Company Registration No. 02245999

# Zara UK Limited

## Annual Report and Financial Statements

## 31 January 2016

# Zara UK Limited

## Report and financial statements 2016

## Contents

# Zara UK Limited

## Report and financial statements 2016

## Officers and professional advisers

**Directors**

J M Romay de la Colina
R Reñon Tuñez
A Cañete Diaz

**Secretary**

Athenaeum Secretaries Ltd
Prospect House
2 Athenaeum Road,
London
N20 9YU

**Registered Office**

120 Regent Street
London
W1B 5FE

**Auditor**

Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
EC4A 3BZ
United Kingdom

# Zara UK Limited

## Strategic report

### Review of the business and Key performance indicators

*Strategy for the business*

In line with the strategy of INDITEX S.A., the directors' main objective in the United Kingdom for the year ended 31 January 2016 was to strengthen the Company's profitability by focusing on sales growth, while keeping operating expenses under tight control, in order to increase operating margins as a result.

The directors intend to continue with this strategy for the foreseeable future.

*Trading*

The Company operates its own directly operated stores in the UK. The principal activity of the company is the retail of fashion clothing, footwear and accessories. At 31 January 2016, Zara UK Ltd consisted of 68 stores (2015: 66).

Total sales for the Company were £535.2m (2015: £494.8), an increase of 8.2% compared to the prior year.

The gross margin for the year averaged to 56.6% of sales compared to 55.2% for the previous financial year. The Company's merchandise is exclusively purchased from Group undertakings in Spain.

Selling and distribution costs increased by 4.9% compared to the prior year, reflecting the opening of two new stores (Guilford and London Oxford Streer) the continued execution of the Company's refurbishment plan, including large scale works in stores such as Birmingham, Belfast and Whitecity and smaller scale works at the Covent Garden and Regent Street stores in order to keep the stores' layout and atmosphere in line with the Zara brand image.

*New Stores and Future Developments*

The Company opened two new stores during the financial year (2015: nil).

Barring any unforseen circumstances, the directors plan to open further stores as soon as suitable opportunities arise and for the company to increase profitability as a result of the continuing increase in sales.

***Principal risks and uncertainties***

INDITEX S.A. has implemented a risk management system that directs control activities towards preventing the relevant risks, providing an appropriate level of guarantees to shareholders, other stakeholders and the market in general. Zara UK Ltd is fully integrated within this structure and is required to identify and mitigate risks locally on a regular basis.

The principal risk to the business remains difficult and unpredictable market conditions. As a fashion and lifestyle company every new season confronts Zara UK Ltd with the risk of how new collections will be received by customers. The Company's business model is mitigating this risk, as decision making processes in respect of design, manufacture, distribution and sales is subordinated to information on the tastes of customers. This is especially significant in the area of design, as the models put on the market are the fruit of creative work which has been enriched by the analysis of the reaction of customers to the options present in the stores and their comments on what they would like to find there.

Other main external risks include the business environment (capacity to follow and offer a response to the evolutions of the Company's target market – demographic changes, changes in consumption habits), regulations (commercial, tax, custom, labour regulations), image and reputation. In order to reduce the exposure to business environment risks, the Company carries out a viability research of each store, considering less favourable scenarios, and subsequently monitors whether the expected figures are met or not.

Finally, internal risks were identified in respect of Human Resources (lack of motivation and loyalty, excessive turnover, difficulties in recruitment and dependence on key personnel), technology and information systems, on which the Company is deploying a set of actions to anticipate any issue.

## Strategic report

*People*

Sales growth in a competitive market would not be achieved without the energy and dedication of our management and staff, offering customers a pleasant shopping experience, driving sales and providing a high level of service. Headcount during the year remained relatively stable with 3,158 full time equivalents (2015: 2,850).

Approved by the Board of Directors
and signed on behalf of the Board

J M Romay de la Colina
Director

6 May 2016

# Zara UK Limited

## Directors' report

The directors present their annual report together with the financial statements and auditor's report for the year ended 31 January 2016.

*Results and dividends*

The audited financial statements for the year are set out on pages 7 to 19.

The profit before taxation for the year was £58,311k (2015: £49,235k profit).

On 28 April 2015, 11 December 2015 and 10 February 2016 payment of interim dividends of respectively £5m, £30m and £12m interim dividend to INDITEX S.A. were approved by Board resolutions (2015: £43m). The directors do not recommend payment of a final dividend (2015: nil).

*Directors*

The directors who held office during the year were as follows:

J M Romay de la Colina
R Reñon Tuñez
A Cañete Diaz

*Risk Management*

The principle risks affecting the company and the policies implemented to manage these are outlined in the Strategic Report on page 2.

