee will also review and discuss with management and the auditor:

- management's discussion and analysis relating to the annual audited financial statements and interim financial statements;
- any reconciliation of the Corporation's financial statements from Canadian generally accepted accounting principles to U.S. generally accepted accounting principles;
- all critical accounting policies and practices used or to be used by the Corporation; and
- all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor.

The Audit Committee will also engage the auditor to review the interim financial statements and any reconciliation of the Corporation's financial statements prior to the Audit Committee's review of such financial statements or reconciliation.

(h) Review of Other Financial Information

The Audit Committee will:

- review annual and interim earnings press releases prior to their public release, as well as financial information and earnings guidance provided to analysts and rating agencies. The Audit Committee will also review the type and presentation of information to be included in such press releases and guidance (including the use of "pro forma" or "adjusted" non-GAAP financial measures);
- ensure that adequate procedures are in place for management's review of all other financial information extracted or derived from the Corporation's financial statements that were previously reviewed by the Audit Committee before such information is released to the public, including, without limitation, financial information or statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities, and the Audit Committee shall periodically assess the adequacy of those procedures;
- review major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of any material control deficiencies;

- review analyses prepared by management and/or the auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods of the financial statements; and
- review the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.

(i) Review of the Internal Audit Function

The Audit Committee will review the mandate, budget, planned activities, staffing and organizational structure of the Corporation's internal audit function (which may be outsourced to a firm other than the auditor) to confirm that it is independent of management and has sufficient resources to carry out its mandate. The Audit Committee will discuss this mandate with the auditor.

The Audit Committee will review the appointment and replacement of the officer in charge of internal audit and will review the significant reports to management prepared by the internal auditing department and management's responses.

The Audit Committee has the authority to communicate directly with the officer in charge of internal audit. In addition, as frequently as it deems necessary to fulfill its responsibilities but not less often than annually, the Audit Committee will meet privately with the officer in charge of internal audit to discuss any areas of concern to the Audit Committee or the officer in charge of internal audit.

(j) Relations with Senior Management

The Audit Committee members will meet privately with senior management as frequently as the Audit Committee feels is appropriate to fulfil its responsibilities, which will not be less frequently than annually to discuss any areas of concern to the Audit Committee or senior management.

(k) Oversight of Internal Controls and Disclosure Controls

The Audit Committee will review with senior management the adequacy of the internal controls that have been adopted by the Corporation to safeguard assets from loss and unauthorized use, to prevent, deter and detect fraud, and to verify the accuracy of the financial records. The Audit Committee will review any special audit steps adopted in light of material weaknesses or significant deficiencies.

The Audit Committee will review with senior management the controls and procedures that have been adopted by the Corporation to confirm that material information about the Corporation and its subsidiaries that is required to be disclosed under applicable law or stock exchange rules is disclosed within the required time periods.

The Audit Committee will also review disclosures made to it by the Chief Executive Officer and Chief Financial Officer during their certification process for applicable securities law filings about any significant deficiencies and material weaknesses in the design or operation of the Corporation's internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information required to be disclosed by the Corporation in the reports that it files or submits under U.S. federal securities law or applicable Canadian federal and provincial legislation and regulations within the required time periods, and any fraud, whether or not material, involving management or other employees who have a significant role in the Corporation's internal control over financial reporting.

(l) Legal and Regulatory Compliance

The Audit Committee will review with the Corporation's legal counsel any legal or regulatory matters that could have a significant effect on the Corporation's financial statements. It will also review with legal counsel material inquiries received from regulators and governmental agencies and advise the Board accordingly.

(m) Risk Assessment and Risk Management

The Audit Committee will review periodically with senior management the Corporation's guidelines and policies with respect to risk assessment and risk management, including the steps and process taken to monitor and control risks.

(n) Taxation Matters

The Audit Committee will periodically review with senior management the status of significant taxation matters of the Corporation.

(o) Hiring Employees of the Auditor

The Audit Committee has established and will continue to maintain and monitor compliance with policies for hiring partners and employees and former partners and employees of the auditor.

4. COMPLAINTS PROCEDURE

The Audit Committee has established, and will continue to maintain, procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, auditing matters and disclosure controls and procedures for the confidential, anonymous submission of concerns by employees of the Corporation regarding questionable accounting or auditing matters or disclosure controls.

5. REPORTING

The Audit Committee will regularly report to the Board on:

- the auditor's independence;
- the performance of the auditor and the Audit Committee's recommendations regarding its reappointment or termination;
- the performance of the internal audit function;
- the adequacy of the Corporation's internal controls and disclosure controls;
- its recommendations regarding the annual and interim financial statements of the Corporation and any reconciliation of the Corporation's financial statements, including any issues with respect to the quality or integrity of the financial statements;
- its review of the annual and interim management's discussion and analysis;
- any issues that arise with respect to the Corporation's compliance with legal and regulatory requirements; and

- all other significant matters it has addressed and with respect to such other matters that are within its responsibilities.

6. REVIEW AND DISCLOSURE

The Audit Committee will review this Charter at least annually and submit it to the Corporate Governance Committee together with any proposed amendments. The Corporate Governance Committee will review this Charter and submit it to the Board for approval with such further amendments as it deems necessary and appropriate.

7. ASSESSMENT

At least annually, the Corporate Governance Committee will review the effectiveness of the Audit Committee in fulfilling its responsibilities and duties as set out in this Charter and in a manner consistent with the corporate governance guidelines adopted by the Board.

8. CHAIR

Each year, the Board will appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair, the incumbent Chair will continue in office until a successor is appointed.

9. REMOVAL AND VACANCIES

Any member may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to meet the qualifications set out above. The Board will fill vacancies on the Audit Committee by appointment from among qualified members of the Board. If a vacancy exists on the Audit Committee, the remaining members will exercise all of its powers so long as a quorum remains in office.

10. ACCESS TO INDEPENDENT COUNSEL AND OTHER ADVISORS

In carrying out its duties, the Audit Committee may retain independent counsel and any other outside advisor at the expense of the Corporation without Board approval at any time and has the authority to determine any such counsel’s or advisor’s fees and other retention terms. The Corporation shall also provide appropriate funding, as determined by the Audit Committee, for the payment of the compensation of the auditor, independent counsel and outside advisors and any ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

11. DEFINITIONS

Capitalized terms used in this Charter have the meanings attributed to them below:

“Audit Committee Financial Expert” means a person who has the following attributes:

(a) an understanding of generally accepted accounting principles and financial statements;

(b) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;

(c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements, or experience actively supervising one or more persons engaged in such activities;

(d) an understanding of internal controls over financial reporting; and

(e) an understanding of audit committee functions.

A person shall have acquired such attributes through:

(i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

(ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

(iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

(iv) other relevant experience.

“**Financially Literate**” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

THOMSON

EXHIBIT 99.2

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

THE THOMSON CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis is intended to assist you in understanding and evaluating changes in our financial condition and operations for the year ended December 31, 2006, compared to the preceding two fiscal years. We recommend that you read this discussion and analysis in conjunction with our consolidated financial statements prepared in accordance with accounting principles generally accepted in Canada, or Canadian GAAP, and the related notes to those financial statements. All dollar amounts in this discussion are in U.S. dollars unless otherwise specified. Unless otherwise indicated, references in this discussion to "we," "our" and "us" are to The Thomson Corporation and its subsidiaries. In addition to historical information, this management's discussion and analysis contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Some of these factors include those identified in the section entitled "Forward-Looking Statements" on page 45 of this management's discussion and analysis and in the "Risk Factors" section of our annual information form, which is also contained in our annual report on Form 40-F. This management's discussion and analysis is dated as of February 23, 2007.

OVERVIEW

Our Business and Strategy

We are one of the world's leading information services providers to business and professional customers. Our target customers are knowledge workers whose expertise in particular markets is critical to the success of economies throughout the world. As economies evolve and become more global, we believe that the needs of knowledge workers will continue to grow.

We generate revenues by supplying knowledge workers with business-critical information solutions and services. We make our information more valuable by adding expert analysis, insight and commentary, and couple it with software tools and applications that our customers can use to search, compare, synthesize and communicate the information. To further enhance our customers' workflows, we deliver information and services electronically, integrate our solutions with our customers' own data and tailor the delivery of information to meet specific customer needs. As we integrate critical information with analysis, tools and applications, we place greater focus on the way our customers use our content, rather than simply on selling the content itself, and are moving from just informing our customers to enabling their decisions. We believe our ability to embed our solutions into our customers' workflows is a significant competitive advantage as it leads to strong customer retention and barriers to entry for competitors. Over time, we believe that these attributes translate into more pricing power, higher margins and better cash flow. Thus, our shift to workflow solutions is important to our growth and profitability.

As a global company, we are affected by economic and market dynamics, governmental regulations and business conditions for each market and country in which we operate. We have traditionally encountered competition in each of our markets from both large information providers and smaller niche market businesses. However, we now face an evolving competitive landscape. Certain of our traditional competitors are implementing solutions strategies of their own. In the future, other competitors could come from outside our traditional competitive set. For instance, Internet service companies and search providers could pose a threat to some of our businesses by providing more in-depth offerings than are currently available from such services. In response to this, we are continuing to move forward aggressively in segmenting our markets and developing solutions that will allow us to remain embedded in our customers' workflows.

We strive for leadership positions in each market we serve in order to secure broad and deep market expertise. To maintain our leadership positions, we plan to continue to invest in our existing businesses and also to acquire new businesses. During the past few years, we have achieved efficiencies by leveraging resources within our various businesses, which has increased our profitability. We have had consistently strong cash flow generation, reflecting the strength of our businesses and the quality of our earnings, as well as contributions from operating efficiencies and improvements in our use of working capital.

Throughout 2006, our operations were organized into four market groups that were structured on the basis of the customers they served:

- *Thomson Legal & Regulatory* - a leading provider of information solutions to legal, tax, accounting, intellectual property, compliance and other business professionals, as well as government agencies;
- *Thomson Learning* - a leading provider of learning solutions to colleges, universities, professors, students, libraries, reference centers, government agencies, corporations and professionals;
- *Thomson Financial* - a leading provider of products and integration services to financial and technology professionals in the corporate, investment banking, institutional, retail wealth management and fixed income sectors of the global financial community; and
- *Thomson Scientific & Healthcare* - a leading provider of information and services to researchers, physicians and other professionals in

the healthcare, academic, scientific, corporate and government marketplaces.

In October 2006, we announced our intention to divest the entirety of our Thomson Learning group, including those businesses serving the higher education, careers, library reference, corporate e-learning and e-testing markets. Therefore, we have restated our results and metrics for all years discussed throughout this management's discussion and analysis to remove Thomson Learning. See the sections entitled "Dispositions" and "Discontinued operations" for further discussion.

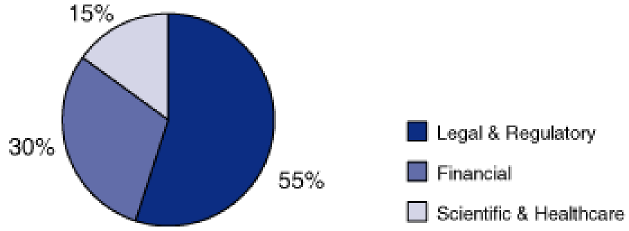
In October 2006, we also announced that we would realign our remaining operations, effective January 1, 2007. While we had previously announced that we would manage our business along six business segments, we subsequently decided that our North American Legal and International Legal and Regulatory businesses will be managed as one segment to better serve our customers in those markets. As such, we will report on the following five business segments beginning with results for the first quarter of 2007:

- *Thomson Legal* - a leading provider of workflow solutions to legal, intellectual property, compliance, business and government professionals throughout the world. Major brands include Westlaw, Aranzadi, BAR/BRI, Carswell, CompuMark, Thomson Elite, FindLaw, Gee, LIVEDGAR, Sweet & Maxwell and Thomson & Thomson;
- *Thomson Financial* - a leading provider of products and integration services to financial and technology professionals in the corporate, investment banking, institutional, wealth management and fixed income sectors of the global financial community. Its flagship brand is Thomson ONE. Other major businesses and brands include AutEx, Baseline, Datastream, First Call, I/B/E/S, Investext, IR Channel, SDC Platinum, StreetEvents, Thomson Transaction Services and TradeWeb;
- *Thomson Tax & Accounting* - a leading provider of integrated information and workflow solutions for tax and accounting professionals in North America. Major brands include Checkpoint, Creative Solutions and RIA;
- *Thomson Scientific* - a leading provider of information and services to researchers, scientists and information professionals in the academic, scientific, corporate and government marketplaces. Major businesses and information solutions include Derwent World Patents Index, MicroPatent, Thomson Pharma, ISI Web of Science and Web of Knowledge; and
- *Thomson Healthcare* - a leading provider of information and services to physicians and other professionals in the healthcare, corporate and government marketplaces. Major businesses and information solutions include Medstat, Micromedex, PDR (Physicians' Desk Reference) and Solucient.

We have presented our results in this management's discussion and analysis on the basis that we operated in 2006, but have provided supplemental financial information to assist with the understanding of our new operating structure that became effective on January 1, 2007. See the section entitled "Supplemental Information" for the segment results of our businesses as they will be managed and presented in 2007.

We also report financial results for a corporate and other reporting category, as well as discontinued operations. The Corporate and Other category principally includes corporate expenses, certain costs associated with our stock-related compensation, and, beginning in 2006, costs associated with the company's THOMSON*plus* business optimization program, which are discussed in the section entitled "THOMSON*plus*."

Percentage of Total 2006 Revenues



The following table summarizes selected financial information for 2006, 2005 and 2004, including certain metrics that are non-GAAP financial measures. Please see the section below entitled "Use of Non-GAAP Financial Measures" for definitions of these terms and references to the reconciliations of these measures to the most directly comparable Canadian GAAP measures.

(millions of U.S. dollars, except per share amounts)	Year ended December 31, **2006**	2005	2004(3)
Consolidated Statement of Earnings Data:			
Revenues	**6,641**	6,173	5,686
Operating profit	**1,258**	1,172	1,062
Earnings from continuing operations *(1)*	**919**	662	642
Earnings from discontinued operations, net of tax	**201**	272	369
Net earnings *(1)*	**1,120**	934	1,011
Earnings per common share from continuing operations *(1)*	**$ 1.41**	$ 1.00	$ 0.97
Earnings per common share *(1)*	**$ 1.73**	$ 1.42	$ 1.54
Consolidated Balance Sheet Data:			
Cash and cash equivalents	**334**	407	405
Total assets	**20,132**	19,434	19,645
Total long-term liabilities	**5,912**	6,364	6,600
Total shareholders' equity	**10,481**	9,963	9,962
Dividend Data:			
Dividends per common share (US$)	**$ 0.880**	$ 0.790	$ 0.755
Dividends per Series II preferred share (Cdn$)	**C$ 1.00**	C$ 0.77	C$ 0.70
Other Data (2):			
Adjusted earnings from continuing operations	**864**	687	581
Adjusted earnings per common share from continuing operations	**$ 1.34**	$ 1.05	$ 0.89
Net debt	**3,741**	3,646	3,689
Free cash flow	**1,440**	1,194	1,123

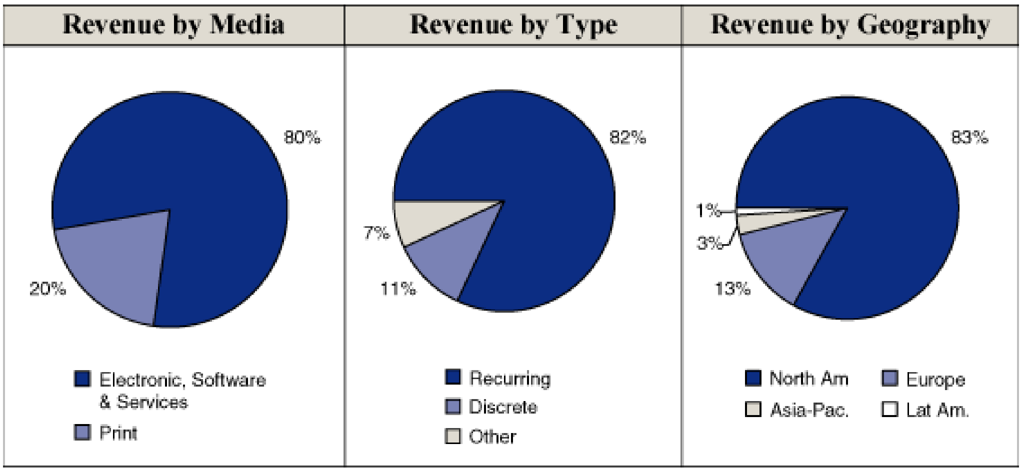
(1) Results are not directly comparable due to certain one-time items. For more information, please see the "Results of Operations" section of this management's discussion and analysis.

(2) These are non-GAAP financial measures. See page 10 for definitions.

(3) A full discussion of results for 2005 compared to 2004 is included in our management's discussion and analysis for the year ended December 31, 2005. Significant trends and items affecting comparability over the three-year period are noted within this management's discussion and analysis.

Revenues

The following graphs show the percentage of our 2006 revenues by media, type and geography.



Our revenues are derived from a diverse customer base. In 2006, 2005 and 2004, no single customer accounted for more than 2% of our total revenues.

By media. We use a variety of media to deliver our products and services to our customers. Increasingly, our customers are seeking products and services delivered electronically and are migrating away from print-based products. We deliver information electronically over the Internet, through dedicated transmission lines, CDs and handheld wireless devices. In 2006, electronic, software and services revenues represented 80% of our total revenues. This was the same percentage as in 2005, which had increased from 78% in 2004. Thomson Learning's businesses have a higher percentage of revenues that are print-based. Since Thomson Learning's revenues are no longer contained in the revenues for our continuing operations, the percentage of our total revenues derived from electronic, software and services has increased. In the long-term, we expect that electronic, software and services revenues as a percentage of our total revenues will gradually increase as we continue to emphasize electronic delivery, add solution-based and software-based acquisitions to our portfolio, and as markets outside North America continue to incorporate technology into their workflows. Electronic delivery of our products and services improves our ability to more rapidly and profitably provide additional products and services to our existing customers and to access new customers around the world.

By type. For each year from 2004 to 2006, approximately 82% of our revenues were generated from subscription or similar contractual arrangements, which we refer to as recurring revenues. Subscription revenues are from sales of products and services that are delivered under a contract over a period of time. Our subscription arrangements are most often for a term of one year, though increasingly they are for three year terms, after which they automatically renew or are renewable at the customer's option. The renewal dates are spread over the course of the year. Because a high proportion of our revenues come from subscription and similar arrangements where our customers contract with us for a period of time, our revenue patterns are generally more stable compared to other business models that sell products in discrete or one-off arrangements. In the case of some of our subscription arrangements, we realize additional fees based upon usage.

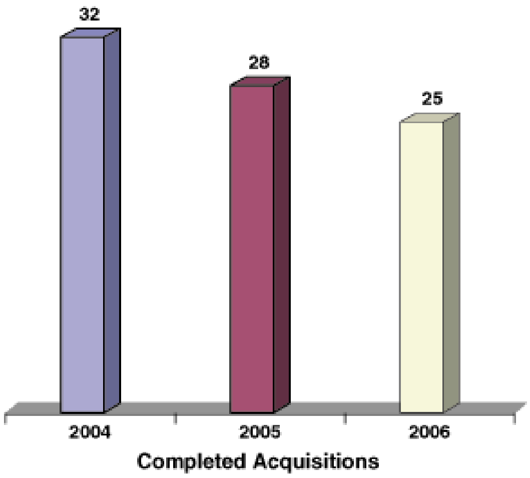
By geography. We segment our revenues geographically by origin of sale in our financial statements. In 2006, 83% of our revenues were generated from our operations in North America, consistent with 2005 and 2004. In the long-term, we are striving to increase our revenues from outside North America as a percentage of our overall revenues. We can modify and offer internationally many of the products and services we have developed originally for customers in North America without excessive customization or translation. This represents an opportunity for us to earn incremental revenues. For some of the products and services we sell internationally, we incur additional costs to customize our products and services for the local market and this can result in lower margins if we cannot achieve adequate scale. Development of additional products and services and expansion into new geographic markets are integral parts of our growth strategy. While development and expansion present an element of risk, particularly in foreign countries where local knowledge of our products may be lacking, we believe that the quality and brand recognition of our products and services help to mitigate that risk.

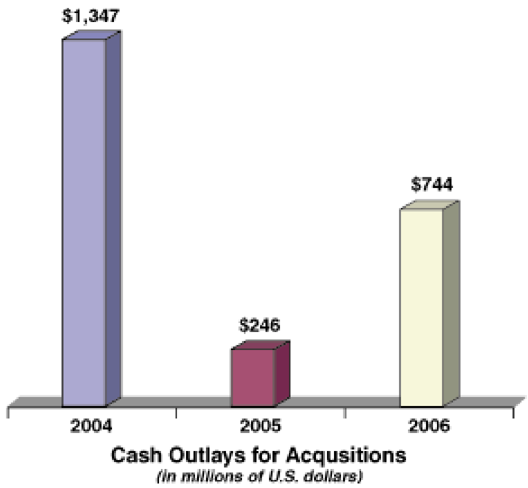
We routinely update a number of our key products and services by adding functionality or providing additional services to our existing offerings to make them more valuable and attractive to our customers and, thereby, increase our revenues from existing customers. Because of the dynamic nature of our products and services, management does not find it useful to analyze large portions of our revenue base using traditional price versus volume measurements. As it is difficult to assess our revenue changes from a pure price versus volume standpoint when products are continually evolving, we limit these measurements to our analysis of more static products and service offerings.

Expenses

As an information provider, our most significant expense is labor. Our labor costs include all costs related to our employees, including salaries, bonuses, commissions, benefits, payroll taxes and stock-related compensation. Labor represented approximately 66% of our cost of sales, selling, marketing, general and administrative expenses (operating costs) in 2006 compared to approximately 65% in 2005 and 63% in 2004. No other category of expenses accounted for more than 10% of our operating costs in 2006, 2005 or 2004.

Acquisitions





Acquisitions play a key role in fulfilling our strategy. Our acquisitions are generally tactical in nature and primarily relate to the purchase of information, products or services that we integrate into our operations to broaden the range of our product and service offerings to better serve our customers. As alternatives to the development of new products and services, tactical acquisitions often have the advantages of faster integration into our product and service offerings and cost efficiencies. When integrating acquired businesses, we focus on eliminating cost redundancies and combining the acquired products and services with our existing offerings. We may incur costs, such as severance payments to terminate employees and contract cancellation fees, when we integrate businesses. In 2006, acquired businesses generated approximately one quarter of our total growth in revenues and a lesser portion of the growth in operating profit. Generally, the businesses that we acquired have initially had lower margins than our existing businesses.

During 2006, we completed 25 acquisitions at an aggregate cost of $0.7 billion including Solucient LLC, a provider of data and advanced analytics to hospitals and health systems, Quantitative Analytics, Inc., a provider of financial database integration and analysis solutions, and LiveNote Technologies, a provider of transcript and evidence management software to litigators and court reporters. In 2005 and 2004, we completed an aggregate of 60 acquisitions with total cash outlays of approximately $1.6 billion. The reduction in the number of acquisitions was primarily due to our continued focus in 2006 on portfolio optimization and integration of prior year acquisitions. In 2007, we expect our acquisition activity to continue as we evaluate opportunities that further the execution of our strategy. Upon completion of the divestiture of Thomson Learning, we will evaluate ways to deploy those proceeds in a manner that will result in long-term value creation for our shareholders.

In 2005 and 2004, acquired businesses generated a significant portion of the growth in our total revenues and a lesser portion of the growth in our operating profit. In 2005, our largest acquisition was Global Securities Information (GSI), a provider of online securities and securities-related information and research services. In 2004, our largest acquisitions were Information Holdings Inc. (IHI), a provider of intellectual property and regulatory information, for $445 million, net of cash and cash equivalents received, and TradeWeb, an online trading platform for fixed income securities, for $361 million, net of cash received, plus contingent payments of up to $150 million over a three-year period ending in 2007 based upon the achievement of certain growth targets. In 2006 and 2005, we paid in each year $50 million in contingent consideration associated with the TradeWeb acquisition.

Dispositions

As part of our continuing strategy to optimize our portfolio of businesses, to sharpen our strategic focus on providing electronic workflow solutions to business and professional markets and to ensure that we are investing in parts of our business that offer the greatest opportunities to achieve growth and returns, management decided to actively pursue the sale of a number of businesses. While each of the operations that we have decided to sell possess brand equity, a loyal customer base and talented employees, they do not provide the type of synergies that strengthen our core integrated information solutions. The most significant of these was the announcement of our intention to divest Thomson Learning via three independent sales processes, each on its own schedule:

1. We agreed to sell NETg, a leading provider of continuing corporate education and training, to SkillSoft PLC. The sale is expected to be completed in the second quarter of 2007.
2. We are currently seeking buyers for Prometric, a global leader in assessment services, through a competitive bidding process. We expect the sale of Prometric to be concluded in 2007.
3. The competitive bidding for the higher education, careers and library reference businesses commenced in the first quarter of 2007.

Additionally, in 2006 we announced our intention to sell the following operations:

- Our business information and news operations within Thomson Legal & Regulatory, which include Market Research and NewsEdge;
- IOB, a Brazilian regulatory business within Thomson Legal & Regulatory;
- Thomson Medical Education, a provider of sponsored medical education within Thomson Scientific & Healthcare;
- Lawpoint Pty Limited, an Australian provider of print and online regulatory information services within Thomson Legal & Regulatory;
- Law Manager, Inc., a software and services provider within Thomson Legal & Regulatory;
- Peterson's, a college preparatory guide in Thomson Learning;
- the North American operations of Thomson Education Direct, a consumer-based distance learning career school in Thomson Learning; and
- K.G. Saur, a German publisher of biographical and bibliographical reference titles serving the library and academic community in Thomson Learning.

We completed the sale of Law Manager in April and Lawpoint in June. The sales of Peterson's and K.G. Saur were completed in July and August, respectively.

In August 2006, we completed the sale of American Health Consultants (AHC), a provider of medical education and publisher of medical newsletters, managed within Thomson Scientific & Healthcare.

Other than certain minor investments, there were no other dispositions in 2005. During 2004, we completed two dispositions. The most significant of these was the sale of our Thomson Media group in October 2004.

Our proceeds from the sales of discontinued operations in 2006, net of taxes paid, were $81 million. In 2005, we paid $105 million in taxes associated with discontinued operations sold in a prior year. In 2004, our proceeds from the sales of discontinued operations, net of taxes paid, were $474 million.

Results from all these businesses and operations have been reclassified to discontinued operations and prior periods have been restated. This means that revenues associated with these businesses and operations are excluded from our results which are discussed in this management's discussion and analysis. Earnings of these businesses and operations, however, are reflected as earnings from discontinued operations, net of tax, for all periods. For more information, see the section entitled "Discontinued Operations."

Additionally, over the past few years we have sold certain minority equity investments and businesses that did not qualify as discontinued operations. Proceeds from these sales amounted to $88 million in 2006, $4 million in 2005 and $87 million in 2004.

THOMSON*plus*

In 2006, we formally announced the THOMSON*plus* program. THOMSON*plus* is a series of initiatives which will allow us to become a more integrated operating company by leveraging assets and infrastructure across all segments of our business. The program is expected to produce cost savings for our businesses by:

- Realigning our business units into five segments;
- Streamlining and consolidating certain functions such as finance, accounting and business systems;
- Leveraging infrastructure and technology for customer contact centers;
- Establishing low-cost shared service centers;
- Consolidating certain technology infrastructure operations such as voice and data networks, data centers, storage and desktop support; and
- Re-engineering certain product development and production functions and realigning particular sales forces within our business segments.

