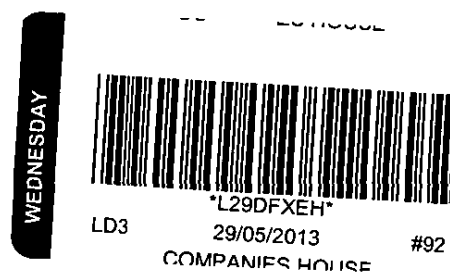


Company Registration No. 4906026

Zara Home UK Limited

Report and Financial Statements

31 January 2013



Zara Home UK Limited

Report and financial statements 2013

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Zara Home UK Limited

Report and financial statements 2013

Officers and professional advisers

Directors

Eva Maria Cardenas Botas
Vicente Cortizas Gonzalez Criado
Jose Manuel Romay De La Colina

Secretary

Athenaeum Secretaries Ltd
25 Moorgate
London
EC2R 6AY

Registered Office

120 Regent Street
London
W1B 5FE

Auditor

Deloitte LLP
Chartered Accountants
London

Zara Home UK Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2013

This Directors' report has been prepared in accordance with the special provisions relating to small companies under s418 of the Companies Act 2006

Business review

Company structure

Zara Home UK Ltd (the Company) is a wholly owned subsidiary of Industria de Diseño Textil, S A (Inditex), which is listed on the Spanish Stock Exchange. The Company purchases finished goods exclusively from group companies.

Trading

The Company operates its own directly operated stores in the UK. The principal activity of the company is the retail of soft furnishing and home decoration items. At 31 January 2013, Zara Home UK Ltd operated from 10 stores (2012: 9). The Company opened a new store during the financial year, in Westfield, Stratford on 24 May 2012.

Total sales for the Company were £11.2m (2012: £8.8m), an increase of 26.9% compared to the prior year.

The gross margin improved to 66.1% of sales for the financial year ending 31 January 2013, compared to 62.6% in prior year, reflecting a better inventory management and as well as exceptional factors such as currency – the Company's merchandise is exclusively purchased from Group undertakings in Spain.

Total operating expenses increased by 11.9% compared to the prior year, in line with the opening of a new store.

The business remains open to risks and uncertainties prevalent in the retail environment, including the levels of consumer spending and currency fluctuations.

New stores

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.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Results and dividends

The audited financial statements for the year ended 31 January 2013 are set out on pages 6 to 16.

The profit before taxation for the year ended 31 January 2013 was £975k (2012: loss £191k).

The directors do not recommend the payment of a dividend (2012: £nil).

Directors and directors' interests

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

Eva Maria Cardenas Botas

Vicente Cortizas Gonzalez Criado

Jose Manuel Romay De La Colina

Zara Home UK Limited

Directors' report (continued)

Disabled employees

Applications for employment for disabled persons are always fully considered, bearing in mind the aptitudes 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.

Payments to suppliers

The company is responsible for agreeing the terms and conditions under which business transactions with suppliers are conducted. It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. Payment terms with suppliers, including intercompany suppliers, are 30 days (2012: 30 days).

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.

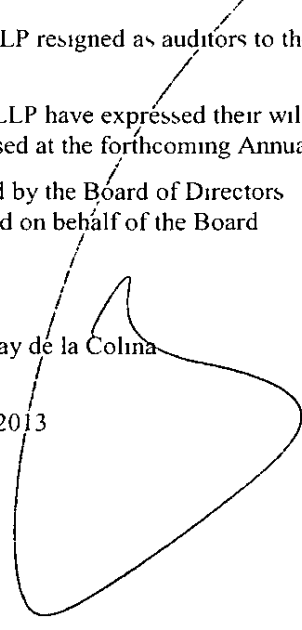
KPMG LLP resigned as auditors to the company and Deloitte LLP were subsequently appointed to fill the casual vacancy.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

J M Romy de la Colina
Director

29 April 2013



Zara Home 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). 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements of Zara Home UK Limited for the year ended 31 January 2013 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. 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).

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. 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 2013 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 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, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' report.



Georgina Robb FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
24 May 2013

Zara Home UK Limited

Profit and loss account Year ended 31 January 2013

	Notes	2013 £'000	2012 £'000
Turnover		11,161	8,797
Cost of sales		(3 788)	(3,288)
Gross profit		7,373	5,509
Selling and distribution costs		(6,093)	(5,494)
Administrative expenses		(447)	(365)
Other operating income		155	153
Operating loss		988	(197)
Interest receivable and similar income	5	7	9
Interest payable and similar charges	6	(20)	(3)
Profit/(Loss) on ordinary activities before taxation	2	975	(191)
Tax charge on profit on ordinary activities	7	(286)	(37)
Profit/(Loss) for the financial year	16	689	(228)

