

# **IKEA LIMITED**

Registration No. 01986283

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 AUGUST 2022**

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**IKEA LIMITED**

**CONTENTS**

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	Page
Company information	1
Strategic report	2-5
Directors' report	6-8
Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements	9
Independent auditor's report to the members of IKEA Limited	10-11
Statement of income and retained earnings	12
Balance sheet	13
Notes to the financial statements	14-23

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**IKEA LIMITED**

**COMPANY INFORMATION**

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<b>Directors</b>	C Mourouzides C Bengtsson M Deblinska Hajdas (Resigned 1 January 2022) P Jelleby S Vanoverbeke M Smith (Appointed 1 January 2022) S H Ruhlmann (Appointed 1 March 2022)
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<b>Secretary</b>	Shoosmiths Secretaries Limited 7 <sup>th</sup> Floor 100 Avebury Boulevard Milton Keynes MK9 1FH
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<b>Company number</b>	01986283
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<b>Auditor</b>	KPMG LLP 15 Canada Square Canary Wharf E14 5GL
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<b>Banker</b>	HSBC City of London Branch 60 Queen Victoria Street London EC4N 4TR
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<b>Registered office</b>	7 <sup>th</sup> Floor 100 Avebury Boulevard Milton Keynes MK9 1FH
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## **Introduction and Principal Activities**

IKEA Limited (the "Company") operates as a home furnishings retailer. At the start of the 2022 financial year IKEA Limited had a total number of 21 UK stores, 1 Order and Collection Point, with over ten thousand employees. The vision of the Company is to create a better everyday life for many people, by offering a wide range of well-designed, sustainable, and functional home furnishing products at low prices to allow as many people as possible to afford them. It is the Company's belief that delivering continued growth and sustainable long-term profitability, as well as home furnishing inspiration and solutions to live a more sustainable life at home, will enable this vision.

## **Our performance**

IKEA is on a journey to create better homes for all, better lives for the millions of people we connect with, a better company that's fair and inclusive, and a better planet. We measure our performance and success against ambitious targets in all four of these areas and are proud of the progress IKEA UK made this year.

Amidst the UK's increasing political uncertainty, economic fragility and a gradual recovery from the pandemic, customers are cautious about spend, but also expect the highest online and in-store experience. Against this backdrop, we made major strategic investments towards greater affordability, accessibility and sustainability; always with our vision of a better everyday life for the many front of mind.

Our healthy financial results, including a 12.6% growth in turnover versus last year, outperforming the home furnishing market and gaining market share, represent our financial stability and resilience amidst great change. They also tell the story of a company that understands that it is good business to be a good business.

Overall, the company's gross margin for the year has improved to 30.5% (2021: 29.8%) and operating profit has decreased compared to last year £49.6 million (2021: operating profit of £81.2 million). The company showed net current liabilities of £155.3 million in 2022 (2021: £117.2 million). Further details are provided in "Better Business" section below.

## **Better Planet**

The IKEA commitment to become climate positive and a circular business by 2030 saw us mobilise and inspire our co-workers, our customers, alongside the wider industry and government, to protect and preserve the world's resources.

Last year we were an official partner at the landmark UN climate change conference COP26 in Glasgow. At the event, we demonstrated our actions and advocated to convince governments, businesses and ordinary people to get behind measures to limit global warming to 1.5 degrees Celsius.

Since the event, and even as the world's focus has shifted away from climate action, we have continued to advocate for a more sustainable life at home, and with colleagues at the British Retail Consortium and the UN's Race to Zero campaign to help assemble a better future and planet for all. Alongside this high-level advocacy, the event's legacy was that our co-workers mobilised and rallied around our sustainability goals. Over 300 sustainability ambassadors from all parts of the IKEA UK family found new ways to use our stores and brand as a platform for encouraging customers and co-workers to live healthy and sustainable lives.

We supported the charity Ashden's "Let's Go Zero" project, where we helped schools to go zero carbon. The project targeted the younger generation and engaged over 6 million people through schools and local authorities – as well as influencing the Department for Education's outlook on this area.

Equally important to our sustainability goals are our emission reduction targets for the UK business. In 2022, we reduced CO<sub>2</sub> emissions from 9,586 tonnes of carbon dioxide equivalents to 8,084, a 16% decrease. This was achieved through investing in new technology trials and behaviour changes to decrease energy use in stores and distribution centres. All our stores and distribution centres now use 100% renewable electricity, with our new Hammersmith store achieving the BREAM outstanding sustainability accreditation.

Looking ahead, investments in solar panels, electricity equipment, electric vehicles, renewability and cooling will take us closer to our ambitious sustainability goals.

## **Better Lives**

Creating a fairer and more equal world starts with enabling our co-workers to feel safe and supported in an environment where we can all grow and be ourselves. The pandemic marked a step-change in how we care for and empower our co-workers, financially, as well as emotionally. In the face of rising costs, we worked closely with Living Wage Foundation to ensure our co-workers are financially protected and their living wage matches recent price increases. We aim to continue this matching of our wages to the Living Wage in the future. We also built on our culture of togetherness, introducing accredited Mental Health ambassadors, and becoming the first country within the Ingka Group to introduce a Menopause policy. We invested in training that empowers our co-workers to lead us forward in a new age of retail.

We believe everyone should be treated fairly, feel valued and be given equal opportunities. Through our Proud to Be internal campaign, we've been able to give a platform to underrepresented co-workers and groups, including activism and advocacy for gender and race equality and LGBTQ+ causes throughout the year. Our journey to become gender-equal by 2024 continues, with a vision of 50:50 gender balance in every unit and equal opportunities across the business.

As our business and co-workers prosper, so too must the communities in which we operate. By investing in causes that matter and donating our expertise and products, we help improve the lives of some of the UK's most vulnerable.

We continued our efforts to place refugees within our workforce, collaborating with our parent organisation to redeploy co-workers from Ukraine and working closely with the refugee councils to offer 180 placements by the end of 2023.

The home should be a place of sanctuary and opportunity for the UK's most vulnerable, as well as our customers. Together with the National Lottery, we donated £1.4 million to our Places Called Home collaboration, providing micro grants that benefited 300 local charities and community groups. 2022 marked the fourth year of our partnership with Barnardo's, during which we helped change legislation, make large scale donations, and empower young care leavers through digital training. A new partnership with Shelter will see further support for housing the UK's most vulnerable in a year of increased homelessness.



#### **Better Homes**

Since IKEA was founded nearly 80 years ago, we've made a concerted effort to side with the many and believe a better life should be available to all, no matter how thin their wallets are. While the price of resources is increasing, we took steps to keep any cost increases to our products to a minimum and absorb as much of the impact as possible through our own cost-cutting initiatives. Looking at how our products are designed, sourced, made, transported and their full life cycle is a critical focus for affordability.

Our Resell service expanded beyond stores to online, enabling more customers to bring back old products for a new lease of life. The increased range of Sustainable Living products provided affordable solutions to cut energy and waste – more important than ever in the face of rising energy prices. Our Big Clean Energy Switch financially incentivised customers to make the move to clean energy suppliers amidst rising energy prices.

Our ongoing goal is to become more customer-centric, so that people can shop with us for a better, more sustainable life at home, whenever, wherever and however they choose. One of our most powerful figures for measuring success here is the happy customer score, which improved from 60 to 70 in FY22.

#### **Better Business**

IKEA UK remains on a journey of extensive transformation to become more affordable, accessible and sustainable. A backdrop of increasing living costs, Government instability and wider market volatility meant our growing agility, combined with a strong culture of togetherness, played a vital role in bringing double digit growth of 12.6% in turnover compared to last year.

Our double digit growth in turnover was combined with a healthy net operating profitability of 2.3% (3.1% in 2021), despite the significant increase in costs we faced during the year. The impact of the war in Ukraine and the subsequent high inflationary pressure had a significant impact in the global supply chain and in local energy and other costs and as a result both our operating costs and cost of goods increased significantly compared to last year. Additionally, Property Taxes increased significantly following the "holiday period" provided in most areas of the country during the pandemic period and as a result we paid £27m more in 2022 vs 2021 (a 5% increase in our Operating costs and a 1.2% negative impact on our operating result % to sales, just because of this).

Despite the increased costs, we decided to continue to invest in our people by protecting the living wages and by limiting as much as possible any price increases to our products for our customers, whilst maintaining a reduced but healthy profitability that would provide the necessary resources in order to continue to invest and grow as a business.

This was made possible through an ambitious cost transformation program that enabled us to improve our efficiency and decrease our costs whilst improving our business operations and the level of service to our customers. Examples of these cost transformation initiatives were the high level of store fulfilled online orders (37%) that led to lower last mile costs, lower CO2 emissions and improved lead times for our customers and decrease in energy consumption and waste management costs. Our holistic vision for better lives, better homes, better planet and a better business has enabled us to find solutions that served all four dimensions of our value creation map and show in practice that it is good business to be a good business.

In the future, we will continue to invest in increasing our capacity and efficiency of fulfilling online orders through both our stores and our existing and new Central Distribution Units. We are also launching new services like 'Collect near you', which make our offer even more accessible and convenient for our customers and opens up new fulfilment capabilities for us.

Our accessibility and convenience of shopping are also enhanced by the new customer meeting points we are opening across the country. Our Hammersmith store, which opened February this year, was the first of our new small format stores in the UK. This will be followed by our next new store at the prestigious global shopping destination of Oxford Street, which is planned to open in Autumn 2023. Additionally, we have recently announced the opening of new Planning and Order points in Northwest England, progressing our goal of making it easier and more accessible to shop with us.

Last but not least, we will continue to invest in sustainability solutions that will enable us to reduce our energy consumption, our CO2 emissions and our costs. This will enable us to maintain low prices for our customers and ensure better lives for our people and the communities where we operate.

The details provided above in the sections "Better Planet", "Better Lives", "Better Homes" and "Better Business", which explain some of the actions we have taken and planning to take in order to transform our business and make it more affordable, accessible and people and planet positive, also satisfy our Section 172 obligations.



### Streamlined Energy and Carbon Reporting

Under the Streamlined Energy and Carbon Reporting regulations IKEA UK Group are required to report annually on greenhouse gas emissions from Scope 1 and 2 Electricity, Gas and Transport.

The data has been compiled in line with the March 2019 BEIS 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance', and the EMA methodology for SECR Reporting. All measured emissions from activities which the IKEA UK Group has financial control over are included as required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, unless otherwise stated in the exclusions statement.

The carbon figures have been calculated using the BEIS 2022 carbon conversion factors for all fuels, other than the market based electricity which has been taken from Total, Yu Energy, Engie, Flogas and Naturgy as the UK suppliers.

### UK Carbon Footprint Data 2021-22

Scope	Description	Specific fuels	tCO2e 2020/21	tCO2e 2021/22
Scope 1	Combustion of fuel on site and transportation	On site: Natural Gas, Wood Pellet (biomass), Diesel, Unknown vehicle fuel	8,440	7,614
Scope 2	Purchased energy	Electricity and District Heating	Location based 16,209	Location based 16,142
			Market based 943	Market based 847
Scope 3	Supply Chain Emissions	Vehicle fuel	130	266
Total		Location based	24,780	24,021
		Market based	9,514	8,726
Intensity Ratio	tCO2e / m2 floor area	Location based	0.038	0.027
		Market based	0.015	0.010
Energy Usage	Total kWh consumed	Electricity, Natural Gas, Diesel, Biomass, District Heating, unknown vehicle fuel	124,155,521	127,172,509
	Renewable %	Electricity	96%	97%

### Energy Efficiency Actions taken

- Implemented 4 Ecopilot systems. Ecopilot is an intelligent engine that optimises energy usage in real time-all year around-every 2<sup>nd</sup> minute. IKEA expects to save 520 MW per year. Ecopilot considers the building's current condition, its thermal storage capacity, current internal loads, weather impact and all HVAC systems. Ecopilot utilises the building's thermal storage capacity to store and use free energy without compromising the indoor climate. The engine considers the whole building and makes sure that the heating, cooling and ventilation system interact rather than counteract each other. It prepares the building of upcoming changes in weather and makes use of free energy from solar radiation.
- 3 full BMS upgrades – upgraded Building Management systems to allow greater control of heating, cooling and lighting systems
- Leeds warehouse lighting changed to LED with intelligent controls
- Upgraded HVAC equipment for more efficiency and modern systems.
- LED lighting projects ongoing to achieve our target of 100% LED lighting in the near future.



## **Principal risks and uncertainties**

### **Overview**

The Board of Directors is responsible for determining the level of risk acceptable to the Company; this is subject to a regular review. The Company has regular board and management meetings to manage all risks.

The Board has considered the potential consequences and material impacts of the current economic situation, the recent supply chain disruption and the recent war between Russia and Ukraine. Management is monitoring the situation, working closely with external partners and authorities in the UK and EU to take the actions and make changes where required, and managing further potential impacts on the business. Although inflation and current costs of living have increased within the UK and Globally, through targeted marketing campaigns, and expanding the Click and Collect and Collect Near You service to bring IKEA even closer to the many. The Directors believe that IKEA Limited is well positioned for continued growth within the UK.

The execution of the Company's strategy is subject to several risks:

### **Financial risk management**

Financial instruments are governed by the commercial policies of the international INGKA Group. Consequently, treasury operations are centralised and managed by an INGKA Group Company outside the IKEA UK Group; a nominated resource within this Company is responsible for reviewing the risk exposure together with key UK management on a regular basis. The cash flow risk of the Company is addressed under the following headings:

#### **i. Exchange rate risk**

The exchange rate risk of the Company is actively managed by reviewing currency needs in advance and in line with INGKA Group policies.

#### **ii. Interest rate risk**

Interest rate risk is managed via a series of fixed and floating rate instruments.

#### **iii. Liquidity risk**

The Company maintains a mixture of long and short term debt instruments that are designed to ensure it has availability of sufficient funds for operations and planned expansion.

#### **iv. Credit risk**

Conservative gearing limits and the use of highly rated financial institutions are used to manage the credit risk.

### **Price risk**

The INGKA Group at a global level works with its supplier to source products and sustainable materials at the lowest price so that the business may deliver its price and value promise to customers.

### **Key performance indicators**

The Directors consider the key financial performance indicators of the Company to be turnover, gross margin, operating profit and net current assets of the Company, the results of which have been disclosed in the Better Business section above. The Directors consider a number of non-financial performance indicators. However, they do not deem these as key for the assessment of the Company's financial performance in the current year.

### **Subsequent events**

There are no events subsequent to the reporting date requiring adjustment or disclosure in the financial statements.

On behalf of the board



C Mourouzides  
Director  
22 November 2022



**IKEA LIMITED  
REGISTERED NO: 01986283  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 AUGUST 2022**

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The Directors present their annual report and the financial statements of IKEA Limited for the year ended 31 August 2022. The Company operates in the UK with no branches outside of the UK.

**Results and dividends**

The profit before tax for the year was £88.1 million (2021: £62.4 million). The profit after tax was £80.4 million (2021: £53.0 million). A dividend of £90.0m was paid in the year ended 31 August 2022 (2021: nil).

**Directors**

The following directors held office during the year and up to the date of this report:

C Mourouzides	
C Bengtsson	
M Deblinska Hajdas	(Resigned 1 January 2022)
P Jelkeby	
S Vanoverbeke	
M Smith	(Appointed 1 January 2022)
S H Ruhlmann	(Appointed 1 March 2022)

No Director held any interest in the shares of the Company during the period.

**Employees and employee policies**

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status, and offers appropriate training and career development for disabled staff. If members of staff become disabled, the Company continues employment wherever possible and arranges retraining. The Company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be considered when making decisions that are likely to affect their interests. In addition, the Company encourages the involvement of employees by means of team meetings and newsletters. The Strategy Report on page 2 provides details on the Company's Gender Equality Plan.

**Research and development**

No research and development activities were undertaken during the year.

**Political contributions**

The Company did not make any political donations in either the current or prior year.

**Disclosure of information to auditor**

So far as each person who was a Director at the date of approving this report is aware there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group auditor, each Director has taken all steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to ascertain that the auditor is aware of that information.

**Going concern**

The Company's net current liabilities have increased from £117.20 million to £155.3 million in 2022, mainly due to increase in bank overdraft arising from the cash pooling arrangement within the IKEA UK Group. The operating profit has reduced from £61.2 million in 2021 to £49.6 million in 2022 due to increase costs outlined in the Strategic Report on page 3.

The Directors have assessed going concern by considering areas of financial risk and by reviewing cash flow forecasts covering a period of 24 months to 31 August 2024. The Directors' assessment has considered trading up to the point of signing these financial statements and that the home furnishings retail business in which the Company operates has demonstrated resilience during the Covid-19 pandemic. Although the Company has maintained growth in revenue, forecasts include an inflationary impact and show that the company will continue to be profit making in the year ahead.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.