To accomplish these initiatives, we expect to incur approximately $250 million of expenses through 2009, primarily related to technology and restructuring costs and consulting services. Because THOMSON*plus* is a corporate program, expenses associated with it are reported within our Corporate and Other segment. At the completion of the program, we anticipate these initiatives will produce annual savings of about $150 million. These savings will largely be driven by improved efficiencies and effectiveness of procurement, supply chain management, financial reporting systems, including the implementation of a common enterprise resource planning (ERP) system, and platform integration across all market groups.

In 2006, we incurred $60 million of expenses associated with THOMSON*plus* consisting primarily of consulting fees and severance. The consulting costs primarily related to our efforts to deploy SAP as our company-wide ERP system, which will continue throughout 2007 and 2008. We estimate that we saved about $12 million in 2006 from the elimination of certain positions and the relocation of others to lower cost locations resulting from our establishment of a facility in Hyderabad, India to perform certain finance functions. These savings represented an annualized cost reduction of approximately $25 million. Additionally, we incurred $9 million of expenses associated with businesses that were reclassified to discontinued operations in 2006. These expenses consisted of severance and losses on vacated leased properties.

Because THOMSON*plus* is a series of initiatives, the timing of these costs and savings may shift between different calendar years. However, based on current estimates, we expect to incur expenses of approximately $100 million in 2007, $50 million in 2008 and $30 million in 2009. As a return on this investment, we expect to generate savings of approximately $50 million in 2007, $90 million in 2008 and should reach our targeted savings of about $150 million per year at the beginning of 2009.

Seasonality

With the pending divestiture of Thomson Learning, our results will become less seasonal than previously reported. However, in terms of revenues and profits, the first quarter will continue to be proportionately the smallest quarter for us and the fourth quarter will be our largest, as certain product releases are concentrated at the end of the year, particularly in the regulatory markets. Costs will continue to be incurred more evenly throughout the year. As a result, our operating margins will continue to generally increase as the year progresses. For these reasons, it may not be possible to compare the performance of our businesses quarter to consecutive quarter, and our quarterly results should be considered on the basis of results for the whole year or by comparing results in a quarter with the results in the same quarter of the previous year. While we report results quarterly, we view and manage our company from a longer-term perspective. See the section entitled "Quarterly Information" for our restated quarterly results reflecting all of our Learning businesses as discontinued operations.

USE OF NON—GAAP FINANCIAL MEASURES

In addition to our results reported in accordance with Canadian GAAP, we use non-GAAP financial measures as supplemental indicators of our operating performance and financial position. We use these non-GAAP financial measures internally for comparing actual results from one period to another, as well as for future planning purposes. We have historically reported non-GAAP financial results, as we believe their use provides more insight into our performance. The following discussion defines the measures that we currently use and explains why we believe they are useful measures of our performance, including our ability to generate cash flow:

- *Adjusted earnings and adjusted earnings per common share from continuing operations*. We measure our earnings attributable to common shares and per share amounts to adjust for non-recurring items, discontinued operations and other items affecting comparability, which we refer to as adjusted earnings from continuing operations and adjusted earnings per common share from continuing operations. We use these measures to assist in comparisons from one period to another. Adjusted earnings per common share from continuing operations do not represent actual earnings per share attributable to shareholders.

  In interim periods, we adjust our reported earnings and earnings per common share to reflect a normalized effective tax rate. Specifically, the normalized effective rate is computed as the estimated full-year effective tax rate applied to the consolidated pre-tax income of the interim period. The reported effective tax rate is based on separate annual effective income tax rates for each taxing jurisdiction that are applied to each interim period's pre-tax income. Because the seasonality of our businesses impacts our geographical mix of profits in interim periods and therefore distorts the reported effective tax rate, we believe that using the expected full-year effective tax rate provides a more meaningful comparison among interim periods. The adjustment to normalize the effective tax rate reallocates estimated full-year income taxes between interim periods, but has no effect on full year income taxes or on cash taxes paid.

  See the reconciliation of this measure to the most directly comparable Canadian GAAP measure on page 15 and 23.

- *Net debt*. We measure our net debt, which we define as our total indebtedness, including associated fair value hedging instruments (swaps) on our debt, less cash and cash equivalents. Given that we hedge some of our debt to reduce risk, we include hedging instruments as we believe it provides a better measure of the total obligation associated with our outstanding debt. However, because we intend to hold our debt and related hedges to maturity, we do not consider the associated fair market value of cash flow hedges in our measurements. We reduce gross indebtedness by cash and cash equivalents on the basis that they could be used to pay down debt. See the reconciliation of this measure to the most directly comparable Canadian GAAP measure on page 24.

- *Free cash flow*. We evaluate our operating performance based on free cash flow, which we define as net cash provided by operating activities less capital expenditures, other investing activities and dividends paid on our preference shares. We use free cash flow as a performance measure because it represents cash available to repay debt, pay common dividends and fund new acquisitions. See the reconciliation of this measure to the most directly comparable Canadian GAAP measure on page 28.

These and related measures do not have any standardized meaning prescribed by Canadian GAAP and, therefore, are unlikely to be comparable with the calculation of similar measures used by other companies. You should not view these measures as alternatives to net earnings, total debt, cash flow from operations or other measures of financial performance calculated in accordance with GAAP. We encourage you to review the reconciliations of these non-GAAP financial measures to the most directly comparable Canadian GAAP measure within this management's discussion and analysis.

While in accordance with Canadian GAAP, our definition of segment operating profit may not be comparable to that of other companies. We define segment operating profit as operating profit before the amortization of identifiable intangible assets. We use this measure for our segments because we do not consider amortization to be a controllable operating cost for purposes of assessing the current performance of our segments. We also use segment operating profit margin, which we define as segment operating profit as a percentage of revenues.

We report depreciation for each of our market groups within the section below entitled "Additional Information."

RESULTS OF OPERATIONS

The following discussion compares our results for the fiscal years ended December 31, 2006, 2005 and 2004 and for the three-month periods ended December 31, 2006 and 2005 and provides analyses of results from continuing operations and discontinued operations.

Basis of Analysis

Our results from continuing operations include the performance of acquired businesses from the date of their purchase and exclude results from operations classified as discontinued. Results from operations that qualify as discontinued operations have been reclassified to that category for all periods presented. Please see the section below entitled "Discontinued Operations" for a discussion of these operations. In analyzing the results of our operating segments, we measure the performance of existing businesses and the impact of acquired businesses and foreign currency translation.

The following table summarizes our consolidated results for the years indicated.

	Year ended December 31,		
(millions of U.S. dollars, except per share amounts)	**2006**	2005	2004
Revenues	**6,641**	6,173	5,686
Operating profit	**1,258**	1,172	1,062
Operating profit margin	***18.9%***	*19.0%*	*18.7%*
Net earnings (1)	**1,120**	934	1,011
Diluted earnings per common shares (1)	**$ 1.73**	$ 1.42	$ 1.54

(1) Results are not directly comparable due to certain one-time items.

Revenues. In 2006, revenues increased 8% comprised of the following:

- 6% from higher revenues of existing businesses;
- 2% from contributions of newly acquired businesses; and
- a negligible impact from foreign currency translation.

For our existing businesses, revenue growth was exhibited in all our market groups, reflecting customer demand for our integrated solutions and overall growth in the markets we serve. Contributions from acquired businesses were primarily related to Quantitative Analytics, Inc. and AFX News in our Thomson Financial market group and Solucient and MercuryMD in our Thomson Scientific & Healthcare market group.

Revenues in 2005 grew 9% comprised of contributions from acquired businesses and growth from existing businesses, as foreign currency translation had a minimal impact. Contributions from acquired businesses were primarily related to Information Holdings Inc. (IHI) in Thomson Scientific & Healthcare and TradeWeb in Thomson Financial. See the analysis of our segment results for further discussions of our revenue growth.

Operating profit. In 2006, operating profit rose 7% primarily due to the increase in revenues. The operating profit margin decreased slightly compared to the prior year as the effects of scale were offset by higher corporate costs resulting from our THOMSON*plus* program, increased pension and other defined benefit plans expense and higher stock-related compensation expense. See the section entitled “THOMSON*plus*” for a discussion of the program’s initiatives and the section entitled “Corporate and Other” for discussion of its associated costs.

The increase in operating profit in 2005 reflected higher revenues due to contributions from existing and acquired businesses. The operating profit margin increased slightly as the impact of increased revenues more than offset higher pension and other defined benefit plans expenses, and severance and other charges associated with the outsourcing and reorganization of certain functions within our human resources department. Improvement in our operating margin was tempered by the inclusion in 2004 results of $19 million of insurance recoveries related to September 11, 2001.

Depreciation and amortization. Depreciation in 2006 increased $25 million, or 6%, compared to 2005. This increase reflected recent acquisitions and capital expenditures. Amortization increased $6 million, or 3%, compared to 2005, as increases due to the amortization of newly acquired assets were partially offset by decreases arising from the completion of amortization for certain intangible assets acquired in previous years.

Depreciation in 2005 approximated that of 2004 primarily due to the timing and limited growth of capital expenditures. Amortization increased $29 million, or 14%, due to the amortization of newly acquired assets in 2005 and the full-year effect of those acquired in 2004.

Net other income/expense. Net other income in 2006 of $1 million primarily consisted of gains on the sales of certain equity investments offset by charges associated with a legal reserve. In the fourth quarter of 2006, we established a legal reserve of $36 million representing our portion of a cash settlement related to the *Rodriguez v. West Publishing Corp. and Kaplan Inc.* case. If the settlement is approved by the court, we expect to pay this amount later in 2007.

Net other expense in 2005 was $28 million, which primarily represented a loss associated with the early redemption of certain debt securities of $23 million (discussed in the section below entitled “Financial Position”) and a charge of $15 million to reduce the carrying value of one of our equity investments to its fair value, partially offset by income from equity investments and gains from the sale of certain other investments.

In 2004, net other income of $2 million primarily consisted of a $35 million gain on the sale of an investment and a $14 million gain on the sale of a wholly-owned subsidiary, whose only asset consisted of tax losses, to a company controlled by our controlling shareholder. These gains were partially offset by a $53 million loss associated with our early redemption of certain debt securities (discussed in the section entitled “Financial Position”).

Net interest expense and other financing costs. In 2006, our net interest expense and other financing costs approximated that of the prior year. In 2005, these costs declined 5% primarily due to the refinancing of certain debt securities in 2005 and the full-year effect of an earlier refinancing of debt in 2004 (discussed in the section entitled “Financial Position”).

Income taxes. Our income tax expense in 2006 represented 11.5% of our earnings from continuing operations before income taxes. This compares with effective rates of 28.3% in 2005 and 22.6% in 2004. Our effective income tax rate is lower than the Canadian corporate income tax rate of 35.4% (2005 and 2004, 36.0%), due principally to the lower tax rates and differing tax rules applicable to certain of our operating and financing subsidiaries outside Canada. Specifically, while we generate revenues in numerous jurisdictions, our tax provision on earnings is computed after taking account of intercompany interest and other charges among our subsidiaries resulting from their capital structure and from the various jurisdictions in which operations, technology and content assets are owned. For these reasons, our effective tax rate differs substantially from the Canadian corporate income tax rate. Our income tax expense was further impacted by certain one-time items and the accounting for discontinued operations in 2006, 2005 and 2004 as described below.

- In 2006, we increased valuation allowances against deferred tax assets by $42 million which increased our tax rate by 4%, The net change in the valuation allowance included benefits associated with our Thomson Learning market group which, under the requirements of discontinued operations accounting, were not allowed to be reclassified to discontinued operations along with the other results for the business. The impact of including the benefits related to Thomson Learning market group in our continuing operations tax charge reduced our effective tax rate by 3% in 2006, and 2% in 2005 and 2004.
- In 2005, we released $98 million of contingent income tax liabilities based upon the outcome of certain tax audits of prior year periods. Additionally, we repatriated a substantial portion of certain of our subsidiaries’ accumulated profits. The repatriation was related to the recapitalization of these subsidiaries, which was effected through intercompany financing arrangements. We incurred a one-time tax charge of $125 million in connection with this repatriation, which reduced our cash flow from operations and our net earnings in the fourth quarter by the same amount. The net effect of both of these one-time tax items was a $27 million increase in the tax provision for the full year of 2005.

- The 2004 income tax provision included a benefit resulting from the release of a valuation allowance of $41 million related to new legislation in the United Kingdom.

The balance of our deferred tax assets at December 31, 2006 was $1,347 million compared to $1,197 million at December 31, 2005. Our deferred tax assets consist primarily of tax losses and other credit carryforwards, the majority of which can only be utilized against taxable income in Canada. In assessing the likelihood of using our deferred tax assets, we first offset them against deferred tax liabilities. We establish valuation losses for any remaining deferred tax assets that we do not expect to be able to use against deferred tax liabilities or future taxable income. Our valuation allowance against our deferred tax assets at December 31, 2006 was $442 million compared to $412 million at December 31, 2005. The net movement in the valuation allowance from 2005 to 2006 primarily relates to additional Canadian losses sustained in 2006 that we do not anticipate using because we expect to continue to incur losses in Canada.

In 2007, our businesses expect to continue with initiatives to consolidate the ownership of their technology platforms and content and we expect that a proportion of our profits will continue to be taxed at lower rates than the Canadian statutory tax rate. After giving effect to our ongoing asset consolidation initiatives, we expect our effective tax rate in 2007 to be in the 20% range. We believe our effective rate will be sustainable. However, our effective tax rate and our cash tax cost depend on the laws of numerous countries and the provisions of multiple income tax conventions between various countries in which we operate. Our ability to maintain a low effective tax rate will be dependent upon such laws and conventions remaining unchanged as well as the geographic mix of our profits. We are not aware of any significant changes in existing laws or conventions at this time that would cause our effective tax rate to increase.

See the section entitled "Contingencies" for further discussion of income tax liabilities.

Earnings attributable to common shares and earnings per common share. Earnings attributable to common shares were $1,115 million in 2006 compared to $930 million in 2005. Earnings per common share were $1.73 in 2006 compared to $1.42 in 2005. The increases in reported earnings and earnings per common share were the result of higher operating profit and lower tax expense due to the recapitalization of certain subsidiaries in the fourth quarter of 2005 and certain one-time items in 2005.

Earnings attributable to common shares were $930 million in 2005 compared to $1,008 million in 2004. Earnings per common share were $1.42 in 2005 compared to $1.54 in 2004. The decreases in reported earnings and earnings per common share were the result of gains on the sales of discontinued operations in 2004 and certain one-time items in both years, which more than offset increases in operating profit in 2005.

The results for each of these periods are not directly comparable because of certain one-time items, as well as the variability in discontinued operations due to the timing of dispositions. The following table presents a summary of our earnings and our earnings per common share from continuing operations for the periods indicated, after adjusting for items affecting comparability in each year.

(millions of U.S. dollars, except per common share amounts)	**Year ended December 31,**		
	2006	2005	2004
Earnings attributable to common shares	**1,115**	930	1,008
Adjustments for one-time items:			
Net other (income) expense	**(1)**	28	(2)
Tax on above item	**(16)**	(4)	1
Tax (benefits) charges	**(33)**	5	(57)
Discontinued operations	**(201)**	(272)	(369)
Adjusted earnings from continuing operations	**864**	687	581
Adjusted earnings per common share from continuing operations	**$ 1.34**	$1.05	$ 0.89

Our adjusted earnings from continuing operations for 2006 increased 26% compared to 2005 largely as a result of higher operating profit stemming from higher revenues and a lower effective tax rate, which more than offset costs associated with THOMSON*plus* as well as higher pension and other benefit plans expense and higher stock-related compensation expense. Our adjusted earnings in 2005 increased 18% compared to 2004 also as a result of higher operating profits offset by higher pension and other benefit plans expense.

Operating Results by Business Segment

Thomson Legal & Regulatory

(millions of U.S. dollars)	Year ended December 31,		
	2006	2005	2004
Revenues	**3,647**	3,368	3,164
Segment operating profit	**1,120**	1,000	916
Segment operating profit margin	***30.7%***	*29.7%*	*29.0%*

2006 v. 2005

Thomson Legal & Regulatory's financial performance in 2006 reflected the continued demand in the marketplace for online products and solutions. Revenues increased 8% comprised of the following:

- 7% from higher revenues of existing businesses;
- 1% from contributions of newly acquired businesses; and
- a negligible impact from foreign currency translation.

Growth within our existing businesses reflected the strong performance of online services, consisting primarily of Westlaw, Checkpoint and our international online services, which increased 11% over the prior year. Revenue from sales of software and services increased 11% as a result of higher sales of tax and accounting software products and services at FindLaw and Tax Partners. These increases were partially offset by a decline in CD product revenues as customers continued to migrate to our online offerings. Contributions from acquired businesses reflected the results from LiveNote Technologies, a provider of transcript and evidence management software that brings new functionality to Westlaw Litigator, which is our integrated litigation platform, and several small acquisitions in 2006 that supplemented existing offerings.

Within our North American legal businesses, revenues increased 7% primarily due to higher online and services revenues. Westlaw revenue experienced growth in all of its major market segments: law firm, corporate, government and academic as a result of greater new sales. Revenues from services increased primarily due to higher sales at FindLaw. Within the tax and accounting group, revenues increased 12% as a result of higher online and software and services sales. Our Checkpoint online service revenue continued to increase significantly as a result of new sales and continued migration of customers from print to online products. Software revenues increased due to higher sales of our UltraTax and InSource offerings. Service revenues increased primarily as a result of higher sales and use tax outsourcing services at Tax Partners. Outside of North America, online revenues increased, particularly in Europe and Australia, due to higher customer demand for our products and the continued migration of our international customers from CD to online products.

The growth in segment operating profit and its corresponding margin was primarily a result of the revenue growth described above. The increase in the segment operating profit margin reflected the effects of scale in our existing businesses and a favorable product mix.

2005 v. 2004

In 2005, revenues increased 6% primarily due to higher revenues from existing businesses and, to a lesser extent, from contributions of newly acquired businesses. Within our existing businesses, growth reflected the strong performance of online services, consisting primarily of Westlaw, Checkpoint and our international online services, which increased 11% over 2004. Revenue from sales of software and services increased 14% reflecting strong growth from FindLaw, tax and accounting software products and acquired companies. These increases were partially offset by a slight decline in CD product revenues as customers continued to migrate to our online offerings. Contributions from acquired businesses reflected the results from 18 acquisitions in 2005. Among our acquired businesses in 2005 were GSI, a provider of securities and securities-related information and research services, which further enhanced our online offerings, and Tax Partners, LLC, a tax compliance service firm, which expanded our service offerings in the outsourcing solutions market.

In 2005, North American Westlaw revenue experienced growth in all of its major market segments: law firm, corporate, government and academic. Within our North American tax and accounting group, our Checkpoint online service revenues also increased. The revenue increases for both North American Westlaw and Checkpoint were driven by new sales and higher retention. FindLaw revenue increased as a result of new sales performance, as well as the impact of recent acquisitions. Outside of North America, online revenues increased, particularly in Europe, driven by higher customer demand for our solutions.

The growth in segment operating profit and its corresponding margin in 2005 resulted primarily from the revenue growth described above. The segment operating margin increased as the effects of scale in our existing businesses more than offset the impact of lower initial margins for certain acquired businesses.

Outlook

Growth in the overall legal information market remains modest but steady. We expect that customer spending worldwide on print products will remain constant, while spending on CD products will continue to decline. We anticipate the most significant elements of growth in this market will be in spending for online products and integrated information offerings. In North America, law firms are increasing expenditures on talent and practice development, while exploring outsourcing of managed services. In this environment, we anticipate continued strong demand for our “business of law” products and services.

Increasing regulatory complexity and stringency, largely stemming from the Sarbanes-Oxley Act, have significantly affected the accounting labor market, increasing the demand for compliance information and software and for workflow efficiency tools and integrated solutions. In this environment, we anticipate continued strong demand for our tax and accounting compliance products and our outsourcing solutions.

Thomson Financial

(millions of U.S. dollars)	Year ended December 31, **2006**	2005	2004
Revenues	**2,015**	1,897	1,738
Segment operating profit	**379**	334	294
Segment operating profit margin	***18.8%***	*17.6%*	*16.9%*

2006 v. 2005

Results in 2006 for Thomson Financial reflected underlying market conditions and the continued success of Thomson ONE offerings. Revenues increased 6% comprised of the following:

- 4% from higher revenues of existing businesses;
- 2% from contributions of newly acquired businesses; and
- a negligible impact from foreign currency translation.

Revenues from existing businesses increased as a result of new sales of Thomson ONE products, as well as higher usage and transaction revenues. Revenues from Thomson ONE products increased across the investment banking, corporate, investment management and institutional equities sectors. Notably, performance in the corporate sector reflected the adoption of Thomson ONE Investor Relations. Increases in revenues from existing businesses were experienced in our three primary geographic regions, the U.S., Europe and Asia. International growth benefited from demand for our webcasting solutions as European and Asian markets increasingly are adopting U.S.-style investor relations practices. TradeWeb's overall revenues increased due to higher subscription fees despite TradeWeb's decline in transaction fees, which resulted from lower trading volumes in its U.S. Treasurys marketplace. Revenue growth from existing businesses was also tempered by the discontinuation of a low margin service in the wealth management sector. Results also reflected contributions from Quantitative Analytics, Inc., a provider of financial database integration and analysis solutions that was acquired in March 2006, and AFX News, a real-time financial news agency that was acquired in July 2006.

Segment operating profit increased due to the increase in revenues. The segment operating profit margin increased due to the effects of scale, efficiency efforts to relocate certain activities to lower cost locations and a decline in depreciation expense as a percentage of revenues as a result of more efficient capital spending.

2005 v. 2004

Revenues in 2005 increased 9% due equally to higher revenues from existing businesses and contributions from newly acquired businesses. Revenues from existing businesses increased as a result of higher usage and transaction revenues. In particular, TradeWeb revenues increased significantly due to higher volumes for its online fixed income marketplaces as a result of greater online trading activity and the introduction of new online markets, including tri-party repurchase agreements, Euro- and U.S., dollar-denominated interest rate swaps, and default swap index products. Thomson ONE workstations increased 45% in 2005 due to user migration from legacy products and new client sales. Increases in revenues from existing businesses were experienced in all geographic regions, including Europe, which was aided by improving market conditions. Contributions from acquired businesses primarily related to the full year effect of TradeWeb and CCBN, which were both acquired in the first half of 2004.

Segment operating profit increased in 2005 due to the increase in revenues and lower depreciation expense due to lower capital spending. Included in segment operating profit in 2004 were insurance recoveries of $19 million related to September 11, 2001. Excluding these recoveries, the increase in 2005 of segment operating profit and improvement in its corresponding margin would have been more pronounced.

Outlook

The financial services market is experiencing fundamental changes, fueled by globalization, exchange consolidation, new technology, new and modified government regulations and the increasing influence of hedge funds. Traditional marketplace relationships are changing as the search for greater returns becomes truly global. Specifically, traditional market structures and investment strategies are converging as single security portfolios are being replaced with more sophisticated multi-asset strategies. Given these market conditions, we believe there will continue to be a strong demand for solutions that provide proprietary content and superior analytics and improve efficiency and we anticipate revenue growth for existing businesses to be driven by the continued rollout of the Thomson ONE platform.

Thomson Scientific & Healthcare

	Year ended December 31,		
(millions of U.S. dollars)	**2006**	2005	2004
Revenues	**995**	921	798
Segment operating profit	**236**	213	174
Segment operating profit margin	***23.7%***	*23.1%*	*21.8%*

2006 v. 2005

Results for Thomson Scientific & Healthcare reflected continuing customer demand for our solutions and services and additional investments in the healthcare marketplace. Revenues increased 8% comprised of the following:

- 4% from higher revenues of existing businesses;
- 4% from contributions of newly acquired businesses; and
- a negligible impact from foreign currency translation.

Growth in revenues from existing businesses was primarily a result of higher subscription revenues for the Web of Science and Thomson Pharma solutions, as well as increased customer spending for healthcare decision support products. These increases were partially offset by lower revenues from our other online and legacy print products. Results also reflected contributions from Solucient, a provider of data and advanced analytics to hospitals and health systems acquired in October 2006, and MercuryMD, a provider of mobile information systems serving the healthcare market acquired in May 2006.

Growth in segment operating profit compared to the prior year reflected higher revenues from our workflow solutions and the benefits from completed and ongoing integration initiatives. Those initiatives have increased operating efficiencies enabling us to control costs and improve the segment operating profit margin.

2005 v. 2004

The financial performance for Thomson Scientific & Healthcare in 2005 reflected contributions from prior year investments and further expansion of our information solutions. Revenues increased 15% primarily due to contributions of newly acquired businesses and, to a lesser extent, higher revenues from existing businesses.

The increases in revenue attributable to acquired businesses primarily related to IHI, which was acquired in November 2004. Additionally, Thomson Scientific & Healthcare completed three small, tactical acquisitions in 2005 that further enhanced its Thomson Pharma and healthcare decision support offerings. Growth in revenues from existing businesses was primarily a result of higher customer spending for healthcare decision support products, which help customers manage healthcare costs. Additionally, there were higher subscription revenues for ISI Web of Science and the Micromedex electronic product portfolio due to new sales and strong retention rates. These increases were reflective of continuing customer demand for our workflow solutions. Revenues from existing businesses were tempered by the unfavorable effect of changes in foreign currency exchange rates on transactions involving U.S. dollar revenues within the group's European businesses.

Segment operating profit and the corresponding margin increased in 2005 compared to 2004 due to higher revenues and the benefits from integration efforts. The majority of the integration benefits were derived from our IHI acquisition. During 2005, relative to IHI, we successfully completed the consolidation of several offices, integrated back office services, consolidated and optimized sales forces for certain businesses, and consolidated technology platforms.

Outlook

The aging U.S. population continues to fuel investments in scientific research and development that lead to drug development and other healthcare solutions. Additionally, universities are increasingly being challenged to manage their research programs more effectively, measuring productivity and return on investment in ways not seen historically. Therefore, demand should continue to grow for our solutions that contain content and tools that increase the efficiency of the research process, which is critical to institutional and corporate customers with time and funding constraints.

The aging U.S. population and the increasing complexity of healthcare therapeutic options are also driving healthcare costs higher and creating the need for decision support solutions. We, therefore, anticipate continued growth from our healthcare management and point-of-care decision support solutions.

Corporate and Other

	Year ended December 31,		
(millions of U.S. dollars)	**2006**	2005	2004
Expenses excluding THOMSON*plus*	**175**	139	115
THOMSON*plus*	**60**	—	—
Total	**235**	139	115

2006 v. 2005

In 2006, Corporate and Other expenses increased $96 million, or 69%, compared to 2005. The increase was primarily due to expenses associated with our THOMSON*plus* program, as well as higher pension and other defined benefit plans expense and stock-related compensation expense.

In 2006, we incurred $60 million of expenses associated with THOMSON*plus*. These expenses primarily related to consulting services, but also included severance. Additionally, these expenses included approximately $2 million of charges previously reported in Thomson Scientific & Healthcare in the first quarter of 2006. These charges primarily related to the consolidation of certain sales and operations functions and primarily reflected severance. Our segment results for the first quarter of 2006 have been reclassified to reflect this presentation.

2005 v. 2004

Corporate and Other expenses were $139 million in 2005 compared to $115 million in 2004. The increase was primarily due to higher pension and other defined benefit plans expense and severance and other charges associated with the outsourcing and reorganization of certain functions within our human resources department. See the section entitled "Employee Future Benefits" for further discussion of our pension and other defined benefit plans expense.

Outlook

We anticipate Corporate and Other expenses to increase in 2007 as a result of projected spending associated with our THOMSON*plus* program. Additional expenses are also expected due to certain technology initiatives.

