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**Virgin Holidays Limited  
and subsidiary companies**

**Annual report and  
consolidated financial statements  
31 December 2013**

Registered number 1873815



## **Virgin Holidays Limited and subsidiary companies**

Annual report and consolidated financial statements

31 December 2013

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## **Virgin Holidays Limited and subsidiary companies**

Annual report and consolidated financial statements

31 December 2013

**Registered number 1873815**

### **Strategic report**

The directors present their annual report and the audited financial statements of Virgin Holidays Limited ("the Company") and its subsidiary companies (together "the Group") for the 10-month period ended 31 December 2013 (the "period")

During the period Virgin Holidays Limited changed its accounting reference date from 28 February to 31 December. Therefore, these financial statements have been prepared for the 10-month period ended 31 December 2013, whilst the comparatives are stated for the 12-month period of the financial year ended 28 February 2013 ("2012/13" or "year")

### **Principal activity**

The principal activity of the Group continues to be that of a tour operator providing inclusive package holidays and flights, from the United Kingdom to the United States, the Caribbean and other worldwide destinations

The subsidiaries impacting the profits and net assets of the Group in the period are listed in note 22 to the financial statements

### **Results**

The Group's trading results are as stated on page 9 of the consolidated financial statements. Turnover for the period was £467.3m (2012/13 £509.3m). The profit before tax, brand fees and exceptional items was £8.6m (2012/13 £6.3m) and the profit before tax was £2.8m (2012/13 £0.5m). The directors are satisfied with the Group's financial performance in a period which has seen continued investment in the new retail distribution network and restructuring including the relocation of operations from 3 UK offices into a single location.

### **Business review**

The UK economy has shown signs of recovery in the second half of 2013. Consumer confidence improved and the travel industry has shown some recovery. National statistics indicate an increase in short haul travel but travel to North America declined year on year. The Group has grown its market share with passenger growth in all its major destinations, the most significant increase being in Florida.

The continued squeeze on household disposable income and high levels of Air Passenger Duty brought increased pressure on prices. There was limited opportunity to pass on the additional costs and gross profit margin decreased to 10.1% (2012/13 10.7%).

Online bookings continue to show significant growth. The retail distribution has delivered increased bookings year on year and the number of retail outlets open as at 31 December 2013 stood at 106 (2012/13 104). Travel agent sales were on a par with last year, reversing the declining trend of previous years.

The directors are also pleased with the results of the Group's non-financial key performance indicators (KPIs) including record level customer recommendation scores and high staff engagement scores.

Included in the results are £4.7m (2012/13 £5.2m) of brand fee costs which are payable based on turnover and are in accordance with the brand licence fee agreement.

Exceptional items in the period ended 31 December 2013 relate to restructuring costs, including the relocation of operations from 3 UK offices into a single location. The exceptional items in 2012/13 related to restructuring costs including the introduction of central teams for back office processes.

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### Strategic report (continued)

#### Business review (continued)

Performance during the period, together with prior year, is set out in the table below

##### Turnover by destination <sup>1</sup>

	Period ended 31 December 2013	Year ended 28 February 2013
	£m	£m
North America	254.7	220.0
Caribbean	131.8	139.0
Middle & Far East & Africa	68.3	72.2
Cruise/Other	12.5	78.1
<b>Total</b>	<b>467.3</b>	<b>509.3</b>
Gross profit margin <sup>2</sup>	10.1%	10.7%
Profit before tax, brand fees and exceptional items <sup>3</sup>	£8.6m	£6.5m
Profit before tax, brand fees and exceptional items margin <sup>4</sup>	1.8%	1.3%

##### Definition, method of calculation and analysis

<sup>1</sup> Turnover by destination is derived by allocating revenue to the destination based on the location of the first night's accommodation outside the United Kingdom. Also see note 1(c) to the financial statements

<sup>2</sup> Gross profit margin is the ratio of gross profit to turnover expressed as a percentage

<sup>3</sup> Profit before tax, brand fees and exceptional items is profit before tax after adding back brand fees and exceptional items

<sup>4</sup> Profit before tax, brand fee and exceptional items margin is the total above divided by turnover

#### Post balance sheet events

There are no significant post balance sheet events

#### Future outlook

The UK economy is showing signs of improvement and more people are expected to take an overseas holiday in 2014. The Group continues to invest and develop its distribution channels and as at 31 December 2013 has over £100m of forward sales for 2014.

The Group has a three-year strategic plan and will continue to work with a subsidiary of Virgin Atlantic Limited, Virgin Atlantic Airways Limited, to ensure that it can continue to grow its share of capacity on key leisure routes and increase the amount of seats it sells on Virgin Atlantic Airways' aircraft. This plan focuses on protecting the Group's core market of the United States, defending and growing the Caribbean product and expanding the Cruise, Touring and other Worldwide destination products. The investment by Delta Air Lines in Virgin Atlantic Limited will also provide greater opportunities to grow these core markets.

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### **Strategic report (continued)**

#### **Principal risks and uncertainties**

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Group are considered to relate to foreign currency exposure, competition from both high-street travel agents and internet retailers, and the effects of disrupted travel plans whether due to natural disaster situations or security scares.

The Group's policy in relation to managing its foreign currency exposure is detailed in the Directors' report. The Group has detailed emergency procedures to respond to any emergency situation and all staff are trained on their roles and responsibilities in such situations.