All amounts relate to continuing activities

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

Zara Home UK Limited

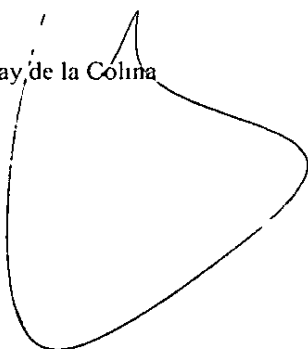
Balance sheet At 31 January 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	8	2,832	2,688
Current assets			
Stocks	9	954	860
Debtors	10	534	726
Cash at bank and in hand		597	369
Current asset investment	11	1,478	230
		<u>3,563</u>	<u>2,185</u>
Creditors amounts falling due within one year	12	<u>(1,574)</u>	<u>(1,730)</u>
Net current assets		<u>1,989</u>	<u>455</u>
Total assets less current liabilities		<u>4,821</u>	<u>3,143</u>
Creditors amounts falling due after more than one year	13	(989)	-
Net assets		<u>3,832</u>	<u>3,143</u>
Capital and reserves			
Called up share capital	15	4,900	4,900
Profit and loss account	16	(1,068)	(1,757)
Shareholder's funds	17	<u>3,832</u>	<u>3,143</u>

The financial statements of Zara Home UK Limited, registered number 4906026 were approved by the Board of Directors on 29 April 2013

Signed on behalf of the Board of Directors

J M Romay de la Colina
Director



Zara Home UK Limited

Notes to the financial statements

Year ended 31 January 2013

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items, which are considered material in relation to the company's financial statements except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent company Industria de Diseño Textil, S A (Inditex), which is incorporated in Spain, prepares a cash flow statement

As a wholly owned subsidiary undertaking of Inditex, the company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related party disclosures" from disclosing transactions with other wholly owned members of the group headed by Inditex. There were no transactions with non-wholly owned group undertakings in the year ended 31 January 2013 (2012: £nil)

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

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 lesser of the lease term or 9 years
Computer and office equipment	the lesser of the lease term or 5 years
Furniture and fittings	the lesser of the lease term or 9 years
Store equipment	the lesser 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

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

Zara Home UK Limited

Notes to the financial statements **Year ended 31 January 2013**

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 stores which have been trading for more than three 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.

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.

Current assets investments

Investments held as current assets are stated at the lower of cost and net realisable value.

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 acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged 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 period to the first rent review date on which the rent is first expected to be adjusted to the prevailing market rate.

Pension costs

Employees are entitled to join personal defined contribution pension schemes, to which Zara Home 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 and net realisable value. Net realisable value is based on estimated normal selling price less further costs expected to be incurred to sale.

Zara Home UK Limited

Notes to the financial statements

Year ended 31 January 2013

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

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 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 at the average 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

Turnover

Revenue 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 goods to customers, net of discounts

The Company sells gift vouchers to the public. Turnover is recognised when vouchers are redeemed in stores

2 Profit on ordinary activities before taxation

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditor's remuneration		
Audit fees	9	12
Other services	2	1
Depreciation of tangible fixed assets	627	488
Loss on disposal of tangible fixed assets	13	121
Impairment of tangible fixed assets (reversal)/charge	(21)	303
Operating lease rentals		
Property	1,842	1,553
Store equipment	4	3

Zara Home UK Limited

Notes to the financial statements Year ended 31 January 2013

3. Remuneration of directors

All directors are paid by a fellow group undertaking. They have received no remuneration for their services to Zara Home UK Ltd (2012: £nil)

4. Staff numbers and costs

The average number of persons employed by the company during the financial period, analysed by category, was as follows:

	Number of employees	
	2013 No	2012 No
Sales	74	77
Administration	3	2
	<u>77</u>	<u>79</u>

Number of sales employees relate to full time equivalents

The aggregate payroll costs of these persons were as follows:

	2013 £'000	2012 £'000
Wages and salaries	1,522	1,199
Social security costs	121	102
Other pension costs	11	11
	<u>1,654</u>	<u>1,312</u>

5. Interest receivable and similar income

	2013 £'000	2012 £'000
Receivable from banks	3	5
Foreign exchange differences	4	4
	<u>7</u>	<u>9</u>

6. Interest payable and similar charges

	2013 £'000	2012 £'000
On bank loans and overdrafts	<u>20</u>	<u>3</u>

Zara Home UK Limited

Notes to the financial statements Year ended 31 January 2013

7. Taxation

Analysis of charge in period

	2013 £'000	2012 £'000
Current tax		
UK corporation tax – current year	299	(3)
UK corporation tax – adjustments in respect of prior year	57	4
Utilisation of prior year losses	(336)	-
Change of tax rate	11	-
Total current tax	31	1
Deferred tax (see note 14)		
Origination and reversal of timing differences	(18)	(46)
Adjustments in respect of prior years	(4)	4
Adjustments in respect of change of tax rate	(2)	20
Tax losses utilised during the year	279	58
Total deferred tax	255	36
Tax charge on profit on ordinary activities	286	37

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

	2013 £'000	2012 £'000
Current tax reconciliation		
Loss on ordinary activities before tax	975	(191)
Current tax at 24% (2012 26%)	234	(50)
Effects of		
Capital allowances for period less than depreciation	18	46
Depreciation on non qualifying assets	46	59
Adjustment in respect of prior year	(4)	4
Tax losses utilised	(263)	(58)
Total current tax charge	31	1

The rate of UK corporation tax that was effective at the balance sheet date was 24%. Subsequently, the UK government announced that the UK corporation tax rate will reduce further to 23% on 1 April 2013. It is expected that the corporation tax rate will change to 21% on April 2014.

