

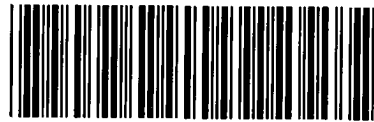
**Company Registration No. 04550309**

**Massimo Dutti U.K. Limited**

**Annual Report and Financial Statements**

**for the year ended 31 January 2018**

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# **Massimo Dutti UK Limited**

## **Annual Report and financial statements for the year ended 31 January 2018**

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## **Massimo Dutti UK Limited**

### **Annual Report and financial statements for the year ended 31 January 2018**

#### **Officers and professional advisers**

##### **Directors**

Jorge Perez Marcote  
Ramon Rubio Patricio  
José Manuel Romay de la Colina

##### **Secretary**

Athenaeum Secretaries Limited  
25 Moorgate  
London  
EC2R 6AY  
United Kingdom

##### **Registered Office**

Lumina House  
89 New Bond Street  
London  
W1S 1DA  
United Kingdom

##### **Auditor**

Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

# Massimo Dutti 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 2018 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 2018, Massimo Dutti UK Limited consisted of 14 stores (2017: 14).

In line with Inditex Group's natural evolution to fully integrate stores and online retail channels, on 1 June 2017, the Company started to operate the brand's online retail activity in the UK.

Total sales for the Company were £46.61m (2017: £37.50m), an increase of 24% compared to the prior year. The Company's merchandise is exclusively purchased from Group undertakings in Spain.

Selling and distribution costs increased by 7% compared to the prior year mainly due to a minor refurbishment in Kings Road store in August 2017.

#### *New Stores and Future Developments*

The Company opened no new store during the financial year (2017: two).

Barring any unforeseen 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. Massimo Dutti UK Limited 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 Massimo Dutti UK Limited 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.

## Massimo Dutti UK Limited

### Strategic report (continued)

#### Review of the business and Key performance indicators (Continued)

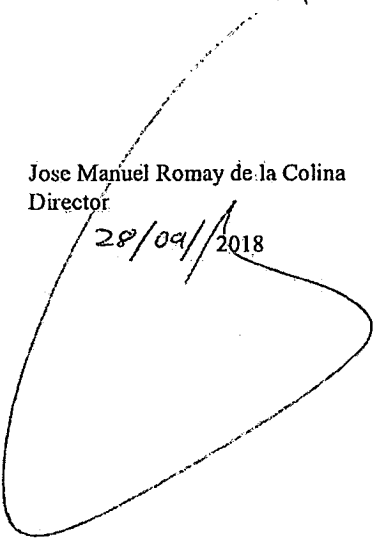
##### *Principal risks and uncertainties (continued)*

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 decreased slightly compared to prior year with 216 full time equivalents (2017: 219).

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

Jose Manuel Romay de la Colina  
Director

28/09/2018



# Massimo Dutti UK Limited

## Directors' report

The directors present their annual report together with the audited financial statements and auditor's report for the year ended 31 January 2018. Disclosures of future developments are outlined in the Strategic Report on page 2.

### *Results and dividends*

The audited financial statements for the year are set out on pages 9 to 22. The profit before taxation for the year was £1,458k (2017: loss £1,360k). The directors do not recommend the payment of a dividend in 2018 (2017: £ 1m).

### *Directors*

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

Jorge Perez Marcote  
Ramon Rubio Patricio  
Jose Manuel Romay de la Colina

### *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

Jose Manuel Romay de la Colina  
Director

29/09/2018

## **Massimo Dutti 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 accounting 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 Massimo Dutti UK Limited**

### **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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Massimo Dutti UK Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18, including a summary of significant accounting policies as set out in note 1

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.



## **Independent auditor's report to the members of Massimo Dutti UK Limited (continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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.

## **Independent auditor's report to the members of Massimo Dutti UK Limited (continued)**

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.


