

**Company Registration No. 4906026**

**Zara Home UK Limited**

**Report and Financial Statements**

**31 January 2015**

TUESDAY



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# **Zara Home UK Limited**

## **Report and financial statements 2015**

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# **Zara Home UK Limited**

## **Report and financial statements 2015**

### **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 and Statutory Auditor  
2 New Street Square  
London  
EC4A 3BZ  
United Kingdom

## Zara Home UK Limited

### Strategic report

#### *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 2015 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 soft furnishing and home decoration items.

At 31 January 2015, Zara Home UK Ltd consisted of 10 stores (2014: 10). During the financial year, the Company opened a new store in London Kensington in April 2014 and closed its Liverpool store end May 2014.

Total sales for the Company were £16.1m (2014: £13.0m), an increase of 23.8% compared to the prior year. The gross margin was 67.7% of sales for the financial year ending 31 January 2015, compared to 65.7% in prior year. The Company's merchandise is exclusively purchased from Group undertakings in Spain. The increase in operating expenses compared to the prior year is in line with the opening of new stores in the prior and current financial years.

#### *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.

#### *Risks*

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 Home 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 Home 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.

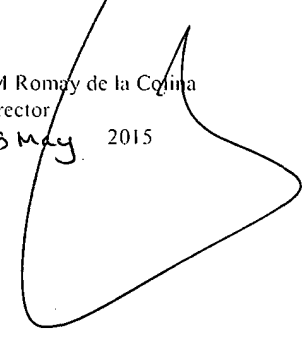
Other main external risks include the business environment (capacity to follow and offer a response to the evolutions of the Company's target market – demographic changes, changes in consumption habits), regulations (commercial, tax, custom, labour regulations), image and reputation. In order to reduce 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.

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

J M Romay de la Cofina  
Director

28 May 2015



## Zara Home UK Limited

### Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2015 .

#### Results and dividends

The audited financial statements for the year ended 31 January 2015 are set out on pages 6 to 16.

The profit before taxation for the year ended 31 January 2015 was £2,597k (2014: £1,357k).

On 28 April 2015, the Board of Directors approved the payment of a £2,000,000 interim dividend to ZARA HOME ESPAÑA S.A. (2014: 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

#### 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.

#### 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 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 Romay de la Colina  
Director

28 May 2015

## **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 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.

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## 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 2015 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 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 2015 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 FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom

25 May 2015

## Zara Home UK Limited

### Profit and loss account Year ended 31 January 2015

	Notes	2015 £'000	2014 £'000
Turnover	1	16,075	12,987
Cost of sales		(5,195)	(4,456)
<b>Gross profit</b>		<b>10,880</b>	<b>8,531</b>
Selling and distribution costs		(8,002)	(6,904)
Administrative expenses		(702)	(495)
Other operating income		414	222
<b>Operating profit</b>		<b>2,590</b>	<b>1,354</b>
Interest receivable and similar income	5	8	3
Interest payable and similar charges	6	(1)	-
<b>Profit on ordinary activities before taxation</b>	<b>2</b>	<b>2,597</b>	<b>1,357</b>
Tax charge on profit on ordinary activities	7	(594)	(346)
<b>Profit for the financial year</b>	<b>15</b>	<b>2,003</b>	<b>1,011</b>

Turnover and results are derived from continuing activities in the United Kingdom. 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

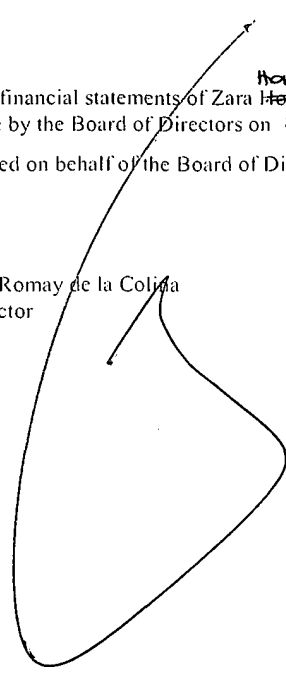
### Balance sheet At 31 January 2015

	Notes	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	8	3,214	2,885
<b>Current assets</b>			
Stocks	9	1,199	1,068
Debtors	10	669	614
Cash at bank and in hand		3,817	330
Current asset investment	11	-	1,752
		<u>5,685</u>	<u>3,764</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(2,053)</u>	<u>(1,806)</u>
<b>Net current assets</b>		<u>3,632</u>	<u>1,958</u>
<b>Net assets</b>		<u>6,846</u>	<u>4,843</u>
<b>Capital and reserves</b>			
Called up share capital	14	4,900	4,900
Profit and loss account	15	1,946	(57)
<b>Shareholders' funds</b>	16	<u>6,846</u>	<u>4,843</u>

The financial statements of Zara Home UK Limited, registered number 4906026 were approved and authorised for issue by the Board of Directors on <sup>Home</sup>28 May 2015.

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 2015

#### 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 INDITEX, S.A., which is incorporated in Spain, prepares a cash flow statement.

As a wholly-owned subsidiary undertaking of INDITEX, S.A., 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, S.A.

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 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.

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 2015**

#### **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 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.

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 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 2015

### 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

	2015 £'000	2014 £'000
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	9	9
Other services	1	1
Depreciation of tangible fixed assets	736	632
Operating lease rentals:		
Property	2,426	2,185
Store equipment	4	4
	<u>          </u>	<u>          </u>

## Zara Home UK Limited

### Notes to the financial statements Year ended 31 January 2015

#### 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 (2014: 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	
	2015 No.	2014 No.
Sales	93	80
Administration	4	3
	<u>97</u>	<u>83</u>

Number of sales employees relate to full time equivalents.