By order of the Board



**J M J de Sousa**  
Company Secretary

Company Secretariat,  
The Office, Manor Royal,  
Crawley, RH10 9NU  
18 March 2014

**Virgin Holidays Limited and subsidiary companies**  
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## **Directors' report**

### **Dividends**

There has been a final dividend of £17m paid in respect of the period ended 31 December 2013 (2012/13 £nil)

### **Directors**

The directors who served during the period and up to the date of this report were as follows

Sir Richard Branson	(President)
P Norris	(Chairman)
A E Wills	
D A Baxby	( Resigned 31 July 2013)
K H Chua	( Resigned 24 June 2013)
G D Donaldson	
C S Kreeger	
P T Tan	( Resigned 24 June 2013)
P W L Tan	( Resigned 24 June 2013)
P T Yeoh	( Resigned 24 June 2013)
S J Weiss	
E H Bastian	(Appointed 24 June 2013)
G W Hauenstein	(Appointed 24 June 2013)
P A Cantarutti	(Appointed 24 June 2013)
W I Aaron	(Appointed 24 June 2013)
G McCallum	(Appointed 31 July 2013)

### **Employees**

In considering applications for employment from disabled people in the UK, the Group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the jobs for which he or she has applied. Employees who become temporarily or permanently disabled are given individual consideration, and where possible equal opportunities for training, career development and promotions are given to disabled persons.

Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Group and are of interest and concern to them as employees. The Group also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them.

### **Donations**

During the period the Group made payments of £58,558 for charitable purposes (2012/13 £70,023). During the period the Group did not make any contributions to political parties (2012/13 £nil).

### **Financial risk management**

The Board of Directors is responsible for setting financial risk management policy and objectives, and approves the parameters within which the various aspects of financial risk management are operated. A treasury policy approved by the Board of Directors outlines the Group's approach to corporate and asset financing, foreign exchange risk and cash and liquidity management.

The Board of Directors has delegated power for treasury risk management to the Group Financial Risk Committee of Virgin Atlantic Limited. This Committee ensures that the treasury policies and objectives approved by the Board of Directors are fully implemented.

## **Virgin Holidays Limited and subsidiary companies**

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### **Directors' report *(continued)***

#### **Foreign currency risk**

The Group is exposed to foreign currency risk and utilises a range of hedging instruments, arranged on its behalf by a subsidiary company of Virgin Atlantic Limited, to minimise its foreign exchange exposure. The key foreign currency risk arises in respect of US Dollars, Thai Bahts, Arab Emirates Dirhams, South African Rands and Euros.

#### **Derivative financial instruments**

The Group's policy is not to trade in derivatives but to use these instruments to hedge anticipated exposures, arranged through a subsidiary company of Virgin Atlantic Limited. All derivatives are used for the purpose of risk management and accordingly they do not expose the Group to market risk as they are matched to identified physical exposures within the Group.

#### **Disclosure of information to the auditor**

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office until further notice.

By order of the Board



**I M J de Sousa**  
Company Secretary

Company Secretariat,  
The Office, Manor Royal,  
Crawley, RH10 9NU  
18 March 2014

## **Virgin Holidays Limited and subsidiary companies**

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### **Statement of Directors' responsibilities**

The directors are responsible for preparing the Strategic Report, the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and their profit or loss for that period

In preparing the Group and Parent Company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Parent Company and to prevent and detect fraud and other irregularities



KPMG LLP  
15 Canada Square  
London  
E14 5GL  
United Kingdom

#### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIRGIN HOLIDAYS LIMITED**

We have audited the financial statements of Virgin Holidays Limited for the 10-month period ended 31 December 2013 set out on pages 9 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of

- whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' report and consolidated financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2013 and of the Group's profit for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Parent Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Jonathan Downer (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

20 March 2014

**Virgin Holidays Limited and subsidiary companies**

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**Consolidated profit and loss account***for the 10-month period ended 31 December 2013*

	Note	Period ended 31 December 2013	Year ended 28 February 2013
		£'000	£'000
Turnover	1(c), 2	467,323	509,256
Cost of sales		(419,892)	(454,805)
Gross profit		47,431	54,451
Administrative expenses	1(d)	(44,076)	(54,094)
Exceptional Items	6	(1,132)	(594)
Total Administrative expenses		(45,208)	(54,688)
Operating profit before exceptional items		3,355	357
Exceptional items		(1,132)	(594)
Operating profit / (loss)		2,223	(237)
Other interest receivable and similar income	4	578	773
Interest payable and similar charges	5	(24)	(29)
Profit on ordinary activities before taxation	6	2,777	507
Tax on profit on ordinary activities	8	(794)	(345)
Profit on ordinary activities after taxation		1,983	162

The profit for the period arises from continuing operations

The notes on pages 13 to 33 form part of these financial statements

**Virgin Holidays Limited and subsidiary companies**

Directors' report and consolidated financial statements

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**Consolidated statement of total recognised gains and losses***for the ten months ended 31 December 2013*

	<i>Note</i>	<b>Period ended 31 December 2013</b>	<b>Year ended 28 February 2013</b>
		<b>£'000</b>	<b>£'000</b>
<b>Profit for the financial period / year</b>		<b>1,983</b>	<b>162</b>
Net exchange (loss) / gain on the retranslation of net investments	<b>18</b>	<b>(96)</b>	<b>93</b>
<b>Total recognised gains and losses relating to the period / year</b>		<b><u>1,887</u></b>	<b><u>255</u></b>

The notes on pages 13 to 33 form part of these financial statements

**Virgin Holidays Limited and subsidiary companies**  
 Directors' report and consolidated financial statements  
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**Consolidated balance sheet**  
 at 31 December 2013