Discontinued Operations

As part of our continuing strategy to optimize our portfolio of businesses to ensure that we are investing in parts of our business that offer the greatest opportunities to achieve growth and returns, management decided to actively pursue the sale of the following businesses. These businesses were classified as discontinued operations within the consolidated financial statements for years ended December 31, 2006, 2005 and 2004. None of these businesses was considered fundamental to our integrated information offerings.

In October 2006, we announced our intention to sell Thomson Learning via three independent processes, each on its own schedule. First, we agreed to sell NETg, a leading provider of continuing corporate education and training, to SkillSoft PLC. The sale is expected to be completed in the second quarter of 2007. Second, we are currently seeking buyers for Prometric, a global leader in assessment services, through a competitive bidding process. We expect the sale of Prometric to be concluded in 2007. Lastly, the competitive bidding for our higher education, careers and library reference businesses commenced in the first quarter of 2007. We recorded impairment charges associated with certain of these businesses related to goodwill of $14 million in the fourth quarter of 2006.

Additionally, in the fourth quarter of 2006 we approved plans within Thomson Legal & Regulatory to sell our business information and news operations, which include our Market Research and NewsEdge businesses. We recorded impairment charges associated with these businesses related to identifiable intangible assets and goodwill of $4 million in the fourth quarter of 2006.

In June 2006, our board of directors approved plans to sell IOB, a Brazilian regulatory business within Thomson Legal & Regulatory, and Thomson Medical Education, a provider of sponsored medical education within Thomson Scientific & Healthcare.

In the first quarter of 2006, we approved plans within Thomson Legal & Regulatory to sell Lawpoint Pty Limited, an Australian provider of print and online regulatory information services; and Law Manager, Inc., a software and services provider. We completed the sale of Law Manager in April 2006 and Lawpoint in June 2006.

Also in the first quarter of 2006, we approved plans within Thomson Learning to sell Peterson's, a college preparatory guide; the North American operations of Thomson Education Direct, a consumer-based distance learning career school; and K.G. Saur, a German publisher of biographical and bibliographical reference titles serving the library and academic communities. We recorded impairment charges associated with certain of these businesses related to identifiable intangible assets and goodwill of $63 million before taxes in the first half of 2006. We completed the sale of Peterson's in July 2006 and K.G. Saur in August 2006. Based upon the status of negotiations at December 31, 2006, we recorded a pre-tax impairment charge associated with Thomson Education Direct of $15 million relating to goodwill in the fourth quarter of 2006.

In December 2005, our board of directors approved our plan to dispose of American Health Consultants, a medical newsletter publisher and medical education provider within Thomson Scientific & Healthcare. We recorded a post-tax gain of $23 million in the third quarter of 2006 related to the completion of the sale.

In 2006 and 2005, discontinued operations included adjustments to tax liabilities previously established for Thomson Newspapers, which we sold in 2000 and 2001 and Thomson Media, which we sold in 2004.

In November 2004, we sold the Thomson Media group, a provider of largely print-based information products focused on the banking, financial services and related technology markets for gross proceeds of $350 million. We recorded a post-tax gain of $94 million in 2004.

In the second quarter of 2004, we sold Sheshunoff Information Services Inc., a provider of critical data, compliance and management tools to financial institutions, which had been managed within Thomson Media. Based on the status of negotiations at March 31, 2004, we recorded a pre-tax impairment charge of $6 million relating to identifiable intangible assets in the first quarter of 2004. We recorded a post-tax gain of $6 million in 2004 related to the completion of the sale.

In February 2004, we sold DBM, a provider of human resource solutions, which had been managed within Thomson Learning. We recorded a post-tax gain of $7 million in the first quarter of 2004 on this sale.

For more information on discontinued operations, see note 7 to our consolidated financial statements.

Return on Invested Capital

We measure our return on invested capital (ROIC) to assess, over the long-term, our ability to create value for our shareholders. Our goal is to increase this return over the long term by efficiently and effectively utilizing our capital to invest in areas with high returns and realizing operating efficiencies to further enhance our profitability. ROIC is calculated as the ratio of our operating profit (including discontinued operations) before amortization, less taxes paid, to our average invested capital (see the "Reconciliations" section for the calculation and a reconciliation to the most directly comparable Canadian GAAP measures). For 2006, our ROIC was 8.2%, an increase from 7.8% for 2005 and 7.6% for 2004. As assets acquired are recorded at their fair values, this has had the effect of increasing the recorded value of our asset base to be much closer to its fair value, thereby tempering our return. We continue to focus on driving efficiency, increasing our operating profit margin and, in particular, improving free cash flow. We believe that success in these areas is indicative of the long-term capability to improve our ROIC. Since 2001, we have increased our operating margin from 13.0% to 18.9% and grown free cash flow at a compounded rate of almost 20% to $1.4 billion in 2006.

Review of Fourth Quarter Results

The following table summarizes our consolidated results for the fourth quarter of 2006 and 2005.

(millions of U.S. dollars)	Quarter ended December 31, 2006	2005
Revenues	**1,865**	1,721
Operating profit	**424**	430
Operating profit margin	***22.7%***	*25.0%*
Net earnings (1)	**391**	250
Diluted earnings per common shares (1)	**$ 0.61**	$ 0.38

(1) Results are not directly comparable due to certain one-time items.

Revenues. The 8% increase in revenues for the three-month period ended December 31, 2006 was comprised of the following:

- 4% from growth of existing businesses;
- 2% from contributions of acquired businesses; and
- 2% from the favorable impact of foreign currency translation.

The growth from existing businesses was contributed by all market groups. Notably, Thomson Legal & Regulatory's online products and Thomson Scientific & Healthcare's decision support solutions exhibited continued strong performance. Thomson Financial benefited from increased Thomson ONE revenues. Contributions from acquired businesses were primarily related to Solucient in Thomson Scientific & Healthcare.

Operating profit. Operating profit for the three months ended December 31, 2006 decreased 1%. This decrease was primarily due to expenses associated with our THOMSON*plus* program and higher stock-related compensation expense. These expenses more than offset the effect from higher revenues. The corresponding operating profit margin also decreased as a result of these higher expenses.

Depreciation and amortization. Depreciation for the three months ended December 31, 2006 increased $13 million, or 13%, compared to the same period in 2005 due to the newly acquired assets and the timing of capital expenditures. Amortization for the three months ended December 31, 2006 increased $7 million, or 12%, compared to the 2005 period reflecting the expense of newly acquired intangible assets.

Net other expense. Net other expense for the three months ended December 31, 2006 of $35 million primarily consisted of a legal reserve representing our portion of a cash settlement anticipated to be paid in 2007 related to the *Rodriguez v. West Publishing Corp. and Kaplan Inc.* case.

Net other expense for the three-month period ended December 31, 2005 was $14 million. The expense primarily related to a charge to write down the carrying value of an equity investment to its fair value. The decline in fair value was reflective of our diminished expectations of future growth for our investee.

Income taxes. Income taxes for the three-month period ended December 31, 2006 decreased significantly compared to the same prior year period due to our repatriation in 2005 of a substantial portion of some of our subsidiaries' accumulated profits. The repatriation was related to the recapitalization of these subsidiaries, which was affected through intercompany financing arrangements. We incurred a one-time tax charge of $125 million in connection with this repatriation. Income taxes for both periods in the current and prior year reflected the mix of taxing jurisdictions in which pre-tax profits and losses were recognized. Because the seasonality in our businesses impacts our geographic mix of pre-tax profits and losses in interim periods and, therefore, distorts our reported tax rate, our effective tax rate for interim periods is not indicative of our effective tax rate for the full year.

Earnings attributable to common shares and earnings per common share. Earnings attributable to common shares were $390 million for the three months ended December 31, 2006 compared to $249 million in the same period in 2005. Earnings per common share were $0.61 in the three months ended December 31, 2006 compared to $0.38 in the comparable period in 2005. The increases in earnings and earnings per common share were primarily due to lower tax expense due to a one-time charge in 2005 associated with the repatriation of certain earnings. The results for the three months ended December 31, 2006 and 2005 are not directly comparable because of certain one-time items, the impacts from accounting for income taxes in interim periods, and the variability in discontinued operations due to the timing of dispositions.

The following table presents a summary of our earnings and our earnings per common share from continuing operations for the periods indicated, after adjusting for items affecting comparability in both years.

(millions of U.S. dollars, except per common share amounts)	**Quarter ended December 31,**	
	2006	2005
Earnings attributable to common shares	**390**	249
Adjustments for one-time items:		
Net other expense	**35**	14
Tax on above item	**(15)**	(5)
Tax (benefits) charges	**(12)**	114
Interim period effective tax rate normalization	**8**	18
Discontinued operations	**(85)**	(92)
Adjusted earnings from continuing operations	**321**	298
Adjusted earnings per common share from continuing operations	**$0.50**	$0.46

On a comparable basis, our adjusted earnings from continuing operations for the fourth quarter of 2006 improved over 2005 due primarily to a lower effective tax rate resulting from the 2005 recapitalization of certain subsidiaries through intercompany financing arrangements.

LIQUIDITY AND CAPITAL RESOURCES

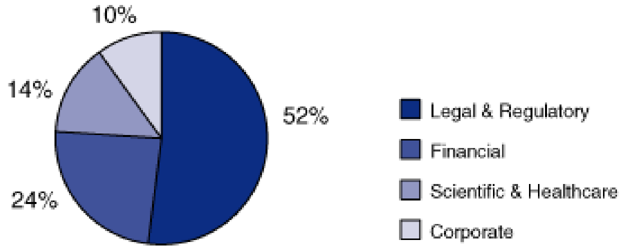
Financial Position

At December 31, 2006, our total assets were $20,132 million, which represented a 4% increase from the total of $19,434 million at December 31, 2005. This increase was primarily due to the increases in assets related to newly acquired businesses and capital expenditures, as well as the impact of foreign currency translation, which more than offset the effect of depreciation and amortization.

Our total assets by market group as of December 31, 2006 and 2005 were as follows:

(millions in U.S. dollars)	**As at December 31, 2006**	2005
Thomson Legal & Regulatory	**7,552**	7,263
Thomson Financial	**3,484**	3,358
Thomson Scientific & Healthcare	**2,115**	1,705
Corporate and other	**1,442**	1,476
Discontinued operations	**5,539**	5,632
Total assets	**20,132**	19,434

Assets by Market Group
(Excluding Discontinued Operations,
as December 31, 2006)



The following table presents comparative information related to net debt, shareholders' equity and the ratio of net debt to shareholders' equity:

(millions of U.S. dollars)	**As at December 31, 2006**	2005
Short-term indebtedness	**333**	191
Current portion of long-term debt	**264**	98
Long-term debt	**3,681**	3,957
Total debt	**4,278**	4,246
Swaps	**(257)**	(193)
Total debt after swaps	**4,021**	4,053
Remove fair value adjustment of cash flow hedges (1)	**54**	--
Less: Cash and cash equivalents	**(334)**	(407)
Net debt	**3,741**	3,646
Shareholders' equity	**10,481**	9,963
Net debt/equity ratio	**0.36:1**	0.37:1

(1) *Effective January 1, 2006, all derivatives and certain hedged items are recorded at fair value on the balance sheet. See the section entitled "Accounting Changes" for further discussion.*

We guarantee certain obligations of our subsidiaries, including borrowings by our subsidiaries under our revolving credit facilities. In August 2006, we amended our credit facility guarantees to replace the two original financial covenants with one new financial covenant. Under the new financial covenant, we must maintain a ratio of total debt as of the last day of each fiscal quarter to adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization and other modifications described in the guarantee) for the last four quarters ended of not more than 4:1. Total debt is adjusted to factor in the impact of swaps and other hedge agreements related to the debt. As of December 31, 2006, we were in compliance with this covenant as the ratio was approximately 2.1:1.

In January 2006, we repaid $50 million of privately placed notes upon their maturity.

In the third quarter of 2005, we completed the early redemption of US$75 million of 7.62% privately placed notes and Cdn$400 million of 6.90% medium-term notes and settled an associated currency swap. A loss of US$23 million was recorded as a result of these redemptions in "Net other income (expense)" in the consolidated statement of earnings, primarily related to early redemption premiums and non-cash write-offs of deferred costs. These redemptions were principally financed by the August 2005 offering of US$400 million of 5.50% debentures due 2035.

In addition to the early redemptions discussed above, in September 2005, we also repaid US$75 million of privately placed notes. In March 2005, we repaid $125 million of floating rate notes upon their maturity.

The following table displays the changes in our shareholders' equity for the year ended December 31, 2006:

(millions of U.S. dollars)	
Balance at December 31, 2005	9,963
Earnings attributable to common shares for the year ended December 31, 2006	1,115
Additions to paid in capital related to stock compensation plans	30
Common share issuances	84
Repurchases of common shares – normal course issuer bid	(412)
Common share dividends declared	(567)
Net unrealized gains on derivatives that qualify as cash flow hedges (1)	59
Change in translation adjustment	209
Balance at December 31, 2006	10,481

(1) *Effective January 1, 2006, the unrealized gains and losses on certain derivatives that qualify as cash flow hedges are recorded as a component of accumulated other comprehensive income within shareholders' equity in our consolidated balance sheet. See the section entitled "Accounting Changes" for further discussion .*

The following table sets forth the ratings that we have received from rating agencies in respect of our outstanding securities as of December 31, 2006.

	Moody's	**Standard & Poor's**	**Dominion Bond Rating Service**
Long-term debt	A3	A-	A (low)
Commercial paper	—	—	R-1 (low)
Trend/Outlook	Negative	Developing	Stable

In the fourth quarter of 2006, Moody's revised its trend/outlook for our company from "stable" to "negative" and Standard & Poor's revised its trend/outlook for our company from "stable" to "developing" after our announcement of our intention to sell our remaining Thomson Learning businesses. These revisions reflect the uncertainties surrounding this divesture including the amount of proceeds to be received and the nature of the reinvestment of those proceeds. You should be aware that a rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. We cannot assure you that our credit ratings will not be lowered in the future or that rating agencies will not issue adverse commentaries regarding our securities.

The maturity dates for our long-term debt are well balanced with no significant concentration in any one year. At December 31, 2006, the carrying amounts of our total current liabilities exceeded the carrying amounts of our total current assets because current liabilities include deferred revenue. Deferred revenue does not represent a cash obligation, however, but rather an obligation to perform services or deliver products in the future. The costs to fulfill these obligations are included in our operating costs.

Normal Course Issuer Bid

In May 2005, we initiated a normal course issuer bid to repurchase up to 15 million of our common shares. Under this first program, which terminated on May 4, 2006, we repurchased and subsequently cancelled approximately 13.3 million shares for approximately $482 million. The following summarizes our repurchases under this first program.

Three-month period ended	Shares Repurchased	Average Price per Share
June 30, 2005	1,350,000	$33.58
September 30, 2005	2,250,000	$37.01
December 31, 2005	3,649,400	$34.97
March 31, 2006	4,570,600	$36.83
June 30, 2006	1,470,000	$39.22
Total	13,290,000	$36.28

In May 2006, we renewed our normal course issuer bid. Under this second program, we may purchase up to 15 million of our common shares. Shares that we repurchase are cancelled. Purchases commenced on May 5, 2006 and will terminate no later than May 4, 2007. We may repurchase shares in open market transactions on the Toronto Stock Exchange or the New York Stock Exchange. The following summarizes our repurchases for this second program.

Three-month period ended	Shares Repurchased	Average Price per Share	Number of shares available for repurchase
June 30, 2006	1,640,000	$ 39.90	
September 30, 2006	1,710,600	$ 39.27	
December 31, 2006	1,289,400	$ 41.41	
Total	4,640,000	$ 40.09	10,360,000

In 2006, under both programs, we cumulatively repurchased 10,680,600 shares for $412 million, representing an average cost per share of $38.57. In 2005, we repurchased 7,249,400 shares for $256 million, representing an average cost per share of $35.35.

Decisions regarding the timing of future repurchases will be based on market conditions, share price and other factors. We may elect to suspend or discontinue the bid at any time. From time to time, when we do not possess material non-public information about ourselves or our securities, we may enter into a pre-defined plan with our broker to allow for the repurchase of shares at times when we ordinarily would not be active in the market due to our own internal trading blackout periods, insider trading rules or otherwise. Any such plans entered into with our broker will be adopted in accordance with applicable Canadian securities laws and the requirements of Rule 10b5-1 under the U.S. Securities Exchange Act of 1934.

Employee Stock Purchase Plan

In October 2005, our eligible U.S. employees began participating in our new employee stock purchase plan (ESPP). In 2006, we expanded the ESPP to eligible Canadian and U.K. employees. Under the ESPP, participating employees may authorize payroll deductions of between 1% and 10% of their eligible compensation during a quarter, with a maximum of $21,250 for a year, to purchase newly issued shares. Using accumulated payroll deductions, participating employees purchase our common shares at a 15% discount to the New York Stock Exchange closing price on the last business day of a quarter. The discount, which amounted to $4 million in 2006 and $1 million in 2005, represented compensation expense for our company. In 2006, we issued approximately 755,000 common shares in connection with employee deductions from the fourth quarter of 2005 and the first three quarters of 2006. In January 2007, we issued approximately 193,000 common shares in connection with the fourth quarter of 2006 employee deductions.

Cash Flow

Our principal sources of liquidity are cash provided by our operations, borrowings under our revolving bank credit facilities and our commercial paper program and the issuance of public debt. In 2007, we anticipate that the proceeds from our announced divestitures will also be a large source of liquidity. Our principal uses of cash have been to finance working capital and debt servicing costs, repay debt, and finance dividend payments, capital expenditures and acquisitions. Additionally, as discussed in the section entitled "Normal Course Issuer Bid," we also used our cash to repurchase outstanding common shares in open market transactions.

Operating activities. Cash provided by our operating activities in 2006 was $2,125 million compared to $1,879 million for 2005. The change primarily reflected the increase in operating profit from 2005 to 2006 and lower tax payments. The reduction in tax payments was principally due to a $125 million withholding tax paid in 2005 associated with the repatriation of certain subsidiary earnings. Working capital levels decreased slightly in 2006 due to the timing of accounts receivable collections and payments for normal operating expenses, though not to the extent of the prior year.

Investing activities. Cash used in our investing activities in 2006 was $1,290 million compared to $1,071 million for 2005. The increased use of cash in 2006 was attributable to greater acquisition spending. In 2006, spending on acquisitions included the purchase of Solucient within Thomson Scientific & Healthcare, Quantitative Analytics within Thomson Financial and LiveNote within Thomson Legal & Regulatory. In 2005, investing activities included tax payments of $105 million associated with our sale of Thomson Media in 2004.

Capital expenditures in 2006 increased 6% to $453 million from $427 million in 2005. This represented 6.8% and 6.9% of revenues in 2006 and 2005, respectively. Higher capital expenditures in 2006 were incurred primarily at Thomson Legal & Regulatory and corporate, and primarily related to initiatives to standardize technology platforms across businesses.

The majority of our capital expenditures is focused on technology-related investments. We make significant investments in technology because it is essential to providing integrated information solutions to our customers and because we intend to maintain the significant competitive advantage we believe we have in this area. Our technology expenditures include spending on computer hardware, software, electronic systems, telecommunications infrastructure and digitization of content. In 2006, approximately 76% of our total capital expenditures was for technology-related investments. Although we can give no assurance that investments in technology will result in an increase in our revenues or a decrease in our operating costs, we expect our technology-related investments to continue at a significant level.

We expect our capital expenditures to increase in 2007, both in absolute dollars and as a percentage of revenues. While we anticipate spending associated with our underlying businesses to approximate 6-7% of revenues, capital spending related to THOMSON*plus* initiatives and the expansion of our Eagan, Minnesota facility is expected to result in an additional $100 million of expenditures. As a result, we anticipate total capital expenditures will approximate 8% of our revenues in 2007.

Financing activities. Cash used in our financing activities was $912 million for the year ended December 31, 2006 compared to $798 million for the year ended December 31, 2005. The increased use of cash largely reflected our repurchase of common shares (see “Normal Course Issuer Bid” above) and higher dividend payments in 2006.

The following table sets forth our common share dividend activity.

	Year ended December 31,	
(millions of U.S. dollars)	**2006**	2005
Dividends declared	**567**	517
Dividends reinvested	**(14)**	(12)
Dividends paid	**553**	505

Discussion of other significant financing activities from each year are noted under the section entitled “Financial Position.”

Free cash flow. The following table sets forth a calculation of our free cash flow for 2006 and 2005:

	Year ended December 31,	
(millions of U.S. dollars)	**2006**	2005
Net cash provided by operating activities	**2,125**	1,879
Capital expenditures	**(453)**	(427)
Other investing activities	**(26)**	(25)
Dividends paid on preference shares	**(5)**	(4)
Additions to property and equipment of discontinued operations	**(184)**	(215)
Other investing activities of discontinued operations	**(17)**	(14)
Free cash flow	**1,440**	1,194

Our free cash flow for 2006 increased due to higher operating profit and lower tax payments. The decrease in tax payments reflected a $125 million withholding tax payment associated with the repatriation of certain earnings in 2005.

Credit facilities and commercial paper program. As of December 31, 2006, we maintained revolving unsecured credit facilities of $1.6 billion.

In September 2006, we increased the limit of our commercial paper program from Cdn$1 billion to US$1.2 billion. Though not contractually required, we view our borrowings under our commercial paper program as a reduction of the amount available to us under our credit facilities. At December 31, 2006, our credit lines and related activity were as follows:

(millions of U.S. dollars)

Credit Lines	Amount Drawn	Commercial Paper Outstanding	Lines Available
1,600	(27)	(316)	1,257

Our facilities are structured such that, if our long-term debt rating was downgraded by Moody's or Standard & Poor's, our facility fee and borrowing costs under our existing multi-year credit facilities may increase, although availability would be unaffected. Conversely, an upgrade in our ratings may reduce our facility fees and borrowing costs.

Debt shelf registration. In September 2005, we filed a shelf prospectus to issue up to $2 billion of debt securities from time to time. As of December 31, 2006, we had not issued any debt securities under this shelf.

For the foreseeable future, we believe that cash from our operations and available credit facilities will be sufficient to fund our future cash dividends, debt service, projected capital expenditures, acquisitions that we pursue in the normal course of business and share repurchases.

Off-Balance Sheet Arrangements, Commitments and Contractual Obligations

The following table presents a summary of our long-term debt and off-balance sheet contractual obligations as of December 31, 2006 for the years indicated:

(millions of U.S. dollars)	2007	2008	2009	2010	2011	Thereafter	Total
Long-term debt(1)	226	436	631	352	254	1,842	3,741
Operating lease payments	154	129	106	79	66	246	780
Unconditional purchase obligations	83	25	6	2	1	1	118
Total	463	590	743	433	321	2,089	4,639

(1) *Represents hedged principal payments. As substantially all non-U.S. denominated debt has been hedged into U.S. dollars, amounts represent the net cash outflows to the company associated with principal payments on our long-term debt.*

We have entered into operating leases in the ordinary course of business, primarily for real property and equipment. Payments for these leases are contractual obligations as scheduled per each agreement. With certain leases, we guarantee a portion of the residual value loss, if any, incurred by the lessors in disposing of the assets, or to restore a property to a specified condition after completion of the lease period. The liability associated with these restorations is recorded on our consolidated balance sheet. With certain real property leases, we guarantee the rental obligations of some of our subsidiaries that are tenants. We believe, based upon current facts and circumstances, that a material payment pursuant to such guarantees is remote.

We have various unconditional purchase obligations. These obligations are for materials, supplies and services incidental to the ordinary conduct of business.

We have obligations to pay additional consideration for prior acquisitions, typically based upon performance measures contractually agreed to at the time of purchase. In connection with the acquisition of TradeWeb in 2004, we are obligated to make a final contingent consideration payment in 2007 of up to $50 million if certain performance measures are achieved. The contingent consideration associated with TradeWeb is the largest for which we may become liable. We do not believe that additional payments in connection with other transactions would have a material impact on our financial statements.

In certain disposition agreements, we guarantee to the purchaser the recoverability of certain assets or limits on certain liabilities. We believe, based upon current facts and circumstances, that the likelihood of a material payment pursuant to such guarantees is remote.

We guarantee certain obligations of our subsidiaries, including borrowings by our subsidiaries under our revolving credit facilities. We must maintain a ratio of total debt as of the last day of each fiscal quarter to adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization and other modifications described in the guarantee) for the last four quarters ended of not more than 4:1. Total debt is adjusted to factor in the impact of swaps and other hedge agreements related to the debt. As of December 31, 2006, we were in compliance with this covenant as the ratio was approximately 2.1:1.

Other than as described above, we do not engage in any off-balance sheet financing arrangements. In particular, we do not have any interests in unconsolidated special-purpose or structured finance entities.

Contingencies

Lawsuits and Legal Claims. As previously disclosed, we are a defendant in certain lawsuits involving our BAR/BRI business. *Park v. The Thomson Corporation and Thomson Legal & Regulatory Inc.*, which was filed in the U.S. District Court for the Southern District of New York, alleges violations of U.S. federal antitrust laws. In June 2006, an additional complaint with substantially identical allegations to the *Park* matter, which is now captioned *Arendas v. The Thomson Corporation, West Publishing Corporation d/b/a BAR/BRI and Doe Corporation*, was filed in the Circuit Court for the Ninth Judicial Circuit in and for Orange County, Florida, alleging violations of Florida state antitrust law. We continue to defend ourselves vigorously in these cases.

In February 2007, we entered into a settlement agreement related to a lawsuit involving our BAR/BRI business that alleged violations of antitrust laws (*Rodriguez v. West Publishing Corp. and Kaplan Inc.*). Our part of the settlement is $36 million, which we accrued for in the fourth quarter of 2006. If the settlement is approved by the U.S. District Court for the Central District of California, we expect to pay this amount later in 2007.

Also as previously disclosed, in 2005 we became aware of an inquiry by the Serious Fraud Office in the United Kingdom regarding the refund practices relating to certain duplicate subscription payments made by some of our customers in our Sweet & Maxwell and Gee businesses in the United Kingdom. We are continuing to cooperate fully with the authorities in their inquiry.

In addition to the matters described above, our company is engaged in various legal proceedings and claims that have arisen in the ordinary course of business. Except as updated and supplemented above, there have been no material developments to these matters. The outcome of all of the proceedings and claims against our company, including, without limitation, those described above, is subject to future resolution, including the uncertainties of litigation. Based on information currently known by us and after consultation with outside legal counsel, our management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on our financial condition, taken as a whole.

Taxes. We maintain a liability for contingencies associated with known issues under discussion with tax authorities and transactions yet to be settled and we regularly assess the adequacy of this liability. We record liabilities for known tax contingencies when, in the judgment of management, it is probable that a liability has been incurred. We reverse contingencies to income in the period when management assesses that they are no longer required or when they become no longer required as a result of statute or resolution through the normal tax audit process. Our contingency reserves principally represent liabilities for the years 2000 to 2006. It is anticipated that these reserves will either result in a cash payment or be reversed to income between 2007 and 2010.

In the normal course of business, we enter into numerous intercompany transactions related to the sharing of data and technology. The tax rules governing such transactions are complex and depend on numerous assumptions. At this time, we believe that it is not probable that any such transactions will result in additional tax liabilities, and therefore we have not established contingencies related to these items. However, because of the volume and complexity of such transactions, it is possible that at some future date an additional liability could result from audits by the relevant taxing authorities.

Market Risks

Our consolidated financial statements are expressed in U.S. dollars but a portion of our business is conducted in currencies other than U.S. dollars. Changes in the exchange rates for such currencies into U.S. dollars can increase or decrease our revenues, earnings and the carrying values of our assets and liabilities in our consolidated balance sheet. Changes in exchange rates between 2005 and 2006 increased our revenues by less than 1%. The translation effects of changes in exchange rates in our consolidated balance sheet are recorded within the translation adjustment component of accumulated other comprehensive income in our shareholders' equity. In 2006, we recorded net translation gains of $209 million, reflecting cumulative changes in exchange rates of various currencies compared to the U.S. dollar less translation gains realized with dispositions of certain businesses.