## UK Corporate Governance Code

### Overview

IKEA Limited ("IKEA") is subject to reporting requirements under the Companies (Miscellaneous Reporting) Regulations 2018 (MRR). These include a requirement to make a statement stating which corporate governance code IKEA applies for its governance arrangements (and how the code is applied, including explanations for any departure from application), and if no code is applied, why and what governance arrangements are in place.

IKEA has chosen to apply the *Wates Corporate Governance Principles for Large Private Companies 2018 (Wates Principles)*, which comprise six key principles. This statement provides an account of how IKEA applies the *Wates Principles* in its corporate governance arrangements.

In addition, IKEA's parent company, INGKA Holding BV ("INGKA"), has a bespoke governance framework which applies to INGKA Holding BV and its subsidiaries, including IKEA. Full details on INGKA's governance framework is available in their Annual Summary and Sustainability Report, which can be found on their website [ingka.com/this-is-ingka-group/annual-report](https://www.ingka.com/this-is-ingka-group/annual-report).

### The Wates Principles

IKEA complied with all of the six key *Wates Principles* set out in the MRR for the period under review. To keep this report concise, we will focus on the key governance issues only. IKEA's compliance with key areas of the *Wates Principles* are summarised below, together with cross references, where applicable, to the relevant sections of this report where more information can be found.

**Purpose and leadership:** information on how IKEA have an effective board that develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose can be found in the Strategic report on pages 2-5.

**Board composition:** IKEA have an effective board composition and this is reflected by an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The IKEA Board is comprised of five members, with a mix of executive and non-executive directors from IKEA Limited, IKEA Retail Services AB, Ingka Services AB and Ingka Services B.V: Stefan Vanoverbeke, Deputy Retail Operations Manager (Chairperson), Peter Jelkeby, CEO & Chief Sustainability Officer (Organiser), Marzanna Deblinska-Hajdas, Business Navigation Business Partner (Member), Constantinos Mourouzides, Country Chief Financial Officer (Member) and Charlotta Bengtsson, Legal Counsel Manager (Member).

**Directors' responsibilities:** the IKEA Board and individual directors have a clear understanding of their accountability and responsibilities. The individual directors have been trained and fully understand their statutory duties set out in the Companies Act 2006 and, in accordance with these duties, all directors are required to act in good faith and promote the success of the Company for the benefit of its stakeholders. More information of how the directors promote the success of the Company can be found in sections "Better Planet", "Better Lives" and "Better Homes" of the Strategic report on pages 2-3.

**Opportunity and risk:** the IKEA Board ensures a sustainable business through consistent, profitable growth and driving a culture of continuous improvement in standards and performance. It is responsible for agreeing the strategy and corporate vision in a way that maximises value creation and manages risks. All material new strategies are considered and approved by the IKEA Board. The IKEA Board has delegated responsibility to the Risk Committee for reviewing and advising on the current risk exposure of the Company and future risk strategy.

**Remuneration:** The IKEA Board has delegated responsibility to the People Committee for determining remuneration policies and procedures. The People Committee is responsible for establishing and reviewing the remuneration policy and approach and this is presented and approved by the IKEA Limited Board of Directors. The People Committee ensures that changes in remuneration are fair and consistent, performance-based where appropriate and take into account external benchmarking. The Company operates a performance related bonus scheme named "One IKEA Bonus" (OIB). The principles and rewarding parameters of OIB follow relevant guidelines from INGKA Group and are approved by the IKEA Limited Board of Directors. Remuneration for directors and senior management is also approved by the IKEA Limited Board of Directors.

**Stakeholder relationships and engagement:** information on how the directors have had regard for the Company's Stakeholders, and the effect of that regard, is included in the Strategic report on pages 2 to 5.



**Impairment of non-financial assets**

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

**Other financial instruments**

Financial instruments are governed by the commercial policies of the INGKA Group. Consequently, the treasury operations are centralised and managed by a fellow INGKA Group subsidiary, outside the IKEA UK Group. A central treasury function reviews the risk exposure together with key management in the UK.

**Other disclosures**

As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report on pages 2 to 5, as the Board considers them to be of strategic importance. Specifically, these are:

- Financial risk management
- Greenhouse gas emissions 2021/22
- Subsequent events
- Information on how the directors have had regard for the Company's Stakeholders, and the effect of that regard

**Directors Indemnity**

The Company has granted an indemnity to the Directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

On behalf of the Board



C Mourouzides  
Director  
22 November 2022

Registered office:  
7th Floor  
100 Avebury Boulevard  
Milton Keynes  
MK9 1FH



**IKEA LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

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The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



C Mourouzides  
Director  
22 November 2022



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IKEA LIMITED

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### Opinion

We have audited the financial statements of IKEA Limited ("the Company") for the year ended 31 August 2022 which comprise the Statement of Income and Retained Earnings, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Reading Board minutes; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries.

On this audit we do not believe there is a fraud risk related to revenue recognition because of the following:

- Management compensation is tied to profitability, therefore, management could feel pressured or might have an incentive to alter results in order to achieve their targets. However, based on our understanding of the bonus scheme, the Company follows One IKEA Bonus wherein the bonus is dependent on the performance of overall IKEA Limited, irrespective of specific stores' performance;
- Potential manipulation to deferred revenue should be backed by changes in corresponding costs and expenses. Any opportunity to manipulation would be possible only at around year-end date over deferred revenue, which would not give a significant impact to the overall profitability. As such, the incentive to manipulate by management is considered minimal.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts/journal entries containing key words.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IKEA LIMITED (CONTINUED)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.



Omar Ali (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
E14 5GL  
London  
United Kingdom  
24 November 2022



**IKEA LIMITED**  
**REGISTERED NO: 01986283**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

	Note	2022 £'000	2021 £'000
<b>TURNOVER</b>	2	2,201,937	1,954,720
Cost of sales		(1,531,214)	(1,370,393)
<b>Gross profit</b>		<u>670,723</u>	<u>584,327</u>
Administrative expenses		(641,694)	(543,540)
Other operating income		20,538	20,456
<b>Operating profit</b>	3	<u>49,567</u>	<u>61,243</u>
<b>Profit on ordinary activities before interest</b>		<u>49,567</u>	<u>61,243</u>
Interest receivable and similar income	4	4,649	2,433
Interest payable and similar charges	5	(1,146)	(1,278)
Dividend received		35,000	-
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>88,070</u>	<u>62,398</u>
Tax charge	7	(7,685)	(9,448)
<b>PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME</b>		<u>80,385</u>	<u>52,950</u>
Retained earnings as at 1 September	17	277,202	224,252
Profit for the year	17	80,385	52,950
Dividend paid	17	(90,000)	-
Retained earnings as at 31 August	17	<u>267,587</u>	<u>277,202</u>

All amounts in the statement of income and retained earnings above relate to continuing activities. The notes on pages 14 to 23 form part of the financial statements.



**IKEA LIMITED**  
**REGISTERED NO: 01986283**  
**BALANCE SHEET**  
**AS AT 31 AUGUST 2022**

	Note	2022 £'000	2021 £'000
<b>FIXED ASSETS</b>			
Intangible assets	8	572	537
Tangible assets	9	34,793	38,848
		<u>35,365</u>	<u>39,385</u>
Investments	10	108,621	108,621
Loans due from Group undertakings	11	292,233	262,234
		<u>400,854</u>	<u>370,855</u>
<b>CURRENT ASSETS</b>			
Stock	12	91,797	61,634
Debtors (including £16,628 due after more than one year (2021: £13,552))	13	188,000	199,845
Cash at bank and in hand		541	581
		<u>280,338</u>	<u>262,060</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	(435,677)	(379,261)
<b>NET CURRENT LIABILITIES</b>		<u>(155,339)</u>	<u>(117,201)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		280,880	293,039
<b>CREDITORS: Amounts falling due after more than one year</b>	15	(321)	(1,653)
<b>PROVISIONS FOR LIABILITIES</b>	16	(6,972)	(6,184)
<b>NET ASSETS</b>		<u>273,587</u>	<u>283,202</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	6,000	6,000
Profit and loss account	17	267,587	277,202
<b>TOTAL SHAREHOLDERS' FUNDS</b>	17	<u>273,587</u>	<u>283,202</u>

The notes on pages 14 to 23 form part of the financial statements.

These financial statements were approved by the Board of Directors on 22 November 2022 and were signed on its behalf by:



C Mourouzides  
Director  
22 November 2022  
Company registered number: 01986283



**IKEA LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2022**

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**Statement of Compliance**

The company's financial statements of IKEA Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standards 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006.

**1. Accounting policies**

IKEA Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK. The Company's registered address is: 7<sup>th</sup> Floor, 100 Avebury Boulevard, Milton Keynes, MK9 1FH. The Company's registered number is 01986283.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

**Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and the applicable accounting standards in the UK as issued by the Financial Reporting Council, in particular FRS 102. The principal accounting policies, which have been applied consistently within the accounts from one financial year to another are set out below.

The presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £',000. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company is exempt by virtue of S401 the Companies Act 2006 from the requirement to prepare group financial statements. The Company's ultimate parent undertaking, INGKA Holding BV includes the Company in its consolidated financial statements. The consolidated financial statements of INGKA Holding BV are publicly available and from KVK, Watmolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands.

In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The requirements of Section 7 Cash flow statement and Section 3 Financial Statement Presentation 3.17 (d)
- The requirements of Section 11 Basic Financial Instruments
- The requirements of Section 33 Related Party Disclosures

As the consolidated financial statements of INGKA Holdings BV, prepared in accordance with International Financial Reporting Standards as adopted by the EU are available to the public and may be obtained from KVK, Watmolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands include the relevant disclosures, the Company has also taken the exemption under FRS 102 available in respect of the disclosures required by FRS 102 Basic financial instrument.

The Company has taken advantage of the exemption conferred by FRS 102 33.1A "Related Party Disclosures" from disclosing details of transactions with its immediate parent company and any other company within the 100% wholly owned group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Going concern**

The Company's net current liabilities have increased from £117.20 million to £155.3 million in 2022, mainly due to increase in bank overdraft arising from the cash pooling arrangement within the IKEA UK Group. The operating profit has reduced from £61.2 million in 2021 to £49.6 million in 2022 due to increase costs outlined in the Strategic Report on page 3.

The Directors have assessed going concern by considering areas of financial risk and by reviewing cash flow forecasts covering a period of 24 months to 31 August 2024. The Directors' assessment has considered trading up to the point of signing these financial statements and that the home furnishings retail business in which the Company operates has demonstrated resilience during the Covid-19 pandemic. Although the Company has maintained growth in revenue, forecasts include an inflationary impact and show that the company will continue to be profit making in the year ahead.

Based on this analysis, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future, a period of at least 12 months from the date of approving these financial statements. Thus, they consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

**Measurement convention**

The financial statements are prepared on the historical cost basis. Judgements made by directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 20.

The Company's business activities together with the factors likely to affect its future development, performance and position are set out in the strategic report on page 2. In addition, the strategic report also outlines the Company's financial risk management objectives and its exposures to credit and liquidity risk.

**Impairment financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.



#### **Accounting policies (continued)**

##### **Intangible assets**

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful life with zero residual value. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic live of intangible assets are as follows:

Initial Franchise Fee                      5 years

The initial Franchise Fee amortisation period of 5 years is in line with a new store start up period. If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

##### **Tangible fixed assets**

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses and are depreciated over the shorter of their useful economic life or lease life. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful economic life, as follows:

Computer equipment	3 years
Plant & machinery (including fixtures, fittings, equipment and motor vehicles)	5-8 years
Building installations	10 years
Building equipment	15 years

No depreciation is provided on construction in progress.

In accordance with FRS 102.27 "Impairment of Assets", the Company has determined that each primary market area is an income generating unit. Recoverable amounts for income-generating units are based upon value in use, which is calculated from cash flow projections using data from the Company's internal forecasts, the results of which are reviewed by the board.

##### **Impairment of non-financial assets**

The carrying amounts of the Company's non-financial assets other than stock and deferred tax assets are reviewed at each reporting date for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

##### **Calculation of recoverable amount**

The recoverable amount of fixed assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

##### **Investments in subsidiaries**

The Company's investment in subsidiary undertakings is recognised at cost and is accounted for net of impairment losses. Impairment reviews are carried out by management annually when there is an indication of impairment in line with FRS 102 27.5 "Impairment". Income from investments is recognised in the statement of income and retained earnings to the extent that profits are distributed.

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value and are accounted for on a first-in first-out basis. Net realisable value is based upon estimated selling prices less further costs expected to be incurred to disposal. Provision is made for obsolete and slow moving items.

##### **Basic financial instruments**

###### **Trade and other debtors and creditors**

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.



**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

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**Accounting policies (continued)**

*Cash and cash equivalents*

Cash and cash equivalents comprise cash and cash-in-transit balances. The IKEA UK Group cash balances are pooled and bank interest is earned or paid on this IKEA UK Group balance to/from the Company. The respective bank balances of the subsidiaries are taken in to account when computing the inter group interest.

*Interest-bearing borrowing classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest rate method, less any impairment losses.

**Other financial instruments**

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss.

Financial instruments are governed by the commercial policies of the INGKA Holding BV and its subsidiaries (together the "INGKA Group"). Consequently, the treasury operations are centralised and managed by a fellow INGKA Group subsidiary, outside the IKEA UK Group. A central treasury function reviews the risk exposure together with key management in the UK.

**Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 102.29 "Income Tax".

A net deferred tax asset is recognised 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 against which to recover carried forward tax losses and from which the future reversal of 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 timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Post-retirement benefits**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

**Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Annual rentals for operating leases are charged to the profit and loss account on a straight line basis over the lease term. Incentives from lessors are recognised as a systematic reduction of the charge over the life of the lease.

**Turnover**

Turnover from the sale of goods and services is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Turnover is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be reliably estimated, there is no continuing management involvement with the goods and the amount of turnover can be reliably measured.

**Interest**

Interest payable and receivable are accounted for on an accrual basis. Interest is charged on all trading inter-company balances.

**Provisions**

The returns provision is management's best estimate of the value of goods expected to be returned post year end in relation to sales made pre-year end. The warranty provision is management's best estimate of the expected cost to make good of any future claim received for past transactions.

Other provisions are recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

**Foreign currency**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or the agreed contractual rate. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or 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.

**Dividend policy**

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

**Estimates and judgements**

Judgements made by the Directors, in the application of the above accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.



**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

**2. Turnover**

The Company's turnover was all derived from its principal activity in the United Kingdom and represents the sales of goods and services as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Sales of goods	2,128,007	1,868,073
Sales of services	73,930	86,647
	<u>2,201,937</u>	<u>1,954,720</u>

**3. Operating profit**

Operating profit is stated after charging / (crediting):

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of tangible assets	15,240	18,219
Amortisation of intangible assets	393	358
Operating lease charges		
- plant and machinery	590	643
- other	83,637	78,882
Amounts receivable by auditor and their associates in respect of: Auditor's remuneration – audit of annual financial statements	118	130
Loss on disposal of plant and machinery	303	84
Net exchange (gain) / loss	(997)	31

**4. Interest receivable and similar income**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Interest income from third parties	1	1
Interest income from intercompany	2,852	1,192
Exchange gain	1,796	1,240
	<u>4,649</u>	<u>2,433</u>

**5. Interest payable and similar charges**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable to third parties	281	-
Interest payable to intercompany	66	7
Exchange loss	799	1,271
	<u>1,146</u>	<u>1,278</u>

**6. Staff costs and benefits**

<b>Staff Costs</b>	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	235,090	192,730
Social security costs	21,055	15,538
Other pension costs	9,941	9,427
Total staff costs	<u>266,086</u>	<u>217,695</u>



**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

**6 Staff costs and benefits (continued)**

**Employee Information**

	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>
Co-workers	8,874	8,911
Management	1,554	1,043
	<b>10,428</b>	<b>9,954</b>

**Directors' Remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate remuneration in respect of qualifying services	604	434
Pension contributions to the money purchase scheme	36	16
In respect of the highest paid director:		
Aggregate remuneration	293	264
Pension contributions to the money purchase scheme	-	-

Retirement benefits are accruing to two (2021: two) directors under the money purchase scheme.

The emoluments of C Mourouzides, P Jelkeby and M Smith are included in the above emoluments. The emoluments for the services of M Deblinska Hajdas, C Bengtssonm S Vanoverbeke and S Ruehlmann are paid by other INGKA Group companies outside the IKEA UK Group. Their duties for IKEA Limited are deemed to be incidental relative to their overall responsibilities within the INGKA Group. The above details include emoluments in respect of these directors.

