

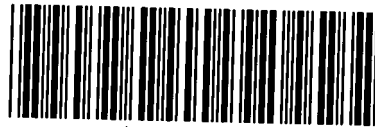
Company Registration No. 05162680

Bershka U.K. Limited

Annual Report and Financial Statements

For the year ended 31 January 2018

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Bershka UK Limited

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

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Bershka UK Limited

Annual Report and financial statements 2018

Officers and professional advisers

Directors

Jorge Rahola Sala

Jose Manuel Romay de la Colina

Antonio Florez de la Fuente – appointed 18 December 2017

Marco Agnolin – resigned 18 December 2017

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

Bershka 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, Bershka UK Limited consisted of five stores (2017: five).

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 £24.9m (2017: £19.8m), a 26% increase compared to the prior year. The Company's merchandise is exclusively purchased from Group undertakings in Spain.

Selling and distribution costs increased by 19% compared to the prior year.

New Stores and Future Developments

The Company did not open any new stores during the financial year (2017: nil).

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. Bershka 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 Bershka 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.

Bershka UK Limited

Strategic report (continued)

Review of the business and Key performance indicators (Continued)

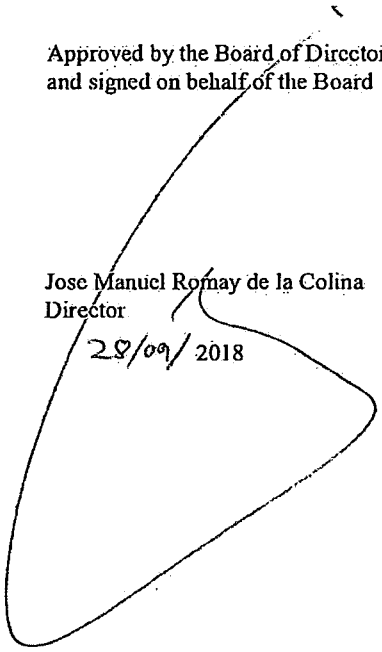
People

Sales growth in a competitive market would not be achieved without the energy and dedication of our management and staff, offering customers a pleasant shopping experience, driving sales and providing a high level of service. Headcount during the year remained relatively stable with 138 full time equivalents (2017: 142).

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

Jose Manuel Romay de la Colina
Director

28/09/2018



Bershka 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 £791k (2017: £220k). The directors do not recommend payment of a dividend (2017: £ nil).

Directors

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

Jorge Rahola Sala

Jose Manuel Romy de la Colina

Antonio Florez de la Fuente – appointed 18 December 2017

Margo Agnolin – resigned 18 December 2017

Risk management

The principal 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:

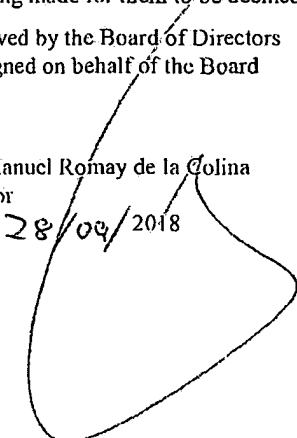
- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that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

28/09/2018



Bershka 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 Bershka 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 Bershka 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 Bershka 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. 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 Bershka 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

Bershka UK Limited

Statement of comprehensive income for the year ended 31 January 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	24,932	19,750
Cost of sales		(10,763)	(8,136)
Gross profit		14,169	11,614
Selling and distribution costs		(13,048)	(11,847)
Administrative expenses		(1,018)	(876)
Other operating income		732	1,522
Operating profit		835	413
Finance charges (net)	7	(44)	(193)
Profit on ordinary activities before taxation	4	791	220
Tax charge on profit on ordinary activities	8	(225)	(116)
Profit for the financial year attributable to the equity shareholders		566	104

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.

Bershka UK Limited

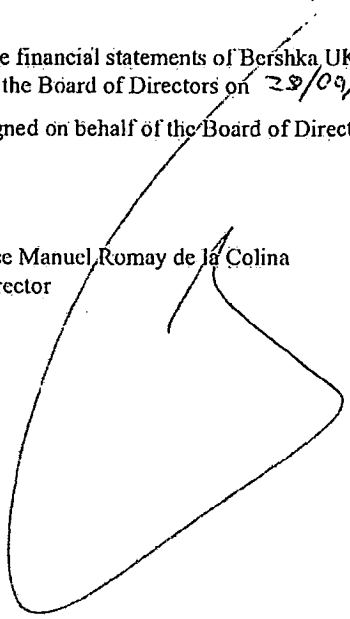
Balance sheet As at 31 January 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	9	2,000	2,939
Current assets			
Stocks	10	926	949
Debtors	11	2,248	3,196
Cash at bank and in hand		404	342
		<u>3,578</u>	<u>4,487</u>
Creditors: amounts falling due within one year	12	<u>(1,180)</u>	<u>(1,933)</u>
Net current assets		<u>2,398</u>	<u>2,554</u>
Total assets less current liabilities		<u>4,398</u>	<u>5,493</u>
Creditors: amounts falling due after more than one year	13	<u>(1,019)</u>	<u>(2,680)</u>
Net assets		<u>3,379</u>	<u>2,813</u>
Capital and reserves			
Called up share capital	15	18,500	18,500
Profit and loss account		<u>(15,121)</u>	<u>(15,687)</u>
Shareholders' funds		<u>3,379</u>	<u>2,813</u>

The financial statements of Bershka UK Limited, registered number 05162680 were approved and authorised for issue by the Board of Directors on 29/09/2018.