We use derivative instruments only to reduce our foreign currency and interest rate exposures. In particular, when we borrow money in currencies other than the U.S. dollar, we generally enter into currency swap arrangements to effectively convert our obligations into U.S. dollars. All such swap arrangements are entered into only with counterparties that are investment-grade financial institutions. At December 31, 2006, 99% of our indebtedness was denominated in U.S. dollars or had been swapped into U.S. dollar obligations.

At December 31, 2006, after taking into account swap agreements, 79% of our total debt was at fixed rates of interest and the remainder was at floating rates of interest. Based upon these levels, a 100 basis point change in floating interest rates would increase or decrease our full-year interest expense by approximately $9 million.

Set out below are the U.S. dollar equivalents of our local currency revenues and operating profit for the year ended December 31, 2006. Based on our 2006 results of operations, a 10% change in the average exchange rate for each of these currencies into U.S. dollars would increase or decrease our full-year revenues and operating profit by the following amounts:

(millions of U.S. dollars)

Currency	Revenues as reported	Impact on revenues	Operating profit as reported	Impact on operating profit
U.S. dollar	5,361	—	1,152	—
British pound sterling	624	62	50	5
Euro	197	20	38	4
Canadian dollar	155	16	(7)	(1)
Australian dollar	86	9	4	—
Other	218	22	21	2
Total	6,641	129	1,258	10

In addition to exposing us to changes in foreign currency exchange rates and interest rates, operating in foreign countries subjects us to inherent risks in doing business in certain jurisdictions outside North America. These include difficulties in penetrating new markets, exposure to varying legal standards in other jurisdictions and the potential instability of local economies and governments.

OUTLOOK

The information in this section is forward-looking and should be read in conjunction with the sections below entitled "Material Assumptions" and *" Forward-Looking Statements."*

Operational

Among our key operational priorities for 2007 are to complete the sale of Thomson Learning and to invest the proceeds in a manner that will result in long-term value creation for our shareholders.

Additionally, we will continue to focus on accelerating organic growth by building upon our workflow solutions and concentrating our efforts on developing common business models.

We intend to improve our operational efficiency and effectiveness by progressing with our THOMSON*plus* program. These initiatives will allow us to optimize our internal infrastructure and assets by reducing redundant functions and systems across our company, increasing our presence in low-cost locations and deploying common platforms for content production and delivery.

Financial

We expect 2007 revenue growth to be at the high end of our long-term target of 7%-9%, prior to our deployment of the proceeds from the sale of Thomson Learning. Our operating margin is expected to be at or above 2006 levels, despite increasing investments in efficiency initiatives. Cash generated by continuing operations is expected to grow, excluding cash generated through deployment of the Thomson Learning proceeds.

We expect our performance to further strengthen in 2008. We expect to sustain our long-term revenue growth rates. Our operating margin is expected to increase above 20%. Free cash flow is expected to strengthen as improvements in operating performance are projected to more than offset the loss of Thomson Learning's free cash flow even before deployment of the Thomson Learning sale proceeds.

MATERIAL ASSUMPTIONS

In preparing our Outlook, our material assumptions were that worldwide macroeconomic conditions would be unchanged in 2007 and 2008 relative to 2006, a portion of our anticipated 2007 and 2008 revenue growth would come from tactical acquisitions made during the year, and that our operating profit margin would improve in 2007 and 2008.

RELATED PARTY TRANSACTIONS

As of February 23, 2007, The Woodbridge Company Limited (Woodbridge) and other companies affiliated with it together beneficially owned approximately 70% of our common shares.

From time to time, in the normal course of business, Woodbridge and its affiliates purchase some of our products and service offerings. These transactions are negotiated at arm's length on standard terms, including price, and are not significant to our results of operations or financial condition individually or in the aggregate.

In the normal course of business, a Woodbridge-owned company rents office space from one of our subsidiaries. Additionally, a number of our subsidiaries charge a Woodbridge-owned company fees for various administrative services. In 2006 and 2005, the total amounts charged to Woodbridge for these rentals and services were approximately $2 million per year.

The employees of Jane's Information Group (Jane's), a business we sold to Woodbridge in April 2001, continue to participate in our United States and United Kingdom pension plans as well as our defined contribution plan in the United States. Woodbridge assumed the pension liability associated with the active employees of Jane's as of the date of sale as part of its purchase. Jane's makes proportional contributions to these pension plans as required, and makes matching contributions in accordance with the provisions of the defined contribution plan.

We purchase property and casualty insurance from third party insurers and retain the first $500,000 of each and every claim under the programs via our captive insurance subsidiary. Woodbridge is included in these programs and pays us a premium commensurate with its exposures. In 2006, these premiums were about $50,000 (2005 — $45,000), which would approximate the premium charged by a third party insurer for such coverage.

We have entered into an agreement with Woodbridge under which Woodbridge has agreed to indemnify up to $100 million of liabilities incurred either by our current and former directors and officers or by our company in providing indemnification to these individuals on substantially the same terms and conditions as would apply under an arm's length, commercial arrangement. A third party administrator will manage any claims under the indemnity. We pay Woodbridge an annual fee of $750,000, which is less than the premium that we would have paid for commercial insurance.

In February 2005, we entered into a contract with Hewitt Associates Inc. to outsource certain human resources administrative functions in order to improve operating and cost efficiencies. When we initially signed the contract, we expected to pay Hewitt an aggregate of $115 million over a five year period. This contract was subsequently renegotiated and extended in September 2006. Under the new terms, we expect to pay Hewitt an aggregate of $165 million over a ten year period. In 2006 and 2005, we paid Hewitt $16 million and $5 million, respectively, for its services. Mr. Denning, one of our directors and chairman of our Human Resources Committee, is also a director of Hewitt. Mr. Denning has not participated in negotiations related to the contract and has refrained from deliberating and voting on the matter by the Human Resources Committee and the board of directors.

EMPLOYEE FUTURE BENEFITS

We sponsor defined benefit plans providing pension and other post-retirement benefits to covered employees. The largest plan consists of a qualified defined benefit pension plan in the United States, which we closed to new participants in March 2006. Other smaller plans exist primarily in the United Kingdom and Canada. We use a measurement date of September 30 for the majority of these plans.

Management currently estimates that the 2007 cost of employee future benefits will approximate that of 2006. The determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, including an expected rate of return on assets and a discount rate to measure obligations. We consult with our actuary regarding the selection of these assumptions each year.

In determining our long-term rate of return assumption for our pension plans, we evaluated historical investment returns, as well as input from investment advisors. For our primary pension plan in the United States, we also consider our actuary's simulation model of expected long-term rates of return assuming our targeted investment portfolio mix. We will reduce our 2007 assumption of the expected rate of return on assets available to fund obligations for our primary pension plan in the United States by 0.25% to 7.75%. While the actual return on plan assets of 9% exceeded the expected rate of return in 2006 due to higher than expected equity returns, management nevertheless decided to adopt a more conservative long-term return for this plan. Adjusting the expected rate of return on assets for this plan upward or downward by another 25 basis points would decrease or increase, respectively, pension expense by less than $3 million in 2007.

Our discount rate is selected based on a review of current market interest rates of high-quality, fixed-rate debt securities adjusted to reflect the duration of expected future cash outflows for pension benefit payments. In developing the discount rate assumption for our primary pension plan in the United States for 2007, we reviewed the high-grade bond indices published by Moody's and Merrill Lynch as of September 30, 2006, which are based on debt securities with average durations of 10 to 15 years. Because we have a relatively young workforce, the duration of our expected future cash outflows for our plan tends to be longer than the duration of the bond indices we reviewed. Therefore, our discount rate tends to be higher than the rates of these benchmarks. To appropriately reflect the timing and amounts of the plan's expected future pension benefit payments, our actuary analyzed market data and constructed a hypothetical yield curve that represents yields on high quality zero-coupon bonds with durations that mirrored the duration of the expected payment stream of the benefit obligation. The discount rate determined on this basis was 5.95%, approximately 25 basis points higher than that of the prior year. Adjusting the discount rate upward or downward by another 25 basis points would result in a decrease or increase, respectively, in pension expense of approximately $10 million in 2007.

As of December 31, 2006, we had cumulative unrecognized actuarial losses associated with all of our pension plans of $466 million, compared to $553 million at December 31, 2005. The majority of these losses are a result of the decline in discount rates over the past five years reflecting the overall decline in interest rates, primarily in the United States. These amounts also include actuarial gains and losses associated with the difference between our expected and actual returns on plan assets. Actuarial gains and losses are included in the calculation of our annual pension expense subject to the following amortization methodology. Unrecognized actuarial gains or losses are netted with the difference between the market-related value and fair value of plan assets. To the extent this net figure exceeds 10% of the greater of the projected benefit obligation or market-related value of plan assets, it is amortized into pension expense on a straight-line basis over the expected average service life of active participants (approximately eight years at December 31, 2006). Unrecognized actuarial gains and losses below the 10% corridor are deferred. In applying this amortization method, the estimated pension expense for 2007 includes $42 million of the unrecognized actuarial losses at December 31, 2006.

As of December 31, 2006, the fair value of plan assets for our primary pension plan in the United States represented about 96% of the plan's projected benefit obligation. We did not make any voluntary contributions in 2006. In September 2005, we voluntarily contributed $11 million to this plan. In March, 2006, we voluntarily contributed $5 million to benefit plans in the United Kingdom. In the fourth quarter of 2005, we also voluntarily contributed $14 million to benefit plans in the United Kingdom. While none of these contributions were required under the applicable funding rules and regulations, we decided to make the voluntary contributions to further improve the funding of the plans.

We are not required to make contributions to our primary pension plan in the United States in 2007. However, from time to time, we may elect to voluntarily contribute to the plan in order to improve its funded status. Because the decision to voluntarily contribute is based on various market-related factors, including asset values and interest rates, which are used to determine the plan's funded status, we cannot predict whether, or the amount, we may elect to voluntarily contribute in 2007.

We provide postretirement healthcare benefits for certain retired employees. However, these liabilities are significantly less than those associated with our pension plans. Retired employees share a portion of the cost of these benefits. We fund the accrued costs of these plans as benefits are paid. Annual postretirement expense for 2007 was calculated based upon a number of actuarial assumptions, including a healthcare cost trend rate of 9.5% that declines 50 basis points per year for nine years, and thereafter remains constant at 5%. The healthcare cost trend rate is based on our actual medical claims experience and future projections of medical costs. A 1% change in the trend rate would result in an increase or decrease in the benefit obligation for postretirement benefits of approximately $17 million at December 31, 2006.

SUBSEQUENT EVENTS

In February 2007, our board of directors approved an increase in our annualized 2007 dividend to $0.98 per common share, which represents a quarterly dividend in 2007 of $0.245 per common share. This represents an annual increase of $0.10 per share, or 11%, over 2006.

Also in February 2007, we signed an agreement to sell Thomson Medical Education, subject to customary closing conditions. We anticipate the sale will be completed in the second quarter of 2007.

ACCOUNTING CHANGES

Financial Instruments and Comprehensive Income

Effective January 1, 2006, we adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855, *Financial Instruments — Recognition and Measurement* and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also introduces a new component of equity referred to as accumulated other comprehensive income.

Under these new standards, all financial instruments, including derivatives, are included on our consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Derivatives that qualify as hedging instruments must be designated either as a “cash flow hedge,” when the hedged item is a future cash flow, or a “fair value hedge,” when the hedged item is the fair value of a recognized asset or liability. The effective portion of unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged item are recorded at fair value in the consolidated balance sheet and the unrealized gains and losses from both items are included in earnings. For derivatives that do not qualify as hedging instruments, unrealized gains and losses are reported in earnings.

In accordance with the provisions of these new standards, we reflected the following adjustments as of January 1, 2006:

- an increase of $53 million to “Other non-current assets” and “Accumulated other comprehensive income” in the consolidated balance sheet relative to derivative instruments that consisted primarily of interest rate contracts, which convert floating rate debt to fixed rate debt and qualify as cash flow hedges;
- a reclassification of $5 million from “Other current assets,” and $3 million from “Other current liabilities” to “Accumulated other comprehensive income” in the consolidated balance sheet related primarily to previously deferred gains and losses on settled cash flow hedges; and
- an increase of $16 million to “Other non-current assets” and “Long-term debt” in the consolidated balance sheet related to derivative instruments and their related hedged items. These derivative instruments consist primarily of interest rate contracts to convert fixed rate debt to floating and qualify as fair value hedges.

The adoption of these new standards had no material impact on our consolidated statement of earnings. The unrealized gains and losses included in “Accumulated other comprehensive income” were recorded net of taxes, which were nil.

During 2006, a net increase of $8 million in unrealized gains for cash flow hedges was reflected in “Accumulated other comprehensive income.” The net realized gain in the period previously deferred on adoption in “Accumulated other comprehensive income” was less than $1 million. The net decrease in fair value in the period of fair value hedges and the related hedged items of $7 million was reflected in “Prepaid expenses and other current assets,” Current portion of long-term debt,” “Other non-current assets” and “Long-term debt.”

As of December 31, 2006, approximately $3 million of net deferred gains in “Accumulated other comprehensive income” were expected to be recognized in earnings over the following 12 months. The remaining net deferred gains in “Accumulated other comprehensive income” were expected to be recognized over a period of up to eight years.

Discontinued Operations

In April 2006, the Emerging Issues Committee of the CICA (EIC) issued Abstract 161, *Discontinued Operations* (EIC-161). The abstract addresses the appropriateness of allocating interest expense to a discontinued operation and disallows allocations of general corporate overhead. EIC-161 was effective upon its issuance and did not have an impact on our consolidated financial statements.

Stock-Based Compensation

In July 2006, we adopted EIC Abstract 162, *Stock-Based Compensation for Employees Eligible to Retire Before the Vesting Date* (EIC-162), retroactively to January 1, 2006. The abstract clarifies the proper accounting for stock-based awards granted to employees who either are eligible for retirement at the grant date or will be eligible before the end of the vesting period and continue vesting after, or vest upon, retirement. In such cases, the compensation expense associated with the stock-based award will be recognized over the period from the grant date to the date the employee becomes eligible to retire. EIC-162 did not have an impact on our consolidated financial statements for any period in 2006.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions.

Our critical accounting policies are those that we believe are the most important in portraying our financial condition and results, and require the most subjective judgment and estimates on the part of management. A summary of our significant accounting policies, including the critical accounting policies discussed below, is set forth in note 1 to our consolidated financial statements.

Revenue Recognition

Revenues from subscription-based products, excluding software, generally are recognized ratably over the term of the subscription. Where applicable, we recognize usage fees as earned. Subscription payments received or receivable in advance of delivery of our products or services are included in our deferred revenue account on our consolidated balance sheet. As we deliver subscription-based products and services to subscribers, we recognize the proportionate share of deferred revenue in our consolidated statement of earnings and our deferred revenue account balance is reduced. Certain incremental costs that are directly related to the subscription revenue are deferred and amortized over the subscription period.

Increasingly, we derive revenue from the sale of software products, license fees, software subscriptions, product support, professional services, transaction fees and multiple element arrangements that may include any combination of these items. We generally recognize revenue when persuasive evidence of an arrangement exists, we have delivered the product or performed the service, the fee is fixed or determinable and collectibility is probable. However, determining whether and when some of these criteria have been satisfied often involves assumptions and judgments that can have a significant impact on the timing and amount of revenue we report. For multiple element arrangements we must make assumptions and judgments in order to allocate the total price among the various elements we must deliver to determine whether undelivered services are essential to the functionality of the delivered products and services, to determine whether objective evidence of fair value exists for each undelivered element and to determine whether and when each element has been delivered. If we were to change any of these assumptions or judgments, it could cause a material increase or decrease in the amount of revenue that we report in a particular period. Amounts for fees collected or invoiced and due relating to arrangements where revenue cannot be recognized are reflected on our balance sheet as deferred revenue and recognized when the applicable revenue recognition criteria are satisfied.

For all accounts receivable, we must make a judgment regarding the ability of our customers to pay and, accordingly, we establish an allowance for estimated losses arising from non-payment. We consider customer creditworthiness, current economic trends and our past experience when evaluating the adequacy of this allowance. If future collections differ from our estimates, our future earnings would be affected.

At December 31, 2006, our combined allowances on our accounts receivable balance were $97 million, or 7% of the gross accounts receivable balance. A 1% increase in this percentage would have resulted in additional expense of approximately $15 million.

Capitalized Software

A significant portion of our expenditures relates to software that is developed as part of our electronic databases, delivery systems and internal infrastructures, and, to a lesser extent, software sold directly to our customers. During the software development process, our judgment is required to determine the expected period of benefit over which capitalized costs should be amortized. Due to rapidly changing technology and the uncertainty of the software development process itself, our future results could be affected if our current assessment of our various projects differs from actual performance. At December 31, 2006, we had $647 million of capitalized costs related to software on our consolidated balance sheet.

Identifiable Intangible Assets and Goodwill

We account for our business acquisitions using the purchase method of accounting. We allocate the total cost of an acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, we must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives, and therefore require considerable judgment. These determinations will affect the amount of amortization expense recognized in future periods.

We review the carrying values of identifiable intangible assets with indefinite lives and goodwill at least annually to assess impairment because these assets are not amortized. Additionally, we review the carrying value of any intangible asset or goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Examples of such events or changes in circumstances include significant negative industry or economic trends, significant changes in the manner of our use of the acquired assets or our strategy, a significant decrease in the market value of the asset, or a significant change in legal factors or in the business climate that could affect the value of the asset.

We assess impairment by comparing the fair value of an identifiable intangible asset or goodwill with its carrying value. The determination of fair value involves significant management judgment. Impairments are expensed when incurred. Specifically, we test for impairment as follows:

Identifiable intangible assets with finite lives

We compare the expected undiscounted future operating cash flows associated with the asset to its carrying value to determine if the asset is recoverable. If the expected future operating cash flows are not sufficient to recover the carrying value, we estimate the fair value of the asset. Impairment is recognized when the carrying amount of the asset is not recoverable and when the carrying value exceeds fair value.

Identifiable intangible assets with indefinite lives

Selected tradenames comprise the entire balance of our identifiable intangible assets with indefinite lives. We determine the fair values of our intangible assets with indefinite lives using an income approach, specifically the relief from royalties method. Impairment is recognized when the carrying amount exceeds fair value.

Goodwill

We test goodwill for impairment on a “reporting unit” level. A reporting unit is a group of businesses: (a) for which discrete financial information is available; and (b) that have similar economic characteristics. We test goodwill for impairment using the following two-step approach:

- In the first step, we determine the fair value of each reporting unit. If the fair value of a reporting unit is less than its carrying value, this is an indicator that the goodwill assigned to that reporting unit might be impaired, which requires performance of the second step.
- In the second step, we allocate the fair value of the reporting unit to the assets and liabilities of the reporting unit as if it had just been acquired in a business combination, and as if the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. We then compare that implied fair value of the reporting unit’s goodwill to the carrying value of that goodwill. If the implied fair value is less than the carrying value, we recognize an impairment loss for that excess.

We determine the fair value of our reporting units based on a combination of various techniques, including the present value of future cash flows, earnings multiples of competitors and multiples from sales of like-businesses.

As the valuation of identifiable intangible assets and goodwill requires significant estimates and judgment about future performance and fair values, our future results could be affected if our current estimates of future performance and fair values change. At December 31, 2006, identifiable intangible assets and goodwill amounted to $10 billion, or 50% of our total assets on our consolidated balance sheet.

Income Taxes

We are required to estimate our income taxes in each of the jurisdictions in which we operate. For interim periods, we provide income taxes based on our estimate of how much we will earn in each jurisdiction for the full year. To the extent that our forecasts differ from actual results, we must true-up our estimates of income tax expense. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. To the extent our estimates differ from the final tax return, our earnings would be affected in a subsequent period. For 2006, our effective tax rate was 11.5% of our earnings from continuing operations before income taxes. A 1% increase in our effective tax rate would have resulted in additional income tax expense of approximately $10 million.

Estimation of income taxes includes estimating a value for our existing net operating losses based on our assessment of our ability to utilize them against future taxable income before they expire. Our assessment is based upon existing tax laws and estimates of future taxable income. If our assessment of our ability to use our net operating losses proves inaccurate in the future, we might be required to recognize more or less of the net operating losses as assets, which would decrease or increase our income tax expense in the relevant year. This would affect our earnings in that year.

Our accounting for income taxes requires us to exercise judgment for issues relating to known matters under discussion with tax authorities and transactions yet to be settled. As a result, we maintain a tax liability for contingencies and regularly assess the adequacy of this tax liability. We record liabilities for known tax contingencies when, in our judgment, it is probable that a liability has been incurred. It is reasonably possible that actual amounts payable resulting from audits by tax authorities could be materially different from the liabilities we have recorded due to the complex nature of the tax legislation that affects us.

Employee Future Benefits

The determination of the cost and obligations associated with our employee future benefits requires the use of various assumptions. We must select assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the projected age of employees upon retirement, the expected rate of future compensation and the expected healthcare cost trend rate. These assumptions are re-evaluated each year, and variations between the actual results and the results based on our assumptions for any period will affect reported amounts in future periods. We retain an independent actuarial expert to prepare the calculations and to advise us on the selection of assumptions. See further discussion under the section entitled “Employee Future Benefits” on page 34.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2006, the CICA announced that it will no longer converge Canadian GAAP with generally accepted accounting principles of the United States (U.S. GAAP). Rather, the CICA will work towards convergence with International Financial Reporting Standards (IFRS) with the expectation that Canadian GAAP will be replaced by IFRS in 2011. As a public company, we are allowed to file our financial statements with the Canadian securities regulatory authorities under either Canadian GAAP or U.S. GAAP. We are also required to file an annual reconciliation of our earnings and shareholders’ equity between Canadian GAAP and U.S. GAAP with the U.S. Securities and Exchange Commission (SEC). This reconciliation is presented in note 24 in our financial statements.

ADDITIONAL INFORMATION

Depreciation by Market Group

The following table details depreciation expense by market group for 2006, 2005 and 2004.

	Year ended December 31,		
(millions of U.S. dollars)	**2006**	2005	2004
Legal & Regulatory	**211**	193	189
Financial	**179**	177	182
Scientific & Healthcare	**39**	34	32
Corporate and other	**10**	10	12
Total	**439**	414	415

Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in applicable U.S. and Canadian securities law) as of December 31, 2006, have concluded that our disclosure controls and procedures are effective to ensure that all information required to be disclosed by our company in reports that it files or furnishes under the U.S. Securities Exchange Act and applicable Canadian securities law is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and Canadian securities regulatory authorities and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

There was no change in our company’s internal control over financial reporting that occurred during 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2006, and based on that assessment determined that our internal control over financial reporting was effective. See our financial statements for our management’s report on internal control over financial reporting and the report of our independent auditors with respect to management’s assessment of internal control over financial reporting.

Share Capital

As of February 23, 2007, we had outstanding 640,086,694 common shares, 6,000,000 Series II preference shares, 540,025 restricted share units and 16,330,216 stock options.

Public Securities Filings

You may access other information about our company, including our annual information form and our other disclosure documents, reports, statements or other information that we file with the Canadian securities regulatory authorities through SEDAR at *www.sedar.com* and in the United States with the SEC through EDGAR at *www.sec.gov*.

RECONCILIATIONS

Reconciliation of Return on Invested Capital (ROIC) to GAAP Measures

(millions of U.S. dollars)
(unaudited)

	For the Year Ended or As at December 31,			
	2006	2005	2004	2003
Calculation of Adjusted Operating Profit After Taxes				
Operating profit	**1,258**	1,172	1,062	
Add:				
Amortization	**242**	236	207	
Reduce amount by Thomson Learning adjustments (1)	**(19)**	—	—	
Segment operating profit of discontinued operations	**386**	372	392	
Adjusted operating profit — including discontinued operations	**1,867**	1,780	1,661	
Taxes paid on operations (2)	**(311)**	(326)	(285)	
Post-tax adjusted operating profit	**1,556**	1,454	1,376	
Calculation of Adjusted Invested Capital				
Equity	**10,481**	9,963	9,962	9,193
Total debt (2)	**4,321**	4,283	4,315	4,255
Invested capital	**14,802**	14,246	14,277	13,448
Adjustments:				
Cash and other investments (3)	**(334)**	(423)	(420)	(696)
Debt swaps (4)	**(257)**	(193)	(192)	(199)
Current and long-term deferred taxes (2)(3)	**1,122**	1,310	1,356	1,427
Accumulated amortization and non-cash goodwill (2)(5)	**2,390**	1,885	1,586	1,336
Present value of operating leases (2)(6)	**783**	754	832	879
Historical intangible asset and equity investment write-downs(7)	**162**	162	147	248
Other (2)(3)	**798**	821	1,125	1,072
Adjusted invested capital	**19,466**	18,562	18,711	17,515
Average Invested Capital	**19,014**	18,639	18,113	
Return on Invested Capital	**8.2%**	7.8%	7.6%	

(1) This adjustment reflects the actual results of the higher education, careers and library reference, NETg and Prometric businesses in Thomson Learning as if they had been part of continuing operations for the periods presented. Specifically, this amount reflects depreciation expense which is excluded from GAAP results under the accounting requirements for discontinued operations. Costs incurred in connection with the disposal of the businesses have been excluded.

(2) Includes amounts related to discontinued operations

(3) Items excluded as not deemed components of invested capital; “Other” primarily consists of non-current liabilities.

(4) Excludes debt swaps as balances are financing rather than operating-related.

(5) Excludes accumulated amortization as only gross identifiable intangible assets and goodwill cost is considered component of invested capital. Excludes goodwill arising from adoption of CICA 3465. This goodwill was created via deferred tax liability instead of cash purchase price.

(6) Present value of operating leases deemed component of invested capital.

(7) Adds back write-downs that were not cash transactions.

SUPPLEMENTAL INFORMATION

New Business Segment Information
Post-January 1, 2007 Realignment

(millions of U.S. dollars)
(unaudited)

	Twelve Months Ended December 31, 2006	2005	Change
Revenues:			
Legal (1)	3,053	2,843	7%
Financial	2,015	1,897	6%
Scientific	602	569	6%
Tax & Accounting	598	532	12%
Healthcare	393	352	12%
Intercompany eliminations	(20)	(20)	
Total revenues	6,641	6,173	8%
Operating Profit:			
Segment operating profit:			
Legal (1)	952	859	11%
Financial	379	334	13%
Scientific	151	129	17%
Tax & Accounting	168	141	19%
Healthcare	85	84	1%
Corporate and other (2)	(235)	(139)	
Total segment operating profit	1,500	1,408	7%
Amortization	(242)	(236)	
Operating profit	1,258	1,172	7%

(1) Effective January 1, 2007, we re-aligned our operations around five segments. For informational purposes, this table presents the results of our businesses as they will be managed and presented in 2007. The North American Legal business and the International Legal and Regulatory business are presented as one segment, reflecting the manner in which the business will be managed. We had previously announced that results for these two segments would be reported separately.

(2) Corporate and other includes THOMSON*plus* costs, corporate costs and certain costs associated with our stock-related incentive plans.

Detail of depreciation expense by segment:

	Twelve Months Ended December 31, 2006	2005
Legal	189	173
Financial	179	177
Scientific	23	20
Tax & Accounting	22	20
Healthcare	16	14
Corporate and other	10	10
	439	414

QUARTERLY INFORMATION (UNAUDITED)

The following table presents a summary of our consolidated operating results for our eight most recent quarters.