*Disabled employees*

Applications for employment for disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

*Employee consultation*

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, as well as the group magazine distributed quarterly.

*Auditor*

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in absence of a forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

J M Romay de la Colina
Director
6 May 2016

/

# Zara UK Limited

## Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent auditor's report to the members of Zara UK Limited

We have audited the financial statements of Zara UK Limited for the year ended 31 January 2016 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"

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 Directors' Responsibilities Statement, 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 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 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on matters prescribed in the Companies Act 2006**

In our opinion the information in the Strategic Report and the Directors' Report for the financial year 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Georgina Robb

Georgina Robb FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
6 May 2016

## Statement of comprehensive income
## Year ended 31 January 2016

| | Notes | 2016 £'000 | 2015 As restated* £'000 |
|---|---|---|---|
| **Turnover** | 3 | 535,167 | 494,833 |
| Cost of sales | | (232,457) | (222,545) |
| **Gross profit** | | 302,710 | 272,288 |
| Selling and distribution costs | | (241,333) | (215,999) |
| Administrative expenses | | (12,978) | (14,002) |
| Other operating income | | 9,841 | 6,858 |
| **Operating profit** | | 58,240 | 49,145 |
| Finance income (net) | 7 | 71 | 90 |
| **Profit on ordinary activities before taxation** | 4 | 58,311 | 49,235 |
| Tax (charge) on profit on ordinary activities | 8 | (12,774) | (11,319) |
| **Profit and total comprehensive income for the financial year attributable to the equity shareholers** | | 45,537 | 37,916 |

There are no recognised gains or losses in either year other than the amounts stated above.

The accompanying notes are an integral part of these statements.

*Please refer to Note 18 for more information

# Zara UK Limited

## Balance sheet
## At 31 January 2016

| | Notes | 2016 £'000 | 2015 As restated* £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 9 | 74,924 | 63,907 |
| **Current assets** | | | |
| Stocks | 10 | 20,463 | 19,562 |
| Debtors | 11 | 18,972 | 17,147 |
| Cash at bank and in hand | | 28,748 | 22,033 |
| | | 68,183 | 58,742 |
| **Creditors: amounts falling due within one year** | 12 | (54,874) | (44,924) |
| **Net current assets** | | 13,309 | 13,818 |
| **Total assets less current liabilities** | | 88,233 | 77,725 |
| **Provisions for liabilities** | 13 | - | (28) |
| **Net assets** | | 88,233 | 77,697 |
| **Capital and reserves** | | | |
| Called up share capital | 15 | 76,000 | 76,000 |
| Profit and loss account | | 12,233 | 1,697 |
| **Shareholders' funds** | | 88,233 | 77,697 |

* Please refer to Note 18 for more information

The financial statements of Zara UK Limited, registered number 02245999 were approved and authorised for issue by the Board of Directors on 6 May 2016.

Signed on behalf of the Board of Directors

J M Romay de la Colina
Director

# Notes to the financial statements
## Year ended 31 January 2016

| | Called up share capital £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|---|---|
| At 31 January 2014 and 1 February 2014 as restated* | 76,000 | 6,780 | 82,780 |
| Total income for period | - | 37,916 | 37,916 |
| Dividends | | (43,000) | (43,000) |
| At 31 January 2015 | 76,000 | 1,696 | 77,696 |
| Total income for period | - | 45,537 | 45,537 |
| Dividends | | (35,000) | (35,000) |
| At 31 January 2016 | 76,000 | 12,233 | 88,233 |

* Please refer to Note 18 for more information

# Notes to the financial statements
# Year ended 31 January 2016

1. **Accounting policies**

The principal accounting policies are summarised below and have been applied consistently throughout the year and the preceeding year.

**General information and basis of preparation**

Zara UK Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Zara UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

The functional currency of Zara UK Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

***Fixed assets and depreciation***

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives.

The estimated useful economic lives of tangible fixed assets are as follows:

| | |
|---|---|
| Leasehold property | the greater of the lease term or 9 years |
| Computer and office equipment | the greater of the lease term or 5 years |
| Furniture and fittings | the greater of the lease term or 9 years |
| Store equipment | the greater of the lease term or 9 years |

This reflects the average useful economic lives seen by INDITEX Group companies, based on historical data of worldwide operations.

Fixed assets additions for new stores are held in a New Store Development category until the date the store commences trading, at which point the asset is reclassified to the relevant category. There is no depreciation charge against the assets held in the New Store Development category. Depreciation is charged against the assets from the date a new store commences trading. Other pre-opening costs are expensed as they are incurred. Leasehold property includes the costs to acquire a store and improvements made to the structure of the store before it commences trading.