		31 December 2013		28 February 2013	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	10		5,301		5,791
Tangible assets	11		25,944		24,756
			<u>31,245</u>		<u>30,547</u>
<b>Current assets</b>					
Stock		106		85	
Debtors					
- due within one year	13	180,855		244,518	
- due after one year	13	<u>1,239</u>		<u>861</u>	
Total debtors		182,094		245,379	
Cash at bank and in hand		<u>18,169</u>		<u>17,191</u>	
		200,369		262,655	
<b>Creditors</b>					
Amounts falling due within one year	14	<u>(169,980)</u>		<u>(216,222)</u>	
<b>Net current assets</b>			<u>30,389</u>		<u>46,433</u>
<b>Total assets less current liabilities</b>			<u>61,634</u>		<u>76,980</u>
<b>Provisions for liabilities and charges</b>	15		<u>(562)</u>		<u>(795)</u>
<b>Net assets</b>			<u>61,072</u>		<u>76,185</u>
<b>Capital and reserves</b>					
Called up share capital	17		2,457		2,457
Profit and loss account			<u>58,615</u>		<u>73,728</u>
<b>Shareholders' funds</b>	18		<u>61,072</u>		<u>76,185</u>

These financial statements were approved by the Board of Directors on 18 March 2014 and were signed on its behalf by



**C S Kreeger**

Director

The notes on pages 13 to 33 form part of these financial statements

**Virgin Holidays Limited and subsidiary companies**  
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**Company balance sheet**  
 at 31 December 2013

		31 December 2013		28 February 2013	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	10		3,111		3,304
Tangible assets	11		25,906		24,703
Investments	12		7,589		7,589
			<u>36,606</u>		<u>35,596</u>
<b>Current assets</b>					
Stock		34		33	
Debtors					
- due within one year	13	179,007		244,206	
- due after one year	13	1,136		861	
Total debtors		<u>180,143</u>		<u>245,067</u>	
Cash at bank and in hand		16,507		14,488	
		<u>196,684</u>		<u>259,588</u>	
<b>Creditors, amounts falling due within one year</b>	14	<u>(175,925)</u>		<u>(222,791)</u>	
<b>Net current assets</b>			<u>20,759</u>		<u>36,797</u>
<b>Total assets less current liabilities</b>			<u>57,365</u>		<u>72,393</u>
<b>Provisions for liabilities and charges</b>	15		<u>(562)</u>		<u>(795)</u>
<b>Net assets</b>			<u>56,803</u>		<u>71,598</u>
<b>Capital and reserves</b>					
Called up share capital	17		2,457		2,457
Profit and loss account	18		54,346		69,141
<b>Shareholders' funds</b>	18		<u>56,803</u>		<u>71,598</u>

These financial statements were approved by the Board of Directors on 18 March 2014 and were signed on its behalf by



**C S Kreeger**  
 Director

The notes on pages 13 to 33 form part of these financial statements

## **Virgin Holidays Limited and subsidiary companies**

Directors' report and consolidated financial statements

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### **Notes**

#### **1 Principal accounting policies**

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the consolidated financial statements of the Group

**(a) Basis of preparation**

The consolidated financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards

The financial statements have been prepared on a going concern basis. The directors have reviewed the financial position of the Company, including the arrangements with group undertakings, and believe that it remains appropriate to prepare the financial statements on a going concern basis

The Company has taken advantage of section 408 of the Companies Act 2006 and a separate profit and loss account for the Company has not been published. The result for the year attributable to the Company is disclosed in note 18

Under Financial Reporting Standard ('FRS') 1 (Revised), "Cash Flow Statement" the Group is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Virgin Atlantic Limited and the Group's cash flows are included within the consolidated cash flow statement of that company

**(b) Basis of consolidation**

The financial statements consolidate Virgin Holidays Limited ("the Company") and its subsidiaries (together "the Group"). In the Company's accounts, investments in subsidiary undertakings are stated at cost, less provision for any impairment. Consolidation of foreign subsidiaries is at the period end closing rate

**(c) Turnover**

Turnover is derived from ordinary activities and principally comprises the sale of the Group's holiday packages, flights and ancillary products. Revenue from the sale of these products is recognised on the date of departure, gross of all charges billed to the customer less any discounts and sales taxes. Revenue relating to holiday packages, flights and ancillary products with dates of departure beyond the accounting reference date, together with any commission thereon, is carried forward as deferred income

The Group also receives agency commission for the sale of third party holiday products. The agency commission due from the third party is recognised as revenue when earned, typically at date of booking

**(d) Administrative expenses**

Administrative expenses comprise overhead expenses together with marketing and promotional costs. Marketing costs are expensed to the profit and loss account as incurred

## **Virgin Holidays Limited and subsidiary companies**

Directors' report and consolidated financial statements

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### **Notes (continued)**

#### **1 Principal accounting policies (continued)**

##### **(d) Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the month end exchange rate. Exchange differences arising through the translation of foreign currency assets and liabilities are included in the profit and loss account.

Subsidiaries with a foreign local currency are consolidated using the period end closing rate.

##### **(f) Derivative financial instruments**

The Group uses various derivative financial instruments to manage its exposure to foreign exchange risks. Gains and losses on hedges of revenue or operating expenses are recognised in the profit and loss account of the period in which the hedged transaction matures.

##### **(g) Pension costs**

The Group participates in a defined contribution group scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged in the profit and loss account represents the contributions payable by the Group to the scheme in respect of the accounting period.