(millions of U.S. dollars, except per common share amounts)	Quarter ended March 31, 2006	2005	Quarter ended June 30, 2006	2005	Quarter ended September 30, 2006	2005	Quarter ended December 31, 2006	2005
Revenues	**1,510**	1,411	**1,637**	1,521	**1,629**	1,520	**1,865**	1,721
Operating profit	**208**	179	**310**	277	**316**	286	**424**	430
Earnings from continuing operations	**204**	106	**200**	256	**209**	142	**306**	158
Discontinued operations, net of tax	**(67)**	(33)	**(27)**	46	**210**	167	**85**	92
Net earnings	**137**	73	**173**	302	**419**	309	**391**	250
Dividends declared on preference shares	**(1)**	(1)	**(2)**	(1)	**(1)**	(1)	**(1)**	(1)
Earnings attributable to common shares	**136**	72	**171**	301	**418**	308	**390**	249
Basic earnings (loss) per common share								
From continuing operations	**$ 0.31**	$ 0.16	**$ 0.31**	$ 0.39	**$ 0.32**	$ 0.22	**$ 0.47**	$ 0.24
From discontinued operations	**(0.10)**	(0.05)	**(0.04)**	0.07	**0.33**	0.25	**0.14**	0.14
	$ 0.21	$ 0.11	**$ 0.27**	$ 0.46	**$ 0.65**	$ 0.47	**$ 0.61**	$ 0.38
Diluted earnings (loss) per common share								
From continuing operations	**$ 0.31**	$ 0.16	**$ 0.31**	$ 0.39	**$ 0.32**	$ 0.22	**$ 0.47**	$ 0.24
From discontinued operations	**(0.10)**	(0.05)	**(0.05)**	0.07	**0.33**	0.25	**0.14**	0.14
	$ 0.21	$ 0.11	**$ 0.26**	$ 0.46	**$ 0.65**	$ 0.47	**$ 0.61**	$ 0.38

With the pending divestiture of Thomson Learning, our results will become less seasonal than previously reported. However, in terms of revenues and profits, the first quarter will continue to be proportionately the smallest quarter for us and the fourth quarter will be our largest, as certain product releases are concentrated at the end of the year, particularly in the regulatory markets. Costs are incurred more evenly throughout the year. As a result, our operating margins will generally increase as the year progresses. In general, our year-over-year performance reflected increased operating profit driven by higher revenues from existing businesses and contributions from acquired businesses.

In the quarters ended June 30, 2005 and March 31, 2006, earnings from continuing operations and net earnings reflected the recognition of certain tax credits. In the quarter ended December 31, 2005, earnings from continuing operations and net earnings reflected a $125 million tax charge associated with repatriated profits.

FORWARD-LOOKING STATEMENTS

Certain information in this management's discussion and analysis, particularly under the heading "Outlook," are forward-looking statements that are not historical facts but reflect our current expectations regarding future results. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Some of the factors that could cause actual results or events to differ materially from current expectations are: actions of our competitors; failure to fully derive anticipated benefits from our acquisitions or complete dispositions; failures or disruptions of our electronic delivery systems or the Internet; failure to meet the special challenges involved in expansion of our operations outside North America; failure of our significant investments in technology to increase our revenues or decrease our operating costs; failure to develop new products, services, applications and functionalities to meet our customers' needs, attract new customers or expand into new geographic markets; increased accessibility to free or relatively inexpensive information sources; failure to maintain the availability of information obtained through licensing arrangements and changes in the terms of our licensing arrangements; changes in the general economy; failure to recruit and retain high quality management and key employees; increased self-sufficiency of our customers; inadequate protection of our intellectual property rights; actions or potential actions that could be taken by our principal shareholder; failure to realize the anticipated cost savings and operating efficiencies from the THOMSONplus initiative; an increase in our effective income tax rate; and impairment of goodwill and identifiable intangible assets. Additional factors are discussed in our materials filed with the securities regulatory authorities in Canada and the United States from time to time, including our annual information form, which is contained in our current annual report on Form 40-F. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

EXHIBIT 99.3

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Management's Responsibility for the Consolidated Financial Statements

The management of The Thomson Corporation is responsible for the accompanying consolidated financial statements and other information included in the annual report. The financial statements have been prepared in conformity with Canadian generally accepted accounting principles using the best estimates and judgments of management, where appropriate. Information presented elsewhere in this annual report is consistent with that in the financial statements.

The Company's board of directors is responsible for ensuring that management fulfills its responsibilities in respect of financial reporting and internal control. The Audit Committee of the board of directors meets periodically with management and the Company's independent auditors to discuss auditing matters and financial reporting issues. In addition, the Audit Committee recommends to the board of directors the approval of the interim and annual consolidated financial statements and the annual appointment of the independent auditors. The board of directors has approved the information contained in the accompanying consolidated financial statements.

/s/ Richard J. Harrington	/s/ Robert D. Daleo
Richard J. Harrington President & Chief Executive Officer	Robert D. Daleo Executive Vice President & Chief Financial Officer

February 23, 2007

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Internal control over financial reporting is a process that was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework and criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2006.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their report which appears herein.

/s/ Richard J. Harrington	/s/ Robert D. Daleo
Richard J. Harrington President & Chief Executive Officer	Robert D. Daleo Executive Vice President & Chief Financial Officer

February 23, 2007

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITORS' REPORT

To the shareholders of The Thomson Corporation:

We have completed an integrated audit of the consolidated financial statements and internal control over financial reporting of The Thomson Corporation as of December 31, 2006 and an audit of its December 31, 2005 consolidated financial statements. Our opinions, based on our audits, are presented below.

Consolidated financial statements

We have audited the accompanying consolidated balance sheets of The Thomson Corporation (the "Company") as of December 31, 2006 and 2005, and the related consolidated statements of earnings, cash flows and changes in shareholders' equity for each of the two years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit of the Company's consolidated financial statements as of December 31, 2006 and for the year then ended in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). We conducted our audit of the Company's consolidated financial statements as of December 31, 2005 and for the period ended December 31, 2005 in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for financial instruments effective January 1, 2006.

Internal control over financial reporting

We have also audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that the Company maintained effective internal control over financial reporting as of

December 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2006 is fairly stated, in all material respects, based on criteria established in Internal Control — Integrated Framework issued by the COSO. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control — Integrated Framework* issued by the COSO.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Canada
February 23, 2007

The Thomson Corporation
Consolidated Statement of Earnings

(millions of U.S. dollars, except per common share amounts)	Year ended December 31, 2006	2005 (note 7)
Revenues	6,641	6,173
Cost of sales, selling, marketing, general and administrative expenses	(4,702)	(4,351)
Depreciation (notes 11 and 12)	(439)	(414)
Amortization (note 13)	(242)	(236)
Operating profit	1,258	1,172
Net other income (expense) (note 4)	1	(28)
Net interest expense and other financing costs (note 5)	(221)	(221)
Income taxes (note 6)	(119)	(261)
Earnings from continuing operations	919	662
Earnings from discontinued operations, net of tax (note 7)	201	272
Net earnings	1,120	934
Dividends declared on preference shares (note 16)	(5)	(4)
Earnings attributable to common shares	1,115	930

Earnings per common share (note 8):

Basic and diluted earnings per common share:		
From continuing operations	$ 1.41	$ 1.00
From discontinued operations	0.32	0.42
Basic and diluted earnings per common share	$ 1.73	$ 1.42

The related notes form an integral part of these consolidated financial statements.

The Thomson Corporation Consolidated Balance Sheet

(millions of U.S. dollars)	December 31, 2006	2005 (note 7)
Assets		
Cash and cash equivalents	334	407
Accounts receivable, net of allowances of $97 million (2005 - $102 million) (note 9)	1,369	1,175
Inventories (note 10)	73	67
Prepaid expenses and other current assets	297	257
Deferred income taxes (note 6)	153	129
Current assets of discontinued operations (note 7)	1,039	974
Current assets	3,265	3,009
Computer hardware and other property, net (note 11)	625	604
Computer software, net (note 12)	647	568
Identifiable intangible assets, net (note 13)	3,461	3,519
Goodwill (note 14)	6,552	5,947
Other non-current assets	1,082	1,129
Non-current assets of discontinued operations (note 7)	4,500	4,658
Total assets	20,132	19,434
Liabilities and shareholders' equity		
Liabilities		
Short-term indebtedness (note 15)	333	191
Accounts payable and accruals	1,309	1,200
Deferred revenue	971	797
Current portion of long-term debt (note 15)	264	98
Current liabilities of discontinued operations (note 7)	862	821
Current liabilities	3,739	3,107
Long-term debt (note 15)	3,681	3,957
Other non-current liabilities	785	791
Deferred income taxes (note 6)	998	1,157
Non-current liabilities of discontinued operations (note 7)	448	459
Total liabilities	9,651	9,471
Shareholders' equity		
Capital (note 16)	2,799	2,726
Retained earnings	7,169	6,992
Accumulated other comprehensive income	513	245
Total shareholders' equity	10,481	9,963
Total liabilities and shareholders' equity	20,132	19,434

Contingencies (note 18)

The related notes form an integral part of these consolidated financial statements.

Approved by the Board

/s/ David Thomson

David Thomson
Director

/s/ Richard J. Harrington

Richard J. Harrington
Director

The Thomson Corporation
Consolidated Statement of Cash Flow

(millions of U.S. dollars)	Year ended December 31, 2006	2005 (note 7)
Cash provided by (used in):		
Operating activities		
Net earnings	**1,120**	934
Remove earnings from discontinued operations	**(201)**	(272)
Add back (deduct) items not involving cash:		
Depreciation (notes 11 and 12)	**439**	414
Amortization (note 13)	**242**	236
Net gains on disposals of businesses and investments (note 4)	**(47)**	(5)
Loss from redemption of debt securities (notes 4 and 15)	**—**	23
Deferred income taxes (note 6)	**(121)**	(58)
Other, net	**204**	56
Pension contributions (note 17)	**(23)**	(30)
Changes in working capital and other items (note 21)	**(45)**	(57)
Cash provided by operating activities — discontinued operations (note 7)	**557**	638
Net cash provided by operating activities	**2,125**	1,879
Investing activities		
Acquisitions, less cash therein of million (2005 - $8 million) (note 19)	**(744)**	(246)
Proceeds from disposals (note 19)	**88**	4
Capital expenditures, less proceeds from disposals of $3 million (2005 - $2 million)	**(453)**	(427)
Other investing activities	**(26)**	(25)
Capital expenditures of discontinued operations (note 7)	**(184)**	(215)
Other investing activities of discontinued operations	**(17)**	(14)
Proceeds from (income taxes paid on) disposals of discontinued operations (note 7)	**81**	(105)
Acquisitions by discontinued operations	**(35)**	(43)
Net cash used in investing activities	**(1,290)**	(1,071)
Financing activities		
Proceeds from debt (note 15)	**—**	401
Repayments of debt (note 15)	**(88)**	(621)
Net (repayments) borrowings under short-term loan facilities	**108**	184
Premium on redemption of debt securities (note 15)	**—**	(22)
Repurchase of common shares (note 16)	**(412)**	(256)
Dividends paid on preference shares (note 16)	**(5)**	(4)
Dividends paid on common shares (note 16)	**(553)**	(505)
Other financing activities, net	**38**	25
Net cash used in financing activities	**(912)**	(798)
Translation adjustments	**4**	(8)
(Decrease) increase in cash and cash equivalents	**(73)**	2
Cash and cash equivalents at beginning of period	**407**	405
Cash and cash equivalents at end of period	**334**	407

Supplemental cash flow information is provided in notes 5, 20 and 21.

The related notes form an integral part of these consolidated financial statements.

The Thomson Corporation
Consolidated Statement of Changes in Shareholders' Equity

(millions of U.S. dollars)	Stated Share Capital(1)	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income ("AOCI")	Total Retained Earnings and AOCI	Total
Balance, December 31, 2005	**2,599**	**127**	**2,726**	**6,992**	**245**	**7,237**	**9,963**
Opening balance adjustment for net deferred gain on cash flow hedges (note 2)	**—**	**—**	**—**	**—**	**51**	**51**	**51**
Balance, January 1, 2006	**2,599**	**127**	**2,726**	**6,992**	**296**	**7,288**	**10,014**
Comprehensive income:							
Net earnings				**1,120**	**—**	**1,120**	**1,120**
Unrecognized net gain on cash flow hedges				**—**	**8**	**8**	**8**
Foreign currency translation adjustments				**—**	**230**	**230**	**230**
Net gain reclassified to income				**—**	**(21)**	**(21)**	**(21)**
Comprehensive income				**1,120**	**217**	**1,337**	**1,337**
Dividends declared on preference shares	**—**	**—**	**—**	**(5)**	**—**	**(5)**	**(5)**
Dividends declared on common shares	**—**	**—**	**—**	**(567)**	**—**	**(567)**	**(567)**
Common shares issued under Dividend Reinvestment Plan ("DRIP")	**14**	**—**	**14**	**—**	**—**	—	**14**
Repurchase of common shares (note 16)	**(41)**	**—**	**(41)**	**(371)**	**—**	**(371)**	**(412)**
Effect of stock compensation plans	**70**	**30**	**100**	**—**	**—**	**—**	**100**
Balance, December 31, 2006	**2,642**	**157**	**2,799**	**7,169**	**513**	**7,682**	**10,481**

	Stated Share Capital(1)	Contributed Surplus	Total Capital	Retained Earnings	AOCI	Total Retained Earnings and AOCI	Total
Balance, December 31, 2004	2,588	108	2,696	6,808	458	7,266	9,962
Comprehensive income:							
Net earnings				934	—	934	934
Foreign currency translation adjustments				—	(213)	(213)	(213)
Comprehensive income				934	(213)	721	721
Dividends declared on preference shares	—	—	—	(4)	—	(4)	(4)
Dividends declared on common shares	—	—	—	(517)	—	(517)	(517)
Common shares issued under DRIP	12	—	12	—	—	—	12
Repurchase of common shares	(27)	—	(27)	(229)	—	(229)	(256)
Effect of stock compensation plans	26	19	45	—	—	—	45
Balance, December 31, 2005	2,599	127	2,726	6,992	245	7,237	9,963

(1) Includes both common and preference share capital.

The related notes form an integral part of these consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of The Thomson Corporation ("Thomson" or the "Company") include all controlled companies and are prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). All intercompany transactions and balances are eliminated on consolidation.

Accounting Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Foreign Currency

Assets and liabilities of self-sustaining subsidiaries denominated in currencies other than U.S. dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity. Other currency gains or losses are included in earnings.

Revenue Recognition

Revenues are recognized, net of estimated returns, when the following four criteria are met:

- persuasive evidence of an arrangement exists;
- delivery has occurred;
- the fee is fixed or determinable; and
- collectibility is probable.

Delivery does not occur until products have been shipped or services have been provided to the customer, risk of loss has transferred to the customer, customer acceptance has been obtained or such acceptance provisions have lapsed, or the Company has objective evidence that the criteria specified in the client acceptance provisions have been satisfied. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved.

Revenue from sales of third-party vendor products or services is recorded net of costs when the Company is acting as an agent between the customer and vendor and recorded gross when the Company is a principal to the transaction. Several factors are considered to determine whether the Company is an agent or principal, most notably whether the Company is the primary obligor to the customer, has inventory risk or adds meaningful value to the vendor's product or service. Consideration is also given to whether the Company was involved in the selection of the vendor's product or service, has latitude in establishing the sales price, or has credit risk.

In addition to the above general principles, the Company applies the following specific revenue recognition policies:

Subscription-Based Products (excluding software)

Revenues from sales of subscription-based products are primarily recognized ratably over the term of the subscription. Where applicable, usage fees above a base period fee are recognized as earned. Subscription revenue received or receivable in advance of the delivery of services or publications is included in deferred revenue. Incremental costs that are directly related to the subscription revenue are deferred and amortized over the subscription period.

Multiple element arrangements

When a sales arrangement requires the delivery of more than one product or service that have value on a stand-alone basis, the individual deliverables are accounted for separately, if reliable and objective evidence of fair value for each deliverable is available. The amount allocated to each unit is then recognized when each unit is delivered, provided that all other relevant revenue recognition criteria are met with respect to that unit.

If, however, evidence of fair value is only available for undelivered elements, the revenue is allocated first to the undelivered items, with the remainder of the revenue being allocated to the delivered items, utilizing the residual method. Amounts allocated to delivered items are deferred if there are further obligations with respect to the delivered items. If evidence of fair value is only available for the delivered items, but not the undelivered items, the arrangement is considered a single element arrangement and revenue is recognized as the relevant recognition criteria are met.

Software-Related Products and Services

License fees are generally recognized ratably on a straight-line basis over the license period when the Company has an ongoing obligation over the license period. Alternatively, if there is neither an associated license period nor significant future obligations, revenues are recognized upon delivery. In those instances, costs related to the insignificant obligations are accrued when the related revenue is recognized.

Certain software arrangements include implementation services. Consulting revenues from these arrangements are accounted for separately from software license revenues if the arrangements qualify as service transactions as defined in Statement of Position 97-2, *Software Revenue Recognition*. The more significant factors considered in determining whether the revenue should be accounted for separately include the nature of services (i.e., consideration of whether the services are essential to the functionality of the licensed product), degree of risk, availability of services from other vendors, timing of payments and impact of milestones or acceptance criteria on the realizability of the software license fee.

If an arrangement does not qualify for separate accounting of the software license and consulting transactions, then software license revenue is generally recognized together with the consulting services using either the percentage-of-completion or completed-contract method. Contract accounting is applied to any arrangements: (1) that include milestones or customer specific acceptance criteria that may affect collection of the software license fees; (2) where services include significant modification or customization of the software; (3) where significant consulting services are provided for in the software license contract without additional charge or are substantially discounted; or (4) where the software license payment is tied to the performance of consulting services. For certain of these arrangements, a customer's obligation to pay corresponds to the amount of work performed. In these circumstances, revenue is recognized as a percentage of completed work using the Company's costs as the measurement factor.

Certain contracts specify separate fees for software and ongoing fees for maintenance and other support. If sufficient vendor specific objective evidence of the fair value of each element of the arrangement exists, the elements of the contract are unbundled and the revenue for each element is recognized as appropriate.

Other Service Contracts

For service or consulting arrangements, revenues are recognized as services are performed based on appropriate measures.

Employee Future Benefits

Net periodic pension expense for employee future benefits is actuarially determined using the projected benefit method. Determination of benefit expense requires assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the projected age of employees upon retirement, the expected rate of future compensation and the expected healthcare cost trend rate. For the purpose of calculating expected return on plan assets, the assets are valued at a market-related fair value. The market-related fair value recognizes changes in the fair value of plan assets over a five-year smoothing period. Actual results will differ from results which are estimated based on assumptions. When the cumulative difference between actual and estimated results exceeds 10% of the greater of the benefit obligation or the fair value of the plan assets, such difference is amortized into earnings over the average remaining service period of active employees. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of active employees at the date of the amendment.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and investments with an original maturity at the date of purchase of three months or less.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using either the average cost or the first-in, first-out method.

Long-Lived Assets

Long-lived assets with finite lives are tested for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. When such a situation occurs, the expected future operating cash flows associated with the asset are compared to its carrying value to determine if the asset is recoverable. If the expected future operating cash flows are not sufficient to recover the asset, an estimate of the fair value of the asset is computed. Impairment of the carrying amount of a long-lived asset is recognized in operating profit of continuing or discontinued operations, as appropriate, when the carrying amount is not recoverable and is in excess of its fair value. The impairment loss recognized is equal to the excess of the carrying amount over the fair value.

Computer Hardware and Other Property

Computer hardware and other property are recorded at cost and depreciated on a straight-line basis over their estimated useful lives as follows:

Computer hardware	3-5 years
Buildings and building improvements	5-40 years
Furniture, fixtures and equipment	3-10 years

Computer software

Capitalized Software for internal use

Certain costs incurred in connection with the development of software to be used internally are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Costs which qualify for capitalization include both internal and external costs, but are limited to those that are directly related to the specific project. The capitalized amounts, net of accumulated amortization, are included in “Computer software, net” in the consolidated balance sheet. These costs are amortized over their expected useful lives, which range from three to ten years. The amortization expense is included in “Depreciation” in the consolidated statement of earnings.

Capitalized Software to be marketed

In connection with the development of software that is intended to be marketed to customers, certain costs are capitalized once technological feasibility of the product is established and a market for the product has been identified. The capitalized amounts, net of accumulated amortization, are also included in “Computer software, net” in the consolidated balance sheet. The capitalized amounts are amortized over the expected period of benefit, not to exceed three years, and this amortization expense is included in “Cost of sales, selling, marketing, general and administrative expenses” in the consolidated statement of earnings.

Identifiable Intangible Assets and Goodwill

Upon acquisition, identifiable intangible assets are recorded at fair value. Goodwill represents the excess of the cost of the acquired businesses over fair values attributed to underlying net tangible assets and identifiable intangible assets. The carrying values of all intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Additionally, the carrying values of identifiable intangible assets with indefinite lives and goodwill are tested annually for impairment because they are not amortized. Impairment is determined by comparing the fair values of such assets with their carrying amounts.

Identifiable Intangible Assets

Certain tradenames with indefinite lives are not amortized. Identifiable intangible assets with finite lives are amortized over their estimated useful lives as follows:

Tradenames	2-30 years
Customer relationships	1-40 years
Databases and content	2-25 years
Publishing rights	30 years
Other	2-29 years

Identifiable intangible assets with finite lives are tested for impairment as described under "Long-Lived Assets" above.

Selected tradenames comprise the entire balance of identifiable intangible assets with indefinite lives. For purposes of impairment testing, the fair value of tradenames is determined using an income approach, specifically the relief from royalties method.

Goodwill

Goodwill is tested for impairment on a "reporting unit" level. A reporting unit is a group of businesses: (a) for which discrete financial information is available; and (b) that have similar economic characteristics. Goodwill is tested for impairment using the following two-step approach:

- In the first step, the fair value of each reporting unit is determined. If the fair value of a reporting unit is less than its carrying value, this is an indicator that the goodwill assigned to that reporting unit might be impaired, which requires performance of the second step.
- In the second step, the fair value of the reporting unit is allocated to the assets and liabilities of the reporting unit as if it had just been acquired in a business combination, and as if the purchase price was equivalent to the fair value of the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is referred to as the implied fair value of goodwill. The implied fair value of the reporting unit's goodwill is then compared to the actual carrying value of goodwill. If the implied fair value is less than the carrying value, an impairment loss is recognized for that excess.

The fair values of the Company's reporting units are determined based on a combination of various techniques, including the present value of future cash flows, earnings multiples of competitors and multiples from sales of like-businesses.

Disposal of Long-lived Assets and Discontinued Operations

Long-lived assets are classified as held for sale once certain criteria are met. Such criteria include a firm decision by management or the board of directors to dispose of a business or a group of selected assets and the expectation that such disposal will be completed within a twelve month period. Assets held for sale are measured at the lower of their carrying amounts or fair values less costs to sell, and are no longer depreciated. Long-lived assets held for sale are classified as discontinued operations if the operations and cash flows will be eliminated from ongoing operations as a result of the disposal transaction and there will not be any significant continuing involvement in the operation of the disposed asset.

Deferred Income Taxes

Deferred income taxes are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities using the enacted or substantially enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. A valuation allowance is recorded against deferred income tax assets if management determines that it is more likely than not that such deferred income tax assets will not be realized. The income tax provision for the period is the tax payable for the period and the change during the period in deferred income tax assets and liabilities.

Derivative Financial Instruments

See note 2 for 2006 accounting changes for financial instruments. In the ordinary course of business, Thomson enters into the following types of derivative financial instruments to manage foreign currency and interest rate exposures:

- cross currency swap agreements to hedge foreign currency exposures on non-U.S. dollar denominated debt;

- foreign currency contracts to hedge forecasted cash flows denominated in currencies other than the functional currency of a particular Thomson subsidiary; and
- interest rate swap agreements to manage the fixed versus floating interest rate mix of debt. Such contracts require periodic exchange of payments without the exchange of the notional principal amount upon which the payments are based.

The Company identifies a risk management objective for each transaction. All derivatives are linked to specific assets and liabilities or to specific firm commitments or forecasted transactions. For derivatives designated as hedges, periodic assessments of each derivative's effectiveness are performed.

While the derivative financial instruments are subject to the risk of loss from changes in exchange and interest rates, these losses are offset by gains on the exposures being hedged. Gains and losses on cross currency swap agreements designated as hedges of existing assets and liabilities are accrued as exchange rates change, thereby offsetting gains and losses from the underlying assets and liabilities. Gains and losses on foreign currency contracts designated as hedges for firm commitments or forecasted transactions are recorded in earnings when the related transaction is realized. The differential paid or received on interest rate swap agreements is recognized as part of net interest expense. Derivative financial instruments that do not qualify as hedges are measured at fair value with changes recognized in earnings.

Stock-Based Compensation Plans

Stock Incentive Plan

Under the stock incentive plan, Thomson may grant stock options, restricted share units ("RSUs"), performance restricted share units ("PRSUs") and other equity-based awards to certain employees for a maximum of up to 40,000,000 common shares.

Stock Options

Options vest over a period of four to five years. The maximum term of an option is 10 years from the date of grant. Options under the plan are granted at the closing price of the Company's common shares on the New York Stock Exchange ("NYSE") on the day prior to the grant date. Compensation expense related to stock options is recognized over the vesting period, based upon the estimated fair value of the options at issuance.

Restricted Share Units

RSUs vest over a period of up to seven years. Compensation expense related to RSUs is recognized over the vesting period, based upon the closing price of the Company's common shares on the NYSE on the day prior to the grant date.

Performance Restricted Share Units

In 2006, the Company introduced a new long-term incentive program under which certain senior executives are awarded PRSUs. PRSUs give the holder the right to receive one Thomson common share for each unit that vests on the vesting date. Between 0% and 200% of PRSUs initially granted may vest depending upon the Company's performance over the three-year performance period against pre-established performance goals. Compensation expense related to each PRSU grant is recognized over the three year vesting period based upon the closing price of the Company's common shares on the day prior to the grant date and the number of units expected to vest.

Awards under the phantom stock plan are granted in the form of stock appreciation rights ("SARs"). Such awards are payable in cash, and compensation expense is recognized as the SARs change in value based on the fair market value of the Company's common shares at the end of each reporting period.

Employee Stock Purchase Plan

In the fourth quarter of 2005, the Company initiated an employee stock purchase plan whereby eligible employees can purchase Thomson common shares at a 15% discount up to a specified limit utilizing after-tax payroll deductions. The entire amount of the discount is expensed as incurred.

Comparative Amounts

Prior periods have been restated for discontinued operations.

Note 2: Changes in Accounting Policies

Financial Instruments and Comprehensive Income

Effective January 1, 2006, Thomson adopted Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855, *Financial Instruments — Recognition and Measurement* and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also introduces a new component of equity referred to as accumulated other comprehensive income.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Derivatives that qualify as hedging instruments must be designated as either a “cash flow hedge,” when the hedged item is a future cash flow, or a “fair value hedge,” when the hedged item is the fair value of a recognized asset or liability. The effective portion of unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged item are recorded at fair value in the consolidated balance sheet and the unrealized gains and losses from both items are included in earnings. For derivatives that do not qualify as hedging instruments, unrealized gains and losses are reported in earnings.

In accordance with the provisions of these new standards, the Company reflected the following adjustments as of January 1, 2006:

- an increase of $53 million to “Other non-current assets” and “Accumulated other comprehensive income” in the consolidated balance sheet relative to derivative instruments that consisted primarily of interest rate contracts, which convert floating rate debt to fixed rate debt and qualify as cash flow hedges;
- a reclassification of $5 million from “Other current assets” and $3 million from “Other current liabilities” to “Accumulated other comprehensive income” in the consolidated balance sheet related primarily to previously deferred gains and losses on settled cash flow hedges;
- an increase of $16 million to “Other non-current assets” and “Long-term debt” in the consolidated balance sheet related to derivative instruments and their related hedged items. These derivative instruments consist primarily of interest rate contracts to convert fixed rate debt to floating and qualify as fair value hedges; and
- a presentational reclassification of amounts previously recorded in “Cumulative translation adjustment” to “Accumulated other comprehensive income.”