**7. Tax credit charge**

**(a) Analysis of tax charge on ordinary activities**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax:</b>		
Current tax charge for the period	10,704	12,087
Adjustments in respect of previous periods	57	989
Total current tax charge	<b>10,761</b>	<b>13,076</b>
<b>Deferred Tax</b>		
Origination and reversal of timing differences	(1,772)	(427)
Effects of changes in tax rates and laws	(738)	(3,252)
Adjustments in respect of previous periods	(566)	51
Total deferred tax credit	<b>(3,076)</b>	<b>(3,628)</b>
Tax charge on ordinary activities	<b>7,685</b>	<b>9,448</b>

	<b>£'000</b>	<b>£'000</b>	<b>2022</b>	<b>2021</b>
	<b>Current tax</b>	<b>Deferred tax</b>	<b>Total tax</b>	<b>Total tax</b>
Recognised in Profit and Loss account	10,761	(3,076)	7,685	9,448
Total tax	<b>10,761</b>	<b>(3,076)</b>	<b>7,685</b>	<b>9,448</b>



**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

**7. Tax charge (continued)**

**(b) Analysis of current tax charge recognized in profit and loss**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
UK Corporate tax	10,761	13,076
Total current tax charge recognised in profit and loss	<u>10,761</u>	<u>13,076</u>

**(c) Factors affecting current tax charge for year**

The tax charge for the period is lower (2021: lower) than the standard rate of corporation tax in the UK for the year ended 31 August 2022 of 19%. The difference is explained below:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Profit on ordinary activities before tax	88,070	62,398
<b>Tax charge on profit on ordinary activities at the UK corporation tax rate of 19% (2021: 19 %)</b>	16,733	11,856
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(487)	(196)
Non taxable income	(7,314)	-
Tax rate differences	(738)	(3,252)
Adjustments in respect of previous periods	(509)	1,040
Total tax expense included in the statement of income and retained earnings	<u>7,685</u>	<u>9,448</u>

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 August 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2021: 25%).

**(d) Provision for deferred tax**

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
At 1 September	13,552	9,924
Credit to profit and loss	3,076	3,628
At 31 August	<u>16,628</u>	<u>13,552</u>

**8. Intangible assets**

	<b>Initial Franchise Fees</b> <b>£'000</b>
<b>Cost</b>	
At 1 September 2021	1,766
Additions	428
At 31 August 2022	<u>2,195</u>
<b>Amortisation</b>	
At 1 September 2021	(1,229)
Charge for the year	(393)
At 31 August 2022	<u>(1,623)</u>
<b>Net book value</b>	
At 31 August 2022	<u>572</u>
At 31 August 2021	<u>537</u>

Intangible assets represent the initial Franchise Fee paid to the Franchisor when a new store opens in line with the Franchise Agreement and are amortised on a straight line basis over five years.



**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

**9. Tangible fixed assets**

	<b>Plant and machinery £'000</b>
<b>Cost</b>	
At 1 September 2021	214,288
Additions	11,479
Disposals	(3,290)
At 31 August 2022	<u>222,477</u>
<b>Depreciation</b>	
At 1 September 2021	(175,440)
Charge for the year	(15,240)
Disposals	2,996
At 31 August 2022	<u>(187,684)</u>
<b>Net book value</b>	
At 31 August 2022	<u>34,793</u>
At 31 August 2021	<u>38,848</u>

**10. Investments**

	<b>Subsidiary undertakings £'000</b>
<i>At net book value</i>	
1 September 2021 and 31 August 2022	<u>108,621</u>

The directors believe that the book value of investments is supported by their underlying net assets.

The Company holds an investment in the following undertakings (direct and indirect):

	<b>Country of incorporation</b>	<b>Class of holding</b>	<b>Proportion held</b>	<b>Nature of Business</b>
<b>Direct holding of subsidiary undertakings:</b>				
IKEA Properties Investments Limited	United Kingdom	Ordinary	100%	Property investment
IKEA Distribution Services Limited	United Kingdom	Ordinary	100%	Warehousing
IKEA Leasing Limited	United Kingdom	Ordinary	100%	Non trading
IKEA Energy Services Limited	United Kingdom	Ordinary	100%	Sustainable Energy investment
DEL IPS UK Limited	United Kingdom	Ordinary	100%	Kitchen Installation
<b>Indirect holding of subsidiary undertaking:</b>				
Dummuies Windfarm Huntly Limited	United Kingdom	Ordinary	100%	Sustainable Energy investment

**11 Loans due from group undertakings**

	<b>2022 £'000</b>	<b>2021 £'000</b>
Loans due from group undertakings	<u>292,233</u>	<u>262,234</u>

The Loans due from group undertakings consist of unsecured intra IKEA UK Group loans of £292.2 million (2021: £262.2 million), interest rate at LIBOR plus a margin of 0.31% and are repayable on 27 August 2024.



**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

**12 Stock**

	2022 £'000	2021 £'000
Finished goods and goods for resale	91,797	61,634

The amount of stock movement recognised in the statement of income in the year was £1.41 billion (2021: £1.24 billion).

**13 Trade and other debtors**

	2022 £'000	2021 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	12,620	5,622
Amounts due from group undertakings	122,350	159,634
Prepayments and accrued income	6,269	1,371
Other debtors	30,133	19,666
	<u>171,372</u>	<u>186,293</u>

**Amounts falling due in more than one year:**

Deferred tax asset	16,628	13,552
--------------------	--------	--------

**Deferred tax assets comprise:**

	2022 £'000	2021 £'000
Timing difference on depreciation	7,768	9,030
Other timing differences	8,860	4,522
	<u>16,628</u>	<u>13,552</u>

The amounts due from group undertakings in the Company consists of loans due from inter UK Group and fellow INGKA Group companies of £101.2 million (2021: £138.8 million), the remainder are trading balances. All trading and loan balances with fellow INGKA Group subsidiaries are unsecured and are repayable on demand. Interest is applied on group loan balances and inter UK trading balances at Risk Free Rates (RFR) plus an average margin of 0.18% (2021: LIBOR plus 0.34%) for the financial year. All other trading balances with other INGKA Group companies are interest free.

**14 Creditors: Amounts falling due within one year**

	2022 £'000	2021 £'000
Bank overdraft	58,475	37,532
Amounts owed to group undertakings	20,650	23,872
Trade creditors	180,695	143,197
Corporation tax payable	6,669	12,794
VAT	34,783	48,522
Other tax and social security costs	4,595	4,143
Other creditors (including Accruals and Deferred Income)	129,810	109,201
	<u>435,677</u>	<u>379,261</u>

The Company is party to a cash pooling arrangement for the IKEA UK Group with one of its bankers. Due to this arrangement, the Company is in an overdraft cash position at the financial year end.

All trading balances with fellow INGKA Group subsidiaries are unsecured and are repayable on demand. Interest is applied on group loan balances and inter UK trading balances at RFR plus an average margin of 0.18% (2021: LIBOR plus 0.34%) for the financial year. All other trading balances with other INGKA Group companies are interest free.

Bank overdrafts bear interest at LIBOR plus a margin of 0.5%.

Other creditors (including Accruals and Deferred Income) includes liabilities towards Tack! Liability of £7.2million (2021: £7.5million) which relates to the Company's co-worker loyalty program that offers a conditional pension reward based upon performance of the INGKA Group. In order to qualify for the scheme, co-workers must provide five full years of continuous service. Due to a management decision to change the eligibility criteria during the year ended August 2021, the Tack! provision became a liability as they fall due. As a result, the Tack! provision has been reclassified as a current liability as at the year ended 31 August 2021.



**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

**15 Creditors: Amounts falling due after more than one year**

	2022 £'000	2021 £'000
Other accruals & retentions	321	1,653

**16 Provision for liabilities and charges and pensions**

	2022 £'000	2021 £'000
<b>Returns provision</b>		
At beginning of year	4,340	3,429
Utilised in year	(4,340)	(3,429)
Charge to profit and loss	4,781	4,340
At end of year	4,781	4,340
<b>Warranty provision</b>		
At beginning of year	3,844	4,737
Utilised in year	(3,844)	(4,737)
Charge to profit and loss	2,191	3,844
At end of year	2,191	3,844
<b>Tackl provision</b>		
At beginning of year	-	3,873
Reclassified to accrual	-	(3,873)
Utilised in year	-	-
Charge to profit and loss	-	-
At end of year	-	-
<b>Total Provisions for liabilities and charges</b>	<b>6,972</b>	<b>8,184</b>

The returns provision relates to the Company's sales returns policy in the UK where the customers have 365 days to return their goods. The returns provision is calculated based on a historical pattern of returns and this trend is reviewed annually.

The warranty provision relates to a 25 year warranty period where there are limited spare parts for claims.

**17 Called up share capital, movement on reserves and reconciliation of movement in equity shareholders' funds**

	Share Capital £'000	Profit & Loss account £'000	Total £'000
As at 1 September 2021	6,000	277,202	283,202
Profit for the year	-	80,385	80,385
Dividend Paid	-	(90,000)	(90,000)
As at 31 August 2022	6,000	267,587	273,587

	Authorised 2022 and 2021 No.	Allotted, issued and fully paid 2022 and 2021 No.
Ordinary Shares of £1 each	20,000,000	6,000,000

Each ordinary share entitles the shareholder to one vote on a written resolution; one vote (per shareholding) on a resolution on a show of hands at a meeting; and one vote on a resolution on a poll taken at a meeting.

The profit and loss account represents cumulative profits or losses net of dividends paid.



**IKEA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 AUGUST 2022**

**18 Commitments under operating leases**

At 31 August 2022 there were non-cancellable operating leases for assets which have future minimum lease payments as follows:

	2022 £'000	2021 £'000
<b>Land and buildings</b>		
1 year	74,387	74,460
2-5 years	296,882	297,269
After 5 years	728,788	802,913

During the year, £85,149,649 (2021: £78,882,000) and £589,848 (2021: £643,000) were recognised as an expense in the profit and loss account in respect of operating leases for land and building and others, respectively.

**19 Key management personnel**

Remuneration of key management personnel is disclosed in note 6. During the year, there were no transactions or balances between the Company and its key management personnel or members of their close families.

**20 Accounting estimates and judgements**

In the preparation of the financial statements, 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 estimates are revised if the revision affects both current and future periods.

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.

*Provisions and liabilities*

Provisions and liabilities recognised at the balance sheet date are detailed include customer returns and refunds, sales warranty provision, stock obsolescence, external warehouse dilapidations and unredeemed gift cards. The calculations of these provisions and liabilities are based on past history and trends and although provisions and liabilities are reviewed on a regular basis and adjusted to reflect management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

*Useful lives of tangible assets*

Tangible assets are measured at cost less accumulated depreciation and impairment. The useful lives and residual values of assets are based on management's best estimate reflecting the nature of their business use.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

**21 Ultimate Parent Undertaking**

INGKA Holding BV, a company registered in the Netherlands, is the ultimate controlling party. INGKA Holding BV is the parent undertaking of the smallest and largest group to consolidate these financial statements. Financial statements are available and copies publicly available from KVK, Watermolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands.

**22 Subsequent events**

There are no events subsequent to the reporting date requiring adjustment or disclosure in the financial statements.



# ANNUAL REPORT FOR FINANCIAL YEAR 2022

Ingka Holding B.V.

This report was adopted by the Shareholder  
on November 23, 2022





**TABLE OF CONTENTS**

REPORT FROM THE BOARD OF MANAGING DIRECTORS .....	2
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**Financial Statements**

CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST .....	9
CONSOLIDATED INCOME STATEMENT .....	10
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME.....	10
CONSOLIDATED STATEMENT OF CASH FLOWS.....	11
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	12
COMPANY BALANCE SHEET AS AT 31 AUGUST.....	43
COMPANY INCOME STATEMENT.....	44
NOTES TO COMPANY FINANCIAL STATEMENTS .....	45

**Other information**

NET INCOME APPROPRIATION .....	52
INDEPENDENT AUDITOR'S REPORT .....	52



# ANNUAL REPORT FOR FINANCIAL YEAR 2022

## Ingka Holding B.V.

Report from the Board of Managing Directors (in millions of EUR, unless otherwise indicated)

## Introduction

### 1. Corporate information

Ingka Holding B.V. ('the Company') is the parent company of Ingka Group of companies ('Ingka Group') and is located at Bargelaan 20, 2333 CT in Leiden, the Netherlands. Ingka Group's financial year covering the 12-month period ending August 31, 2022, is referred to as '2022.' The comparable year is referred to as '2021.' For more corporate information, please refer to note 1 of the consolidated financial statements.

**Ingka Group operates three businesses:** IKEA Retail, Ingka Centres and Ingka Investments.

IKEA Retail is the core business that operates 379 IKEA stores including city stores, as well as 103 IKEA shops and IKEA planning studios in 31 countries. IKEA Retail operates under franchise agreements with Inter IKEA Systems B.V., the worldwide IKEA franchisor. Ingka Centres is a global developer and operator of retail-led destinations for the many people that we call "meeting places". Ingka Centres has 50 years of experience in shopping centres and today works with almost 3000 brands across its portfolio of 44 assets in 14 markets. Ingka Investments makes investments and acquisitions that secure Ingka Group's long-term financial strength and support our growth, business transformation, sustainability and societal commitments.

Key figures	2022	2021
Revenue (EUR million)	42,036	39,784
Number of employees	177,192	174,225
Number of IKEA stores:		
Blue box stores	371	384
City stores	8	8
Other formats	103	73
Countries with IKEA stores and other customer meeting points owned by the Company	31	32
Number of Meeting Places (shopping Centres)	44	47
Countries with meeting places owned by the Company	14	16

### 2. Vision, strategy and value creation

At Ingka Group, we are purpose driven and live for the **IKEA vision** to create a better everyday life for the many people. We are passionate about life at home and love bringing inspiring, affordable and sustainable home furnishing to people with big dreams and thin wallets.

To realise our vision, we are transforming to create a better IKEA: an IKEA that is affordable, accessible and positively impacts people and the planet. An IKEA that is even more omnichannel. Our value creation strategy means we seek to make balanced decisions and measure performance holistically.

The four value creation areas across Ingka Group are: Better homes for our customers, Better lives for the many people and our co-workers, a Better planet for all and a Better company now and for future generations.



### 3. Summary of financial year 2022; resilient in another challenging year

Financial year 2022 has been difficult for many people and for us too. Amid rising inflation and increasing cost of energy and raw material, we invested substantially, and continue to make every effort, to minimize price increases.

The pandemic had less impact than previous year, but still affected store closures in some countries, supply disruptions and stock availability.

As a consequence of the war in Ukraine, we scaled down our retail operations in Russia. The war in Ukraine is a human tragedy that continues to affect people and communities. We have provided our co-workers in Ukraine and Russia with income assistance and teamed up with partners like the UN Refugee Agency (UNHCR) and the Red Cross to respond to the humanitarian emergency in Ukraine and neighbouring countries. In addition, we supported local organisations with EUR 15 million in-kind donations, including furnishing temporary accommodation for people displaced by the war.

Financial year 2022 has also been an extraordinary year for our co-workers to join together to help and find solutions to mitigate the challenges.

We are proud of the way we have balanced a holistic performance around our four value creation areas. **All our business leaders are accountable for delivering value in all four areas in their respective units.**

In these tough times of high cost-of-living and low consumer confidence, life at home has never been more important. We are even more motivated to be affordable and accessible to the many people. Contributing to **Better homes**, we serve millions of customers around the world and make our vision a reality.

Making every customer happy is of highest focus. We have continued to invest in new and existing stores as well as our physical and digital customer journeys. This past year, we have invested in: developing our business, digital tools and services, customer support and self-serve tools; making our co-workers more available to our in-store customers; and securing availability and variety in the range.

At Ingka Group, sustainability is a core part of our business, culture, commitments and actions. Throughout the year, we have continued to act for a **Better planet**, determined to become climate positive and circular by 2030. We have continued to invest in utility scale renewable energy (EUR 0.3 billion in 2022) and this year we produced 40% more renewable energy than we consumed. Through our products and knowledge, we also continue to make progress on our ambition to enable 1 billion people to live within the boundaries of the planet by 2030.

With the number of refugees having doubled to reach nearly 30 million over the last decade, we are making efforts to create **Better lives** for refugees no matter where they come from. We work to implement our commitment to support refugees through our Skills for Employment initiative, which has been rolled out in 24 countries. We are also working to help change the narrative around refugees. In 2022, we set an ambition to approach 500 businesses by the end of 2023 with the aim of inspiring the private sector to accelerate the labor integration of refugees.

On Global Accessibility Awareness Day, we launched a new Digital Inclusive Design, Equity & Accessibility strategy. Nearly 15% of the population lives with some form of disability, and we have increased our focus on making more inclusive digital experiences for our co-workers and customers.