The aggregate payroll costs of these persons were as follows:

	2015 £'000	2014 £'000
Wages and salaries	1,975	1,692
Social security costs	157	130
Other pension costs	21	10
	<u>2,153</u>	<u>1,832</u>

#### 5. Interest receivable and similar income

	2015 £'000	2014 £'000
Receivable from banks	<u>8</u>	<u>3</u>

#### 6. Interest payable and similar charges

	2015 £'000	2014 £'000
On bank loans and overdrafts	<u>1</u>	<u>-</u>

## Zara Home UK Limited

### Notes to the financial statements Year ended 31 January 2015

#### 7. Taxation

Analysis of charge in period

	2015 £'000	2014 £'000
<b>Current tax</b>		
UK corporation tax – current year	608	373
UK corporation tax – adjustments in respect of prior year	4	(4)
<b>Total current tax</b>	<b>612</b>	<b>369</b>
<b>Deferred tax (see note 13)</b>		
Origination and reversal of timing differences	(20)	(15)
Adjustments in respect of prior years	-	(10)
Adjustments in respect of change of tax rate	2	2
<b>Total deferred tax</b>	<b>(18)</b>	<b>(23)</b>
<b>Tax charge on profit on ordinary activities</b>	<b>594</b>	<b>346</b>

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:

	2015 £'000	2014 £'000
<b>Current tax reconciliation</b>		
Profit on ordinary activities before tax	2,597	1,357
Current tax at 21% (2014: 23%)	545	312
Effects of:		
Capital allowances for period less than depreciation	20	15
Depreciation on non qualifying assets	43	46
Adjustment in respect of prior year	-	(10)
Tax losses carried forward	4	6
<b>Total current tax charge</b>	<b>612</b>	<b>369</b>

The rate of UK corporation tax that was enacted at the balance sheet date was 21%. The UK government has previously announced that the UK corporation tax rate will reduce further to 20% effective from 1 April 2015. 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 21%, 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 2015 (the overall average rate for which would otherwise be 20.3%). The impact of this on the financial statements is not considered to be material.

## Zara Home UK Limited

### Notes to the financial statements Year ended 31 January 2015

#### 8. Tangible fixed assets

	Leasehold property £'000	Computer and office equipment £'000	Furniture and fittings £'000	Store equipment £'000	New store £'000	Total £'000
<b>Cost</b>						
At 1 February 2014	3,251	81	1,160	1,980	46	6,518
Additions	432	28	233	372	-	1,065
Reclassifications	46	-	-	-	(46)	-
Disposals	(296)	(12)	(80)	(159)	-	(547)
At 31 January 2015	3,433	97	1,313	2,193	-	7,036
<b>Depreciation</b>						
At 1 February 2014	1,940	58	608	1,027	-	3,633
Charge for the year	353	13	133	237	-	736
Disposals	(296)	(12)	(80)	(159)	-	(547)
At 31 January 2015	1,997	59	661	1,105	-	3,822
<b>Net book value</b>						
At 31 January 2015	1,436	38	652	1,088	-	3,214
At 31 January 2014	1,311	23	552	953	46	2,885

#### 9. Stocks

	2015 £'000	2014 £'000
Finished goods and goods for resale	1,199	1,068

Stock consists of soft furnishing and home decoration items for resale.

## Zara Home UK Limited

### Notes to the financial statements Year ended 31 January 2015

#### 10. Debtors

	2015 £'000	2014 £'000
Amounts owed from group undertakings	83	66
Other debtors	49	28
Prepayments and accrued income	504	506
Deferred taxation (see note 13)	33	14
	<u>669</u>	<u>614</u>

#### 11. Current asset investment

	2015 £'000	2014 £'000
Current asset investment	-	1,752

Current asset investment was an AAA Liquidity Fund account.

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

	2015 £'000	2014 £'000
Trade creditors	95	109
Amounts owed to group undertakings	292	279
Taxation and social security	644	490
Accruals and deferred income	674	745
Corporation tax	348	183
	<u>2,053</u>	<u>1,806</u>

## Zara Home UK Limited

### Notes to the financial statements Year ended 31 January 2015

#### 13. Deferred tax

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Deferred tax asset at the beginning of year	(14)	9
Origination and reversal of timing differences	(20)	(15)
Adjustment in respect of change of tax rate	1	2
Adjustment in respect of prior year	-	(10)
	<u>(33)</u>	<u>(14)</u>
Deferred tax asset at the end of the year		
The elements of deferred taxation are as follows:		
Capital allowances in arrears of depreciation	33	14
Net deferred tax	<u>33</u>	<u>14</u>

#### 14. Called up share capital

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
<u>Authorised, allotted, called up and fully paid</u>		
4,900,000 ordinary shares of £1 each	<u>4,900</u>	<u>4,900</u>

#### 15. Reserves

	<b>Profit and loss account £'000</b>
At beginning of year	(57)
Profit for the year	<u>2,003</u>
At end of year	<u>1,946</u>

## Zara Home UK Limited

### Notes to the financial statements Year ended 31 January 2015

#### 16. Reconciliation of movements in shareholders' funds

	2015 £'000	2014 £'000
Retained profit for the financial year	2,003	1,011
Net addition to shareholders' funds	2,003	1,011
Opening shareholders' funds	4,843	3,832
Closing shareholders' funds	6,846	4,843

#### 17. Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2015 £'000	2014 £'000
Land and building operating leases which expire:		
Within one year	214	280
In the second to fifth years inclusive	1,364	1,567
More than five years	300	465

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.

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

The immediate parent company is Zara Home España S.A, a company incorporated in Spain. 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.

#### 19. Related party transactions

During the year the company purchased goods for resale for £221,958 (2014: £168,050) from non-wholly owned group undertakings. At the balance sheet date the amount due to non-wholly owned group undertakings was £1.640 (2014: £3.023).