##### **(h) Taxation including deferred tax**

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

##### **(i) Intangible fixed assets**

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life. Provision is made for any impairment.

Other intangible fixed assets are written off through the profit and loss account over their estimated useful economic life in accordance with FRS 10 "Goodwill and Intangible Assets".

## Virgin Holidays Limited and subsidiary companies

Directors' report and consolidated financial statements

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### Notes (continued)

#### 1 Principal accounting policies (continued)

##### (j) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

Depreciation is calculated to write off the cost, less estimated residual value, on a straight-line basis over the useful economic life of the asset, or the period of the underlying finance lease if shorter. Freehold land is not depreciated.

Tangible fixed assets are depreciated on an annual basis at the following rates

Freehold buildings	-	1 - 2% (excluding land)
Fixtures and fittings	-	20 - 25% on cost
Plant and equipment	-	10 - 33 1/3% on cost

Assets in the course of construction relates to work in progress on projects, including investment in the reservation system, which is depreciated from completion of each milestone, in accordance with the policy of that asset type

##### (k) Stock

Stocks are stated at the lower of average cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### (l) Cash and liquid resources

Cash at bank and in hand includes both cash and liquid resources. Cash includes cash in hand and deposits repayable on demand held with any financial institution. Liquid resources include term deposits.

#### 2 Analysis of turnover

Group turnover is analysed below

##### Analysis of turnover by destination

	Period ended 31 December 2013	Year ended 28 February 2013
	£'000	£'000
North America	254,668	219,993
Caribbean	131,806	139,000
Middle & Far East & Africa	68,325	72,155
Cruises / Other	12,524	78,108
	<b>467,323</b>	<b>509,256</b>

The geographical analysis of revenue by destination is derived by allocating revenue to the destination based on the location of the first night's accommodation outside the United Kingdom.

A geographical analysis of the Group's operating profit and net assets is not disclosed as it is neither practical nor meaningful to allocate the Group's operating expenditure on a geographical basis.

# Virgin Holidays Limited and subsidiary companies

Directors' report and consolidated financial statements

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## Notes (continued)

### 2 Analysis of turnover (continued)

Analysis of turnover by origin	Period ended 31 December 2013	Year ended 28 February 2013
	£'000	£'000
United Kingdom	462,141	503,584
North America	5,182	5,672
	<b>467,323</b>	<b>509,256</b>

No segmental analysis of turnover or operating profit is provided as the directors consider that the Group is in all material respects engaged in the single integrated business of a tour operator

### 3 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period / year analysed by category and the related costs, were as follows

	Period ended 31 December 2013	Year ended 28 February 2013
Selling	733	755
Administration	241	215
Operations	206	218
	<b>1,180</b>	<b>1,188</b>
	£'000	£'000
Wages and salaries	18,381	23,004
Social security costs	1,707	2,228
Pension costs	897	888
	<b>20,985</b>	<b>26,120</b>

The Virgin Atlantic Limited group of companies operates a defined contribution pension scheme. The pension cost charged in the profit and loss account for the period represents contributions payable by the Group to the scheme. There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

### 4 Other interest receivable and similar income

	Period ended 31 December 2013	Year ended 28 February 2013
	£'000	£'000
Interest receivable from group undertakings	549	737
Interest on bank deposits	29	36
	<b>578</b>	<b>773</b>

**Virgin Holidays Limited and subsidiary companies**

Directors' report and consolidated financial statements

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**Notes (continued)****5 Interest payable and similar charges**

	<b>Period ended 31 December 2013</b>	<b>Year ended 28 February 2013</b>
	<b>£'000</b>	<b>£'000</b>
Other charges	3	5
Unwinding of discount factor on dilapidation provision	21	24
	<b>24</b>	<b>29</b>

**6 Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging / (crediting)

	<b>Period ended 31 December 2013</b>	<b>Year ended 28 February 2013</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of owned tangible fixed assets	4,901	5,258
Loss on disposal of assets	40	39
Rentals under operating leases		
- land and buildings	4,330	4,308
- other	115	139
Amortisation of intangible fixed assets	490	873
Foreign exchange gain	(472)	(3,114)
Exceptional restructuring costs	1,132	594
The analysis of auditor's remuneration is as follows		
	<b>£'000</b>	<b>£'000</b>
Audit of the financial statements	50	55

Exceptional costs of £1,132,000 in the period relate to restructuring costs including the relocation of operations from 3 UK offices into a single location. The exceptional items in 2012/13 related to restructuring costs.

Fees payable to the Group's auditor and its associates for services other than the statutory audit of the parent company and subsidiaries are not disclosed in Virgin Holidays Limited's financial statements since the consolidated financial statements of Virgin Holidays Limited's parent, Virgin Atlantic Limited, are required to disclose non-audit fees on a consolidated basis.

## Virgin Holidays Limited and subsidiary companies

Directors' report and consolidated financial statements  
31 December 2013

### Notes (continued)

#### 7 Emoluments of directors

During the period of their service, the emoluments of the directors of the Company were

	Period ended 31 December 2013	Year ended 28 February 2013
	£'000	£'000
Emoluments payable	223	246
Company contributions to money purchase pension schemes	20	24
Aggregate amounts receivable under Long Term Incentive Schemes	834	-
	<u>1,077</u>	<u>270</u>

Retirement benefits are accruing to 1 (2012/13 1) directors under money purchase pension schemes  
No directors have share options and therefore none were exercised in the period

The amounts receivable during the period by directors of the Company under Long Term Incentive Schemes arise solely as a consequence of the successful acquisition during the period by Delta Air Lines, Inc of 49% of the Company's share capital from Singapore Airlines Limited. The cost of these payments arising under the Long Term Incentive Scheme has been borne by the immediate holding company, Virgin Atlantic Limited.