In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

  
Georgina Robb FCA

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

28 Sept 2018

## Massimo Dutti UK Limited

### Statement of comprehensive income For the year ended 31 January 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	46,614	37,501
Cost of sales		(20,072)	(15,540)
Gross profit		26,542	21,961
Selling and distribution costs		(24,423)	(22,765)
Administrative expenses		(2,958)	(3,470)
Other operating income		2,363	2,951
Operating profit/(loss)		1,524	(1,323)
Net finance charge	7	(66)	(37)
Profit/(Loss) on ordinary activities before taxation	4	1,458	(1,360)
Tax (charge)/ credit on profit/(loss) on ordinary activities	8	(369)	267
Profit/(Loss) for the financial year attributable to the equity shareholders		<u>1,089</u>	<u>(1,093)</u>

There is no other comprehensive income in either year other than the amounts stated above.

The accompanying notes are an integral part of these statements.

## Massimo Dutti UK Limited

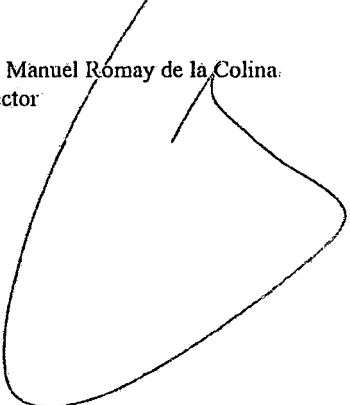
### Balance sheet As at 31 January 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible assets	9	9,653	10,752
<b>Current assets</b>			
Stocks	10	3,194	2,853
Debtors	11	3,016	2,487
Cash at bank and in hand		530	882
		<u>6,740</u>	<u>6,222</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(4,728)</u>	<u>(4,139)</u>
<b>Net current assets</b>		<u>2,012</u>	<u>2,083</u>
<b>Total assets less current liabilities</b>		11,665	12,835
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(2,686)</u>	<u>(4,945)</u>
<b>Net assets</b>		<u>8,979</u>	<u>7,890</u>
<b>Capital and reserves</b>			
Called up share capital	15	8,800	8,800
Profit and loss account		179	(910)
<b>Shareholders' funds</b>		<u>8,979</u>	<u>7,890</u>

The financial statements of Massimo Dutti UK Limited, registered number 04550309 were approved and authorised for issue by the Board of Directors on 28/09/2018.

Signed on behalf of the Board of Directors

Jose Manuel Romay de la Colina  
Director



## Massimo Dutti UK Limited

### Statement of changes in equity Year ended 31 January 2018

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 February 2016	10,300	1,183	11,483
Share capital decrease	(1,500)	-	(1,500)
Total loss for period	-	(1,093)	(1,093)
Dividends paid	-	(1,000)	(1,000)
At 31 January 2017	<u>8,800</u>	<u>(910)</u>	<u>7,890</u>
 Total income for period	 -	 1,089	 1,089
At 31 January 2018	<u>8,800</u>	<u>179</u>	<u>8,979</u>

## Massimo Dutti UK Limited

### Notes to the financial statements Year ended 31 January 2018

#### 1. Accounting policies

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

##### General information and basis of preparation

Massimo Dutti UK Limited is a company incorporated in the United Kingdom under the Companies Act 2006. 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, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Massimo Dutti 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. The company is consolidated in the financial statements of its parent, Industria de Diseño Textil, S.A. (Inditex, S.A.). Exemptions have been taken in these separate company financial statements in relation to presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

The functional currency of Massimo Dutti 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 lower of the lease term or 10 years
Computer and office equipment	the lower of the lease term or 5 years
Furniture and fittings	the lower of the lease term or 10 years
Store equipment	the lower of the lease term or 10 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.

## **Massimo Dutti UK Limited**

### **Notes to the financial statements Year ended 31 January 2018**

#### **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 leasehold incentives that existed at the date of transition to FRS 102 are recognised under old UK GAAP taking advantage of the transitional rules in FRS102. 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 Massimo Dutti 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.