# Notes to the financial statements
# Year ended 31 January 2016

1. **Accounting policies (continued)**

**Fixed assets and depreciation (continued)**

Long lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable for all stores which have been trading for more than 3 years. When such events or changes in circumstances indicate the asset may not be recoverable, the company estimates the future cash flows expected to result from the use of assets and their eventual disposition. If the sum of such expected discounted future cash flows is less than the carrying amount of the assets, an impairment loss is recognised for the amount by which the assets net book value exceeds its fair market value. If on the contrary the sum of such expected discounted future cash flows is greater than the carrying amount of the assets, any previously recognised impairment loss is reversed.

For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows, fair value can be based on the sale of similar assets, or other estimates of fair value, such as discounting estimated future cash flows. Considerable management judgement is necessary to estimate discounted future cash flows. Accordingly, actual outcome could vary significantly from such estimates.

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Leases**

Assets held under finance leases are capitalised as a tangible fixed assets at the fair value of the lease asset and are depreciated over the shorter of the lease terms and their useful lives. The outstanding future lease obligations are shown in creditors.

Operating lease rentals are charged on a straight-line basis to the profit and loss account as incurred over the period of the lease. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

**Pension costs**

Employees are entitled to join personal defined contribution pension schemes, to which Zara UK Limited and the employee make contributions. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are included as either accruals or prepayments in the balance sheet.

**Stocks**

Stocks are stated at the lower of cost estimated selling cost less costs to sell, which is equivalent to net realisable value. Cost is calculated using the FIFO (first-in, first-out) method. .

**Turnover**

Turnover is recognised when the significant risks and rewards of ownership of the goods or services have passed to the buyer, it is probable that the economic benefit will flow to the company and the amount of revenue can be measured reliably. Turnover represents the amounts (excluding value added tax) derived from the provision of fashion goods to customers. Turnover is generated in the UK. The Company also sells gift vouchers to the public; turnover is recognised when vouchers are redeemed in stores.

1. **Accounting policies (continued)**

**Taxation**

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

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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 company's taxable profits and its total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenditure in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

Deferred tax assets and liabilities are offset only if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority, or to realise the assets and settle the liabilities simultaneously, for each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# Notes to the financial statements
# Year ended 31 January 2016

## 2. Critical accounting judgements and key sources of estimation uncertainity

In the application of the accounting policies, which are described in note 1, the directors, are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical judgements in applying the accounting policies**

The following are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

**Depreciation of fixed assets**

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 1 to 9 years. The carrying amounts of the fixed assets are set out in Note 9. Changes in the expected level of usage and store image could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

**Impairment of assets**

The Company periodically assesses the possible existence of objective evidence that there are indications that its non-current assets might have become impaired in order to determine whether their recoverable amount is lower than their carrying amount (impairment loss). The recoverable amount has been determined based upon a value in use calculation. Cash flow projections for the next 10 years, discounted at 5.5%, were used in this calculation. Based on the historical performance of the brand in the UK and in other European markets, management have assessed cash flows to year 10. No growth has been assumed after 5 years. Further information on the general, systematic procedure for carrying out these impairment tests INDITEX, S.A. has developed can be found in the consolidated accounts of the group (see note 16).

Reversals of impairment losses on non-current assets are recognized with a credit to depreciation, up to the limit of the carrying amount that the asset would have had, net of depreciation had the impairment loss never been recognized, solely in cases in which, once the internal and external factors have been assessed, it can be concluded that the indications of impairment that led to the recognition of the impairment losses have ceased to exist or have been partially reduced.

## 3. Turnover

The whole of the revenue is attributable to the principal activity of the company, being the provision of fashion retail goods and arises solely in the United Kingdom.

# Zara UK Limited

## Notes to the financial statements
## Year ended 31 January 2016

### 4. Profit on ordinary activities before taxation

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| **Profit on ordinary activities before taxation is stated after charging/(crediting):** | | |
| Auditor's remuneration: | | |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 35 | 35 |
| Other services | 5 | 4 |
| Depreciation of tangible fixed assets | 15,897 | 16,726 |
| Impairment of stock recognised | 198 | 798 |
| Loss on disposal of tangible fixed assets | 1,600 | 814 |
| Impairment of tangible fixed assets reversal of prior year impairment | - | (385) |
| Operating lease rentals | | |
| Property | 64,486 | 58,613 |
| Store equipment | 109 | 99 |
| Other | 938 | 818 |

### 5. Remuneration of directors

None of the directors (2015: none) was a member of the company pension scheme during the financial year and company contributions during the year to the money purchase scheme for directors was nil (2015: nil).