The adoption of these new standards had no material impact on the Company’s consolidated statement of earnings. The unrealized gains and losses included in “Accumulated other comprehensive income” were recorded net of taxes, which were nil.

During the year ended December 31, 2006, a net increase of $8 million in unrealized gains for cash flow hedges was reflected in “Accumulated other comprehensive income.” The net realized gain in the period previously deferred on adoption in “Accumulated other comprehensive income” was less than $1 million. The net decrease in fair value in the period of fair value hedges and the related hedged items of $7 million was reflected in “Prepaid expenses and other current assets,” “Current portion of long-term debt,” “Other non-current assets” and “Long-term debt.”

As of December 31, 2006, approximately $3 million of net deferred gains in “Accumulated other comprehensive income” were expected to be recognized in earnings over the following 12 months. The remaining net deferred gains in “Accumulated other comprehensive income” were expected to be recognized over a period of up to eight years.

Discontinued Operations

In April 2006, the Emerging Issues Committee of the CICA ("EIC") issued Abstract 161, *Discontinued Operations* ("EIC-161"). The abstract addresses the appropriateness of allocating interest expense to a discontinued operation and disallows allocations of general corporate overhead. EIC-161 was effective upon its issuance and did not have an impact on the Company's consolidated financial statements.

Stock-Based Compensation

In July 2006, the Company adopted EIC Abstract 162, *Stock-Based Compensation for Employees Eligible to Retire Before the Vesting Date* ("EIC-162"), retroactively to January 1, 2006. The abstract clarifies the proper accounting for stock-based awards granted to employees who either are eligible for retirement at the grant date or will be eligible before the end of the vesting period and continue vesting after, or vest upon, retirement. In such cases, the compensation expense associated with the stock-based award will be recognized over the period from the grant date to the date the employee becomes eligible to retire. EIC-162 did not have an impact on the Company's financial statements for any period in 2006.

Note 3: THOMSON*plus* Program

In 2006, Thomson formally announced the THOMSON*plus* program. THOMSON*plus* is a series of initiatives which will allow the Company to become a more integrated operating company by leveraging assets and infrastructure across all segments of its business. The program is expected to produce cost savings for its businesses by:

- Realigning its business units into five segments;
- Streamlining and consolidating certain functions such as finance, accounting and business systems;
- Leveraging infrastructure and technology for customer contact centers;
- Establishing low-cost shared service centers;
- Consolidating certain technology infrastructure operations such as voice and data networks, data centers, storage and desktop support; and
- Re-engineering certain product development and production functions and realigning particular sales forces within its business segments.

To accomplish these initiatives, the Company expects to incur approximately $250 million of expenses through 2009, primarily related to technology and restructuring costs and consulting services. Because THOMSON*plus* is a corporate program, expenses associated with it are reported within the Corporate and Other segment.

In 2006, the Company incurred $60 million of expenses within continuing operations associated with THOMSON*plus* consisting primarily of consulting fees and severance. The consulting costs primarily related to its efforts to deploy SAP as a company-wide ERP system, which will continue throughout 2007 and 2008. The severance primarily related to the elimination of certain positions and the relocation of others to lower cost locations resulting from the establishment of a facility in Hyderabad, India to perform certain finance functions. Additionally, the Company incurred $9 million of expenses associated with businesses that were reclassified to discontinued operations in 2006. These expenses consisted of severance and losses on vacated leased properties.

Because THOMSON*plus* is a series of initiatives, the timing of these costs and savings may shift between different calendar years. However, based on current estimates, the Company expects to incur expenses of approximately $100 million in 2007, $50 million in 2008 and $30 million in 2009.

Of the $60 million spent on THOMSON*plus* in 2006, $16 million of expenses were associated with the restructuring activities of the program. The liabilities associated with these restructuring activities were not material as of December 31, 2006.

Note 4: Net Other Income (Expense)

The components of net other income (expense) include:

	Year ended December 31, 2006	2005
Net gains on disposals of businesses and investments	**47**	5
Loss from redemption of debt securities	**—**	(23)
Equity in net earnings of associates	**—**	5
Other (expense) income	**(46)**	(15)
Net other income (expense)	**1**	(28)

Net gains on disposals of businesses and investments

For the year ended December 31, 2006, net gains on disposals of businesses and investments were comprised primarily of a gain on the sale of an equity investment.

Loss from redemption of debt securities

In August and September 2005, the Company redeemed two outstanding issuances of debt securities with an aggregate carrying value of approximately US$400 million. These losses primarily represent required premiums paid for early extinguishment and non-cash write-offs of deferred costs. See note 15.

Other (expense) income

For the year ended December 31, 2006, other expense primarily related to a legal reserve representing Thomson's portion of the cash settlement expected to be paid in 2007 related to the *Rodriguez v. West Publishing Corp. and Kaplan Inc.* case. For the year ended December 31, 2005, other expense relates to a writedown of an investment to reflect current estimates of fair value.

Note 5: Net Interest Expense and Other Financing Costs

The components of net interest expense and other financing costs include:

	Year ended December 31, 2006	2005
Interest income	**24**	16
Interest expense on short-term indebtedness	**(26)**	(9)
Interest expense on long-term debt	**(219)**	(228)
	(221)	(221)

Interest paid on short-term indebtedness and long-term debt during 2006 was $244 million (2005- $220 million) and interest received during 2006 was $25 million (2005- $14 million).

Note 6: Income Taxes

The components of earnings (loss) before taxes by jurisdiction are as follows:

	Year ended December 31, 2006	2005
Canada	**(242)**	(245)
U.S. and other jurisdictions	**1,280**	1,168
Total earnings before taxes (1)	**1,038**	923

(1) Represents earnings from continuing operations before income taxes.

The provision for income taxes on continuing operations consisted of:

	Year ended December 31, 2006	2005
Canada:		
Current	**1**	126
Deferred	**(20)**	(17)
Total Canadian	**(19)**	109
U.S. and other jurisdictions:		
Current	**239**	193
Deferred	**(101)**	(41)
Total U.S. and other jurisdictions	**138**	152
Total worldwide	**119**	261

The tax effects of the significant components of temporary differences giving rise to the Company's deferred income tax assets and liabilities at December 31 are as follows:

	2006	2005
Accrued expenses	**181**	171
Deferred compensation and stock options	**124**	116
Accounts receivable allowances	**32**	38
Tax loss and credit carryforwards	**863**	794
Other	**147**	78
Total deferred tax asset	**1,347**	1,197
Valuation allowance	**(442)**	(412)
Net deferred tax asset	**905**	785
Intangible assets	**(1,280)**	(1,231)
Other long-lived assets(1)	**(37)**	(173)
Financial instruments	**(273)**	(237)
Pension	**(144)**	(147)
Other	**(16)**	(25)
Total deferred tax liability	**(1,750)**	(1,813)
Net deferred tax liability	**(845)**	(1,028)

(1) Other long-lived assets include Computer hardware and other property and Computer software for internal use.

The net deferred liability of $845 million (2005 — $1,028 million) was comprised of net current deferred tax assets of $153 million (2005 — $129 million) and net long-term deferred tax liabilities of $998 million (2005 — $1,157 million).

The Company records valuation allowances against deferred income tax assets when management determines that it is more likely than not that such deferred income tax assets will not be realized. The following details the movements in the valuation allowance for the years ended December 31, 2006 and 2005:

	2006	2005
Balance at beginning of year	**412**	358
Additional Canadian and other net operating losses with no benefit	**68**	89
Releases of valuation allowances to income	**(26)**	(16)
Reduction due to change in deferred tax liability related to debt instruments(1)	**(26)**	(63)
Exchange and other items	**14**	44
Balance at end of year	**442**	412

(1) Canadian losses are first offset by deferred tax liabilities before computing the required valuation allowance. The deferred tax liability increased in 2006 and 2005 from the revaluation of debt and currency swaps. As the deferred tax liability increased, the requirement for the valuation allowance decreased by the same amount.

The following is a reconciliation of income taxes calculated at the Canadian corporate tax rate to the income tax provision:

	2006	2005
Earnings before taxes	**1,038**	923
Income taxes at the Canadian corporate tax rate of 35.4% (2005 - 36.0%)	**367**	332
Differences attributable to:		
Effect of income taxes recorded at rates different from the Canadian tax rate	**(276)**	(170)
Additions to valuation allowance due to losses with no benefit	**68**	89
Releases of valuation allowances to income	**(26)**	(16)
Net change to contingent tax liabilities (1)	**(5)**	(93)
Withholding tax on repatriation of accumulated profits (2)	**—**	125
Other, net	**(9)**	(6)
Income tax provision on continuing operations	**119**	261

(1) In 2005, this amount includes the recognition of a net tax benefit of $98 million from the release of contingent income tax liabilities. The liabilities were released upon completion of tax audits relating to prior year periods.

(2) During the fourth quarter of 2005, the Company repatriated a substantial portion of the accumulated profits of certain of its subsidiaries. The repatriation was related to the recapitalization of these subsidiaries. The Company incurred a one-time withholding tax of $125 million in connection with this repatriation, which reduced cash provided by operating activities and net earnings in the fourth quarter by the same amount.

The effective income tax rate in each year was lower than the Canadian corporate income tax rate due principally to the lower tax rates and differing tax rules applicable to certain of the Company's operating and financing subsidiaries outside Canada. Specifically, while Thomson generates revenues in numerous jurisdictions, the tax provision on earnings is computed after taking account of intercompany interest and other charges among subsidiaries resulting from their capital structure and from the various jurisdictions in which operations, technology and content assets are owned. For these reasons, the effective tax rate differs substantially from the Canadian corporate tax rate. The Company's effective tax rate and its cash tax cost depend on the laws of numerous countries and the provisions of multiple income tax conventions between various countries in which Thomson operates.

The Company maintains a liability for contingencies associated with known issues under discussion with tax authorities and transactions yet to be settled and regularly assesses the adequacy of this liability. The Company records liabilities for known tax contingencies when, in the judgment of management, it is probable that a liability has been incurred. Contingencies are reversed to income in the period in which management assesses that they are no longer required, or when they become no longer required by statute, or when they are resolved through the normal tax audit process. The Company's contingency reserves principally represent liabilities for the years 2000 to 2006.

At December 31, 2006, the Company had Canadian tax loss carryforwards of $1,467 million, tax loss carryforwards in other jurisdictions of $881 million, and U.S. state tax loss carryforwards which, at current U.S. state rates, have an estimated value of $13 million. If not utilized, the majority of the Canadian tax loss carryforwards will expire between 2008 and 2015. The majority of the tax loss carryforwards from other jurisdictions may be carried forward indefinitely, while the U.S. state tax loss carryforwards expire between 2007 and 2026. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose. Additionally, the Company had other tax credit carryforwards of $15 million, the majority of which may be carried forward indefinitely, and a tax benefit of $85 million related to capital loss carryforwards that may be used only in offsetting future capital gains.

The total amount of undistributed earnings of non-Canadian subsidiaries for income tax purposes was approximately $5.4 billion at December 31, 2006. A portion of such undistributed earnings can be remitted to Canada tax free. Where tax free remittance of undistributed earnings is not possible, it is the Company's intention to reinvest such undistributed earnings and thereby indefinitely postpone their remittance. Accordingly, no provision has been made for income taxes that may become payable if undistributed earnings from non-Canadian subsidiaries were distributed by those companies. The additional taxes on undistributed earnings are not practicably determinable.

Note 7: Discontinued Operations

The following businesses are classified as discontinued operations within the consolidated financial statements for all periods presented.

During the year ended December 31, 2006, the Company approved plans to dispose of the following businesses:

In October 2006, the Company announced its intention to sell Thomson Learning via three independent processes, each on its own schedule. First, it agreed to sell NETg, a leading provider of continuing corporate education and training, to SkillSoft PLC. The sale is expected to be completed in the second quarter of 2007. Second, the Company is currently seeking buyers for Prometric, a global leader in assessment services, through a competitive bidding process. The Company expects the sale of Prometric to be concluded in 2007. Lastly, the competitive bidding for the Company’s higher education, careers and library reference businesses commenced in the first quarter of 2007. Thomson recorded impairment charges associated with certain of these businesses related to goodwill of $14 million in the fourth quarter of 2006.

Additionally, in the fourth quarter of 2006 the Company approved plans within Thomson Legal & Regulatory to sell its business information and news operations, which include the Company’s Market Research and NewsEdge businesses. It recorded impairment charges associated with these businesses related to identifiable intangible assets and goodwill of $4 million in the fourth quarter of 2006.

In June 2006, the Company’s board of directors approved plans to sell IOB, a Brazilian regulatory business within Thomson Legal & Regulatory, and Thomson Medical Education, a provider of sponsored medical education within Thomson Scientific & Healthcare.

In the first quarter of 2006, the Company approved plans within Thomson Legal & Regulatory to sell Lawpoint Pty Limited, an Australian provider of print and online regulatory information services; and Law Manager, Inc., a software and services provider. The Company completed the sale of Law Manager in April 2006 and Lawpoint in June 2006.

Also in the first quarter of 2006, the Company approved plans within Thomson Learning to sell Peterson’s, a college preparatory guide; the North American operations of Thomson Education Direct, a consumer-based distance learning career school; and K.G. Saur, a German publisher of biographical and bibliographical reference titles serving the library and academic community. Thomson recorded impairment charges associated with certain of these businesses related to identifiable intangible assets and goodwill of $63 million before taxes in the first half of 2006. The Company completed the sale of Peterson’s in July 2006 and K.G. Saur in August 2006. Based upon the status of negotiations at December 31, 2006, the Company recorded a pre-tax impairment charge associated with Thomson Education Direct of $15 million relating to goodwill in the fourth quarter of 2006.

In December 2005, the Company’s board of directors approved a plan to dispose of American Health Consultants, a medical newsletter publisher and medical education provider within Thomson Scientific & Healthcare. The Company recorded a post-tax gain of $23 million related to the completion of the sale in the third quarter of 2006.

For the year ended December 31, 2006, discontinued operations includes a gain of $21 million associated with currency translation adjustments on disposals which were released from “Accumulated other comprehensive income” in the consolidated balance sheet.

In the years ended December 31, 2006 and 2005, discontinued operations also included adjustments to tax liabilities for businesses previously sold. The reserves were reversed in conjunction with the expiration of certain tax audit periods, and are included in “Other” below.

Balance Sheet

	December 31, 2006			
	Legal & Regulatory	Learning	Scientific & Healthcare	Total
Current assets:				
Accounts receivable, net of allowances	**13**	**538**	**31**	**582**
Inventory	**1**	**252**	**—**	**253**
Other current assets	**3**	**70**	**5**	**78**
Deferred income taxes	**—**	**124**	**2**	**126**
Total current assets	**17**	**984**	**38**	**1,039**
Non-current assets:				
Computer hardware and other property	**7**	**157**	**7**	**171**
Computer software	**5**	**145**	**1**	**151**
Identifiable intangible assets	**29**	**838**	**14**	**881**
Goodwill	**5**	**3,003**	**18**	**3,026**
Other non-current assets	**1**	**270**	**—**	**271**
Total non-current assets	**47**	**4,413**	**40**	**4,500**
Current liabilities:				
Accounts payable and accruals	**12**	**499**	**23**	**534**
Deferred revenue	**32**	**260**	**19**	**311**
Other current liabilities	**16**	**1**	**—**	**17**
Total current liabilities	**60**	**760**	**42**	**862**
Non-current liabilities:				
Other non-current liabilities	**4**	**38**	**2**	**44**
Deferred income taxes	**12**	**385**	**7**	**404**
Total non-current liabilities	**16**	**423**	**9**	**448**

	December 31, 2005			
	Legal & Regulatory	Learning	Scientific & Healthcare	Total
Current assets:				
Accounts receivable, net of allowances	27	470	32	529
Inventory	1	254	—	255
Other current assets	4	62	2	68
Deferred income taxes	1	120	1	122
Total current assets	33	906	35	974
Non-current assets:				
Computer hardware and other property	16	154	8	178
Computer software	24	158	—	182
Identifiable intangible assets	43	907	16	966
Goodwill	8	3,047	22	3,077
Other non-current assets	1	254	—	255
Total non-current assets	92	4,520	46	4,658
Current liabilities:				
Accounts payable and accruals	18	495	22	535
Deferred revenue	29	218	28	275
Other current liabilities	11	—	—	11
Total current liabilities	58	713	50	821
Non-current liabilities:				
Other non-current liabilities	5	50	3	58
Deferred income taxes	17	377	7	401
Total non-current liabilities	22	427	10	459

Year ended December 31, 2006

	Legal & Regulatory	**Learning**	**Scientific & Healthcare**	**Other**	**Total**
Revenues from discontinued operations	**100**	**2,393**	**110**	**—**	**2,603**
Earnings (loss) from discontinued operations before income taxes	**(24)**	**237**	**24**	**—**	**237**
Gain on sale of discontinued operations	**4**	**3**	**40**	**5**	**52**
Income taxes	**12**	**(84)**	**(23)**	**7**	**(88)**
Earnings (loss) from discontinued operations	**(8)**	**156**	**41**	**12**	**201**

Year ended December 31, 2005

	Legal & Regulatory	Learning	Scientific & Healthcare	Other	Total
Revenues from discontinued operations	123	2,319	132	—	2,574
Earnings (loss) from discontinued operations before income taxes	(25)	294	27	—	296
Gain (loss) on sale of discontinued operations	—	—	—	2	2
Income taxes	6	(25)	(10)	3	(26)
Earnings (loss) from discontinued operations	(19)	269	17	5	272

The Company adjusts liabilities previously established for businesses that have been sold when actual results differ from estimates used in establishing such liabilities. Adjustments are made in conjunction with the expiration of representations and warranty periods or to reflect the refinement of earlier estimates. Due to the expiration of certain tax audit periods for Thomson Newspapers and other businesses, the Company adjusted its related tax liabilities which resulted in tax benefits in 2006 and 2005 of $11 million in each year. Offsetting the release of tax liabilities in 2005 was a $9 million tax charge related to the 2004 sale of Thomson Media. Additionally, in 2006 the Company adjusted disposal liabilities related to Thomson Newspapers and other businesses resulting in $5 million (2005 — $2 million) of earnings from discontinued operations for the year ended December 31, 2005. These amounts are included in "Other" above.

"Proceeds from (income taxes paid on) disposal of discontinued operations" within the consolidated statement of cash flow for the year ended December 31, 2006 represent cash received from the sale of Lawpoint, Law Manager, Peterson's, K.G. Saur and AHC. For the year ended December 31, 2005, the cash outflow from discontinued operations within the consolidated statement of cash flow represent taxes paid related to the 2004 sale of Thomson Media.

The carrying values of businesses disposed of during 2006 consisted of current assets of $23 million, non-current assets of $89 million, current liabilities of $29 million and non-current liabilities of $2 million as of the date of disposal.

Note 8: Earnings per Common Share

Basic earnings per common share are calculated by dividing earnings attributable to common shares by the sum of the weighted-average number of common shares outstanding during the period plus vested deferred share units. Deferred share units represent the amount of common shares certain employees have elected to receive in the future in lieu of cash compensation. The holders of deferred share units have no voting rights, but are entitled to dividends at each dividend payment date, which are reinvested as additional deferred share units based upon the dividend reinvestment plan as described in note 16.

Diluted earnings per common share are calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options and other securities. The Company uses the treasury stock method to calculate diluted earnings per common share.

Earnings used in determining earnings per common share from continuing operations are presented below. Earnings used in determining earnings per common share from discontinued operations are the earnings from discontinued operations as reported within the consolidated statement of earnings.

	2006	2005
Earnings from continuing operations	**919**	662
Dividends declared on preference shares	**(5)**	(4)
Earnings from continuing operations attributable to common shares	**914**	658

The weighted-average number of common shares outstanding, as well as a reconciliation of the weighted-average number of common shares outstanding used in the basic earnings per common share computation to the weighted-average number of common shares outstanding used in the diluted earnings per common share computation, is presented below.

	2006	2005
Weighted-average number of common shares outstanding	**643,454,420**	653,862,363
Vested deferred share units	**677,104**	574,385
Basic	**644,131,524**	654,436,748
Effect of stock and other incentive plans	**1,894,821**	531,283
Diluted	**646,026,345**	654,968,031

As of December 31, 2006, 4,028,992 stock options were outstanding that had exercise prices that were below the average market price. The effect of these options was not included in the diluted weighted average share calculation as their impact would have been anti-dilutive.

Note 9: Accounts Receivable Allowances

The change in the valuation allowances for returns, billing adjustments and doubtful accounts related to accounts receivable is as follows:

	2006	2005
Balance at beginning of year	**102**	126
Charges	**139**	119
Write-offs	**(147)**	(138)
Other	**3**	(5)
Balance at end of year	**97**	102

Other includes additions from acquisitions and the impact of foreign currency translation.

The Company is exposed to normal credit risk with respect to its accounts receivable. To mitigate this credit risk, the Company follows a program of customer credit evaluation and maintains provisions for potential credit losses. The Company has no significant exposure to any single customer.

Note 10: Inventories

Inventories consist of the following:

	2006	2005
Raw materials	**17**	15
Work in process	**19**	18
Finished goods	**37**	34
	73	67

Note 11: Computer Hardware and Other Property

Computer hardware and other property consists of the following:

As at December 31, 2006	Cost	Accumulated depreciation	Net computer hardware & other property
Computer hardware	**959**	**(679)**	**280**
Land, buildings and building improvements	**463**	**(206)**	**257**
Furniture, fixtures and equipment	**298**	**(210)**	**88**
	1,720	**(1,095)**	**625**

As at December 31, 2005	Cost	Accumulated depreciation	Net computer hardware & other property
Computer hardware	979	(726)	253
Land, buildings and building improvements	438	(176)	262
Furniture, fixtures and equipment	301	(212)	89
	1,718	(1,114)	604

Fully depreciated assets are retained in asset and accumulated depreciation accounts until such assets are removed from service. In the case of disposals, assets and related accumulated depreciation amounts are removed from the accounts, and the net amounts, less proceeds from disposals, are included in income. The depreciation charge in 2006 was $198 million (2005 — $190 million).

Note 12: Computer Software

Computer software consists of the following:

As at December 31, 2006	Cost	Accumulated amortization	Net computer software
Capitalized software for internal use	**1,791**	**(1,228)**	**563**
Capitalized software to be marketed	**212**	**(128)**	**84**
	2,003	**(1,356)**	**647**

As at December 31, 2005	Cost	Accumulated amortization	Net computer software
Capitalized software for internal use	1,608	(1,085)	523
Capitalized software to be marketed	143	(98)	45
	1,751	(1,183)	568

The amortization charge for internal use computer software in 2006 was $241 million (2005 — $224 million) and is included in “Depreciation” in the consolidated statement of earnings. The amortization charge for software intended to be marketed was $25 million (2005 — $21 million) and is included in “Cost of sales, selling, marketing, general and administrative expenses” in the consolidated statement of earnings.

Note 13: Identifiable Intangible Assets

The following table presents the details of identifiable intangible assets as at December 31, 2006 and 2005.

As at December 31, 2006	***Gross identifiable intangible assets***	***Accumulated amortization***	***Net identifiable intangible assets***
Finite useful lives:			
Tradenames	**206**	**(94)**	**112**
Customer relationships	**2,071**	**(675)**	**1,396**
Databases and content	**852**	**(408)**	**444**
Publishing rights	**1,260**	**(579)**	**681**
Other	**88**	**(53)**	**35**
	4,477	**(1,809)**	**2,668**
Indefinite useful lives:			
Tradenames	**793**	**—**	**793**
	5,270	**(1,809)**	**3,461**

As at December 31, 2005	*Gross identifiable intangible assets*	*Accumulated amortization*	*Net identifiable intangible assets*
Finite useful lives:			
Tradenames	223	(94)	129
Customer relationships	1,961	(560)	1,401
Databases and content	817	(338)	479
Publishing rights	1,198	(506)	692
Other	64	(39)	25
	4,263	(1,537)	2,726
Indefinite useful lives:			
Tradenames	793	—	793
	5,056	(1,537)	3,519

The amortization charge for identifiable intangible assets in 2006 was $242 million (2005 — $236 million).

As at December 31, 2006, the average amortization life based upon the gross balance of the identifiable intangible assets with finite useful lives was approximately 18 years.

Publishing rights relate to certain historical acquisitions and are comprised of the cumulative value of tradenames, imprints and titles, databases and other intangible assets. These intangible assets are amortized over a weighted-average useful life, which approximates 30 years.

Note 14: Goodwill

The following table presents goodwill by operating segment for the years ended December 31, 2006 and 2005.

	Legal & Regulatory	***Financial***	***Scientific & Healthcare***	***Total***
Balance at December 31, 2004	3,318	1,906	737	5,961
Acquisitions	72	3	7	82
Adjusted purchase price allocations	(3)	(5)	15	7
Translation and other, net	(48)	(31)	(24)	(103)
Balance at December 31, 2005	3,339	1,873	735	5,947
Acquisitions	**82**	**149**	**297**	**528**
Adjusted purchase price allocations	**1**	**(1)**	**(13)**	**(13)**
Translation and other, net	**57**	**34**	**(1)**	**90**
Balance at December 31, 2006	**3,479**	**2,055**	**1,018**	**6,552**

The adjusted purchase price allocations primarily relate to updated valuations of identifiable intangible assets for certain acquisitions, which resulted in decreases in goodwill of $8 million (2005 – increases of $18 million) as well as to the adjustment of certain acquisition-related assets and liabilities, which resulted in decreases in goodwill of $5 million (2005 — $11 million).

Note 15: Financial Instruments

Accounting Change

Effective January 1, 2006, Thomson adopted CICA Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement* and CICA Handbook Section 3865, *Hedges*. Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Derivatives that qualify as hedging instruments must be designated as either a "cash flow hedge," when the hedged item is a future cash flow, or a "fair value hedge," when the hedged item is a recognized asset or liability. The unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged item are recorded at fair value in the consolidated balance sheet and the unrealized gains and losses from both items are included in earnings. For derivatives that do not qualify as hedging instruments, unrealized gains and losses are reported in earnings.

Carrying Amounts

Amounts recorded in the consolidated balance sheet are referred to as "carrying amounts." The primary debt carrying amounts are reflected in "Long-term debt" and "Current portion of long-term debt" in the consolidated balance sheet. The carrying amounts of derivative instruments are included in "Other current assets," "Other noncurrent assets," and "Other non-current liabilities" in the consolidated balance sheet, as appropriate.

Fair Values

The fair values of cash and cash equivalents, accounts receivable, short-term indebtedness and accounts payable approximate their carrying amounts because of the short-term maturity of these instruments. The fair value of long-term debt, including the current portion, is estimated based on either quoted market prices for similar issues or current rates offered to Thomson for debt of the same maturity. The fair values of interest rate swaps and forward contracts are estimated based upon discounted cash flows using applicable current market rates. The fair values of the foreign exchange contracts reflect the estimated amounts at which the Company would have to settle all outstanding contracts on December 31.

Credit Risk

Thomson attempts to minimize its credit exposure on derivative contracts by entering into transactions only with counterparties that are major investment-grade international financial institutions.

The Company places its cash investments with high-quality financial institutions and limits the amount of exposure to any one institution. At December 31, 2006, a significant portion of the Company's cash was on deposit with five such institutions.

Short-term Indebtedness

At December 31, 2006, short-term indebtedness was principally comprised of \$316 million of commercial paper with an average interest rate of 4.8%. The rate was 5.3% after taking into account hedging arrangements. At December 31, 2005, short-term indebtedness was principally comprised of \$167 million of commercial paper with an average interest rate of 4.2%. The rate was 4.3% after taking into account hedging arrangements.