We do business with a humanitarian outlook, guided by our vision and values but always adapting to a changing world. We continued to create a **Better company** that is financially resilient, investing in growth and improvements. Despite the challenges in 2022, our revenue increased by 5.7% and we delivered EUR 0.3 billion in profit. Profit means that we have resources to keep investing towards reaching the IKEA vision. 85% of net income is re-invested in the Company to secure that we make IKEA more affordable, accessible and sustainable. 15% goes to INGKA Foundation to support the charitable activities of the IKEA Foundation.



We have communicated our strong commitment to manage our taxes in a responsible and transparent way, contributing to society in every country where we operate. This year we have published our global tax principles on Ingka.com and became a signatory to the B Team Responsible Tax Principles. This year, we also publish country-by-country tax data.

## Ingka Group financial performance

Despite a challenging environment, Ingka Group's revenues increased, and the operating income and normalized tax rate are stable. Total Ingka Group revenue for 2022 amounts to EUR 42.0 billion and increased by 5.7% compared to 2021. Operating income amounted to EUR 2.0 billion, with slightly improved ratio of 4.8% compared to 4.7% in 2021. The normalized effective tax rate excluding significant impacts described below remains in the 25-30% band. Ingka Group pays taxes in all countries where it operates.

The significant impacts of interest rates on FMI (Financial Market Investments) and effects related to scaling down operations in Russia cause a reduced net income and a high effective tax rate. Income before tax amounts to EUR 0.8 billion (EUR 2.2 billion in 2021). The effective tax rate of 65.6% (2021: 29.3%) corresponds to an amount of EUR 0.5 billion corporate income taxes (2021: EUR 0.7 billion). The net profit of 2022 was EUR 0.3 billion (2021: EUR 1.6 billion).

We continued to invest in our business transformation, our stores, distribution and customer fulfilment networks, the digital customer experience and shopping centres, and continued our sustainability investments in renewable energy and forestry, amounting to a capital expenditure of EUR 2.1 billion. Total assets amount to EUR 57.8 billion (EUR 55.1 billion in 2021). We further strengthened our equity position to EUR 47.6 billion at year-end (EUR 45.2 billion in 2021). The total cash flow for 2022 is EUR 0.2 billion negative (EUR 1.2 billion positive in 2021). Cash flow from operating activities is EUR 2.8 billion (EUR 4.3 billion in 2021).

## IKEA Retail

### Performance summary:

In 2022, we completed the first year of the **'Next 10 Jobs'**, which is the IKEA Retail Direction, focusing on our transformation to create a better IKEA.

IKEA Retail recognized solid sales of EUR 39.5 billion for 2022 (EUR 37.4 billion in 2021) despite unprecedented challenges caused by the tragic war in Ukraine, supply disruptions and the pandemic's continued impact.

While siding with the many in need, we still boosted our omnichannel transformation to become even more accessible, sustainable and as affordable as possible for our customers.

As homes continued to be the most important places in the world, we recorded growth in most of our markets and improved product availability overall.

### 2022 highlights:

- Our ambition is to invest EUR 3 billion to accelerate expansion in the coming years. We opened our first city stores in the UK, Sweden, Canada as well as India, and a long-awaited IKEA Nice-Saint Isidore store in France. In total 52 new locations joined the IKEA map.
- We secured financial services in 28 countries, assisting 4 million customers.
- We launched a new AI-driven intuitive digital design experience, IKEA Kreativ, where customers can visualise their own living spaces.
- We offered clean energy services in 11 countries, working with different partners.
- We extended our more sustainable food offer securing all our plant-based dishes have a price that is lower or the same as the meat-based equivalent.
- We have started to implement zero emission home delivery in 23 countries with the ambition to fully transition to zero emission deliveries by 2025.



## Ingka Centres

### Performance summary:

Ingka Centres' operating income is driven by a strong performance of the European portfolio and the new openings in Europe and China.

### 2022 highlights:

- We successfully opened new city centre locations in Toronto (Aura Retail Podium) and London (Livat Hammersmith). At the same time, six assets in Europe have been sold.
- Two mini malls opened in China, Livat Nanning and Livat Kunming.
- Construction started on the first meeting place in India. With a total investment of approximately EUR 400 million, this mixed-use meeting place will become Gurugram's newest landmark offering dynamic retail, green areas, workspaces and spaces for community events.
- The brand new Circuit concept was revealed at Birsta City, Sweden, with the aim to make circular economy solutions accessible for the many people.

## Ingka Investments

### Performance summary:

Ingka Investments is the investment arm of Ingka Group managing six different portfolios: Business Development Investments, Prioritised Cities Real Estate, Renewable Energy Investments, Forestland Investments, Venture & Growth Capital and Financial Markets Investments.

In 2022, we strengthened our financial resilience by rebalancing our portfolios. Changing the allocation of our assets, we moved towards investing more in non-financial assets. Within our Financial Markets portfolio, we further diversified by increasing our presence in funds and other investments.

Revenue from Renewable energy and Forestland investments increased compared to the previous year. At the same time, our Financial Markets Investments results were negatively affected by interest rate hikes, which resulted in lower bond prices. The decrease in prices impacted the financial net result heavily with limited effect on cash flow.

### 2022 highlights:

- *Renewable energy.* We committed to total investments of over EUR 0.8 billion in renewable energy projects (both in Europe and in Asia), reflecting a total of over 700 MW of installed capacity once operational. These include commitments to build renewable energy parks (solar and wind) as well as a commitment to help develop offshore wind projects in Sweden. Once operational, the offshore wind farms have the potential to produce energy that corresponds to more than 25% of the electricity consumed in Sweden in 2021.
- *Forestland.* We increased our footprint in responsible forestry with investments in the USA, the Baltics, Romania and New Zealand. Afforestation investments in New Zealand and the USA of EUR 95 million underline our long-term view of investing for generations to come.
- *Circularity.* We grew our contribution to developing the circular economy by increasing our investment in both RetourMatras and Next Generation Holding. RetourMatras is starting in Denmark and Sweden with the capacity to recycle 1.5 million mattresses annually.
- *Prioritised cities.* Our investment in the Oxford Street property strengthens our presence in London's city centre. With large refurbishment efforts ongoing at this prime location, an IKEA store is planned to open in October 2023.
- *Financial markets.* We rebalanced our portfolios for higher financial resilience, and we diversified our assets by allocating capital that is shaping a sustainable future.



## Environmental and personnel information

### Environmental:

The IPCC (Intergovernmental Panel on Climate Change) announced that it is code red for humanity to act on climate change. In our dedication to a Better planet, we are making good progress to fulfil our goals and are working to align our climate goals with the latest Corporate Net-Zero Standard set by the Science Based Targets initiative (SBTi).

### Personnel:

Ingka Group is committed to take a leading role when it comes to equality. We aim to create a workplace for all co-workers to thrive, and one that is as diverse as the world is and as inclusive as the world should be. It is our goal to increase ethnic, racial and national diversity at all levels by 2024 so that our workforce reflects the diversity of the communities in which we operate.

## Research and development

Research and development activities within Ingka Group are focused on: omnichannel retailing with improved digital experiences; bringing IKEA closer to the many people through new city centre locations, digital technology and development of sustainable solutions through clean energy services and circular services. We continue to work towards achieving the IKEA vision to “create a better everyday life for the many people” by improving our meeting with customers, providing more home furnishing inspiration and deepening our understanding of life at home.

## Governance

The governance and legal structure within Ingka Group is designed to secure that each group company is well-governed and managed. It also aims to ensure that each Ingka Group company is efficient, lean and simple with respect to decision-making and is organised for compliance. The Company has two main governing bodies: a Management Board and a Supervisory Board, supported by Committees at both levels. Ingka Group relies on strong values and a culture that promotes the responsibility of everyone to do the right thing. This is summarised in our IKEA key values and continuously communicated to co-workers as part of our Code of Conduct.

## Risk management

At Ingka Group, we take a balanced and forward- looking approach to risk management to enable us to perform against our value creation goals. We focus on key risks and respond to them by implementing strong mitigation activities. We monitor the risks and responses- on a tertial basis to stay ahead of any emerging risks and use scenario planning to understand how future events could impact Ingka and strengthen our resilience and ensure continuity.

Below is a high-level summary of the main risks we face as a business and responses that we have taken or are in progress. These are risks that will remain relevant for the longer term and require multiple, continuous responses.

### Geopolitics, Pandemics, supply disruptions and resource scarcity

As a global business in uncertain times, we face many different risks from the external environment. Pandemics, border closures, increasing political tensions, resource and transportation shortages have a knock-on impact on global supply chains which significantly impacts our product availability. Ingka is working very closely with key suppliers to tackle the availability challenges. Through scenario planning and alignment between all Ingka Group businesses and stakeholders – and a strong focus on supporting people and communities – Ingka Group aims to anticipate and navigate these risks effectively.

### Financial and regulatory, including inflation and recession

Inflationary pressures and potential recession could impact the cost of living and consumer spending power. Ingka is monitoring external developments and constantly rebalancing our



investment portfolios, focusing on cost management programmes and reprioritising initiatives as needed.

More information on financial risk management is described in note 24 to the consolidated financial statements.

#### **Retail transformation, commercial relevance and shifting customer expectations**

The digitalisation of interactions with customers and the rapid development of on-line retailers and digital marketplaces has already had a disruptive effect on traditional retail concepts and continues to create a risk of decreasing commercial relevance and reduced market share. This has accelerated significantly since the pandemic. However, life at home has never been more important, bringing many opportunities for Ingka. Our efforts to meet these challenges and opportunities lies in agile adaption of the business through the IKEA retail strategy, supported by Ingka Centres and Ingka Investments strategies, transformation of our operations and in-depth market analyses on customers' needs.

#### **Cyber security and data privacy**

The digital shift and increased geopolitical tensions bring increased risks related to cyber security and data privacy. With an increasing online share of our total sales, our exposure to this risk is increasing. Ingka strives to address these risks by executing on the multi-year cyber security strategy and establishing a task force to focus on strengthening cyber defense.

#### **Talent**

Like many other industries, retail is feeling the challenges to attract and retain talent. This could worsen if we experienced declining co-worker engagement and motivation, unpreparedness for new demands and external forces such as pandemics or new competitors. To counteract this, Ingka is implementing a new talent strategy, including updating the entire Ingka Talent agenda based on learning, leading, performing, and growing and implementing multiple initiatives like a new performance and succession approach and an updated value-based recruitment and employee referral programme.

#### **Well-being of our people**

The fast pace of transformation combined with risks such as pandemics or war expose our co-workers to health and safety risks. As the well-being of our people is always top of mind, we have introduced a new global Health and Well-being framework to all markets and made an Employee Assistance Programme available to co-workers in all countries, through external partners.

#### **Climate**

The threat from climate change continues to grow in intensity, with compounding effects already being felt, though the full extent of climate change will take longer to materialize. Ingka is fully committed to our People, Planet, Positive goals to contribute to a better planet and has multiple ongoing initiatives with goals and commitments in place towards its planetary footprint. Task Force for Climate Financial Disclosures (TCFD) assessments are performed every 2 years and we have been making substantial investments in renewable energy, circularity and responsible forestry.



## Outlook for financial year 2023.

Heading into the new year, we know certain challenges are coming with us, yet we see the opportunity to lead, grow and fulfil the dreams of the many people.

We are worried about the climate crisis, the unstable geopolitical environment, the energy crisis, retail disruption and the impact all of this will have on Ingka Group. We are also concerned about macro-economic development with consumer confidence at its lowest level in many countries and a visible drop in purchase intent as wallets get thinner due to inflation.

But we have better conditions starting financial year 2023 than we had starting 2022. We see many opportunities and choose to be optimistic. With our strong vision and values, we will build on our strengths and work even harder towards our vision to create a better everyday life for the many people. We will continue to steer our business on holistic performance across our value creation areas of Better homes, Better lives, a Better planet, and a Better company.

We know the importance of life at home continues to grow, and we are working hard to become even more relevant to the many people – especially those who are faced with cost-of-living challenges. We will continue to listen to our customers' needs and adapt the way we meet them, through an improved omnichannel customer journey, increased product availability and continuous focus on affordability and sustainability. We want to reach **more** of the many people, helping them to create a better everyday life.

Our ambition is to improve the well-being of millions of people by becoming a truly people-centered company and employer. We will continue to put people at the heart of everything we do, creating Better lives. A more fair and equal life for our co-workers, customers and communities is what we strive for, and we want IKEA to be a place where people of all gender identities, ethnicities, races, nationalities, abilities and sexual orientations feel welcome. We aim to create a workplace that is as diverse as the world is and as inclusive as the world should be. We have pledged to increase ethnic, racial and national diversity at all levels of leadership in 32 countries by 2024. And we will continue to be openhearted and supportive of refugees.

We are committed leaders in tackling climate change together with businesses and governments for a Better planet. We will continue to integrate sustainability into every part of the business and actively drive a holistic approach to performance. We are planning to invest a similar amount in climate and business transformation as we have in previous years. We will take the next steps to become climate positive, circular and enable 1 billion people to live within the boundaries of the planet by the end of 2030.

**This is our time. Glorious future!**



## CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST (before profit appropriation)

(in millions of EUR)	2022	2021
Intangible fixed assets (4)	3,196	2,511
Tangible fixed assets (5)	25,647	24,633
Financial fixed assets (6)	2,442	2,186
<b>Total fixed assets</b>	<b>31,285</b>	<b>29,330</b>
Inventories (7)	2,700	1,966
Construction contracts (8)	-	-
Trade and other receivables (9)	1,963	1,676
Securities (10)	20,678	21,215
Cash and short-term deposits (11)	1,138	907
<b>Total current assets</b>	<b>26,479</b>	<b>25,764</b>
<b>TOTAL ASSETS</b>	<b>57,764</b>	<b>55,094</b>

(in millions of EUR)	2022	2021
Capital Stock	1	1
Additional paid-in capital	51	51
Revaluation reserves	212	230
Legal reserves participations	341	279
Other reserves	46,739	43,084
Result for the year	287	1,579
<b>Total shareholder's equity (12)</b>	<b>47,631</b>	<b>45,224</b>
<b>Minority interest</b>	<b>9</b>	<b>9</b>
<b>Total Group equity</b>	<b>47,640</b>	<b>45,233</b>
<b>Provisions (13)</b>	<b>1,563</b>	<b>1,851</b>
<b>Non-current liabilities (15)</b>	<b>767</b>	<b>587</b>
<b>Current liabilities (16)</b>	<b>7,794</b>	<b>7,423</b>
<b>GROUP EQUITY AND LIABILITIES</b>	<b>57,764</b>	<b>55,094</b>

(The accompanying notes on pages 12 to 42 are an integral part of these consolidated financial statements)



## CONSOLIDATED INCOME STATEMENT

### Year ended August 31

(in millions of EUR)	2022	2021
Retail - sale of goods	39,476	37,404
Service income	1,190	1,261
Rental and construction contracts income	992	852
Renewable energy and forestland income	378	267
<b>Revenue (17)</b>	<b>42,036</b>	<b>39,784</b>
Cost of sales and services (18)	(28,070)	(26,909)
<b>Gross profit</b>	<b>13,966</b>	<b>12,875</b>
Selling expenses	(9,567)	(8,610)
General and administrative expenses	(2,704)	(2,633)
<b>Total operating expenses (19)</b>	<b>(12,271)</b>	<b>(11,243)</b>
Other income (20)	340	242
<b>Operating income</b>	<b>2,035</b>	<b>1,874</b>
Income from investments	31	42
Interest income and similar income	222	257
Changes in value of investments	(1,410)	94
Interest expenses and similar charges	(45)	(30)
<b>Total financial income and expense (21)</b>	<b>(1,202)</b>	<b>363</b>
<b>Income before income taxes and minority interests</b>	<b>833</b>	<b>2,237</b>
Income taxes (22)	(546)	(655)
<b>Income before minority interests</b>	<b>287</b>	<b>1,582</b>
Minority interests	-	(3)
<b>Net income</b>	<b>287</b>	<b>1,579</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### Year ended August 31

	2022	2021
<b>Net income</b>	<b>287</b>	<b>1,579</b>
Translation differences foreign activities	2,311	435
Remeasurements IAS 19	64	86
Change in unrealised derivatives	-	-
Realized revaluations through income statement	(18)	(14)
<b>Total of items recognised directly in shareholders' equity</b>	<b>2,357</b>	<b>507</b>
<b>Total result of the legal entity</b>	<b>2,644</b>	<b>2,086</b>

(The accompanying notes on pages 12 to 42 are an integral part of these consolidated financial statements)