The total remuneration received by the directors for their services to Zara UK Ltd amounted to £ nil for the year ending 31 January 2015 (2015: £59k).

### 6. Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

| | Number of employees<br>2016<br>No. | <br>2015<br>No. |
|---|---|---|
| Sales | 2,997 | 2,705 |
| Administration | 161 | 145 |
| | 3,158 | 2,850 |

Number of sales employees relate to full time equivalents.

The aggregate payroll costs of these persons were as follows:

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Wages and salaries | 67,356 | 59,744 |
| Social security costs | 4,562 | 4,234 |
| Pension costs | 810 | 716 |
| | 72,728 | 64,694 |

# Notes to the financial statements
# Year ended 31 January 2016

## 6. Staff numbers and costs (continued)

The pension costs above relate to the amounts charged to the profit and loss account in relation to the defined contribution retirement benefit schemes.

## 7. Finance charges (net)

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Interest receivable from banks | 71 | 90 |
| | 71 | 90 |

## 8. Taxation

Analysis of charge in period

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax | 13,216 | 12,203 |
| Adjustments in respect of prior years | (48) | (3) |
| **Total current tax** | 13,168 | 12,200 |
| Deferred tax (see note 13) | | |
| Origination and reversal of timing differences | (382) | (776) |
| Change of tax rate | - | (1) |
| Adjustments in respect of prior years | (12) | (104) |
| **Total deferred tax** | (394) | (881) |
| Total tax (credit)/charge on profit on ordinary activities | 12,774 | 11,319 |

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Tax reconciliation | | |
| Profit on ordinary activities before tax | 58,311 | 49,235 |
| Tax on proft on ordinary activities at standard UK corporation tax rate of 20% (2015: 21%) | 11,662 | 10,339 |

# Zara UK Limited

## Notes to the financial statements
## Year ended 31 January 2016

8. **Taxation (continued)**

| | | |
|---|---|---|
| Effects of: | | |
| Depreciation on non- qualifying assets | 852 | 917 |
| Prior year adjustments | (60) | (107) |
| Change of tax rate | - | (1) |
| Loss on disposal of non-qualifying assets | 320 | 171 |
| Total tax charge | 12,774 | 11,319 |

The standard rate of UK corporation tax was reduced from 21% to 20% with effect from 1 April 2015. The rate of UK corporation tax that was enacted at the balance sheet date was 20%. The UK government has previously announced that the UK corporation tax rate will reduce further to 19% on 1 April 2017 and to 17% on 1 April 2020, the move to 17% in 2020 has not yet been enacted by the UK government. There are no other factors that may significantly affect future tax charges.

Deferred tax assets and liabilities on all timing differences have been calculated at 20%, being the rate of UK corporation tax that was enacted at the balance sheet date, including those expected to reverse in the year ended 31 January 2017.

9. **Tangible fixed assets**

| | Leasehold property £'000 | Computer and office equipment £'000 | Furniture and fittings £'000 | Store equipment £'000 | New store Development £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 February 2015 | 100,509 | 6,323 | 30,544 | 61,749 | 573 | 199,698 |
| Additions | 20,212 | 1,040 | 5,672 | 1,590 | - | 28,514 |
| Reclassification | 361 | - | - | 212 | (573) | - |
| Disposal | (2,598) | (26) | (2,008) | (1,734) | - | (6,366) |
| At 31 January 2016 | 118,484 | 7,337 | 34,208 | 61,817 | - | 221,846 |
| **Depreciation and impairment** | | | | | | |
| At 1 February 2015 | 65,991 | 4,258 | 19,188 | 46,354 | - | 135,791 |
| Charge for the year | 7,923 | 849 | 2,835 | 4,290 | - | 15,897 |
| Disposals | (1,896) | (26) | (1,535) | (1,309) | | (4,766) |
| At 31 January 2016 | 72,018 | 5,081 | 20,488 | 49,335 | - | 146,922 |
| **Net book value** | | | | | | |
| At 31 January 2016 | 46,466 | 2,256 | 13,720 | 12,482 | - | 74,924 |
| At 31 January 2015 | 34,518 | 2,065 | 11,356 | 15,395 | 573 | 63,907 |

# Notes to the financial statements
# Year ended 31 January 2016

## 10. Stocks

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Finished goods and goods for resale | 2,122 | 1,876 |

Stock consists of fashion garments and accessories for resale. There are no material differences between the replacement cost of stock and the balance sheet amounts.