#### Highest paid director

	Period ended 31 December 2013	Year ended 28 February 2013
	£'000	£'000
Emoluments payable	223	246
Company contributions to money purchase pension schemes	20	24
Aggregate amounts receivable under Long Term Incentive Schemes	834	-
	<u>1,077</u>	<u>270</u>

**Virgin Holidays Limited and subsidiary companies**

Directors' report and consolidated financial statements

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**Notes (continued)****8 Taxation**

	Period ended 31 December 2013	Year ended 28 February 2013
	£'000	£'000
<b>UK corporation tax at 23% (2012/13 24%)</b>		
Amounts payable/(receivable) in respect of group relief	1,001	(379)
Adjustments in respect of prior periods	186	4
<b>Total UK current tax charge</b>	<b>1,187</b>	<b>(375)</b>
Non-UK current tax charge/(credit)	3	(16)
Non-UK adjustments in respect of prior periods	(12)	-
<b>Total current tax charge / (credit)</b>	<b>1,178</b>	<b>(391)</b>
Deferred tax		
Origination / reversal of timing differences	(135)	707
Adjustments in respect of prior periods	(67)	-
Recognition of previously unrecognised non-UK tax losses	(133)	-
Effect of decreased tax rate	(49)	29
<b>Total deferred tax (credit) / charge</b>	<b>(384)</b>	<b>736</b>
<b>Tax on profit on ordinary activities</b>	<b>794</b>	<b>345</b>

Group relief payments will be received or paid where losses are surrendered to or received from other group companies

**Virgin Holidays Limited and subsidiary companies**

Directors' report and consolidated financial statements  
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**Notes (continued)****8 Taxation (continued)**

The standard rate of UK corporation tax for the period is 23% (2012/13 24%) The actual current tax charge for the period is higher (2012/13 lower) than the standard rate for the reasons set out in the following reconciliations

	Period ended 31 December 2013	Year ended 28 February 2013
	£'000	£'000
Profit on ordinary activities before taxation	2,777	507
Tax at the standard rate of 23% (2012/13 24%)	639	121
<b>Factors affecting the charge for the period/year:</b>		
Expenses not deductible for tax purposes	264	213
Other timing differences	18	(871)
Non-UK losses not utilised or recognised	27	167
Foreign tax	3	(16)
Effect of decreased tax rate	4	(3)
Utilisation of non-UK tax losses brought forward	(18)	-
Accelerated capital allowances	171	133
Non taxable income	(103)	(139)
Adjustment in respect of prior periods	173	4
	1,178	(391)

**9 Dividends**

	Period ended 31 December 2013	Year ended 28 February 2013
	£'000	£'000
Final equity dividend declared and paid in respect of the financial period / year	17,000	-

**Virgin Holidays Limited and subsidiary companies**

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**Notes (continued)****10 Intangible fixed assets**

<b>Group</b>	<b>Goodwill £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 March 2013 and at 31 December 2013	8,663	1,614	10,277
<b>Amortisation</b>			
At 1 March 2013	2,872	1,614	4,486
Charge for the period	490	-	490
<b>At 31 December 2013</b>	<b>3,362</b>	<b>1,614</b>	<b>4,976</b>
<b>Net book value at 31 December 2013</b>	<b>5,301</b>	<b>-</b>	<b>5,301</b>
At 28 February 2013	5,791	-	5,791

As a result of a Group re-structure Virgin Vacation Inc. was acquired on 13 April 2011. Goodwill arising from this purchase is amortised on a straight-line basis over 15 years.

On 14 December 2009 Virgin Holidays Limited purchased 100% of the issued share capital of Bales Worldwide Limited. Goodwill arising from this purchase is amortised on a straight-line basis over 15 years, being its estimated useful economic life.

Virgin Holidays Cruises Limited (formerly Fast Track Holidays Limited) was purchased on 8 October 2007. Goodwill arising from this purchase is amortised on a straight-line basis over 15 years, being its estimated useful economic life.

Other intangible fixed assets relate to the purchase of the Travel City Direct brand name and trademarks in October 2008 which was fully amortised at the start of the period.

**Virgin Holidays Limited and subsidiary companies**

Directors' report and consolidated financial statements  
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**Notes (continued)****10 Intangible fixed assets (continued)**

<b>Company</b>	<b>Goodwill</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>			
At 1 March 2013 and 31 December 2013	3,516	1,614	5,130
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At 1 March 2013	212	1,614	1,826
Charge for the period	193	-	193
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2013</b>	<b>405</b>	<b>1,614</b>	<b>2,019</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>at 31 December 2013</b>	<b>3,111</b>	<b>-</b>	<b>3,111</b>
	<hr/>	<hr/>	<hr/>
At 28 February 2013	3,304	-	3,304
	<hr/>	<hr/>	<hr/>

The hive up of trade and net assets of Bales Worldwide Limited on 1 March 2012 into Virgin Holidays Limited resulted in goodwill of £2,161,000 being recognised in the Company

The hive up of trade and assets of Virgin Holiday Cruises Limited into Virgin Holidays Limited on 1 December 2011 resulted in goodwill of £1,355,000 being recognised in the Company