## CONSOLIDATED STATEMENT OF CASH FLOWS

### Year ended August 31

(in millions of EUR)	2022	2021
<b>Cash flow from operating activities</b>		
Operating income	2,035	1,874
<i>Adjustments for:</i>		
Depreciation, amortization and impairment of fixed assets	2,108	1,798
Movements in provisions	(176)	(51)
Gains and losses on disposal of fixed assets	77	14
Changes in working capital	(679)	842
Other	10	(11)
<i>Cash flow from operations</i>	<i>3,375</i>	<i>4,466</i>
Interest received	222	258
Interest paid	(45)	(30)
Corporate income tax paid	(761)	(437)
<b>Cash flow from operating activities*</b>	<b>2,791</b>	<b>4,257</b>
Additions fixed assets	(2,130)	(3,236)
Disposals fixed assets	479	315
Dividend received	50	4
Proceeds from repayment of loans receivable	434	545
Issue of loans receivable	(559)	(185)
Acquisition of subsidiaries	(461)	(173)
Divestment of subsidiaries	31	6
Sales and purchases of equities	(62)	(341)
<b>Cash flow from investing activities</b>	<b>(2,218)</b>	<b>(3,065)</b>
Proceeds from short- and long-term loans payable	150	129
Repayment of short- and long-term loans payable	(140)	(109)
Dividends paid	(237)	-
<b>Cash flow from financing activities</b>	<b>(227)</b>	<b>20</b>
<b>Revaluations of securities excl. equity investments</b>	<b>(1,227)</b>	<b>(84)</b>
<b>Exchange gain/(loss)</b>	<b>690</b>	<b>85</b>
<b>Increase/(decrease) cash and cash equivalents</b>	<b>(191)</b>	<b>1,213</b>
Cash and cash equivalents at beginning	21,040	19,827
Cash and cash equivalents at end	20,849	21,040
<b>Net movement in cash and cash equivalents</b>	<b>(191)</b>	<b>1,213</b>

The cash and cash equivalents included in the cash flow statements consist of:

(in millions of EUR)	2022	2021
Cash and short-term deposits	1,138	907
Securities, excl. equity investments	19,711	20,133
<b>Total</b>	<b>20,849</b>	<b>21,040</b>

(The accompanying notes on pages 12 to 42 are an integral part of these consolidated financial statements)

\*revaluation of securities excl. equity investments for 2022 (including comparable numbers) are presented below cash flow from financing activities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in EUR million, unless otherwise indicated)

### 1. CORPORATE INFORMATION

#### ***Ingka Group ownership***

Ingka Holding B.V. ('the Company'), Bargelaan 20, 2333 CT Leiden, is the ultimate parent company of the Ingka Group of companies ('Ingka Group'). The Company was incorporated on July 14, 1982, registered in Amsterdam, the Netherlands. The Company is a private limited liability company under Dutch law and is registered in the trade register under number 33173748. Ingka Group's financial year covering the 12-month period ended August 31, 2022, is referred to as '2022' and the comparable year is referred to as '2021'.

Ingka Group is owned by a Dutch Foundation, Stichting INGKA Foundation. INGKA Foundation does not have any owners. It also does not have any beneficial owners but holds its assets only on its own behalf. This means that nobody is entitled to the assets of the Foundation.

#### ***Charitable purpose INGKA Foundation***

INGKA Foundation has a charitable purpose to create a better everyday life for the many people in need. The INGKA Foundation achieves its charitable purpose by providing funding to the Stichting IKEA Foundation, an independent philanthropic grant-making organisation committed to helping children and families living in poverty afford a better everyday life while protecting the planet.

The funding INGKA Foundation provides to IKEA Foundation originally comes from the dividends INGKA Foundation receives from Ingka Group.

INGKA Foundation is committed to secure the long-term ownership and independence of Ingka Group. As its owner, INGKA Foundation can reinvest funds into Ingka Group.

#### ***Ingka Group Long-term focus on customers, business, people, society and planet***

Ingka Group pays taxes in all countries it operates in. The taxes we pay are an important part of our wider economic and social contribution to society. We invest part of our net income back into our business. This allows us to keep our prices low, accelerate growth, secure employment, transform our business and reach our goals for Better lives, Better homes, a Better planet and a Better company. Part of the net income that is not reinvested in the business, is paid as dividend to INGKA Foundation. INGKA Foundation ultimately uses the dividend to support the IKEA Foundation in its charitable purpose.

Our structure together with a financial approach based on 79 years of earning the money before we spend it, allows us to be financially independent and purpose-driven in our decisions. We think in generations not quarters and invest in the long-term good of our customers, our business, people, society and our planet.

#### ***Ingka Group operations and franchise agreement***

Ingka Group operates three businesses: IKEA Retail, Ingka Centres and Ingka Investments. IKEA Retail is the core business, and as the largest IKEA franchisee, it operates 379 IKEA stores, and 103 IKEA shops and IKEA planning studios in 31 countries.

Ingka Centres is a global developer and operator of retail-led destinations for the many people that we call "meeting places". Ingka Centres has 50 years of experience in shopping centres and today works with almost 3000 brands across its portfolio of 44 assets in 14 markets.

Ingka Investments makes investments and acquisitions that secure Ingka Group's long-term financial strength and support our growth, business transformation and sustainability and societal commitments.

Ingka Group operates under franchise agreements with Inter IKEA Systems B.V., the worldwide IKEA franchisor.



The financial statements in this report contain the financial information of both the Company and the consolidated companies of the Company.

## **2. BASIS OF PREPARATION**

Both the company financial statements and the consolidated financial statements have been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code. The financial statements were prepared on 23 November 2022.

The financial information of the Company is included in the consolidated financial statements. For this reason, the Company presents a condensed Company Income Statement, using the exemption of Article 402 of Part 9, Book 2, of the Dutch Civil Code.

The consolidated financial statements of the Company are presented in euro (EUR), which is the Company's functional currency. All amounts have been rounded to the nearest million. The financial statements of the company have been prepared on the basis of the going concern assumption.

## **3. ACCOUNTING POLICIES**

### ***General***

Assets and liabilities are measured at historical cost, unless otherwise stated in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits, that are attributable to the asset, will flow to the Company and the cost or value of the asset can be measured reliably. A liability is recognised in the balance sheet when the settlement of an existing obligation is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably. Assets and liabilities that are not recognised in the balance sheet are considered off- balance sheet items.

An asset or liability that is recognised in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. An asset or liability is no longer recognised in the balance sheet when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability being transferred to a third party. In such cases, the results of the transaction are directly recognised in the profit and loss account.

Income is recognised in the income statement when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, of which the size can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, of which the size can be measured with sufficient reliability.

Revenue and expenses are allocated to the period to which they relate. Revenues (sale of goods, service income and rental income) are recognised when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer respectively when the services have been performed.

### ***Assumptions and estimates***

The preparation of the financial statements requires management to form opinions and to make estimates and assumptions that have an impact on the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. Estimates and the underlying assumptions are constantly assessed. Revisions to estimates are recognised prospectively. The principal judgements and estimates, including underlying assumptions relate to the useful life of fixed assets, fair value disclosure of investment property, provisions, impairments and recoverability of deferred tax assets.

### ***Basis of consolidation***

The consolidated financial statements include the financial information of the Company and its



group companies as at August 31, 2022 and the year then ended. Group companies are legal entities and companies over which the Company exercises control. In assessing whether the Company has control, financial instruments containing potential voting rights that can be exercised immediately are also taken into account.

Group companies are fully consolidated as from the date on which control is obtained and until the date that control no longer exists.

A list containing the Company's investments is filed at the Chamber of Commerce.

### ***Consolidation method***

The items in the consolidated financial statements are determined in accordance with consistent accounting policies. All significant intercompany balances, transactions and profits are eliminated. If transactions take place with a non-consolidated participating interest, the gain or loss resulting from this transfer is recognised directly and in full in the consolidated income statement.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are stated separately in the consolidated financial statements.

### ***Joint ventures***

Joint ventures are activities in which the Group has a joint controlling influence over the operational and financial management through collaborative agreement with one or more parties. In the consolidated accounts, joint ventures are accounted for on a net asset value basis.

### ***Mergers, acquisitions and divestments***

Acquisitions are accounted for using the purchase accounting method. This means that any assets and liabilities acquired are carried at fair value as at the acquisition date. The difference between cost of the acquisition (transaction price) and the Company's share of the fair value of the identifiable assets and liabilities acquired at the time of the transaction of a participating interest is recognised as goodwill. The transaction price is the cash consideration or equivalent agreed as part of the acquisition and transaction costs that are directly attributable to the acquisition are allocated to the transaction price. In case of deferred payment of the consideration, the transaction price is the discounted value of the consideration.

An agreed possible adjustment to the purchase price that is contingent on future events is included in the purchase price if the adjustment is probable and the amount can be measured reliably. It is also possible that a previous estimate of the adjustment to the purchase price must be revised. Such adjustments to the purchase price, that are recorded as changes in estimates, will also result in an adjustment to (positive or negative) goodwill. The adjusted goodwill is amortised prospectively from the date of the adjustment of the purchase price. Comparative figures are not adjusted.

In the event of a common control transaction, it is accounted for using the pooling of interest method.

In the event of a sale, the difference between the consideration and the carrying amount is recorded in financial income and expense. The value of the consideration is subject to judgmental factors, including potential provisions and indemnifications included in the sale and purchase agreement.

### ***Translation of foreign currencies***

The consolidated financial statements are prepared in euro, the functional and presentation currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions denominated in foreign currencies are initially carried at the functional exchange rates at the date of transaction. Monetary balance sheet items denominated in foreign currencies are translated at the functional exchange rates at the balance sheet date. Non-monetary balance sheet items that are measured at historical cost in a foreign currency are translated at the functional exchange rates at the date of transaction. Non-monetary balance sheet items that are measured at current value are translated at the functional exchange rates ruling at the date of valuation.



Exchange differences arising on the settlement or translation of monetary items denominated in foreign currencies are taken to the income statement, with the exception of exchange differences resulting from net investments in foreign activities, or from loans taken out to finance or effectively hedge net investments in foreign activities. These exchange differences are taken directly to the foreign currency translation reserve.

Exchange differences arising on the translation of non-monetary balance sheet items denominated in foreign currencies that are carried at current value are taken directly to the revaluation reserve, provided the changes in value of the non-monetary items are likewise taken directly to reserves. Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign activity are treated as assets and liabilities of the foreign activity and translated at the rate of exchange ruling at the balance sheet date.

The assets and liabilities of foreign activities are translated into the functional currency at the rate of exchange ruling at the balance sheet date and the income and expenses of these foreign activities are translated at the average rate of exchange for the year (when this is an appropriate proxy for the rate of exchange at transaction date). Resulting exchange differences are taken directly to the foreign currency translation reserve. On the disposal of a foreign activity, the cumulative exchange differences, taken directly to the reserves, are taken to the income statement as part of the gain or loss on the sale.

The following exchanges rates for 2022 and 2021 are used, where the average rate of exchange for the year was an appropriate proxy for the rate of exchange at transaction date:

	Spot rate 31/8/22	Spot rate 31/8/21	Average rate 31/8/22	Average rate 31/8/21
EUR/USD	0.99	0.85	0.92	0.84
EUR/RMB	0.14	0.13	0.14	0.13
EUR/RUB	0.017	0.012	0.013	0.011

### **Financial instruments**

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other amounts payable. These financial statements include the following financial instruments: securities, loans and receivables granted and other financial liabilities and derivatives.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerable part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the income statement at the initial recognition. After initial recognition, financial instruments are valued in the manner described below.

#### **Securities**

Securities consists of investments in shares and bonds and following initial measurement, are carried at fair value without deduction of any transaction costs on sale. Gains and losses arising from changes in the fair value are taken to the income statement.

#### **Receivables**

Receivables are short-term in nature, initially measured at fair value and subsequently at amortised costs (except for derivatives) less allowance for uncollectible amounts.



*Financial liabilities*

Financial liabilities are recognised initially at fair value, which includes directly attributable transactions costs, and subsequently carried at amortised cost.

*Derivatives and hedge accounting*

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to their fair value (except for options), taking into account the credit risk arising from default of the counterparty (Credit Valuation Adjustment, CVA) in the case of derivatives holding a positive fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques (such as discounted cash flow models and option pricing models), as appropriate. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument.

The commercial flows of the Company are subject to currency risk. As part of its treasury activities, the Company designates certain derivatives as hedges of highly probable future cash flows attributable to a forecast transaction in foreign currencies. As no hedge accounting is applicable, all fair value changes related to derivatives are recognized directly in the income statement.

*Embedded derivatives*

The Company separates an embedded derivative from the host contract if the following conditions are met:

- There is no close relationship between the economic characteristics and risks of the embedded derivative and those of the host contract;
- A separate instrument having the same characteristics as the embedded derivative would be classified as a derivative; and
- The compound instrument is not measured at fair value with changes in fair value recognised through the income statement.

Separable embedded derivatives are recognised at fair value in the balance sheet upon inception of the contract. Changes in fair value are recorded in the income statement.

*Impairment of financial assets*

Financial assets, e.g. long-term loans receivable, which are measured at (amortised) cost, are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

*Determination of fair value*

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other.

- The fair value of listed financial instruments is determined on the basis of the exit price.
- The fair value of non-listed financial instruments is determined by discounting the expected cash flows to their present value, applying a discount rate that is equal to the current risk-free market interest rate for the remaining term, plus credit and liquidity surcharges.

The fair value of derivatives involving the exchange of collateral is determined without the credit or liquidity surcharges since this risk is mitigated by the collateral exchange.



***Fair value***

The fair value of the financial instruments is determined using available market information or estimation methods. Under these estimating methods, the fair value is estimated:

- on the basis of the fair value of its components or a similar instrument if the fair value of its components or similar instruments can be reliably measured; or
- by using generally accepted valuation models and techniques.

***Amortised cost***

Amortised cost is calculated using the effective interest rate method less any reductions for impairment or uncollectibility. The calculation takes into account any discounts as well as transaction cost at the transaction date.

***Offsetting***

Assets and liabilities are only offset in the financial statements, if and to the extent that:

- an enforceable legal right exists to offset the assets and liabilities and settle them simultaneously; and
- the firm intention is to settle the assets and liabilities on a net basis or simultaneously.

***Intangible fixed assets***

An intangible fixed asset is recognised in the balance sheet when it is probable that the future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be reliably measured.

Costs relating to intangible fixed assets not meeting the criteria for capitalisation (for example, cost of research, internally developed brands, logos, trademark rights and client databases) are taken directly to the income statement account.

Intangible fixed assets are carried at the lower of cost of acquisition or production net of accumulated amortisation and impairment losses and their recoverable amount (being the higher of value in use and fair value less costs to sell). Intangible fixed assets, except for (land) lease rights, are amortised on a straight-line basis over their expected useful economic lives, subject to a maximum of 20 years. The (land) lease rights are amortised over the contractually agreed period. If the estimated useful life exceeds 20 years, an impairment test is performed at each financial year-end.

Expenditures made after the initial recognition of an intangible fixed asset are included to the cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognised as an expense in the profit and loss account.

The accounting principles for the determination and recognition of impairments are included under the section Impairments of fixed assets.

***Development costs***

Development costs are capitalised if they satisfy the technical, commercial, financial feasibility criteria set for them and the company has the ability to use or sell the assets and it is probable that the asset will generate future economic benefits.

***Goodwill***

Goodwill represents the difference between the cost of a business combination and the fair value at the transaction date of the acquired equity value of the company. Goodwill is capitalised and amortised over its expected useful life.

***(Land) lease rights***

(Land) lease rights recognised as an intangible fixed asset relates to an ownership of a temporary right to lease land and/or real estate, which has been paid in advance.



***Green and carbon certificates***

Green and carbon certificates are measured at cost or lower market value. Green and carbon certificates are not amortised.

***Tangible fixed assets***

A tangible fixed asset is recognised in the balance sheet if it is probable that the future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be reliably measured. Tangible fixed assets (both assets in use by the Company and investment properties) are carried at the cost of acquisition or production (less any investment grants) net of accumulated depreciation and accumulated impairment losses. The cost comprises the price of acquisition or construction, plus other costs that are necessary to get the assets to their location and condition for their intended use. Expenditure is only capitalised when it extends the useful life of the asset.

Investment property is property held to earn rental income and/or for capital appreciation, rather than for own use.

Maintenance costs are expensed when they occur unless they are related to major pluriannual maintenance costs, which are capitalised in the book value of the asset if they meet the requirements for capitalization.

Depreciation is calculated on a straight-line basis over their expected useful economic lives, taking into account their residual value. Changes in the expected depreciation method, useful life and/or residual value over time are treated as changes in accounting estimates. No depreciation is recognised on land, tangible fixed assets under construction and prepayments on tangible fixed assets. Depreciation starts as soon as the asset is available for its intended use and ends at decommissioning or divestment.