Long-term Debt and Related Derivative Instruments

The following is a summary of long-term debt and related derivative instruments that hedge the cash flows or fair value of the debt:

	Carrying Amount		Fair Value	
As at December 31, 2006	Primary debt instruments	Derivative instruments	Primary debt instruments	Derivative instruments
Bank and other	111	—	109	—
6.50% Debentures, due 2007	217	(38)	217	(38)
4.35% Notes, due 2009	258	(21)	258	(21)
4.50% Notes, due 2009	217	(33)	217	(33)
5.20% Notes, due 2014	522	(58)	536	(58)
6.85% Medium-term notes, due 2011	345	(108)	378	(108)
5.75% Notes, due 2008	400	—	401	—
4.25% Notes, due 2009	200	—	195	—
4.75% Notes, due 2010	250	—	245	—
6.20% Notes, due 2012	700	—	723	—
5.25% Notes, due 2013	250	—	246	—
5.50% Debentures, due 2035	400	—	363	—
7.74% Private placement, due 2010	75	—	81	—
	3,945	(258)	3,969	(258)
Current portion	(264)	38		
	3,681	(220)		

	Carrying Amount		Fair Value	
As at December 31, 2005	Primary debt instruments	Derivative instruments	Primary debt instruments	Derivative instruments
Bank and other	182	—	179	—
6.50% Debentures, due 2007	215	(36)	223	(46)
4.35% Notes, due 2009	258	(12)	259	(22)
4.50% Notes, due 2009	215	(31)	217	(33)
5.20% Notes, due 2014	516	(24)	542	(57)
6.85% Medium-term notes, due 2011	344	(90)	386	(108)
5.75% Notes, due 2008	400	—	406	—
4.25% Notes, due 2009	200	—	195	—
4.75% Notes, due 2010	250	—	247	—
6.20% Notes, due 2012	700	—	736	—
5.25% Notes, due 2013	250	—	249	—
5.50% Debentures, due 2035	400	—	387	—
Private placements, due 2006- 2010	125	—	133	—
	4,055	(193)	4,159	(266)
Current portion	(98)	—		
	3,957	(193)		

The Company utilized various derivative instruments to hedge its currency and interest rate risk exposures. Certain of these instruments were fixed-to-fixed cross-currency interest rate swaps, which swap Canadian dollar principal and interest payments into U.S. dollars. These instruments were designated as cash flow hedges and recorded in the Company's consolidated balance sheet at their fair value. The fair value of these instruments reflects the effect of changes in foreign currency exchange rates on the principal amount of the debt from the origination date to the balance sheet date as well as the effect of such changes on interest payments and spot-to-forward rate differences. The portion of the fair value attributable to items other than the effect of changes in exchange rates on the principal amounts was $54 million as of December 31, 2006. The total fair value for these agreements at December 31, 2006 was $176 million.

The Company also held fixed-to-floating cross-currency interest rate swaps, which swap Canadian dollar principal and interest payments into U.S. dollars and also change interest payments from a fixed to floating rate. These instruments were designated as fair value hedges. The total fair value for these agreements at December 31, 2006 was $82 million.

Currency Risk Exposures

Bank and other debt at December 31, 2006 and 2005 was primarily U.S. dollar denominated and comprised notes issued in connection with the Capstar acquisition, along with foreign currency denominated loans. The 6.50% Debentures, 4.35% Notes, 4.50% Notes, 5.20% Notes and medium-term notes are Canadian dollar denominated and are fully hedged into U.S. dollars. The 5.75% Notes, 4.25% Notes, 4.75% Notes, 6.20% Notes, 5.25% Notes, 5.50% Debentures and private placements are U.S. dollar denominated. The carrying amount of long-term debt, all of which is unsecured, was denominated in the following currencies:

	Before currency hedging arrangements		**After currency hedging arrangements(1)**	
	2006	2005	**2006**	2005
Canadian dollar	**1,559**	1,548	**—**	—
U.S. dollar	**2,348**	2,435	**3,703**	3,790
Other currencies	**38**	72	**38**	72
	3,945	4,055	**3,741**	3,862

(1) *Represents net cash outflow upon maturity and, therefore, excludes fair value adjustment of $54 million at December 31, 2006.*

Maturities of long-term debt in each of the next five years and thereafter are as follows:

	2007	**2008**	**2009**	**2010**	**2011**	**Thereafter**	**Total**
Before currency hedging arrangements	264	436	676	352	345	1,872	3,945
After currency hedging arrangements(1)	226	436	631	352	254	1,842	3,741

(1) *Represents net cash outflow upon maturity and, therefore, excludes fair value adjustment of $54 million at December 31, 2006.*

Interest Rate Risk Exposures

At December 31, 2006, the Company held four cross-currency interest rate swap agreements which swap from fixed to floating interest rates. After taking account of these hedging arrangements, the fixed and floating rate mix of long-term debt is as follows:

	2006	**Average interest rate**	**% Share**	2005	Average interest rate	% Share
Total fixed	**3,218**	**5.4%**	**86%**	3,305	5.4%	86%
Total floating	**523**	**5.6%**	**14%**	557	4.6%	14%
	3,741	**5.4%**	**100%**	3,862	5.2%	100%

Including the effect of short-term indebtedness, the proportion of fixed to floating rate debt was 79% to 21%. Floating rate long-term debt is LIBOR-based and, consequently, interest rates are reset periodically.

At December 31, 2006, undrawn and available bank facilities amounted to $1.3 billion.

2006 Activity

In January 2006, the Company repaid $50 million of privately placed notes upon their maturity.

2005 Activity

In the third quarter of 2005, the Company completed the early redemption of US$75 million of 7.62% privately placed notes and Cdn$400 million of 6.90% medium-term notes and settled an associated currency swap. A loss of US$23 million was recorded as a result of these redemptions in “Net other (expense) income” in the consolidated statement of earnings, primarily related to early redemption premiums and non-cash write-offs of deferred costs.

These redemptions were principally financed by the August 2005 offering of US$400 million of 5.50% Debentures due 2035.

In addition to the early redemptions of debt, in December and September 2005, the Company also repaid US$50 million and US$75 million, respectively, of privately placed notes and in March 2005, Thomson repaid US$125 million of floating rate notes.

Foreign Exchange Contracts

Thomson uses foreign exchange contracts to manage foreign exchange risk. Generally, foreign exchange contracts are designated for existing assets and liabilities, firm commitments or forecasted transactions that are expected to occur in less than one year. At December 31, 2006 and 2005, the fair value of foreign exchange contracts was not material.

Investments

At December 31, 2006 and 2005, investments accounted for using the cost and equity methods were not material. These investments are reported within “Other non-current assets” in the consolidated balance sheet.

Note 16: Capital

The change in capital, which includes stated capital and contributed surplus, was as follows:

	Common Share Capital				
	Number of Shares	Stated Capital	Series II, cumulative redeemable preference share capital	Contributed Surplus	Total Capital
Balance, December 31, 2004	655,131,827	2,478	110	108	2,696
Common shares issued under Dividend Reinvestment Plan (“DRIP”)	335,862	12	—	—	12
Effect of stock compensation plans	730,703	26	—	19	45
Repurchase of common shares	(7,249,400)	(27)	—	—	(27)
Balance, December 31, 2005	**648,948,992**	**2,489**	**110**	**127**	**2,726**
Common shares issued under DRIP	**347,840**	**14**	**—**	**—**	**14**
Effect of stock compensation plans	**1,820,781**	**70**	**—**	**30**	**100**
Repurchase of common shares	**(10,680,600)**	**(41)**	**—**	**—**	**(41)**
Balance, December 31, 2006	**640,437,013**	**2,532**	**110**	**157**	**2,799**

Thomson Common Shares

Thomson common shares, which have no par value, are voting shares. The authorized common share capital of Thomson is an unlimited number of shares.

Registered holders of common shares may participate in the DRIP, under which cash dividends are automatically reinvested in new common shares having a value equal to the cash dividend. Such shares are valued at the weighted-average price at which the common shares traded on the Toronto Stock Exchange during the five trading days immediately preceding the record date for such dividend.

Dividends

Dividends on Thomson common shares are declared and payable in U.S. dollars. Shareholders also have the option of receiving dividends on common shares in equivalent Canadian dollars or pounds sterling. Dividends declared per common share in 2006 were $0.88 (2005 – $0.79).

In the consolidated statement of cash flow, dividends paid on common shares are shown net of $14 million (2005 – $12 million) reinvested in common shares issued under the DRIP.

Normal Course Issuer Bid

In May 2005, the Company initiated a normal course issuer bid to repurchase up to 15 million of its common shares. Under this first program, which ended on May 4, 2006, the Company repurchased and subsequently cancelled approximately 13.3 million shares at an average price per share of $36.28.

In May 2006, Thomson renewed its normal course issuer bid. Under this second program, the Company may purchase up to an additional 15 million of its common shares. Shares that are repurchased are cancelled. Purchases commenced on May 5, 2006 and will terminate no later than May 4, 2007. The Company may repurchase shares in open market transactions on the Toronto Stock Exchange or the New York Stock Exchange. Through December 31, 2006, the Company repurchased approximately 4.6 million shares, at an average price per share of $40.09, under this second program.

For the year ended December 31, 2006, the Company repurchased a combined total of approximately 10.7 million common shares for approximately $412 million, representing an average cost per share of $38.57. Of the $412 million, $41 million was recorded as a reduction in capital based upon the historical average issuance price of the shares and $371 million was charged to retained earnings.

Decisions regarding the timing of future repurchases will be based on market conditions, share price and other factors. Thomson may elect to suspend or discontinue the bid at any time. From time to time when the Company does not possess material non-public information about its activities or its securities, the Company may enter into a pre-defined plan with its broker to allow for the repurchase of shares at times when the Company ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. Any such plans entered into with the Company’s broker will be adopted in accordance with applicable Canadian securities laws and the requirements of Rule 10b5-1 under the U.S. Securities Exchange Act of 1934.

Series II, Cumulative Redeemable Preference Shares

The authorized preference share capital of Thomson is an unlimited number of preference shares without par value. The directors are authorized to issue preference shares without par value in one or more series, and to determine the number of shares in, and terms attaching to, each such series. As at December 31, 2006 and 2005, 6,000,000 shares of Series II, Cumulative Redeemable Preference shares were outstanding. The Series II preference shares are non-voting and are redeemable at the option of Thomson for Cdn$25.00 per share, together with accrued dividends. Dividends are payable quarterly at an annual rate of 70% of the Canadian bank prime rate applied to the stated capital of such shares. The total number of authorized Series II preference shares is 6,000,000.

Note 17: Employee Future Benefits

Thomson sponsors both defined benefit and defined contribution employee future benefit plans covering substantially all employees. Costs for all future employee benefits are accrued over the periods in which employees earn the benefits.

Defined Benefit Plans

Thomson sponsors defined benefit plans providing pension and other post-retirement benefits to covered employees. Net periodic pension expense for employee future benefits is actuarially determined using the projected benefit method. The Company uses a measurement date of September 30 for the majority of its plans. For the Company’s largest plan, which is in the United States, an actuarial valuation is performed annually as of December 31.

The following significant weighted-average assumptions were employed to determine the net periodic pension and post-retirement plans' expenses and the accrued benefit obligations:

	Pensions		Other post-retirement plans	
	2006	2005	**2006**	2005
Assumptions used to determine net periodic pension expense:				
Expected long-term rate of return on plan assets	**7.3%**	7.5%	**N/A**	N/A
Discount rate	**5.4%**	5.8%	**5.7%**	6.1%
Rate of compensation increase	**4.3%**	4.3%	**N/A(1)**	N/A(1)
Assumptions used to determine benefit obligation:				
Discount rate	**5.5%**	5.4%	**5.9%**	5.7%
Rate of compensation increase	**4.5%**	4.3%	**N/A(1)**	N/A(1)

(1) At the end of 2006 and 2005, these plans consisted almost entirely of retired employees.

The Company uses multiple techniques to determine its expected long-term rate of return on plan assets. These include the use of statistical models and the examination of historical returns.

The Company's net defined benefit plan (income) expense is comprised of the following elements:

	Pensions				Other post-retirement plans	
	Funded		Unfunded			
	2006	2005	**2006**	2005	**2006**	2005
Components of net periodic benefit expense (income):						
Current service cost	**57**	46	**6**	7	**3**	2
Interest cost	**126**	120	**12**	11	**9**	9
Plan amendments	**3**	—	**(3)**	1	**3**	—
Actual return on plan assets	**(208)**	(285)	**—**	—	**—**	—
Actuarial losses (gains)	**15**	168	**(9)**	12	**(6)**	9
Subtotal	**(7)**	49	**6**	31	**9**	20
Adjustments (1):						
Difference between expected and actual return on plan assets	**54**	130	**—**	—	**—**	—
Difference between actuarial loss (gain) recognized and actual actuarial loss (gain) on benefit obligation	**37**	(135)	**11**	(11)	**10**	(7)
Difference between amortization of past service costs for year and actual plan amendments for year	**(3)**	1	**4**	1	**(3)**	—
Amortization of transitional asset	**(1)**	(1)	**—**	—	**—**	—
Subtotal adjustments	**87**	(5)	**15**	(10)	**7**	(7)
Net defined benefit plan expense	**80**	44	**21**	21	**16**	13

(1) Adjustments reflect the deferral and amortization of experience gains and losses over applicable periods.

The following information summarizes activity in all of the pension and other post-retirement benefit plans for the Company:

	Pensions				Other post-retirement plans	
	Funded		Unfunded			
	2006	2005	**2006**	2005	**2006**	2005
Benefit obligation						
Beginning benefit obligation	**2,268**	2,104	**207**	182	**165**	154
Current service cost	**57**	46	**6**	7	**3**	2
Interest cost	**126**	120	**12**	11	**9**	9
Plan participants' contributions	**4**	4	**—**	—	**—**	—
Plan amendments	**3**	—	**(3)**	1	**3**	—
Actuarial losses (gains)	**15**	168	**(9)**	12	**(6)**	9
Non-routine events	**—**	(11)	**—**	—	**—**	—
Acquisitions, net	**2**	9	**1**	1	**—**	—
Benefits paid	**(95)**	(88)	**(7)**	(8)	**(10)**	(9)
Translation adjustments	**118**	(84)	**—**	1	**—**	—
Ending benefit obligation	**2,498**	2,268	**207**	207	**164**	165
Plan assets						
Beginning fair value of plan assets	**2,181**	2,050	**—**	—	**—**	—
Actual return on plan assets	**208**	285	**—**	—	**—**	—
Employer contributions	**37**	15	**7**	8	**10**	9
Plan participants' contributions	**4**	4	**—**	—	**—**	—
Benefits paid	**(95)**	(88)	**(7)**	(8)	**(10)**	(9)
Other, net	**1**	(2)	**—**	—	**—**	—
Translation adjustments	**121**	(83)	**—**	—	**—**	—
Ending fair value of plan assets	**2,457**	2,181	**—**	—	**—**	—
Funded status—deficit	**(41)**	(87)	**(207)**	(207)	**(164)**	(165)
Unamortized net actuarial loss	**437**	515	**29**	38	**40**	50
Unamortized past service costs	**7**	4	**2**	6	**2**	(1)
Unamortized net transitional asset	**(4)**	(5)	**—**	—	**—**	—
Post-measurement date activity(1)	**—**	14	**2**	2	**2**	2
Accrued benefit asset (liability)	**399**	441	**(174)**	(161)	**(120)**	(114)

(1) Consists primarily of contributions.

An accrued pension benefit asset of $434 million (2005 — $477 million) is included in "Other non-current assets" in the consolidated balance sheet. An accrued pension benefit liability of $209 million (2005 — $197 million) as well as the accrued liability for other post-retirement plans are included in "Other non-current liabilities" in the consolidated balance sheet.

The unfunded pension plans referred to above consist primarily of supplemental executive retirement plans ("SERPs") for eligible employees. Thomson partially funds the liabilities of these plans through insurance contracts, which are excluded from plan assets in accordance with CICA Handbook Section 3461. The cash surrender values of insurance contracts used to fund the SERPs are included in "Other non-current assets" in the consolidated balance sheet.

The benefit obligations of funded plans that had benefit obligations that exceeded plan assets at December 31, 2006 were $2,008 million (2005 — $1,823 million). These plans had related fair values of plan assets of $1,909 million (2005 — $1,706 million). While these plans are not considered fully funded for financial reporting purposes, they adequately funded under the applicable statutory funding rules and regulations governing the particular plans.

As of December 31, 2006, the Company had cumulative unrecognized actuarial losses associated with all of its pension plans of $466 million, compared to $553 million December 31, 2005. The majority of these losses are a result of the decline in discount rates over the past few years reflecting the overall decline in interest rates, primarily in the United States. Actuarial gains and losses are included in the calculation annual pension expense subject to the following amortization methodology. Unrecognized actuarial gains or losses are netted with the difference between the market-related value and fair value of plan assets. To the extent this net figure exceeds 10% of the greater of the projected benefit obligation or market-related value of plan assets, it amortized into pension expense on a straight-line basis over the expected average service life of active participants (approximately eight years at December 31, 2006) Unrecognized actuarial gains and losses below the 10% corridor are deferred.

Actuarial gains and losses also included the difference between the expected and actual returns on plan assets. The expected return on assets represents the increase in market-related value of plan assets due to investment returns. The market-related value of plan assets is defined as the market-related value of plan assets at the prior measurement date adjusted for contributions and distributions during the plan year. The difference between actual asset returns and the expected return on assets for each year is recognized in asset values prospectively at the rate of 20% per year for five years.

The average healthcare cost trend rate used was 9.5% for 2006, which is reduced ratably 5% in 2016. A 1% change in the trend rate would result in an increase or decrease in benefit obligation for post-retirement benefits of approximately $17 million at December 31, 2006.

The Company's pension plans' allocation of assets as of the plans' measurement dates 2006 and 2005 is as follows:

	Percentage of Plans' Assets	
Asset Category	**2006**	2005
Equity securities	**49%**	56%
Debt securities	**51%**	44%
Total	**100%**	100%

As of December 31, 2006 and 2005 there were no Thomson securities held in the Company's pension plans' assets.

Plan assets are invested to satisfy the fiduciary obligation to adequately secure benefits and to minimize Thomson's long-term contributions to the plans.

In March 2006, the Company voluntarily contributed $5 million to a benefit plan in the United Kingdom. In the fourth quarter of 2005, the Company voluntarily contributed $14 million to a combination of benefit plans in the United Kingdom. In September 2005, the Company voluntarily contributed $11 million to its principal qualified defined benefit pension plan in the U.S. While none of these contributions was required under the applicable funding rules and regulations governing each country, the Company decided to make the voluntary contributions to further improve the funding of these plans. Total contributions made in 2006 to the Company's funded pension plans totaled $23 million (2005 — $30 million).

Based on regulatory requirements, the Company was not obligated to make contributions in 2006 to its major pension plan, which is in the U.S. However, from time to time, the Company may elect to voluntarily contribute to the plan in order to improve its funded status. Because the decision to voluntarily contribute is based on various market-related factors, including asset values and interest rates, which are used to determine the plan's funded status, the Company cannot predict whether, nor the amount, it may elect to voluntarily contribute in 2007.

The benefit payments for the years ended December 31, 2006 and 2005 and the estimated payments thereafter, as assumed in the calculation of the benefit obligation as of December 31, 2006, are as follows:

Benefit Payments

	Pensions		Other post-retirement plans
	Funded	Unfunded	
2005	88	8	9
2006	95	7	10
Estimated Future Payments:			
2007	100	8	10
2008	100	9	11
2009	104	11	11
2010	108	12	12
2011	112	13	13
2012 to 2016	638	74	69

Defined Contribution Plans

The Company and its subsidiaries sponsor various defined contribution savings plans that have provisions for company-matching contributions. Total expense related to defined contribution plans was $69 million in 2006 (2005 — $58 million), which approximates the cash outlays related to the plans.

Note 18: Contingencies, Commitments and Guarantees

Lawsuits and Legal Claims

At December 31, 2006, the Company was a defendant in certain lawsuits involving its BAR/BRI business. *Park v. The Thomson Corporation and Thomson Legal & Regulatory Inc.*, which was filed in the U.S. District Court for the Southern District of New York, alleges violations of U.S. federal antitrust laws. In June 2006, an additional complaint with substantially identical allegations to the *Park* matter, which is now captioned *Arendas v. The Thomson Corporation, West Publishing Corporation d/b/a BAR/BRI and Doe Corporation,* was filed in the Circuit Court for the Ninth Judicial Circuit in and for Orange County, Florida, alleging violations of Florida state antitrust law. The Company continues to defend itself vigorously in these cases.

In February 2007, the Company entered into a settlement agreement related to a lawsuit involving its BAR/BRI business that alleged violations of antitrust laws (*Rodriguez v. West Publishing Corp. and Kaplan Inc.*). Thomson's part of the settlement is $36 million, which was accrued for in the fourth quarter of 2006. If the settlement is approved by the U.S. District Court for the Central District of California, the Company expects to pay this amount later in 2007.

In January 2005, the Company became aware of an inquiry by the Serious Fraud Office in the United Kingdom regarding refund practices relating to certain duplicate subscription payments made by some of the Company's customers in the Sweet & Maxwell and Gee businesses in the United Kingdom. Thomson is cooperating fully with the authorities in their inquiry.

In addition to the matters described above, the Company is engaged in various legal proceedings and claims that have arisen in the ordinary course of business. The outcome of all of the proceedings and claims against the Company, including those described above, is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company, taken as a whole.

Taxes

The Company maintains a liability for contingencies associated with known issues under discussion with tax authorities and transactions yet to be settled, and regularly assesses the adequacy of this liability. The Company records liabilities for known tax contingencies when, in the judgment of management, it is probable that a liability has been incurred. Contingencies are reversed to income in the period when management assesses that they are no longer required, or when they become no longer required by statute or resolution through the normal tax audit process. In the second quarter of 2005, the Company recognized a net tax benefit of $98 million within continuing operations from the release of contingent income tax liabilities upon completion of tax audits relating to prior year periods. The Company's remaining contingency reserves principally represent liabilities for the years 2000 to 2006.

In the normal course of business, the Company enters into numerous intercompany transactions related to the sharing of data and technology. The tax rules governing such transactions are complex and depend on numerous assumptions. At this time, management believes that it is not probable that any such transactions will result in additional tax liabilities, and therefore has not established contingencies related to these items. However, because of the volume and complexity of such transactions, it is possible that at some future date an additional liability could result from audits by the relevant taxing authorities.

Leases

The Company enters into operating leases in the ordinary course of business, primarily for real property and equipment. Payments for these leases are contractual obligations as scheduled per each agreement. Operating lease payments in 2006 were $147 million (2005 -$143 million). The future minimum operating lease payments are $154 million in 2007, $129 million in 2008, $106 million in 2009, $79 million in 2010, $66 million in 2011 and $246 million thereafter.

With certain leases, the Company guarantees a portion of the residual value loss, if any, incurred by the lessors in disposing of the assets, or in restoring a property to a specified condition after completion of the lease period. The liability associated with these restorations is recorded within "Other non-current liabilities." The Company believes, based upon current facts and circumstances, that the likelihood of a material payment pursuant to such guarantees is remote.

Business Combinations and Investments

The Company has obligations to pay additional consideration for prior acquisitions, typically based upon performance measures contractually agreed to at the time of purchase. During each of the years ended December 31, 2006 and 2005, the Company made payments of $50 million for contingent consideration associated with the 2004 acquisition of TradeWeb. Relative to TradeWeb, the Company is obligated for additional contingent consideration of up to $50 million through 2007, if certain performance measures are achieved. The $50 million payments made in 2006 and 2005, as well as any future payments under this agreement, will be considered additional purchase price. The contingent consideration associated with TradeWeb is the largest for which the Company may become liable. The Company does not believe that additional payments in connection with other transactions would have a material impact on the consolidated financial statements.

In certain disposition agreements, the Company guarantees to the purchaser the recoverability of certain assets or limits on certain liabilities. The Company believes, based upon current facts and circumstances, that a material payment pursuant to such guarantees is remote.

Note 19: Acquisitions and Disposals

Acquisitions

The number of transactions completed and related cash consideration during 2006 and 2005 were as follows:

	Year ended December 31,			
	2006		2005	
	Number of transactions	**Cash Consideration**	Number of transactions	Cash Consideration
Businesses and identifiable intangible assets acquired	**23**	**692**	25	181
Contingent consideration payment — TradeWeb	**—**	**50**	—	50
Investments in businesses	**2**	**2**	3	15
	25	**744**	28	246

All acquisitions have been accounted for using the purchase method and the results of acquired businesses are included in the consolidated financial statements from the dates of acquisition. For acquisitions made in 2006 and 2005, the majority of the acquired goodwill is not deductible for tax purposes.

The details of net assets acquired are as follows:

	2006	2005
Cash and cash equivalents	**11**	8
Accounts receivable	**31**	12
Prepaid expenses and other current assets	**12**	12
Computer hardware and other property	**9**	2
Computer software	**49**	5
Identifiable intangible assets	**160**	126
Goodwill	**528**	82
Other non-current assets	**5**	—
Total assets	**805**	247
Accounts payable and accruals	**(29)**	(25)
Deferred revenue	**(61)**	(12)
Other non-current liabilities	**(12)**	(21)
Total liabilities	**(102)**	(58)
Net assets	**703**	189

Allocations related to certain acquisitions may be subject to adjustment pending final valuation.

The following provides a brief description of major acquisitions completed during 2006 and 2005:

Date	***Company***	***Acquiring market group***	***Description***
October 2006	Solucient, LLC	Scientific & Healthcare	An advanced healthcare analytics and information company
September 2006	LiveNote Technologies	Legal & Regulatory	A provider of transcript and evidence management software
May 2006	MercuryMD, Inc.	Scientific & Healthcare	A provider of mobile information systems serving the healthcare market
March 2006	Quantitative Analytics, Inc.	Financial	A provider of financial database integration and analysis solutions
July 2005	Global Securities Information, Inc.	Legal & Regulatory	A provider of online securities and securities-related information and research services
February 2005	Tax Partners, LLC	Legal & Regulatory	A provider of sales and use tax compliance services primarily servicing the telecommunications industry in the U.S.

The identifiable intangible assets acquired are summarized as follows:

			Weighted-average amortization period (years)	
	2006	2005	**2006**	2005
Finite useful lives:				
Tradenames	**16**	13	**10**	10
Customer relationships	**116**	103	**10**	13
Databases and content	**8**	7	**8**	7
Other	**20**	3	**7**	3
	160	126		

Disposals

In 2006, Thomson received $81 million net cash consideration from the disposals of businesses that qualified as discontinued operations. In 2005, the Company paid $105 million in taxes associated with discontinued operations sold in a prior year. See note 7.

In 2006, Thomson received $88 million (2005 — $4 million) cash consideration from the disposals of investments.

Note 20: Stock-based Compensation

Phantom Stock Plan

Thomson has a phantom stock plan that provides for the granting of stock appreciation rights ("SAR") to officers and key employees. The SAR provides the holder with the opportunity to earn a cash award equal to the fair market value of the Company's common shares less the price at which the SAR was issued. Compensation expense is measured based on the market price of Thomson common shares at the end of the reporting period. The SARs outstanding under the plan have been granted at the closing price of the Company's common shares on the day prior to the date of grant, vest over a four- to eight-year period, and expire five to eleven years after the grant date. The compensation expense is recognized over the applicable period. At December 31, 2006, the authorized number of SARs was 20,500,000 and there were 3,189,867 units available for grant. Thomson recognized an expense of $7 million related to the phantom stock plan for the year ended December 31, 2006 (2005- $1 million benefit) in the consolidated statement of earnings, of which $1 million was charged to discontinued operations in 2006 (2005 – nil), as a result of the change in the Company's share price as compared to the prior year-end.