## 11. Debtors

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Amounts due to Holding company | 38 | 5 |
| Amounts due from fellow group undertakings | 3,238 | 2,910 |
| Other debtors | 774 | 624 |
| Prepayments and accrued income | 14,556 | 13,608 |
| Deferred Tax (note 13) | 366 | - |
| | 18,972 | 17,147 |

All amounts are due within one year

## 12. Creditors: amounts falling due within one year

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Trade creditors | 4,977 | 3,121 |
| Amounts due to ultimate parent company | 4,295 | 3,087 |
| Amounts owed to group undertakings | 3,825 | 3,430 |
| Other taxation and social security | 12,013 | 11,957 |
| Accruals and deferred income | 24,193 | 16,913 |
| Corporation tax | 5,570 | 6,416 |
| | 54,873 | 44,924 |

# Notes to the financial statements
# Year ended 31 January 2016

## 13. Deferred tax

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Net deferred tax (liability) at the beginning of the year | (28) | (909) |
| Origination and reversal of timing differences | 382 | 776 |
| Adjustment in respect of change of tax rate | - | 1 |
| Prior year adjustments | 12 | 104 |
| Asset/(liability) at end of year | 366 | (28) |

During the year beginning 1 February 2016, the net reversal of deferred tax assets and liabilities is not expected to be significant

The elements of deferred taxation are as follows:

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| Capital allowances in (excess)/arrears of depreciation | 366 | (28) |
| Net deferred tax asset/(liability) at the end of the year | 366 | (28) |

The amount provided relates to differences between accumulated depreciation and capital allowances.

## 14. Called up share capital and reserves

| | 2016 £'000 | 2015 £'000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 10,300,000 ordinary shares of £1 each | 76,000 | 76,000 |

The company has one class of ordinary shares which carry no right to fixed income

The company's profit and loss reserve represents cumulative profits or losses, net of dividends paid.

# Notes to the financial statements
# Year ended 31 January 2016

## 15. Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2016<br>£'000 | 2015<br>£'000 |
|---|---|---|
| Land and building operating leases: | | |
| Within one year | 47,114 | 86,389 |
| Between one and five years | 154,749 | 224,058 |
| More than five years | 186,401 | 163,594 |

Leases of land and buildings are typically subject to rent reviews at specified intervals and require that the lessee pay all insurance, maintenance and repair costs.

At the end of the financial year the company had entered into one lease agreements in respect of a new store (2015: 2), total commitments under this agreement amounted to £21,143k and are included in the table above (2015:£62,913k). Capital commitments contracted inrespect of this agreement amount to £3,367k (2015: nil).

## 16. Ultimate parent company and parent undertaking of larger group of which the company is a member

The immediate parent company is Industria de Diseño Textil, S.A (Inditex, S.A), a company incorporated in Spain and listed on the Madrid Stock Exchange. The ultimate parent company is Pontegadea Inversiones, S.L. a company incorporated in Spain.

The parent undertaking of the smallest group of undertakings for which group financial statements are prepared and of which the company is a member is Industria de Diseño Textil, S.A. (Inditex, S.A.), a company incorporated in Spain and listed on the Madrid Stock Exchange. The parent undertaking of the largest group of undertakings for which group financial statements are prepared and of which the company is a member is Pontegadea Inversiones S.L a company incorporated in Spain which is managed independently of Industria de Diseño Textil, S.A. (Inditex, S.A.).

Copies of the group financial statements are available from Registro Mercantil, La Coruña, Spain.

## 17. Related party transactions

During the year the company purchased goods for resale for £21,164,637.65 (2015: £22,172,109) from non-wholly owned group undertakings. At the balance sheet date the amount due to non-wholly owned group undertakings was £411,753.52 (2015: £250,187)

### 18. Explanation of transition to FRS 102

This is the first year that the company has presented its financial statements under Financial Reporting Standard 102 (FRS102) issues by the Financial Reporting Council. The following disclosures are required in the year of transistion. The last financial statements under previous UK GAAP were for the year ended 31 January 2015 and the date of transistion to FRS 102 was therefore 1 February 2014. As a consequence of adopting FRS 102, incentives granted under lease argreements commencing on or after 1 February 2014 are spread on a straight-line basis over the lease term, under previous UK GAAP these were spread over the shorter of the lease term and the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

There is no change to the amounts reported under previous UK GAAP for the year ended 31 January 2015 and those reportable under FRS102 for the same period. Accordingly the financial position of the company was not affected and no reconciliation of movements in Equity and the Profit and Loss statement as a result of the transition are required.