The costs of dismantling, removing and restoring after the use of an asset are recognised as part of the carrying amount of the asset, with a provision being formed for an equal amount at the same time.

Retired tangible fixed assets are carried at the lower of cost and their fair value less costs.

A tangible fixed asset is derecognised upon sale or when no further economic benefits are expected from its continued use or sale. Gains or losses on disposal or decommissioning are determined based on the difference between the net proceeds and the carrying amount of the asset and are recognised in the income statement.

***Financial fixed assets***

The Company has the following subcategories for financial fixed assets:

***Long-term loans receivable***

Loans granted and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these loans and receivables are carried at amortised cost based on the effective interest rate method.

Gains and losses are taken to the income statement, when the receivables are transferred to a third party or impaired.

***Investment in participating interests***

Participating interests over which financial and operating policies the Company exercises significant influence are valued using the equity method. Under this method, participating interests are carried at the Company's share of their net asset value plus its share in the results of the participating interests from the acquisition date, determined in accordance with the accounting policies disclosed in these financial statements. The Company's share in the results of the participating interests is recognised in the income statement. If and to the extent the distribution of profits is subject to restrictions, these are included in a legal reserve.

In assessing whether the Company has significant influence over the business and financial policies



of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

#### *Other investments*

Other investments, not forming part of a trading portfolio, are carried at the lower of cost or market value. Gains and losses are taken to the income statement, when the investments are transferred to a third party or impaired.

Dividends are taken to the income statement when declared.

#### **Impairment of fixed assets**

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognised in the income statement under other general and administrative expenses.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a market based pre-tax discount rate. In determining fair value less cost to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. For Centres investment properties an external valuation is performed on a yearly basis to determine the fair value.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited up to the amount of the original cost, net of depreciation, if no impairment loss had been recognised in prior years. Such reversal is recognised in the income statement.

For all categories of financial assets carried at amortised cost, the Company assesses at each balance sheet date whether that asset or group of financial assets is impaired. Only if there is objective evidence of impairment the impairment loss will be recorded in the income statement.

#### **Inventories**

Inventories mainly comprise finished products and are carried at the lower of cost (first-in, first-out basis) or net realisable value, net of a provision for obsolescence. Cost includes the expenses for acquisition, plus other expenditure to bring the inventories to their present location and condition. Net realisable value is based on estimated selling price, less further costs expected to be incurred for completion and disposal.

#### **Construction contracts**

Construction contracts concern the construction of properties for which an unconditional sales contract has been entered into before or during the construction. Construction contracts consist of realised contract costs, attributable profits, recognised losses and progress billings. Included in the valuation of construction contracts are the costs which directly relate to the specific project (for example, personnel costs for employees whose activities relate directly to the project, costs of materials used in construction, costs of land and sites, and depreciation of plant and equipment used on the project), the costs which are attributable to contract activity in general and can be allocated to the project (including insurance, costs of design and technical assistance, construction overheads, and the interest on debt attributable to the project during the period), as well as other costs chargeable to the customer under the terms of the project. Construction contracts represent an amount receivable from the customer if an asset, or an amount payable if a liability, for activities still to be performed or an amount received in advance. For further details on construction contracts refer to section Construction contracts income.



***Cash and short-term deposits***

Cash and cash equivalents are carried at nominal value, which are readily available within 12 months.

***Shareholder's equity***

Amounts contributed by the shareholder of the Company in excess of the nominal share capital, are accounted for as share premium.

The revaluation reserve does not exceed the difference between the carrying value based on historical cost and the carrying value based on fair value. The revaluation reserve is reduced by any realised revaluation (in connection with systematic depreciation or amortisation of the asset). Decreases in the value of the asset in question other than due to systematic depreciation or amortisation are charged against the revaluation reserve. If an asset is sold, any revaluation reserve pertaining to that asset is released and credited to other reserves. Any related deferred tax liability, calculated at the current tax rate, is offset against the revaluation reserve.

Minority interests are valued at the proportionate share of third parties in the net value of the assets and liabilities of a consolidated entity, determined in accordance with the Company's measurement principles.

***Provisions***

A provision is formed for a legal or constructive obligation (including claims, disputes and lawsuits), arising from a past event if it is probable that they will have to be settled and the amount of the liability can be reliably estimated. The amount of the provision is determined based on a best estimate of the amounts required to settle the liabilities and losses concerned at the balance sheet date. Provisions are carried at non-discounted value, with the exception of:

- the provision for pensions which is carried at discounted value; and
- provisions for other employee benefits carried at discounted value if the effect of the time value is material.

If expenses required to settle a provision are probable to be reimbursed by a third party, the reimbursement is recognised as a separate asset.

In certain cases, the criteria for recognising a provision or liability in the balance sheet of the Company may not be met. Under contingencies and commitments, the Company discloses contingent liabilities, where there is a potential material impact on the financial statements dependent on the occurrence of uncertain future events.

If the time value of money is material and the period over which the cash outflows are discounted is more than one year, provisions are measured at the present value of the best estimate of the cash outflows that are expected to be required to settle the liabilities and losses. The provisions are measured at nominal value if the time value of money is not material or if the period over which the cash outflows are discounted is no longer than one year.

***Pensions and other post-employment benefits***

The Company operates a number of pension plans, which have been established in accordance with the regulations and practices of the individual countries. The plans include both defined contribution plans and defined benefit plans. The Company applies IAS 19 to all post-employment benefits.

***Defined contribution plans***

The contributions related to defined contribution plans are charged to the income statement in the period to which these contributions relate.

***Defined benefit plans***

The net obligations of defined benefit plans are determined as the difference between the benefit obligations and the plan assets. Defined benefit plan pension commitments are calculated in accordance with the projected unit credit method of actuarial cost allocation. Under this method, the present value of pension commitments is determined on the basis of the number of active years of service up to the balance sheet date and the estimated employee salary at the time of the



expected retirement date and is discounted using the market rate of interest on high-quality corporate bonds with lifetimes that corresponds to the Group's pension obligations. The net obligation comprises the discounted present value of the total earned future salaries less the fair value of any plan assets.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding any changes recorded as net interest and the return on plan assets (excluding net interest), are recognised immediately in the balance sheet and equity (retained earnings). Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statement on the earlier of the date of the plan amendment or curtailment and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognises the following changes in the net defined benefit obligation under 'general and administrative expenses' in the consolidated income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income.

#### **Non-current liabilities**

The valuation of non-current liabilities is explained under the heading 'Financial instruments'.

#### **Current liabilities**

The valuation of current liabilities is explained under the heading 'Financial instruments'.

#### **Income taxes**

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted in accordance with local tax legislation or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax liabilities and deferred tax assets are carried on the basis of the tax consequences of the realisation or settlement of assets, provisions, liabilities or accruals and deferred income as planned by the Company at the balance sheet date. Deferred tax liabilities and deferred tax assets are carried at non-discounted value.

A deferred tax liability is recognised for all taxable temporary differences. A deferred tax asset is recognised for all deductible temporary differences and carry-forward losses, to the extent that it is probable that future taxable profit will be available for set-off.

Deferred and other tax assets and liabilities are netted off if the general conditions for netting off are met.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax legislation) that have been enacted or subsequently enacted at the balance sheet date.

#### **Leasing**

The Company may enter into finance and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases. All other leases are classified as operating leases.

Assessing whether an agreement contains a lease is based on the substance at the inception date of the agreement. The agreement is regarded as a lease if the fulfilment of the agreement depends



on the use of a specific asset and the lease contains the right of use of a specific asset.

*The Group as lessee*

Under operating leases, the lease payments are charged to the income statement on a straight-line basis over the term of the lease.

*The Group as lessor*

Under operating leases, the lease income is taken on a straight-line basis to the income statement over the term of the lease. Initial direct costs are amortised over the term of the lease against the lease income.

**Income**

Revenue consists of sale of goods, service income, rental income, construction contracts income, renewable energy and forestland income.

*Sale of goods*

Sale of goods represents the proceeds from the supply of goods and services, net of returns and discounts. The Company generates and recognises net sales to retail customers at the point of sale in its stores or pick-up points and upon delivery to home shopping customers.

*Service income*

Service income represents the consideration received or receivable, net of allowances and rebates. Service income is recognised in the income statement when the service is performed and the amount of the revenue can be determined reliably, collection of the related compensation to be received is probable and the costs already incurred.

*Rental income*

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Rental discounts given in regards of Covid-19 are recognised within the financial year. Lease incentives granted to lessees are recognised as an integral part of total rental income, over the term of the lease.

*Construction contracts income*

Construction contracts income, costs and profit are recognised with respect to the activity performed to complete the project as at balance sheet date (percentage of completion method). The level of activities performed for a construction project is determined on the basis of contract costs incurred to the balance sheet date in relation to estimated total contract costs. Contract costs are recognised as an expense in the profit and loss account when activities in the project have been performed.

At the same time, revenues are recognized based on the activities performed as at balance sheet date which is the same as the recognized contract cost in the income statement plus the percentage of completion estimated result.

*Renewable energy and forestland income*

Renewable energy income represents the consideration received for produced electricity and related products and services. Renewable energy income is recognised in the income statement in the period to which it relates (e.g. when the electricity was produced and delivered). Forestland income represents the income of sales of timber and is recognised when the risks and rewards of the ownership are transferred to the buyer and the quantity sold is determinable.

**Interest**

Interest income is recognised on an accrual basis in the income statement using the effective interest rate method, provided the income can be measured and the income is probable to be received.

**Expenses**

Expenses that are incurred in order to generate revenues and other operating income, insofar these costs have been charged by third parties, including interest, are determined with due observance of



the aforementioned accounting policies and allocated to the year to which they relate. Employee benefits are charged to the income statement in the period in which the employee services are rendered.

Termination benefits are employee benefits provided in exchange for the termination of the employment. A termination benefit is recognised as a liability and an expense when the Company is demonstrably and unconditionally committed to make the payment of the benefit. If the termination is part of a restructuring, the costs of the termination benefits as part of the restructuring provision.

Foreseeable and other obligations as well as potential losses arising before the financial year-end are recognised if known before the financial statements are prepared and provided all other conditions for forming provisions are met.

**Cash flow statement**

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. The above definition has been used for the cash flow statements, which has been prepared using the indirect method.

Receipts and payments of interest, and income taxes are presented within the cash flows from operating activities. Payments of dividends are presented within the cash flows from financing activities. Receipt of dividends are presented within the cash flows from investing activities.

The consideration of acquired group companies is presented under the cash flows from investment activities, for the considerations paid in cash and cash equivalents. The cash and cash equivalents obtained through the acquired group companies at the acquisition date, are deducted from the consideration paid.

Cash flows in foreign currencies are translated at the average rate of exchange for the year. Currency translation differences are presented separately in the statement of cash flows.

**Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. If the grant relates to an asset, it reduces the carrying amount and is recognised as income over the useful life of the asset as reduced depreciation charge.

**Related parties and related party transactions**

Transactions with related parties are assumed when a relationship exists between the company and a natural person or entity that is affiliated with the company. This includes, amongst others, the relationship between the company and its subsidiaries, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

**Subsequent events**

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no further information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects are disclosed in the financial statements.



#### 4. INTANGIBLE FIXED ASSETS

	2022	2021
(Land) lease rights	2,400	1,842
Goodwill	376	338
Software	377	287
Other	43	44
<b>Total</b>	<b>3,196</b>	<b>2,511</b>

	(Land) lease rights	Goodwill	Software	Other	Total
<b>Cost</b>					
<b>Opening balance</b>	<b>2,191</b>	<b>511</b>	<b>318</b>	<b>120</b>	<b>3,140</b>
Translation adjustment	208	22	(14)	6	222
Additions	-	70	157	42	269
Acquisitions	445	-	-	-	445
Disposals	-	-	-	(33)	(33)
Divestments	-	-	-	-	-
Impairments	-	-	(8)	-	(8)
Other	-	(5)	1	(6)	(10)
<b>Closing balance</b>	<b>2,844</b>	<b>598</b>	<b>454</b>	<b>129</b>	<b>4,025</b>
<b>Accumulated amortisation</b>					
<b>Opening balance</b>	<b>349</b>	<b>173</b>	<b>31</b>	<b>76</b>	<b>629</b>
Translation adjustment	35	15	(2)	6	54
Additions	60	32	50	5	147
Disposals	-	-	(2)	(1)	(3)
Divestments	-	-	-	-	-
Other	-	2	-	-	2
<b>Closing balance</b>	<b>444</b>	<b>222</b>	<b>77</b>	<b>86</b>	<b>829</b>
<b>Net book value</b>	<b>2,400</b>	<b>376</b>	<b>377</b>	<b>43</b>	<b>3,196</b>

<b>Estimated useful life (years)</b>	30-97	3-20	3-5	0-20
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The useful life of goodwill ranges from 3-20 years in accordance with the timeline of anticipated future economic benefits arising in the investment. The estimated useful life of (land) lease rights ranges from 30-97 years in accordance with the contractually agreed period.

Other intangible fixed assets mainly consist of capitalized franchise fees and intangible assets for capitalized renewable energy and carbon incentives.

The amortization of intangible fixed assets is included under general and administrative expenses and cost of sales and services in the income statement.

Research and development costs charged to the profit and loss account amount to EUR 152 and is mainly related to amortization of capitalized IT development costs.



**5. TANGIBLE FIXED ASSETS**

	2022	2021
Land and buildings	19,898	19,574
Building improvements	2,102	2,007
Machinery and equipment	1,324	1,322
Construction in progress	2,323	1,730
<b>Total</b>	<b>25,647</b>	<b>24,633</b>

	Land and buildings	Building improvements	Machinery and equipment	Construction in progress	Total 2022	Total 2021
<b>Cost</b>						
<b>Opening balance</b>	<b>29,122</b>	<b>5,123</b>	<b>4,711</b>	<b>1,730</b>	<b>40,686</b>	<b>38,469</b>
Translation adjustment	1,611	348	259	256	2,474	473
Additions	282	70	264	1,320	1,936	2,248
Acquisitions	86	-	-	-	86	237
Disposals	(483)	(99)	(224)	(81)	(887)	(597)
Divestments	(67)	(7)	0	(7)	(81)	(8)
Impairment	(186)	13	(3)	(21)	(197)	(102)
Transfers	430	212	226	(868)	-	-
Other	1	(10)	(57)	(6)	(72)	(34)
<b>Closing balance</b>	<b>30,796</b>	<b>5,650</b>	<b>5,176</b>	<b>2,323</b>	<b>43,945</b>	<b>40,686</b>
<b>Accumulated depreciation</b>						
<b>Opening balance</b>	<b>9,548</b>	<b>3,116</b>	<b>3,389</b>	<b>-</b>	<b>16,053</b>	<b>14,616</b>
Translation adjustment	603	175	198	-	976	165
Additions	939	315	471	-	1,725	1,571
Disposals	(160)	(54)	(165)	-	(379)	(292)
Divestments	(28)	(5)	0	-	(33)	-
Transfers	(9)	9	0	-	0	-
Other	5	(8)	(41)	-	(44)	(7)
<b>Closing balance</b>	<b>10,898</b>	<b>3,548</b>	<b>3,852</b>	<b>-</b>	<b>18,298</b>	<b>16,053</b>
<b>Net book value</b>	<b>19,898</b>	<b>2,102</b>	<b>1,324</b>	<b>2,323</b>	<b>25,647</b>	<b>24,633</b>
<b>Estimated useful life (years)</b>	25	10	3-15			

Land and construction in progress are not depreciated.

Tangible fixed assets carried at costs do not include capitalized interest charges. Land and buildings include windfarms and forestland for a net book value of EUR 1,623 million. The company holds the legal ownership of all material tangible fixed assets.

Of the depreciation of EUR 1,725 million, an amount of EUR 1,108 million (2021: EUR 997 million) is included in the selling expenses and the residual amount of EUR 617 million (2021: EUR 574 million) is mainly allocated to cost of sales and services.

During 2022 investments in, amongst others, wind- and solarfarms and real estate resulted in an increase in tangible fixed assets of EUR 86 million and an increase in intangible fixed assets of EUR 527 million. Total consideration paid amounts to EUR 462 million.

The Company received investment grants in different jurisdictions. The investment grants received during 2022 were not material.