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 23% being the rate of UK corporation tax that was effective at the balance sheet date. Based on current capital expenditure plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years.

Zara Home UK Limited

Notes to the financial statements Year ended 31 January 2013

8. Tangible fixed assets

	Leasehold property £'000	Computer and office equipment £'000	Furniture and fittings £'000	Store equipment £'000	New store £'000	Total £'000
Cost						
At 1 February 2012	2,723	88	1,258	1,512	-	5,581
Additions	350	4	116	288	5	763
Disposals	(99)	(14)	(387)	(11)	-	(511)
At 31 January 2013	2,974	78	987	1,789	5	5,833
Depreciation and impairment						
At 1 February 2012	1,432	45	715	701	-	2,893
Charge for the year	305	15	168	139	-	627
Disposals	(96)	(12)	(380)	(10)	-	(498)
Impairment reversal	(12)	-	(5)	(4)	-	(21)
At 31 January 2013	1,629	48	498	826	-	3,001
Net book value						
At 31 January 2013	1,345	30	489	963	5	2,832
At 31 January 2012	1,291	43	543	811	-	2,688

The impairment losses represent the difference between the carrying amount of the fixed assets and their recoverable amount. 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 five years. If economic conditions improve such that an impairment loss is no longer required, this is reversed.

9. Stocks

	2013 £'000	2012 £'000
Finished goods and goods for resale	954	860

Stock consists of soft furnishing and home decoration items for resale

Zara Home UK Limited

Notes to the financial statements Year ended 31 January 2013

10. Debtors

	2013 £'000	2012 £'000
Amounts owed from group undertakings	40	29
Other debtors	35	33
Prepayments and accrued income	459	418
Deferred taxation (see note 14)	-	246
	<u>534</u>	<u>726</u>

11 Current asset investment

	2013 £'000	2012 £'000
Current asset investment	<u>1,478</u>	<u>230</u>

The current asset investment is held in an AAA Liquidity Fund and it bears interest at market rates

12 Creditors, amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	68	214
Amounts owed to group undertakings	683	698
Taxation and social security	419	266
Accruals and deferred income	374	552
Corporation tax	30	-
	<u>1,574</u>	<u>1,730</u>

13 Creditors amounts falling due after more than one year

	2013 £'000	2012 £'000
Amount due to fellow subsidiary undertaking ITX Financien BV	980	-
Deferred tax (see note 14)	9	-
	<u>989</u>	<u>-</u>

Zara Home UK Limited

Notes to the financial statements Year ended 31 January 2013

14 Deferred tax

	2013 £'000	2012 £'000
Deferred tax asset at the beginning of year	(246)	(282)
Origination and reversal of timing differences	(18)	(46)
Tax losses utilised during the year	279	58
Adjustment in respect of change of tax rate	(2)	20
Adjustment in respect of prior year	(4)	4
	<u>9</u>	<u>(246)</u>
Deferred tax liability/(asset) at the end of the year		
The elements of deferred taxation are as follows		
Capital allowances in excess of depreciation	9	63
Tax losses carried forward	-	(309)
	<u>9</u>	<u>(246)</u>
Net deferred tax liability/(asset)		

15 Called up share capital

	2013 £'000	2012 £'000
Authorised, allotted, called up and fully paid 4,900,000 ordinary shares of £1 each	<u>4,900</u>	<u>4,900</u>

16. Reserves

	Profit and loss account £'000
At beginning of year	(1,757)
Profit for the year	<u>689</u>
At end of year	<u>(1,068)</u>

Zara Home UK Limited

Notes to the financial statements Year ended 31 January 2013

17 Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Retained profit/(loss) for the financial year	689	(228)
Net addition/(reduction) to shareholder's funds	689	(228)
Opening shareholder's funds	3,143	3,371
Closing shareholder's funds	3,832	3,143

18. Commitments

Annual commitments under non-cancellable operating leases are as follows

	2013 £'000	2012 £'000
Land and building operating leases which expire		
Within one year	-	-
In the second to fifth years inclusive	1,467	1,317
More than five years	511	511

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

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

The directors regard Inditex, registered in Spain, as the ultimate parent company

The parent company of the largest consolidated group of which the company is a member and for which group financial statements are drawn up is Inditex

The parent company of the smallest consolidated group of which the company is a member and for which group financial statements are drawn up is Zara Home España S A

The consolidated financial statements of Inditex are available to the public and may be obtained from Edificio Inditex, Av Diputacion s/n, 15142- Arteixo, A Coruña – Spain