## Massimo Dutti UK Limited

### Notes to the financial statements Year ended 31 January 2018

#### 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.

##### Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### Financial assets and liabilities:

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being 'basic' financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.



## Massimo Dutti UK Limited

### Notes to the financial statements Year ended 31 January 2018

#### 1. Accounting policies (continued)

##### Financial instruments (continued)

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

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

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.

##### 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, discounted at 5.3%, 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 until expiry of the lease. The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases. Further information on the general, systematic procedure for carrying out these impairment tests INDITEX, S.A. has developed can be found in the consolidated financial statements of the group (see note 17).

Reversals of impairment losses on non-current assets are recognised 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

# Massimo Dutti UK Limited

## Notes to the financial statements Year ended 31 January 2018

### 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### Impairment of assets (continued)

been recognised, 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.

### 4. Profit/(Loss) on ordinary activities before taxation

	2018 £'000	2017 £'000
<b>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):</b>		
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	10	10
Other services	-	1
Depreciation of tangible fixed assets	1,879	1,735
Impairment of tangible fixed assets – new charge	14	-
Impairment of stock recognised	100	37
Operating lease rentals	8,099	8,022

### 5. Remuneration of directors

All directors are paid by a fellow group undertaking. They have received no remuneration for their services to Massimo Dutti UK Limited (2017: nil).

### 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	
	2018 No.	2017 No.
Sales	207	209
Administration	9	10
	<u>216</u>	<u>219</u>

Number of sales employees relate to full time equivalents.

The aggregate payroll costs of these persons were as follows:

# Massimo Dutti UK Limited

## Notes to the financial statements Year ended 31 January 2018

### 6. Staff numbers and costs (continued)

	2018 £'000	2017 £'000
Wages and salaries	5,117	5,067
Social security costs	397	404
Pension costs	62	65
	<u>5,576</u>	<u>5,536</u>

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. Net finance charges

	2018 £'000	2017 £'000
Interest payable to banks	(5)	(3)
Interest on loan from fellow group undertaking	(61)	(34)
	<u>(66)</u>	<u>(37)</u>

### 8. Taxation

#### Analysis of charge in period

	2018 £'000	2017 £'000
<b>Current tax</b>		
UK corporation tax	391	(203)
Adjustments in respect of prior years	(2)	(94)
<b>Total current tax</b>	<u>389</u>	<u>(297)</u>
<b>Deferred tax (see note 14)</b>		
Origination and reversal of timing differences	(21)	25
Change of tax rate	-	3
Adjustments in respect of prior years	1	2
<b>Total deferred tax</b>	<u>(20)</u>	<u>30</u>
<b>Total tax (credit)/charge on (loss)/profit on ordinary activities</b>	<u>369</u>	<u>(267)</u>

## Massimo Dutti UK Limited

### Notes to the financial statements Year ended 31 January 2018

#### 8. Taxation (continued)

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:

	2018 £'000	2017 £'000
Profit/(Loss) on ordinary activities before tax	1,458	(1,360)
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 19% (2017: 20%)	277	(272)
Effects of:		
Depreciation on non-qualifying assets	93	94
Prior year adjustments	(1)	(92)
Change of tax rate	-	3
Total tax charge/(credit)	369	(267)

The standard rate of corporation tax was reduced from 20% to 19% with effect from April 2017. The rate of UK corporation tax that was enacted at the balance sheet date was 19%. The UK government has previously announced that the UK corporation tax rate will reduce further to 17% on 1 April 2020.

Deferred tax assets and liabilities on all timing differences have been calculated at 19% (2017:19%), being the rate of UK corporation tax effective from 1 April 2017, including those expected to reverse in the year ended 31 January 2019.