During 2022 impairments on tangible fixed assets to recoverable amounts have been recorded for an amount of EUR 222 million (2021: EUR 106 million). Reversals of previous years' impairments for an amount of EUR 19 million (2021: EUR 4 million) have been recognised, resulting in a net loss of EUR 203 million (2021: EUR 102 million loss) recognised in the income statement relating to assets and Cash Generating Units ('CGU') within the following lines of business:

Description	Assets/ CGUs	Valuation approach	Forecasting period and discount rate Value in use	Amount
Renewable energy and forestland	2 <sup>1</sup>	Value in use	15-21 years; 4-6%	35
Retail market	10 <sup>2</sup>	Market value / Value in use	5 years; 8-11%	81
Investment property	9 <sup>1</sup>	Market value	-	87

<sup>1</sup> Note that the CGU amount comprises the CGU with an impairment.

<sup>2</sup> Note that there are also impairments related to land plots which are not included in the Retail market CGU amounts presented in table above.

The impairments are mainly driven by lower business performance in few specific (retail) markets, decrease of investment property in Russia and decreased valuation of land plots. The reversals of impairments are mainly driven by higher renewable energy prices forecasted.

### ***Investment properties***

The investment properties, rented out to third party tenants, form an integral part of the tangible fixed assets and have the following book value:

	2022	2021
Land and buildings	3,602	3,451
Building improvements	765	623
Machinery and equipment	84	52
Construction in progress	685	440
<b>Total</b>	<b>5,136</b>	<b>4,566</b>



	Land and buildings	Building improve- ments	Machinery and equipment	Construc- tion in progress	Total 2022	Total 2021
<b>Cost</b>						
<b>Opening balance</b>	<b>4,850</b>	<b>1,194</b>	<b>148</b>	<b>440</b>	<b>6,632</b>	<b>6,205</b>
Translation adjustment	515	176	44	92	827	122
Additions	3	(7)	2	422	420	428
Acquisitions	-	-	-	-	-	116
Disposals	(321)	(59)	(27)	(10)	(417)	(37)
Divestments	(67)	(7)	-	(7)	(81)	(8)
Impairments	(53)	-	-	(33)	(86)	(59)
Transfers	129	107	30	(266)	-	-
Other	352	162	48	47	609	(135)
<b>Closing balance</b>	<b>5,408</b>	<b>1,566</b>	<b>245</b>	<b>685</b>	<b>7,904</b>	<b>6,632</b>
<b>Accumulated depreciation</b>						
<b>Opening balance</b>	<b>1,399</b>	<b>571</b>	<b>96</b>	<b>-</b>	<b>2,066</b>	<b>1,736</b>
Translation adjustment	206	90	33	-	329	39
Additions	208	107	26	-	341	305
Disposals	(137)	(31)	(22)	-	(190)	(9)
Divestments	(28)	(5)	-	-	(33)	-
Transfers	-	-	-	-	-	-
Other	158	69	28	-	255	(5)
<b>Closing balance</b>	<b>1,806</b>	<b>801</b>	<b>161</b>	<b>-</b>	<b>2,768</b>	<b>2,066</b>
<b>Net book value</b>	<b>3,602</b>	<b>765</b>	<b>84</b>	<b>685</b>	<b>5,136</b>	<b>4,566</b>

**Estimated useful life (years)** 25 10 3-15

Land and construction in progress are not depreciated.

The estimated useful lives of these investment properties are comparable to the estimated useful lives of the operational tangible fixed assets.

Rental income from third party tenants related to investment properties amounted to EUR 981 million (2021: EUR 849 million).

The estimated market value of the investment property amounts to EUR 10.2 billion (2021: EUR 9.6 billion) and is mainly based on external appraisal conducted yearly by an independent appraiser. This amount includes related land lease rights with a net book value of EUR 1.0 billion (2021: EUR 1.0 billion). The estimated market value increased compared to 2021 and is mainly driven by an increase due to foreign exchange translation partly offset by decrease of value of investment properties in local currency. In addition, the value was also impacted by closure of the stores in Russia (in fair value scope FY22, not in FY21).

The valuation is determined based on open-market valuations, taking into account the size, nature, state and use of the investment property. The Russia - Ukraine war creates a significant degree of uncertainty and volatility in the Russian (real estate) markets, also having an impact on the valuation of our investment properties in Russia. In recognition of the potential for market conditions to change rapidly in response to the current situation in Russia, we highlight the importance of the valuation date as such.



**Operating leases – Group as lessor**

The Group has entered into operating leases relating to investment property. The future minimum lease receipts on these non-cancellable leases can be broken down as follows:

	2022	2021
Within one year	731	944
After one year but no more than five years	2,411	2,182
More than five years	2,055	3,371
	<b>5,197</b>	<b>6,497</b>

The decrease in operating leases is mainly due to the closure of retail operations in Russia.

**6. FINANCIAL FIXED ASSETS**

	2022	2021
Long term loans receivable	508	477
Deferred tax asset	657	476
Investment in participating interests	916	890
Other investments	361	343
<b>Total</b>	<b>2,442</b>	<b>2,186</b>

	Long term Loans receivable	Deferred Tax Asset	Investm. in part. interests	Other invest- ments	Total
<b>Cost</b>					
<b>Opening balance (incl. due in one year)</b>	<b>629</b>	<b>476</b>	<b>890</b>	<b>343</b>	<b>2,338</b>
Translation adjustment	21	18	22	8	69
Additions	299	350	52	41	742
Disposals	-	-	-	(6)	(6)
Utilised	-	(109)	-	-	(109)
Released	-	(60)	-	-	(60)
Share in result of part. interests	-	-	10	-	10
Repayments	(345)	-	-	-	(345)
Amounts due within one year	(96)	-	-	-	(96)
Dividend	-	-	(50)	-	(50)
Other	-	(18)	(8)	(25)	(51)
Transfer	-	-	-	-	-
<b>Net book value</b>	<b>508</b>	<b>657</b>	<b>916</b>	<b>361</b>	<b>2,442</b>

Additional investments in participating interests and other investments (EUR 52 million and EUR 41 million respectively) relate mainly to investments in companies specialized in innovative logistics and FinTech.



Annual maturities of long-term loans receivable scheduled for repayment during the next years are as follows:

<b>Financial Year</b>	<b>Amount</b>
2022	96
2023	62
2024	91
2025	13
2026	55
Thereafter	288
<b>Total</b>	<b>605</b>

Refer to note 22 for details on the deferred tax assets. The group has the following significant capital interests:

<b>Name</b>	<b>Registered office</b>	<b>Share in issued capital</b>
Ikano Insurance Holding AG	Zug, Switzerland	49%
Veja Mate Offshore Beteiligungsgesellschaft	Munich, Germany	33%
Sponsor VKI HoldCo LLC (Sage Solar Project)	USA	49%
Sponsor Misae I HoldCo LLC (Misae Solar Project)	USA	49%
Sixth Project Company LLC	Russia	49%
Sunlight Energy LLC	Russia	49%
Fifth Project Company LLC	Russia	49%
Ikano Bank AB	Sweden	49%

## 7. INVENTORIES

The inventory consists of finished goods and amounts to EUR 2,700 million (2021: EUR 1,966 million). The provision for obsolescence amounts to EUR 66 million as at August 31, 2022 (2021: EUR 53 million).

As at August 31, 2022 EUR 25 million (2021: 26 million) is recognised under inventories that is related to properties that have already finished construction.

## 8. CONSTRUCTION CONTRACTS

Construction contracts consists of properties under construction and amounts to EUR nil million (2021: EUR nil) as the construction works have been completed.



## 9. TRADE AND OTHER RECEIVABLES

	2022	2021
Trade debtors, less allowance	492	436
Current portion of long-term loans receivable	96	152
Short term loans and receivables	275	89
Income tax receivable	237	131
Other receivables	493	522
Prepaid expenses and accrued income	370	346
<b>Total</b>	<b>1,963</b>	<b>1,676</b>

The other receivables can be broken down as follows:

	2022	2021
VAT receivable	225	255
Receivable on suppliers	30	19
Other receivables	240	248
<b>Total</b>	<b>495</b>	<b>522</b>

Prepaid expenses and accrued income can be broken down as follows:

	2022	2021
Interest	2	2
Derivatives	17	21
Insurance premiums	25	24
Other prepaid and accrued income	326	299
<b>Total</b>	<b>370</b>	<b>346</b>

Derivatives include the unrealised gains on derivative financial instruments related to the management of interest rate and currency risk. For more information on financial risk management refer to note 24.

## 10. SECURITIES

The Company is actively managing its excess cash liquidity through its securities trading business. As at August 31, 2022, total securities amounted to EUR 20,678 million (2021: EUR 21,215 million). Securities, excluding equity and fund investments amounted to EUR 18,964 million (2021: EUR 19,562 million), consisting mainly of highly creditworthy listed debt securities with a credit rating of at least AA as shown below. The amount attributable to listed equities was EUR 967 million as at 31 August 2022 (2021: EUR 1,078 million).

Maximum exposure limits of EUR 300 million and EUR 200 million are set for individual financial counterparties and non-financial counterparties respectively, as long as their credit rating is at least A-. Below A-, exposure limits of EUR 100 million apply to all counterparties with a BBB+ or BBB rating and EUR 50 million for those rated BBB-. No limits apply for government securities or their 100% owned agencies, unless the government's rating is below BBB where limits of EUR 500 million apply. A maximum exposure of EUR 1,200 million and a stricter approval process are applied to non-investment grade debt securities.



The credit risk profile of the debt securities portfolio is as follows (in %):

	2022	2021
AAA to AA	53	53
AA- to A-	30	26
BBB+ to BBB-	14	18
Non-Investment Grade	3	3
	<b>100</b>	<b>100</b>

The debt securities portfolio is diversified over the following issuer categories (in %):

	2022	2021
Sovereign	43	51
Government Sponsored	18	18
Financial Corporation	20	14
Asset backed securities	1	1
Non-Financial Corporate	12	8
Collateralized Loans Obligations	6	8
	<b>100</b>	<b>100</b>

The income statement includes a EUR 1,280 million loss (2021: EUR 123 million loss) in the value of debt securities. This amount is included in the financial income and expenses under revaluation gain/(loss). Changes in value of listed securities are not included in the revaluation reserve.

As at August 31, 2022, no bonds were pledged as collateral for short term borrowing (2021: no bonds).

## 11. CASH AND SHORT-TERM DEPOSITS

The total balance amounts to EUR 1,138 million as at August 31, 2022 (2021: EUR 907 million). An amount of EUR 697 million (2021: EUR 695 million) is readily available without restrictions to the Company, while an amount of EUR 441 million (2021: EUR 212 million) relating to short-term deposits with a set maturity date for a maximum duration of 3 months is restricted.

## 12. SHAREHOLDER'S EQUITY

For details on shareholder's equity, refer to note 3 in the Company financial statements.

## 13. PROVISIONS

	2022	2021
Deferred tax liabilities	604	599
Provision for pension commitments	410	722
Other	549	530
<b>Total</b>	<b>1,563</b>	<b>1,851</b>

For details on the provision for deferred taxation refer to note 22. For details on the provision for pensions commitments refer to note 14.



The movement in the other provisions is as follows:

	2022	2021
<b>Opening balance</b>	<b>530</b>	<b>620</b>
Currency translation	56	4
Additions	178	163
Utilised	(151)	(134)
Released	(60)	(124)
Transfer	-	-
Other	(4)	1
<b>Closing balance</b>	<b>549</b>	<b>530</b>

Other provisions include warranty and return (EUR 188 million), tax (EUR 116 million), restructuring (EUR 22 million) and other provisions (EUR 223 million). Of the total balance an amount of EUR 253 million (2021: EUR 202 million) is due within one year. Other provisions are measured at nominal value if the time value of money is not material or if the discounting period of the cash outflows is less than one year. Alternatively, in case the time value of money is material or if the discounting period of the cash outflows is more than one year, other provisions are measured at fair value.

#### 14. PENSION AND OTHER POST-EMPLOYMENT BENEFITS

The Company has a number of defined benefit pension plans, predominantly in Sweden, the Netherlands, Germany, France and Switzerland.

The nature of the benefits provided by the Company are based on final salary pension plans (59%), contribution-based plans with guarantee (34%) and other (7%).

There are minimum funding requirements for the pension plans in Belgium, the Netherlands and Switzerland as set out by local legislation. The minimum funding requirements for these plans are met as per balance sheet date.

The key defined benefit plans with regards to the present value of net obligations are as follows:

	Netherlands	Sweden	Switzerland	Other	Total
Defined benefit obligation	(648)	(148)	(256)	(300)	(1,352)
Fair value of plan assets	765		305	83	1,153
Effect of asset ceiling	(155)		(28)		(183)
<b>Net Defined Benefit Asset</b>			<b>26</b>		<b>26</b>
<b>Net Defined Benefit Liability</b>	<b>(38)</b>	<b>(148)</b>	<b>(5)</b>	<b>(217)</b>	<b>(408)</b>

#### *Net expense*

The following table shows the pension and other post-employment benefit expenses recognised in the income statement.

	2022	2021
Current service cost	76	91
Past service cost	(21)	0
Company service cost	55	91
Net interest cost	(11)	9
Defined benefit plans	44	100
Defined contribution plans	278	191
<b>Total expense</b>	<b>322</b>	<b>291</b>



**Liability for defined benefit obligations**

	2022	2021
Defined benefit obligation – funded plans	1,002	1,262
Defined benefit obligation – unfunded plans	350	611
Less: Fair value of plan assets	(1,153)	(1,237)
Deficit	199	636
Restriction due to asset ceiling	183	14
<b>Net Defined Benefit Liability and Defined Benefit Asset</b>	<b>382</b>	<b>650</b>

The movements in the asset and liability for the net defined benefit obligations are as follows:

	2022	2021
<b>Opening balance</b>	<b>650</b>	<b>700</b>
Net expense for the year	45	101
Remeasurement (gain)/loss	(109)	(100)
Employer contributions	(58)	(44)
Net transfer in/out	0	1
Benefits paid directly by the Company	(144)	(14)
Reimbursement rights	0	1
Currency translation	(2)	5
<b>Closing balance</b>	<b>382</b>	<b>650</b>

The fair value of the reimbursement rights amounts to EUR 8 million at August 31, 2022 (2021: EUR 8 million).

**Assets and liabilities**

The following table shows the changes in benefit obligations and plan assets of the employee benefit plans.

The present value of the defined benefit obligation is detailed as below:

	2022		2021	
	Defined benefit obligation	Fair value plan assets	Defined benefit obligation	Fair value plan assets
<b>Opening balance</b>	<b>1,873</b>	<b>1,224</b>	<b>1,756</b>	<b>1,056</b>
Company service cost	55	-	91	-
Net interest	20	13	21	11
Benefits paid	(48)	(50)	(42)	(44)
Plan participant contributions	14	14	13	13
Employer contributions	(131)	70	-	58
Return on plan assets	-	(172)	-	112
Changes due to employee transfers	-	-	1	-
Changes in demographic assumptions	16	-	(60)	-
Changes in financial assumptions	(518)	-	101	-
Experience adjustments	34	-	(11)	-
Currency translation	36	39	3	(1)
Changes in effect of asset ceiling	-	(168)	-	19
<b>Closing balance</b>	<b>1,351</b>	<b>970</b>	<b>1,873</b>	<b>1,224</b>



	2022	2021
Final salary pension plans	794	1,225
Contribution based plans with a guarantee	467	547
Other	89	101
<b>Closing balance</b>	<b>1,351</b>	<b>1,873</b>

*Allocation of plan assets*

The major categories of plan assets of the fair value of the total plan assets are, as follows:

	2022		2021	
	Quoted	Unquoted	Quoted	Unquoted
Cash and cash equivalents	78	-	67	-
Equity instruments	380	-	420	-
Government bonds	434	-	486	-
Corporate bonds	-	-	-	-
Real estate	-	87	-	75
Insurance contracts	30	81	50	74
Other	59	3	63	-
<b>Total</b>	<b>981</b>	<b>171</b>	<b>1,086</b>	<b>149</b>

The plan assets do not include investments in shares, issued debt or property owned by the Company.

*Asset volatility*

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If the return on the plan assets is less than the return on the liabilities implied by this assumption, this will create a deficit.

*Interest rate risk*

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' fixed rate instruments.

*Inflation risk*

Some of the pension obligations are linked to inflation. Higher inflation will lead to higher liabilities. The majority of the plan assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will increase the deficit.

*Life expectancy*

The majority of the plans are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

*Assumptions*

The principal assumptions used in determining the defined benefit obligations are shown below:

	2022	2021
Discount rate	3.2%	1.2%
Future salary increases	2.3%	2.5%

The average duration of the defined benefit plan obligation at August 31, 2022 is 17 years (2021: 20.5 years).

The Company expects to contribute EUR 189 million to its defined benefit pension plans in 2023.



*Sensitivity analysis*

	Discount rate		Salary increases	
	<u>0.50%</u>	<u>(0.50%)</u>	<u>0.50%</u>	<u>(0.50%)</u>
Impact on defined benefit obligation	(102)	120	13	(14)

The methodology applied for the sensitivity analysis in above table is equal to prior year.