Signed on behalf of the Board of Directors

Jose Manuel Romay de la Colina
Director



Bershka 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	16,000	(15,791)	209
Share capital increase	2,500	-	2,500
Total income for period	-	104	104
At 31 January 2017	<u>18,500</u>	<u>(15,687)</u>	<u>2,813</u>
Total income for period	-	566	566
At 31 January 2018	<u>18,500</u>	<u>(15,121)</u>	<u>3,379</u>

Bershka 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

Bershka 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.

Bershka 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 Bershka 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.

Bershka UK Limited

Notes to the financial statements (continued) **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 Bershka 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.

Bershka UK Limited

Notes to the financial statements (continued) **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.

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.

Bershka UK Limited

Notes to the financial statements (continued) **Year ended 31 January 2018**

1. Accounting policies (continued)

Financial instruments (continued)

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 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).

Bershka UK Limited

Notes to the financial statements (continued) Year ended 31 January 2018

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

Impairment of assets (continued)

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 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 on ordinary activities before taxation

	2018 £'000	2017 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	8	8
Depreciation of tangible fixed assets	1,212	982
Impairment of stock - charge/(reversal of previous charge)	53	(2)
Operating lease rentals	4,680	4,495

5. Remuneration of directors

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

Bershka UK Limited

Notes to the financial statements (continued) Year ended 31 January 2018

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	134	138
Administration	4	4
	<u>138</u>	<u>142</u>

Number of sales employees relate to full time equivalents.

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	2,910	2,703
Social security costs	191	167
Pension costs	33	29
	<u>3,134</u>	<u>2,899</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. Finance charges (net)

	2018 £'000	2017 £'000
Interest receivable from banks	-	1
Interest on loan from fellow group undertaking	(44)	(194)
	<u>(44)</u>	<u>(193)</u>

Bershka UK Limited

Notes to the financial statements (continued) Year ended 31 January 2018

8. Taxation

Analysis of charge in period

	2018 £'000	2017 £'000
Current tax		
Adjustments in respect of prior years	-	(10)
Total current tax	-	(10)
Deferred tax (see note 14)		
Origination and reversal of timing differences	(69)	(13)
Change of tax rate	30	22
Utilisation of tax losses brought forward	268	90
Adjustments in respect of prior years	(3)	27
Total deferred tax	6	126
Total tax charge on profit on ordinary activities	226	116

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:

Tax reconciliation

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	791	220
Tax on Profit on ordinary activities at standard UK corporation tax rate of 19% (2017: 20%)	150	44
Effects of:		
Depreciation on non qualifying assets	48	32
Prior year adjustments	(3)	27
Change of tax rate	30	-
Origination and reversal of timing differences	-	13
Total tax charge	225	116

The standard rate of UK corporation tax was reduced from 20% to 19% with effect from 1 April 2017. The rate 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 that was enacted at the balance sheet date, including those expected to reverse in the year ended 31 January 2019.

Bershka UK Limited

Notes to the financial statements (continued) Year ended 31 January 2018

9. Tangible fixed assets

	Leasehold property £'000	Computer and office equipment £'000	Furniture and fittings £'000	Store equipment £'000	In course of construction £'000	Total £'000
Cost						
At 1 February 2017	5,595	185	1,346	2,911	-	10,037
Additions	106	30	89	40	89	354
Disposals	-	-	(53)	-	-	(53)
At 31 January 2018	5,701	215	1,382	2,951	89	10,338
Depreciation and impairment						
At 1 February 2017	3,956	105	877	2,160	-	7,098
Charge for the year	695	40	232	245	-	1,212
Disposal	-	-	(53)	-	-	(53)
Impairment Charge	41	2	9	29	-	81
At 31 January 2018	4,692	147	1,065	2,434	-	8,338
Net book value						
At 31 January 2018	1,009	68	317	517	89	2,000
At 31 January 2017	1,639	80	469	751	-	2,939

All amounts stated under Leasehold property are short leasehold.

10. Stocks

	2018 £'000	2017 £'000
Finished goods and goods for resale	926	949

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.

Bershka UK Limited

Notes to the financial statements (continued) Year ended 31 January 2018

11. Debtors

	2018 £'000	2017 £'000
Amounts due from fellow group undertakings	242	1,055
Other debtors	12	4
Prepayments and accrued income	1,202	1,119
Deferred Tax (see note 14)	792	1,018
	<u>2,248</u>	<u>3,196</u>

All amounts are due within one year.

12. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	354	144
Amounts due to group undertakings	369	102
Other taxation and social security	236	1,196
Accruals and deferred income	221	491
	<u>1,180</u>	<u>1,933</u>

13. Creditors: amounts falling due after one year

	2018 £'000	2017 £'000
Loan from fellow group undertaking	<u>1,019</u>	<u>2,680</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.

Bershka UK Limited

Notes to the financial statements (continued) Year ended 31 January 2018

14. Deferred tax

	2018 £'000	2017 £'000
Net deferred tax asset at the beginning of the year	1,018	1,144
Origination and reversal of timing differences	69	13
Tax losses utilised during the year	(268)	(90)
Adjustment in respect of change of tax rate	(30)	(22)
Adjustment in respect of prior year	3	(27)
Asset at end of year	<u>792</u>	<u>1,018</u>

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 depreciation	489	416
Tax losses carried forward	303	602
Net deferred tax asset at the end of the year	<u>792</u>	<u>1,018</u>

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		
18,500,000 ordinary shares of £1 each	<u>18,500</u>	<u>18,500</u>

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.

Bershka UK Limited

Notes to the financial statements (continued) 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	4,846	4,693
Between one and five years	12,655	12,367
More than five years	7,665	8,869

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 Bershka 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, 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 £652,424 (2017: £444,431) from non-wholly owned group undertakings. At the balance sheet date the amount due to non-wholly owned group undertakings was £14k (2017: £32).