## Massimo Dutti UK Limited

### Notes to the financial statements Year ended 31 January 2018

#### 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
<b>Cost</b>						
At 1 February 2017	10,418	301	3,358	4,180	-	18,257
Additions	214	97	380	103	-	794
Reclassification	-	-	-	-	-	-
At 31 January 2018	10,632	398	3,738	4,283	-	19,051
<b>Depreciation and impairment</b>						
At 1 February 2017	4,022	196	1,110	2,177	-	7,505
Charge for the year	1,006	41	391	441	-	1,879
Impairment charge	6	-	4	4	-	14
At 31 January 2018	5,034	237	1,505	2,622	-	9,398
<b>Net book value</b>						
At 31 January 2017	6,396	105	2,248	2,003	-	10,752
At 31 January 2018	5,598	161	2,233	1,661	-	9,653

All amounts stated under Leasehold property are short leasehold.

#### 10. Stocks

	2018 £'000	2017 £'000
Finished goods and goods for resale	3,194	2,853

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.

## Massimo Dutti UK Limited

### Notes to the financial statements Year ended 31 January 2018

#### 11. Debtors

	2018 £'000	2017 £'000
Amounts due from fellow group undertakings	621	158
Other debtors	120	146
Prepayments and accrued income	2,197	2,030
Corporation tax	-	95
Deferred tax (see note 14)	78	58
	<u>3,016</u>	<u>2,487</u>

All amounts are due within one year.

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

	2018 £'000	2017 £'000
Trade creditors	414	180
Amounts due to group undertakings	426	440
Other taxation and social security	658	440
Accruals and deferred income	3,230	3,079
Corporation tax	-	-
	<u>4,728</u>	<u>4,139</u>

#### 13. Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Amount due to fellow subsidiary undertaking	<u>2,686</u>	<u>4,945</u>

The company has a loan agreement with a fellow group undertaking. The loan is due for repayment by 31 January 2020.

Interest is calculated at commercial rates based on the LIBOR plus an appropriate margin.

## Massimo Dutti UK Limited

### Notes to the financial statements Year ended 31 January 2018

#### 14. Deferred tax

	2018 £'000	2017 £'000
Net deferred tax asset at the beginning of the year	58	88
Origination and reversal of timing differences	21	(25)
Adjustment in respect of change of tax rate	-	(3)
Prior year adjustments	(1)	(2)
	<hr/>	<hr/>
Deferred tax asset at end of year	78	58

During the year beginning 1 February 2018, the net reversal of deferred tax assets and liabilities is not expected to be significant.

The elements of deferred taxation are as follows:

	2018 £'000	2017 £'000
Capital allowances in arrears of depreciation	78	58
	<hr/>	<hr/>
Net deferred tax asset at the end of the year	78	58

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

#### 15. Called up share capital and reserves

	2018 £'000	2017 £'000
Allotted, called up and fully paid 8,800,000 ordinary shares of £1 each	8,800	8,800
	<hr/>	<hr/>

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.

## Massimo Dutti UK Limited

### Notes to the financial statements Year ended 31 January 2018

#### 16. Commitments

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

	2018 £'000	2017 £'000
Land and building operating leases:		
Within one year	8,937	9,536
Between one and five years	33,514	34,148
More than five years	10,307	18,168

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.

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

The immediate parent company is Grupo Massimo Dutti S.A, a company incorporated in Spain. The ultimate parent company and controlling party 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, Avenida de la Diputación, 15142 Arteixo (A Coruña) Spain, 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 of Industria de Diseño Textil, S.A, Avenida de la Diputación, Edificio INDITEX, 15142 Arteixo (A Coruña) Spain are available from Registro Mercantil, La Coruña, Spain.

#### 18. Related party transactions

During the year the company purchased goods for resale for £1,871,686 (2017: £1,339,307) from non-wholly owned group undertakings. At the balance sheet date the amount due to non-wholly owned group undertakings was £9,933 (2017: £3,133).