Other intangible fixed assets relate to the purchase of the Travel City Direct brand name and trademarks in October 2008 which was fully amortised at the start of the period

# Virgin Holidays Limited and subsidiary companies

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## Notes (continued)

### 11 Tangible fixed assets

Group	Assets in the course of construction £'000	Fixtures and fittings £'000	Plant and equipment £'000	Freehold land and buildings £'000	Total £'000
<b>Cost.</b>					
At 1 March 2013	2,123	10,181	29,141	1,629	43,074
Foreign exchange	-	(22)	(46)	-	(68)
Additions	6,129	-	5	-	6,134
Transfers	(5,966)	463	5,503	-	-
Disposals	-	(66)	-	-	(66)
<b>At 31 December 2013</b>	<b>2,286</b>	<b>10,556</b>	<b>34,603</b>	<b>1,629</b>	<b>49,074</b>
<b>Depreciation:</b>					
At 1 March 2013	-	5,415	12,620	283	18,318
Foreign exchange	-	(19)	(44)	-	(63)
Charge for the period	-	1,294	3,607	-	4,901
Disposals	-	(26)	-	-	(26)
<b>At 31 December 2013</b>	<b>-</b>	<b>6,664</b>	<b>16,183</b>	<b>283</b>	<b>23,130</b>
<b>Net book value</b>					
<b>At 31 December 2013</b>	<b>2,286</b>	<b>3,892</b>	<b>18,420</b>	<b>1,346</b>	<b>25,944</b>
At 28 February 2013	2,123	4,766	16,521	1,346	24,756

**Virgin Holidays Limited and subsidiary companies**

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31 December 2013

**Notes (continued)**

**11 Tangible fixed assets (continued)**

<b>Company</b>	<b>Assets in the course of construction £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Plant and Equipment £'000</b>	<b>Freehold Land and Buildings £'000</b>	<b>Total £'000</b>
<b>Cost:</b>					
At 1 March 2013	2,122	9,755	28,909	1,570	42,356
Additions	6,130	-	-	-	6,130
Transfers	(5,966)	463	5,503	-	-
Disposals	-	(66)	-	-	(66)
<b>At 31 December 2013</b>	<b>2,286</b>	<b>10,152</b>	<b>34,412</b>	<b>1,570</b>	<b>48,420</b>
<b>Depreciation:</b>					
At 1 March 2013	-	5,025	12,403	225	17,653
Charge for the period	-	1,283	3,604	-	4,887
Disposals	-	(26)	-	-	(26)
<b>At 31 December 2013</b>	<b>-</b>	<b>6,282</b>	<b>16,007</b>	<b>225</b>	<b>22,514</b>
<b>Net book value:</b>					
<b>At 31 December 2013</b>	<b>2,286</b>	<b>3,870</b>	<b>18,405</b>	<b>1,345</b>	<b>25,906</b>
At 28 February 2013	2,122	4,730	16,506	1,345	24,703

**12 Fixed asset investments**

**Company**

**Subsidiary undertakings**

**Cost**

At 1 March 2013 and 31 December 2013

**Investments  
£'000**

7,589

# Virgin Holidays Limited and subsidiary companies

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## Notes (continued)

### 13 Debtors

Amounts falling due within one year	Group		Company	
	31 December 2013 £'000	28 February 2013 £'000	31 December 2013 £'000	28 February 2013 £'000
Trade debtors	6,150	9,878	6,026	9,766
Amounts owed by group undertakings	141,927	196,384	140,497	196,408
Other debtors	5,450	9,766	5,225	9,542
Prepayments and accrued income	27,328	28,490	27,259	28,490
	<b>180,855</b>	<b>244,518</b>	<b>179,007</b>	<b>244,206</b>

Amounts falling due after more than one year	Group		Company	
	31 December 2013 £'000	28 February 2013 £'000	31 December 2013 £'000	28 February 2013 £'000
Deferred tax asset (see note 16)	175	45	72	45
Other debtors	1,064	816	1,064	816
	<b>1,239</b>	<b>861</b>	<b>1,136</b>	<b>861</b>

The other debtors due after one year of £1,064,000 (28 February 2013 £816,000) relates to hotel deposits

### 14 Creditors

Amounts falling due within one year	Group		Company	
	31 December 2013 £'000	28 February 2013 £'000	31 December 2013 £'000	28 February 2013 £'000
Trade creditors	1,666	6,688	643	5,784
Other creditors including taxation and social security	18,308	17,515	17,999	17,197
Amounts owed to fellow subsidiary undertaking	2,982	9,433	10,326	17,563
Accruals and deferred income	147,024	182,586	146,957	182,247
	<b>169,980</b>	<b>216,222</b>	<b>175,925</b>	<b>222,791</b>

# Virgin Holidays Limited and subsidiary companies

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## Notes (continued)

### 15 Provisions for liabilities and charges

#### Group

	Other £'000	Deferred tax liability £'000	31 December 2013 Total £'000	28 February 2013 Total £'000
At 1 March 2013	371	424	795	963
Amounts utilised in the period	-	(254)	(254)	(192)
Unwinding of discount factor on dilapidation provision	21	-	21	24
<b>At 31 December 2013</b>	<b>392</b>	<b>170</b>	<b>562</b>	<b>795</b>

#### Company

	Other £'000	Deferred tax liability £'000	31 December 2013 Total £'000	28 February 2013 Total £'000
At 1 March 2013	371	424	795	963
Amounts utilised in the period	-	(254)	(254)	(192)
Unwinding of discount factor on dilapidation provision	21	-	21	24
<b>At 31 December 2013</b>	<b>392</b>	<b>170</b>	<b>562</b>	<b>795</b>