A summary of the status of the Thomson phantom stock plan as of December 31, 2006 and 2005, and changes during the years ended on those dates, is as follows:

	2006		2005	
	SARs	**Canadian $ weighted-average exercise price**	SARs	Canadian $ weighted-average exercise price
Outstanding at beginning of year	**2,209,503**	**38.66**	2,451,224	37.28
Granted	**—**	**—**	252,154	40.77
Exercised	**(527,000)**	**33.01**	(382,335)	28.72
Forfeited	**(150,945)**	**36.26**	(111,540)	47.16
Outstanding at end of year	**1,531,558**	**40.84**	2,209,503	38.66
Exercisable at end of year	**1,197,941**	**40.65**	1,692,789	37.75

The following table summarizes information on SARs outstanding at December 31, 2006:

	SARs outstanding			SARs exercisable	
Canadian $ range of exercise prices	Number outstanding at 12/31/06	Weighted-average remaining contractual life	Canadian $ weighted-average exercise price	Number exercisable at 12/31/06	Canadian $ weighted-average exercise price
21.77-32.125	45,834	0.5	21.77	45,834	21.77
35.00-44.50	1,300,546	5.0	39.87	966,929	39.31
48.40-57.45	185,178	4.5	52.34	185,178	52.34

Stock Incentive Plan

In January 2000, the board of directors approved the adoption of a stock incentive plan. The plan authorizes the Company to grant officers and employees stock options and other equity-based awards. An amendment to the plan was approved by the Company's shareholders in May 2005, which increased the number of common shares issuable under the plan to 40,000,000. As of December 31, 2006, there were 22,384,901 awards available for grant (2005-22,991,887).

Stock Options

Under the plan, the exercise price of an option equals the closing market price of the Company's stock on the New York Stock Exchange on the day prior to the date of the grant and the maximum term of an option is 10 years. In general, grants vest 25% per year from the date of issuance. Under the plan, options may be granted in either Canadian dollars or U.S. dollars.

A summary of the status of the Canadian dollar-denominated options granted and exercised as of December 31, 2006 and 2005, and changes during the years ended on those dates, is as follows:

	2006		2005	
	Options	**Canadian $ weighted-average exercise price**	Options	Canadian $ weighted-average exercise price
Outstanding at beginning of year	**5,451,664**	**49.67**	5,958,774	49.46
Granted	**—**	**—**	28,000	40.85
Exercised	**(157,800)**	**42.69**	(242,100)	41.00
Forfeited	**(194,472)**	**52.16**	(293,010)	51.59
Outstanding at end of year	**5,099,392**	**49.79**	5,451,664	49.67
Exercisable at end of year	**5,067,267**	**49.85**	5,384,539	49.77

The following table summarizes information on Canadian dollar-denominated stock options outstanding at December 31, 2006:

Options outstanding				Options exercisable	
Canadian $ range of exercise prices	Number outstanding at 12/31/06	Weighted-average remaining contractual life	Canadian $ weighted-average exercise price	Number exercisable at 12/31/06	Canadian $ weighted-average exercise price
40.69-44.40	1,138,000	3.5	41.05	1,105,875	41.04
45.90-48.70	2,126,872	4.9	48.36	2,126,872	48.36
50.25-57.45	1,834,520	4.0	56.88	1,834,520	56.88

A summary of the status of the U.S. dollar-denominated options granted and exercised as of December 31, 2006 and 2005, and changes during the years ended on those dates, is as follows:

	2006		2005	
	Options	**U.S.$ weighted-average Exercise price**	Options	U.S.$ weighted-average exercise price
Outstanding at beginning of year	**10,469,989**	**32.62**	7,956,303	31.38
Granted	**380,000**	**38.27**	3,084,846	35.11
Exercised	**(742,400)**	**30.83**	(330,285)	27.77
Forfeited	**(479,625)**	**32.66**	(240,875)	30.50
Outstanding at end of year	**9,627,964**	**32.98**	10,469,989	32.62
Exercisable at end of year	**5,094,436**	**31.39**	3,392,303	30.41

The following table summarizes information on U.S. dollar-denominated stock options outstanding at December 31, 2006:

	Options outstanding			Options exercisable	
U.S.$ range of exercise prices	Number outstanding at 12/31/06	Weighted-average remaining contractual life	U.S. $ Weighted-average exercise price	Number exercisable at 12/31/06	U.S. $ Weighted-average exercise price
26.06 – 29.70	1,594,867	6.0	26.07	1,591,742	26.07
30.79 – 33.76	4,747,126	7.5	33.55	2,809,861	33.49
33.87 – 41.66	3,285,971	9.0	35.50	692,833	35.14

The Company expenses the fair value of all stock options using the Black-Scholes pricing model to calculate an estimate of fair value. Under this method, a fair value is determined for each option at the date of grant, and that amount is recognized as expense over the vesting period. For the year ended December 31, 2006, compensation expense recorded in connection with stock options was $19 million (2005 — $20 million), of which $3 million was charged to discontinued operations in each year.

Using the Black-Scholes pricing model, the weighted-average fair value of options granted was estimated to be $7.99 and $7.27 for the years ended December 31, 2006 and 2005, respectively. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions. In addition, the model requires the use of subjective assumptions, including expected stock price volatility. The principal assumptions used in applying the Black-Scholes option-pricing model for the years ended December 31, 2006 and 2005 were as follows:

	2006	2005
Risk-free interest rate	**4.6%**	4.4%
Dividend yield	**2.3%**	2.3%
Volatility factor	**18.5%**	18.8%
Expected life (in years)	**6**	6

Restricted Share Units

In 2004, the Company made its initial grant of RSUs. RSUs give the holder the right to receive a specified number of common shares at the specified vesting date or upon the achievement of certain performance goals. RSUs vest over a period of up to seven years. The holders of RSUs have no voting rights, but accumulate additional units based on notional dividends paid by the Company on its common shares at each dividend payment date, which are reinvested as additional restricted share units. Compensation expense related to RSUs is recognized over the vesting period, based upon the closing price of the Company's common shares on the day prior to the date of grant. For the year ended December 31, 2006, compensation expense recorded in connection with RSUs was $3 million (2005 — $1 million).

A summary of the status of the time-based restricted share units granted and vested as of December 31, 2006 and 2005, and changes during the years ended on those dates, is as follows:

	2006		2005	
	RSUs	**U.S.$ weighted-average value**	RSUs	U.S. $ weighted-average value
Outstanding at beginning of year	**223,715**	**33.86**	27,150	34.68
Granted	**192,098**	**38.20**	201,194	33.77
Vested	**(7,888)**	**34.79**	(4,629)	34.69
Outstanding at end of year	**407,925**	**35.89**	223,715	33.86

During 2006, a total of 7,888 RSUs vested (2005 — 4,629). In January 2007, 5,239 (2006 — 2,991) shares were issued in connection with the vesting of the RSUs after the withholding of applicable employee taxes. No other outstanding RSUs vest until December 31, 2007.

Performance Restricted Share Units

In 2006, the Company introduced a new form of long-term incentive program (“LTIP”) intended to reward certain senior executives. Previously, the Company’s LTIP awards were cash based.

Under the 2006 LTIP awards, participants are granted Performance Restricted Share Units (“PRSUs”) which give the holder the right to receive one Thomson common share for each unit held in their PRSU account that vests on the vesting date, based upon the Company’s performance during the three-year performance period against pre-established goals. Between 0% and 200% of the initial grant amounts may vest.

The holders of PRSUs accumulate additional units based upon notional dividends paid by the Company on its common shares on each dividend payment date which are reinvested as additional PRSUs. Compensation expense related to each PRSU grant is recognized over the three year performance period based upon the closing price of the Company’s common shares on the NYSE on the day prior to the date of grant and the number of units expected to vest.

In 2006, 705,109 PRSUs were granted with a notional value of $27 million at an average share price of $38.88. Related compensatory expenses of $9 million were recorded in 2006.

Employee Stock Purchase Plan

In 2005, the Company initiated an Employee Stock Purchase Plan (“ESPP”) under which eligible U.S. employees may purchase a maximum of 6,000,000 common shares. In 2006, the Company expanded the ESPP to eligible employees in Canada and the United Kingdom under a separate global plan that provides for the issuance of up to an additional 2,000,000 common shares.. Each quarter, employees may elect to withhold up to 10% of their eligible compensation, up to a maximum of $21,250 per year, to purchase Thomson common shares at a price equal to 85% of the closing price of the shares on the NYSE as of the last business day of the quarter. The Company recognized an expense of $4 million in 2006 relating to the 15% discount of purchased shares (2005 — $1 million). In 2006 754,993 shares were issued under the plan of which 189,176 related to withholdings from the fourth quarter of 2005. In January 2007, 193,349 shares were issued related to withholdings from the fourth quarter of 2006.

Note 21: Supplemental Cash Flow Information

Details of “Changes in working capital and other items” are:

	2006	2005
Accounts receivable	**(141)**	(69)
Inventories	**(5)**	2
Prepaid expenses and other current assets	**2**	(15)
Accounts payable and accruals	**68**	69
Deferred revenue	**81**	36
Income taxes	**(33)**	(20)
Other	**(17)**	(60)
	(45)	(57)

Income taxes paid during 2006 were $321 million, which included $23 million relating to the 2006 sales of AHC, Peterson’s and Law Manager, Inc. Income taxes paid during 2005 were $544 million, which included $105 million relating to the 2004 sale of Thomson Media and $125 million for a withholding tax from the repatriation of earnings of its subsidiaries. Income tax refunds received during 2006 were $20 million (2005 — $5 million).

Note 22: Related Party Transactions

As at February 23, 2007, 2006, The Woodbridge Company Limited (“Woodbridge”) and other companies affiliated with it together beneficially owned approximately 70% of the Company’s common shares.

From time to time, in the normal course of business, Woodbridge and its affiliates purchase products and service offerings from the Company. These transactions are negotiated at arm’s length on standard terms, including price, and are not significant to the Company’s results of operations or financial condition either individually or in the aggregate.

In the normal course of business, a Woodbridge-owned company rents office space from one of the Company's subsidiaries. Additionally, a number of the Company's subsidiaries charge a Woodbridge-owned company fees for various administrative services. In 2006, the amounts charged for these rentals and services were approximately $2 million (2005 — $2 million).

The employees of Jane's Information Group ("Jane's"), a business sold by the Company to Woodbridge in April 2001, continue to participate in the Company's pension plans in the United States and United Kingdom, as well as the defined contribution plan in the United States. Woodbridge assumed the pension liability associated with the active employees of Jane's as of the date of sale as part of its purchase. Jane's makes proportional contributions to these pension plans as required, and makes matching contributions in accordance with the provisions of the defined contribution plan.

Thomson purchases property and casualty insurance from third party insurers and retains the first $500,000 of each and every claim under the programs via the Company's captive insurance subsidiary. Woodbridge is included in these programs and pays Thomson a premium commensurate with its exposures. In 2006, these premiums were approximately $50,000 (2005 — $45,000), which would approximate the premium charged by a third party insurer for such coverage.

The Company has entered into an agreement with Woodbridge under which Woodbridge has agreed to indemnify up to $100 million of liabilities incurred either by the Company's current and former directors and officers or by the Company in providing indemnification to these individuals on substantially the same terms and conditions as would apply under an arm's length, commercial arrangement. A third party administrator will manage any claims under the indemnity. Thomson pays Woodbridge an annual fee of $750,000, which is less than the premium that the Company would have paid for commercial insurance.

In February 2005, the Company entered into a contract with Hewitt Associates Inc. to outsource certain human resources administrative functions in order to improve operating and cost efficiencies. When the Company initially signed the contract, it expected to pay Hewitt an aggregate of $115 million over a five year period. This contract was subsequently renegotiated and extended in September 2006. Under the new terms, the Company expects to pay Hewitt an aggregate of approximately $165 million over a 10 year period. In 2006 and 2005, Thomson paid Hewitt $16 million and $5 million, respectively, for its services. Mr. Denning, one of the Company's directors and chairman of the board's Human Resources Committee, is also a director of Hewitt. Mr. Denning has not participated in negotiations related to the contract and has refrained from deliberating and voting on the matter by the Human Resources Committee and the board of directors.

Note 23: Segment Information

Thomson is a global provider of integrated information solutions for business and professional customers. Thomson operates in three reportable market segments worldwide. The reportable segments of Thomson are strategic business groups that offer products and services to target markets. The accounting policies applied by the segments are the same as those applied by the Company. As of December 31, 2006, the Company's three reportable segments were:

Legal & Regulatory

Providing information solutions to legal, tax, accounting, intellectual property, compliance and other business professionals, as well as government agencies.

Financial

Providing products and integration services to financial and technology professionals in the corporate, investment banking, institutional, retail wealth management and fixed income sectors of the global financial community.

Scientific & Healthcare

Providing information and services to researchers, physicians and other professionals in the healthcare, academic, scientific, corporate and government marketplaces.

Reportable Segments — 2006

(millions of U.S. dollars)	**Revenues**	**Depreciation**	**Segment operating profit**	**Additions to capital assets(1)and goodwill**	**Total Assets**
Legal & Regulatory	**3,647**	**211**	**1,120**	**396**	**7,552**
Financial	**2,015**	**179**	**379**	**394**	**3,484**
Scientific & Healthcare	**995**	**39**	**236**	**408**	**2,115**
Segment totals	**6,657**	**429**	**1,735**	**1,198**	**13,151**
Corporate and other(2)	**—**	**10**	**(235)**	**28**	**1,442**
Eliminations	**(16)**	**—**	**—**	**—**	**-**
Continuing operations	**6,641**	**439**	**1,500**	**1,226**	**14,593**
Discontinued operations					**5,539**
Total					**20,132**

Reportable Segments — 2005

(millions of U.S. dollars)	Revenues	Depreciation	Segment operating profit	Additions to capital assets(1)and goodwill	Total Assets
Legal & Regulatory	3,368	193	1,000	414	7,263
Financial	1,897	177	334	201	3,358
Scientific & Healthcare	921	34	213	64	1,705
Segment totals	6,186	404	1,547	679	12,326
Corporate and other(2)	—	10	(139)	12	1,476
Eliminations	(13)	—	—	—	—
Continuing operations	6,173	414	1,408	691	13,802
Discontinued operations					5,632
Total					19,434

Geographic Information — 2006

(by country of origin) (millions of U.S. dollars)	**Revenues**	**Capital assets(1) and goodwill**	**Total assets**
United States	**5,358**	**8,967**	**15,531**
Europe	**902**	**1,871**	**3,103**
Asia—Pacific	**193**	**158**	**387**
Canada	**155**	**164**	**948**
Other countries	**33**	**41**	**163**
Total	**6,641**	**11,201**	**20,132**

Geographic Information — 2005

(by country of origin) (millions of U.S. dollars)	Revenues	Capital assets(1) and goodwill	Total assets
United States	5,002	8,522	15,688
Europe	816	1,645	2,738
Asia—Pacific	183	146	359
Canada	142	178	437
Other countries	30	102	212
Total	6,173	10,593	19,434

(1) *Capital assets include computer hardware and other property, capitalized software for internal use and identifiable intangible assets.*

(2) *Corporate and other includes corporate costs, THOMSONplus and costs associated with the Company's stock-based compensation expense.*

In accordance with CICA Handbook Section 1701, *Segment Disclosures*, the Company discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The Company uses segment operating profit, which is Operating profit before amortization of identifiable intangible assets, to measure the operating performance of its segments. Management uses this measure because amortization of identifiable intangible assets is not considered to be a controllable operating cost for purposes of assessing the current performance of the segments. While in accordance with Canadian GAAP, the Company's definition of segment operating profit may not be comparable to that of other companies.

The following table reconciles segment operating profit per the business segment information to operating profit per the consolidated statement of earnings.

	For the Year Ended December 31, 2006	2005
Segment operating profit	**1,500**	1,408
Less: Amortization	**(242)**	(236)
Operating profit	**1,258**	1,172

Effective January 1, 2007, the Company will be realigned into five new segments consisting of Legal, Financial, Scientific, Tax & Accounting and Healthcare.

Note 24: Reconciliation of Canadian to U.S. Generally Accepted Accounting Principles

The consolidated financial statements have been prepared in accordance with Canadian GAAP, which differs in some respects from U.S. GAAP. The following schedules present the material differences between Canadian and U.S. GAAP.

	For the year ended December 31, 2006	2005
Net earnings under Canadian GAAP	**1,120**	934
Differences in GAAP increasing (decreasing) reported earnings:		
Business combinations	**17**	15
Derivative instruments and hedging activities	**12**	4
Income taxes	**(6)**	(6)
Net income under U.S. GAAP	**1,143**	947
Earnings under U.S. GAAP from continuing operations	**939**	674
Earnings under U.S. GAAP from discontinued operations	**204**	273
Net income under U.S. GAAP	**1,143**	947
Basic earnings per common share under U.S. GAAP from:		
Continuing operations	**$ 1.45**	$1.02
Discontinued operations, net of tax	**0.32**	0.42
Basic earnings per common share(1)	**$ 1.77**	$1.44

(1) *Earnings per common share is calculated after taking into account dividends declared on preference shares. For the year ended 2006, diluted earnings per common share for discontinued operations was $0.31, which resulted in total diluted earnings per common share of $1.76 for the year ended December 31, 2006. For 2005, basic and diluted earnings per common share were equivalent.*

	For the year ended December 31, 2006	2005
Comprehensive income under Canadian GAAP	**1,337**	721
Differences in GAAP increasing (decreasing) reported comprehensive income:		
Differences in net income as per above	**23**	13
Foreign currency translation	**(2)**	2
Pension adjustment (including tax charge of $7 million in 2006 and benefits of $4 million in 2005)	**16**	21
Net unrealized gains on cash flow hedges (net of taxes in 2006 and 2005 of nil)	**—**	26
Comprehensive income under U.S. GAAP	**1,374**	783

	As at December 31,	
	2006	2005
Shareholders' equity under Canadian GAAP	**10,481**	9,963
Differences in GAAP increasing (decreasing) reported Shareholders' equity:		
Business combinations	**(590)**	(605)
Employee future benefits	**(512)**	(33)
Derivative instruments and hedging activities	**9**	48
Income taxes	**339**	157
Shareholders' equity under U.S. GAAP	**9,727**	9,530

Descriptions of the nature of the reconciling differences are provided below:

Business Combinations

Prior to January 1, 2001, various differences existed between Canadian and U.S. GAAP for the accounting for business combinations, including the establishment of acquisition related liabilities. The $17 million increase to income (2005 — $15 million) primarily relates to (i) costs that are required to be recorded as operating expenses under U.S. GAAP which, prior to January 1, 2001, were capitalized under Canadian GAAP; (ii) overall decreased amortization charges due to basis differences; and (iii) differences in gain or loss calculations on business disposals resulting from the above factors.

The $590 million decrease in shareholders' equity as of December 31, 2006 (2005 — $605 million) primarily relates to basis differences in identifiable intangible assets and goodwill due to the factors discussed above, as well as, in 2005, a gain of $54 million recorded for U.S. GAAP resulting from a 1997 disposal mandated by the U.S. Department of Justice, which was required to be recorded as a reduction of goodwill under Canadian GAAP. On a U.S. GAAP basis, goodwill was $6,271 million at December 31, 2006 (2005 — $5,666 million). On the same basis, identifiable intangible assets, net of accumulated amortization, were $3,237 million at December 31, 2006 (2005 — $3,284 million).

Derivative Instruments and Hedging Activities

Under U.S. Statement of Financial Accounting Standards ("FAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities* as amended by FAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, all derivative instruments are recognized in the balance sheet at their fair values, and changes in fair value are recognized either immediately in earnings or, if the transaction qualifies for hedge accounting, when the transaction being hedged affects earnings. Effective January 1, 2006, the Company adopted the same recognition and measurement principles as allowed under new Canadian GAAP accounting standards as discussed in note 2.

Prior to January 1, 2006, in accordance with Canadian GAAP, the Company disclosed the fair values of derivative instruments in the notes to the annual consolidated financial statements, but did not record such fair values in the consolidated balance sheet, except for derivative instruments that did not qualify as hedges. From January 1, 2004, derivative instruments that did not qualify as hedges were recorded in the balance sheet at fair value, and the change in fair value subsequent to January 1, 2004 was recorded in the income statement. The fair value as of January 1, 2004 was deferred and amortized into earnings in conjunction with the item it previously hedged. The reconciling items subsequent to January 1, 2004 relate to historical balances due to the fact that the adoption of the standards occurred at a later date for Canadian GAAP than for U.S. GAAP.

Income Taxes

The income tax adjustment for each period is comprised of the tax effect of the U.S. GAAP reconciling items. The adjustment to shareholders' equity relates entirely to deferred tax liabilities.

In June 2006, the Financial Accounting Standards Board ("FASB") in the United States issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes*. This interpretation, which is effective January 1, 2007, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company estimates that the impact of adopting FIN 48 will result in an initial increase of its tax liability of approximately $35 million that will be reflected as an adjustment to opening retained earnings.

Employee Future Benefits

In September 2006, the FASB issued Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* ("FAS 158"). FAS 158 requires an employer to recognize a net liability or asset and an offsetting adjustment to accumulated other comprehensive income to report the funded status of defined benefit pension and other postretirement benefit plans effective for the Company's year ended December 31, 2006. Additionally, FAS 158 requires employers to measure plan obligations at their year-end balance sheet date, effective for the Company's year ending December 31, 2008. The Company has applied and will apply the requirements of FAS 158 prospectively at each stage of adoption.

Under the provisions of FAS 158 treatment, the Company's reported financial position as of December 31, 2006 under U.S. GAAP reflects an increase in net pension related liabilities of $502 million, a decrease in net deferred tax liabilities of $195 million and a decrease in shareholders' equity, reflected in accumulated other comprehensive income, of $307 million. There was no impact to reported earnings.

The following table summarizes the incremental effect of applying FAS 158 upon individual line items in the consolidated balance sheet under US GAAP.

	FAS 158 Adjustments
Other non-current assets	(380)
Accounts payable and accruals	19
Other non-current liabilities	103
Long-term deferred income tax liability	(195)
Accumulated other comprehensive loss	(307)

As at December 31, 2006 there were no funded pension plans that had accumulated benefit obligations that exceeded the fair value of plan assets. The accumulated benefit obligation of funded pension plans that had accumulated benefit obligations that exceeded plan assets at December 31, 2005 was $80 million. These plans had related fair values of plan assets of $68 million in 2005.

Recently Issued Accounting Standards

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements ("FAS 157"). This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for the Company in the first quarter of 2008. The Company is currently evaluating the statement's impact on its financial statements.

Note 25: Subsequent Events

In February 2007, Thomson's Board of Directors approved an annualized 2007 dividend of $0.98 per common share, which represents a quarterly dividend in 2007 of $0.245 per common share. This represents an annual increase of $0.10 per share, or 11%, over 2006.

Also in February 2007, the Company signed an agreement to sell Thomson Medical Education, subject to customary closing conditions. The Company anticipates the sale will be completed in the second quarter of 2007.

The Thomson Corporation
Six-Year Summary
(unaudited)

The following table includes measurements for segment operating profit. These measurements are used by management to evaluate performance. A further discussion of these performance measures is included on page 41.

(millions of U.S. dollars)	**2006**	2005	2004	2003	2002	2001
Revenues						
Legal & Regulatory	**3,647**	3,368	3,164	2,909	2,719	2,581
Financial	**2,015**	1,897	1,738	1,526	1,622	1,704
Scientific & Healthcare	**995**	921	798	743	696	689
Eliminations	**(16)**	(13)	(14)	(14)	(13)	(8)
	6,641	6,173	5,686	5,164	5,024	4,966
Segment operating profit (1)						
Legal & Regulatory	**1,120**	1,000	916	833	793	723
Financial	**379**	334	294	230	244	246
Scientific & Healthcare	**236**	213	174	150	128	117
Corporate and other (2)	**(235)**	(139)	(115)	(113)	(89)	(95)
	1,500	1,408	1,269	1,100	1,076	991

(1) Segment operating profit excludes amortization and restructuring charges.

(2) Corporate and other includes corporate costs, THOMSONplus and costs associated with the Company's stock-based compensation expense.

Prior year amounts have been restated for discontinued operations and reclassified to conform to the current year's presentation.

The Thomson Corporation Six-Year Summary (continued)
(unaudited)

The following table includes measurements for adjusted earnings and adjusted earnings per common share from continuing operations that do not have any standardized meanings prescribed by Canadian generally accepted accounting principles. These measurements are used by management to evaluate performance. A further discussion of these performance measures is included in management's discussion and analysis.

(millions of U.S. dollars, except per common share amounts)	**2006**	2005	2004	2003	2002	2001
Earnings attributable to common shares	**1,115**	930	1,008	877	585	741
Basic and diluted earnings per common share	**$ 1.73**	$1.42	$ 1.54	$1.34	$0.91	$1.18
Supplemental Information:						
Earnings attributable to common shares as above	**1,115**	930	1,008	877	585	741
Adjust: one-time items, net of tax, resulting from other (income) expense, restructuring charges and redemption of Series V preference shares	**(17)**	24	(1)	(73)	40	(215)
Proportionate share of goodwill impairment recognized by BGM	**—**	—	—	—	67	—
Tax (benefits) charges	**(33)**	5	(57)	(78)	(11)	(7)
Earnings from discontinued operations	**(201)**	(272)	(369)	(238)	(233)	(219)
Effect of new accounting standard (1)	**—**	—	—	—	—	158
Adjusted earnings from continuing operations	**864**	687	581	488	448	458
Adjusted basic and diluted earnings per common share from continuing operations	**$ 1.34**	$1.05	$ 0.89	$0.75	$0.70	$0.73

(1) *Under CICA Handbook Section 3062, goodwill and identifiable intangible assets with indefinite useful lives are no longer amortized beginning in 2002. This adjustment removes the amortization related to these assets in prior periods.*

EXHIBIT 99.4

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CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the use in this Annual Report on Form 40-F of our report dated February 23, 2007, relating to the consolidated financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of The Thomson Corporation (the Company) which appears in Exhibit 99.3 of this Form 40-F.

Furthermore, we also consent to the incorporation by reference in the registration statements on Form F-9 (No. 333-128045), Form S-8 (No. 333-105280), Form S-8 (No. 333-12284), Form S-8 (No. 333-126782), Form S-8 (No. 333-333-135721) and Form F-3 (No. 333-97203) of The Thomson Corporation of our report dated February 23, 2007 relating to the Company's consolidated financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting.

We also consent to the reference to us under the heading "Interests of Experts" in the Annual Information Form which appears in Exhibit 99.1 of this Form 40-F.

PricewaterhouseCoopers LLP

Chartered Accountants

Toronto, Canada
February 23, 2007

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

EXHIBIT 99.5

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Richard J. Harrington, certify that:

1. I have reviewed this annual report on Form 40-F of The Thomson Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 1, 2007

/s/ Richard J. Harrington

Richard J. Harrington
President and Chief Executive Officer

EXHIBIT 99.6

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Robert D. Daleo, certify that:

1. I have reviewed this annual report on Form 40-F of The Thomson Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: March 1, 2007

/s/ Robert D. Daleo

Robert D. Daleo
Executive Vice President and Chief Financial Officer

EXHIBIT 99.7

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of The Thomson Corporation (the “Corporation”) on Form 40-F for the year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard J. Harrington, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 1, 2007

By: /s/ Richard J. Harrington
Richard J. Harrington
President and Chief Executive Officer

A signed original of this written statement has been provided to The Thomson Corporation and will be retained by The Thomson Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.8

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of The Thomson Corporation (the "Corporation") on Form 40-F for the year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert D. Daleo, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 1, 2007

By: /s/ Robert D. Daleo
Robert D. Daleo
Executive Vice President and Chief Financial Officer

A signed original of this written statement has been provided to The Thomson Corporation and will be retained by The Thomson Corporation and furnished to the Securities and Exchange Commission or its staff upon request.