The other provisions relate to dilapidation provision on leasehold premises

# Virgin Holidays Limited and subsidiary companies

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## Notes (continued)

### 16 Deferred taxation

The elements of the deferred tax asset / (liability) are as follows

#### Group

	31 December 2013 £'000	28 February 2013 £'000
Capital allowances in excess of depreciation	(170)	(424)
Other timing differences	175	45
Deferred tax asset / (liability)	<u>5</u>	<u>(379)</u>
At 1 March 2013	(379)	357
Origination / reversal of timing differences	135	(707)
Adjustments in respect of prior periods	67	-
Recognition of non-UK tax losses	133	-
Effect of decreased tax rate	49	(29)
At 31 December 2013	<u>5</u>	<u>(379)</u>
Presented as		
Deferred tax asset (see note 13)	175	45
Provisions for liabilities and charges (see note 15)	<u>(170)</u>	<u>(424)</u>

#### Company

	31 December 2013 £'000	28 February 2013 £'000
Capital allowances in excess of depreciation	(170)	(424)
Other timing differences	72	45
Deferred tax asset / (liability)	<u>(98)</u>	<u>(379)</u>
At 1 March 2013	(379)	(616)
Origination / reversal of timing differences	165	188
Adjustments in respect of prior periods	67	-
Effect of decreased tax rate	49	49
At 31 December 2013	<u>(98)</u>	<u>(379)</u>
Presented as		
Deferred tax asset (see note 13)	72	45
Provisions for liabilities and charges (see note 15)	<u>(170)</u>	<u>(424)</u>

## Virgin Holidays Limited and subsidiary companies

Directors' report and consolidated financial statements

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### Notes (continued)

#### 16 Deferred taxation (continued)

The 2013 Budget on 20 March 2013 announced that the UK corporation tax rate would reduce to 20% by 01 April 2015. The reduction in the rate from 24% (effective from 01 April 2012) to 23% (effective from 01 April 2013) was substantively enacted on 03 July 2012. The further reductions in the rate from 23% (effective from 01 April 2013) to 21% (effective from 01 April 2014) and then from 21% (effective from 01 April 2014) to 20% (effective 01 April 2015) was substantively enacted on 02 July 2013.

The deferred tax asset / (liability) at 31 December 2013 has been calculated based on the lower rate of 20% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced rate reductions, although this will further reduce the Group and (Company's) future current tax charge, or credit, and reduce the deferred tax asset / (liability) accordingly.

There are no significant losses in the Group for which a deferred tax asset has not been recognised.

#### 17 Share capital

##### Group

	31 December 2013 £'000	28 February 2013 £'000
<i>Issued, called up and fully paid</i>		
2,456,774 (2012/13 2,456,774) ordinary shares of £1 each	2,457	2,457

##### Company

	31 December 2013 £'000	28 February 2013 £'000
<i>Issued, called up and fully paid</i>		
2,456,774 (2012/13 2,456,774) ordinary shares of £1 each	2,457	2,457

**Virgin Holidays Limited and subsidiary companies**

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**Notes (continued)****18 Reconciliation of movements in shareholders' funds**

<b>Group</b>	<b>31 December 2013 £'000</b>	<b>28 February 2013 £'000</b>
Profit for the financial period / year	1,983	162
Foreign exchange translation	(96)	93
Dividends paid	(17,000)	-
Retained (loss) / profit for the period / year	(15,113)	255
Opening shareholders' funds	76,185	75,930
Closing shareholders' funds	61,072	76,185

  

<b>Company</b>	<b>31 December 2013 £'000</b>	<b>28 February 2013 £'000</b>
Profit / (loss) for the financial period / year	2,205	(1,664)
Dividends paid	(17,000)	-
Retained loss for the period / year	(14,795)	(1,664)
Opening shareholders' funds	71,598	73,262
Closing shareholders' funds	56,803	71,598

# Virgin Holidays Limited and subsidiary companies

Directors' report and consolidated financial statements

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## Notes (continued)

### 19 Operating lease commitments

As at 31 December 2013, the Group and Company had annual commitments under non-cancellable operating leases as follows

Group	31 December 2013 Land and buildings £'000	31 December 2013 Other £'000	28 February 2013 Land and buildings £'000	28 February 2013 Other £'000
<i>Operating leases which expire</i>				
Within one year	4,275	11	2,271	36
In the second to fifth year inclusive	177	62	1,048	12
Over five years	<u>1,315</u> 5,767	<u>-</u> 73	<u>763</u> 4,082	<u>-</u> 48

### Company

	31 December 2013 Land and buildings £'000	31 December 2013 Other £'000	28 February 2013 Land and buildings £'000	28 February 2013 Other £'000
<i>Operating leases which expire</i>				
Within one year	4,196	10	2,232	36
In the second to fifth year inclusive	123	56	937	4
Over five years	<u>1,315</u> 5,634	<u>-</u> 66	<u>763</u> 3,932	<u>-</u> 40

## Virgin Holidays Limited and subsidiary companies

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31 December 2013

### Notes (continued)

#### 20 Commitments

A substantial proportion of operating costs are denominated in foreign currency. Foreign exchange forward purchase contracts amounting to US\$230.2m (2013 US\$241.8m) outstanding at 31 December 2013 have been taken out to cover part of the exposure risk. These contracts are entered into by Virgin Holidays Limited with Virgin Atlantic Airways Limited. Virgin Atlantic Airways Limited has entered into US\$ 228.9m of corresponding deals with external counterparts on behalf of Virgin Holidays Limited. Virgin Atlantic Airways Limited has also entered into US\$ 1.3m of deals without external counterparts on behalf of Virgin Holidays Limited.

The fair value at 31 December 2013 of all the foreign exchange forward purchase contracts held by the Virgin Holidays Limited with Virgin Atlantic Airways Limited is a negative fair value of £7.3m (2013 positive fair value £6.2m).

#### 21 Contingent liabilities

The Company and its subsidiaries are party with the intermediate holding company and fellow subsidiaries to a group set-off agreement in respect of certain bank accounts.

The Company is a guarantor under certain financing arrangements with other group undertakings.

The Company is a guarantor of the liabilities at their balance sheet date of the subsidiaries which have taken the audit exemption under section 479A of the Companies Act 2006, and the exemption for preparing and filing financial statements under sections 394A and 448A of the Companies Act 2006 (see note 23).

#### 22 Subsidiaries and associated undertakings

The subsidiaries of the Company as at 31 December 2013 were

	Country of incorporation or registration	% Ordinary issued shares	Principal activity
<b>Subsidiaries</b>			
Virgin Holidays Cruises Limited	England and Wales	100	Non trading
Bales Worldwide Limited	England and Wales	100	Non trading
Opennde Limited	England and Wales	100	Non trading
Check-in Holidays Limited	England and Wales	100	Dormant
Virgin Vacations Incorporated	United States of America	100	Travel Agency
Virgin Incoming Services Incorporated	United States of America	100	Tour Operator

All subsidiaries have been included in the consolidation. The proportion of voting rights held by the Group in each of its subsidiaries is the same as the proportion of ordinary shares held.

Virgin Holidays Cruises Limited, Bales Worldwide Limited and Opennde Limited, whose results are included in these consolidated financial statements, have taken advantage of the audit exemption under section 479A of the Companies Act 2006 for their financial statements.

The directors of Check-In Holidays Limited, whose results are included in these consolidated financial statements, have taken advantage of the exemption to prepare and file financial statements under sections 394A and 448A of the Companies Act 2006.

## Virgin Holidays Limited and subsidiary companies

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### Notes (continued)

#### 23 Related party transactions

At 31 December 2013, the Group's ultimate parent and controlling company was Virgin Group Holdings Limited, whose principal shareholders are Sir Richard Branson and certain trusts, none of which individually has a controlling interest in Virgin Group Holdings Limited. The principal beneficiaries of those trusts are Sir Richard Branson and / or his immediate family. The shareholders of Virgin Group Holdings Limited have interests directly or indirectly in certain other companies which are considered to give rise to related party disclosures under Financial Reporting Standard 8.

The Company, being a wholly owned subsidiary undertaking of Virgin Atlantic Limited, has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions with entities which form part of the group or investees of the group qualifying as related parties.

The following is a summary of those transactions and balances of the Group with related entities which are required to be disclosed by Financial Reporting Standard 8. All transactions are on an arm's length basis.

Company name	Ten months to 31 December 2013	Twelve months to 28 February 2013
	£'000	£'000
<b>Sales to related companies</b>		
Virgin Hotels Group Limited	4	5
Virgin Money Limited	10	82
Virgin Active Group Limited	-	31
<b>Purchases from related companies</b>		
Virgin com Limited	13	8
Virgin Management Limited	6	10
Virgin Hotels Group	234	217
Virgin Australia Limited	2	7
Virgin Insight Limited	70	129
Virgin America	13	-

Revenues from related parties primarily relate to the sale of holidays and holiday vouchers.

Purchases from related parties represent goods and services purchased for use within the business.

Amounts due to related companies: At the balance sheet date £nil was owed to Virgin com Limited (28 February 2013 £4,868), £nil was owed to Virgin Management Limited (28 February 2013 £nil), £nil was owed to Virgin Hotels Group Limited (28 February 2013 £4,809), £nil was owed to Virgin Australia Limited (28 February 2013 £nil), and £nil was due to Virgin Insight Limited (28 February 2013 £nil).

Amounts due from related companies: At the balance sheet date £3,000 was due from Virgin Hotels Group Limited (28 February 2013 £nil) and £nil was due from Virgin Money Limited (28 February 2013 £nil).

## **Virgin Holidays Limited and subsidiary companies**

Directors' report and consolidated financial statements

31 December 2013

### **Notes (continued)**

#### **24 Ultimate holding company**

As at 31 December 2013, the directors consider the ultimate holding company to be Virgin Group Holdings Limited, a company registered in the British Virgin Islands

As at 31 December 2013, Virgin Wings Limited, a company registered in England & Wales, is the parent undertaking of the largest group of which the Company is a member and for which consolidated financial statements are drawn up

As at 31 December 2013, Virgin Atlantic Limited, a company registered in England & Wales, is the parent undertaking of the smallest group of which the Company is a member and for which consolidated financial statements are drawn up

Copies of the financial statements for Virgin Wings Limited and Virgin Atlantic Limited may be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ

#### **25 Capital commitments**

As at 31 December 2013 the Group had entered into a new lease agreement which requires £2.7m of capital investment in the Group's main UK office. This lease has cash flow benefits with a £1.3m initial signing on fee and savings on current annual operating lease commitments

#### **26 Post balance sheet events**

There are no significant post balance sheet events