**15. NON-CURRENT LIABILITIES**

The non-current liabilities of EUR 767 million (2021: EUR 587 million) consist of long-term debt of EUR 572 million (2021: EUR 425 million) and other non-current payables of EUR 195 million (2021: EUR 162 million). The majority of the long-term debt includes finance facilities related to the Company's investments in land and buildings.

The interest rates on these local currency facilities of the total loan portfolio range between 2.80% (2021: 0.95%) and 7.95% (2021: 4.9%) with a weighted average of 4.18% in 2022 (2021: 4.01%). Of the non-current portion of the total loan portfolio EUR 26 million (2021: EUR 23 million) has a fixed interest rate and EUR 557 million (2021: EUR 434 million) has a floating interest rate.

	<b>2022</b>	<b>2021</b>
<b>Opening balance (including short term portion)</b>	<b>728</b>	<b>613</b>
Translation adjustment	78	38
Additions	205	250
Acquisitions	-	-
Repayments	(179)	(173)
Amount due within one year	(65)	(141)
<b>Closing balance</b>	<b>767</b>	<b>587</b>

Annual maturities of debt scheduled for repayment during the next years are as follows:

<b>Financial Year</b>	<b>Amount</b>
2024	146
2025	189
2026	136
2027	39
Thereafter	257
<b>Total</b>	<b>767</b>

Pledged assets amount to EUR 2,445 million (2021: EUR 1,698 million) and mainly consist of property pledged (EUR 2,309 million) as collateral for external liabilities.

**16. CURRENT LIABILITIES**

	<b>2022</b>	<b>2021</b>
Current portion of long-term debt	65	141
Short-term borrowings	12	54
Accounts payable	3,302	3,104
Income tax payable	315	116
Other liabilities	1,741	1,629
Accrued liabilities and deferred income	2,359	2,379
<b>Total</b>	<b>7,794</b>	<b>7,423</b>

Short-term borrowings at different finance institutions bear market interest rates according



to local conditions for currencies involved.

Other liabilities can be broken down as follows:

	2022	2021
VAT payable	479	492
Wage tax payable	49	48
Other taxes payable	231	216
Deposits received	144	119
Other liabilities	838	754
<b>Total</b>	<b>1,741</b>	<b>1,629</b>

Accrued liabilities and deferred income can be broken down as follows:

	2022	2021
Accrued wages	840	1,021
Accrued franchise fee	335	311
Accrued interest expense	4	5
Derivatives	57	33
Other accruals and deferred income	1,123	1,009
<b>Total</b>	<b>2,359</b>	<b>2,379</b>

The accrued liabilities and deferred income balance at August 31, 2022 include a net amount payable of EUR 40 million (2021: EUR 12 million payable) related to the fair value of derivatives, which are used to hedge foreign exchange risk of the expected purchase and sales transactions, i.e. the commercial flows, of the Group for the next financial year.

## 17. REVENUE

### *Revenue*

	2022	2021
Europe	30,234	28,193
North America	7,489	7,098
Asia and Pacific	4,313	4,493
<b>Total</b>	<b>42,036</b>	<b>39,784</b>

## 18. COST OF SALES AND SERVICES

Cost of sales and services, amounting to EUR 28,070 million as at August 31, 2021 (2021: EUR 26,909 million) relates to the retail sales, service income, rental income and renewable and forestry income. The retail cost of sales of EUR 27,234 million consist mainly of the purchase price of the products sold and other costs incurred in bringing the inventories to the location and condition ready for sale.

## 19. OPERATING EXPENSES

Selling expenses of EUR 9,567 million (2021: EUR 8,610 million) represent retail core-business related cost, including marketing cost and the relevant portion of staff cost, operational cost and depreciation.

General and administrative expenses of EUR 2,704 million (2021: EUR 2,633 million) are related to non-retail activities, which are not (directly) associated with generating service income and rental income.



**Personnel expenses**

	2022	2021
Salaries and wages	5,310	5,062
Social charges	945	867
Pension expense	322	295
<b>Total</b>	<b>6,577</b>	<b>6,224</b>

**Employees**

The geographical distribution of the employees (based on average numbers) is as follows:

	2022	2021
The Netherlands	6,447	6,122
Europe (excluding the Netherlands)	123,263	119,236
North America	25,042	26,569
Asia and Pacific	22,440	22,298
<b>Total</b>	<b>177,192</b>	<b>174,225</b>

**20. OTHER INCOME**

Other income of EUR 340 million (2021: EUR 242 million) includes gain on sale of fixed assets (EUR 143 million) and service fees (EUR 13 million) and others.

**21. FINANCIAL INCOME AND EXPENSE**

	2022	2021
Income from investments	31	42
Interest income and similar income	222	257
Changes in value of investments	(1,410)	94
Interest expenses and similar charges	(45)	(30)
<b>Total</b>	<b>(1,202)</b>	<b>363</b>

The income from investments and change in value of investments can be broken down as follows:

	2022	2021
Share in profit participating interests	10	39
Result on sale of subsidiaries	10	-
Other financial income/(expense)	11	3
<b>Income from investments</b>	<b>31</b>	<b>42</b>
Currency gain/(loss)	(20)	20
Revaluation gain/(loss)	(1,390)	74
<b>Change in value of investments</b>	<b>(1,410)</b>	<b>94</b>

Share in profit of associates represents the share in the result of investments in participating interests (refer to note 6 – financial fixed assets). Result on sale of subsidiaries is the result on the sales of investment property. Other financial income/(expense) includes amongst others recycling of currency translation reserve into the income statement. Interest income and similar income include accrued interest for the financial year relating to financial assets. Change in value of investments includes Currency gains and losses and Revaluation gains and losses. Currency gains



and losses show the result of managing the currency rate risk on commercial flows and other currency translation in the Group (refer to note 24 – exchange rate risk). Revaluation gains and losses represent the fair value development of securities and derivatives. Interest expenses and related charges relate to accrued interest for financial liabilities and net accruals on derivatives used to hedge internal funding (refer to note 24 – interest rate risk).

## 22. INCOME TAXES

Deferred income tax assets are mainly related to timing differences, primarily in connection with the valuation of pension provisions and depreciation. Deferred tax assets arising from tax loss carry-forwards are only recognised if recovery is reasonably certain and amounts to EUR 657 million. EUR 203 million of deferred tax assets (2021: EUR 155 million) is expected to be used for set-off within one year.

The Group has unrecognised tax loss carry forwards available related to losses incurred in several countries approximating EUR 1,246 million (2021: EUR 886 million). No deferred tax asset has been recognised for these tax loss carry forwards due to uncertainty with respect to availability of taxable profits in the future within the limitations imposed in tax legislation in order to utilise the tax losses.

The movements in deferred tax assets are set out below:

	2022	2021
<b>Opening balance</b>	<b>476</b>	<b>479</b>
Currency translation	18	6
Additions	373	213
Utilised	(109)	(180)
Released	(83)	(41)
Other	(18)	(1)
<b>Closing balance</b>	<b>657</b>	<b>476</b>

Deferred taxation is provided for, using the balance sheet method, for all timing differences between tax and financial reporting. Provisions are substantially long-term in nature.

The movements in deferred tax liabilities are set out below:

	2022	2021
<b>Opening balance</b>	<b>599</b>	<b>564</b>
Currency translation	25	5
Acquisitions	75	-
Additions	81	114
Utilised	(105)	(60)
Released	(57)	(20)
Other	(14)	(4)
<b>Closing balance</b>	<b>604</b>	<b>599</b>

Of the movements in deferred tax, EUR 47 million impacted equity directly as per August 31, 2022 (2021: EUR 15 million) relating to actuarial remeasurements relating to the defined benefit pension obligation.



The major components of current income tax expense are as follows:

	2022	2021
Current income tax expense	662	642
Deferred tax expense	(116)	13
Tax expense based on changes in prior periods	-	-
<b>Total tax expense</b>	<b>546</b>	<b>655</b>

The reconciliation between the effective tax rate and the applicable tax rate in the Netherlands which is applicable to the consolidated financial statements is as follows (in %):

	2022	2021
Applicable tax rate in the Netherlands	25.5	25.0
Different tax rates outside the Netherlands	3.4	(3.5)
Non-deductible expenses	9.7	3.2
Tax-exempt income	(0.2)	(1.7)
Utilisation of previously unrecognised tax losses	(0.2)	(0.4)
Unrecoverable losses	19.4	3.4
Adjustment income tax previous years	0.8	3.0
Withholding taxes	8.1	1.6
Other	(0.9)	(1.3)
<b>Effective tax rate</b>	<b>65.6</b>	<b>29.3</b>

The significant impacts of interest rates on FMI (Financial Market Investments) and effects of scaling down operations in Russia cause a reduced net income and a high effective tax rate. The normalized effective tax rate remains in the 25-30% band. Ingka Group pays taxes in all countries where it operates.

## 23. COMMITMENTS AND CONTINGENCIES

Ingka Group is subject to corporate income and other taxes in various jurisdictions and exposed to tax uncertainties. Ingka Group is subject to various tax audits, in relation to direct as well as indirect taxes. With regard to uncertainties a liability is recognised if, as a result of a past event, Ingka Group has an obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Uncertainties that do not meet these criteria give rise to contingent liabilities that could have a future impact on recorded assets and liabilities but are not considered probable.

As per year-end, the Company and its subsidiaries have agreements to provide services in future years relating to distribution, storage and handling of inventory in distribution centres with third parties. Remuneration is variable and will be determined on a cost-plus basis for most of the agreements.

The commitments can be detailed as follows:

### **Guarantees**

Issued guarantees towards external parties amounted to EUR 82 million as at August 31, 2022 (2021: EUR 32 million).

### **Construction commitments**

Commitments for the construction of tangible fixed assets, including investment property, amounted to EUR 1,047 million as at August 31, 2022 (2021: EUR 851 million).

### **Purchase commitments**

The Group has not entered into purchase agreements with significant commitments outside the normal course of business as at August 31, 2022 (2021: EUR nil).



**Investment commitments**

The Company is committed to invest in several developments on grounds of renewable energy with development costs amounted to EUR 291 million as at August 31, 2022 (2021: nil).

**Legal proceedings**

The Company is from time to time involved in legal proceedings in the ordinary course of business. Management believes that no pending litigation to which the Company is a party will have a material adverse effect to the financial position or the results from operations.

**Operating leases – Group as lessee**

The Company and its subsidiaries have entered into lease and rental agreements for various periods. Future minimum rental payable under non-cancellable operating leases as at August 31 is as follows:

	2022	2021
Within one year	183	158
After one year but no more than five years	506	429
More than five years	991	284
<b>Total</b>	<b>1,680</b>	<b>871</b>

Total lease payments of EUR 245 million (2021: EUR 155 million) are recorded in the income statement.

**24. FINANCIAL RISK MANAGEMENT****General**

The use of financial instruments is closely related to the commercial flows and the cash flows of the business. Treasury and Financial Market Investments operations are centralised and executed according to the Ingka Group Policy and Rules set by the Board.

**Interest rate risk**

The Company has defined rules to limit interest rate risk exposure arising from its financial market activities. The interest rate risk is limiting to a duration of maximum five years on financial assets and liabilities.

The financial assets mainly consist of listed securities, which the Company mark to market on a daily basis. Thus no hedge accounting is applied to the securities portfolio nor to the related derivatives. Treasury companies receive fixed interest rates on internal funding provided to Ingka Group entities. The fair value risk which is considered in those internal funding positions has been partly swapped with external banks and the fair value movements of those derivatives are reported through the income statement.

The following sensitivity analysis relates to the securities portfolio and derivatives for which no hedge accounting is applied as described above.

**Sensitivity analysis Interest rate**

	2022		2021	
	<u>+1%</u>	<u>(1%)</u>	<u>+1%</u>	<u>(1%)</u>
Impact on Total financial income (EUR million)	(449)	469	(520)	545



**Non-current liabilities**

Refer to note 15 for details on non-current liabilities.

**Credit risk**

The Company manages its credit risks on individual counterparties. Counterparty limits are based on credit ratings and the aggregated exposure to counterparties is an proportion to the Company's net liquidity. The Company's policy is that bank accounts are held with investment grade rated financial institutions. Credit risk on all derivative positions is covered using collateral margining process according to Credit Support Annex agreements in place with all external counterparties.

Credit risk arises principally from the Company loans and receivables presented under financial fixed assets, trade and other receivables, cash and the positive fair value of derivatives. The maximum amount of credit risk that the Company incurs is equal to the carrying amount of each financial instrument as reflected on the balance sheet. The credit risk is diversified against a large number of counterparties.

**Liquidity and cash flow risk**

The Company manages its liquidity and cash flow risk by liquidity planning with the objective to maintain readily available liquid assets equal to a percentage of the Group's revenues.

Of the total cash and cash equivalents an amount of EUR 441 million (2021: EUR 212 million), relating to short-term deposits with a set maturity date for a maximum duration of 3 months, is restricted. Furthermore, we refer to note 15 for the repayment schedules of long-term liabilities.

**Equity price risk**

In addition to interest bearing securities, the Company holds a portfolio of listed equities, whose market value was EUR 967 million on August 31, 2022 (2021: EUR 1,078 million). The Company is exposed to equity price risk, which is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

**Exchange rate risk**

The Company is exposed to foreign exchange rate risks arising from purchase and sales transactions as well as holding net positions denominated in foreign currency. The exchange rate risk of the Company is actively managed by using derivative contracts, except for long term I/C loans denominated in foreign currency.

At August 31, 2022, the total fair value of the derivatives used to manage exchange rate risk is negative EUR 31 million (2021: negative EUR 4.3 million). The fair value of these derivatives are part of the derivatives position in notes 9 and 15. The remainder of the total fair value in these two notes relates to interest rate derivatives.

The negative EUR 31 million can be broken down in the following portfolios:

	2022	2021
Internal funding	(21)	(6)
Investment portfolio hedge	(10)	2
Currency diversification	-	-
<b>Total</b>	<b>(31)</b>	<b>(4)</b>

The following sensitivity analysis relates to all currency derivatives for which no hedge accounting is applied. The +1% and (1%) indicate the weakening and strengthening of the euro or dollar, depending on the entity denominated currency versus other currencies.



	2022		2021	
	+1%	(1%)	+1%	(1%)
Impact on Total financial income and expense(derivative) (in EUR million)	12	(12)	10	(8)

*Commercial Flows*

Purchase and sales transactions are denominated in many different currencies. Management no longer uses forward foreign currency derivatives to hedge the future related foreign currency flows.

Therefore as at August 31, 2022, Ingka Group had neither entered into any derivatives to hedge commercial flows in 2022 (2021: EUR nil) nor did it have any to reduce currency risk from commercial flows in the next year (2021: EUR nil).

*Internal Funding and Investment portfolio*

The exchange rate risk associated with internal funding and securities (investment portfolio) in foreign currency is managed by use of currency derivatives. For existing internal funding and securities in foreign currency, currency derivatives are in place with an underlying amount of negative EUR 1,172 billion (2021: negative EUR 0.696 billion). This increase is due to a greater proportion of the funding to subsidiaries comprising term loans, whose associated foreign currency risk is hedged only a selective or "dynamic" basis.

The derivatives mainly relate to the following currencies and underlying positions (in EUR million):

Currency	Derivative	Internal Funding	Investment Portfolio
CNY	(96)	1,642	-
USD	(1,089)	1,625	386
SEK	(146)	793	115
RUB	-	792	-
INR	-	668	-
JPY	(53)	487	-
PLN	143	443	-

\*EUR exposure in a company with functional currency in US dollar.

*Fair value*

The fair value of most of the financial instruments recognised on the balance sheet, including receivables, securities, cash and short-term deposits, long term and current liabilities, is approximately equal to their carrying amount, unless otherwise disclosed within these financial statements. The fair value of the financial instruments recognised on the balance sheet which materially differs from their respective carrying values are separately disclosed in the notes to the balance sheet.

**25. RELATED PARTIES**

Transactions with related parties are entered into at arm's length prices.



## COMPANY BALANCE SHEET AS AT August 31 (before profit appropriation)

(in millions of EUR)	2022	2021
<b>Fixed assets</b>		
Participating interests in group companies (2)	47,633	45,104
<b>Total fixed assets</b>	<b>47,633</b>	<b>45,104</b>
<b>Current assets</b>		
Other receivables	87	177
<b>Total current assets</b>	<b>87</b>	<b>177</b>
<b>TOTAL ASSETS</b>	<b>47,720</b>	<b>45,281</b>
(in millions of EUR)	2022	2021
Capital Stock	1	1
Additional paid-in capital	51	51
Revaluation reserves	212	230
Legal reserves participations	341	279
Other reserves	46,739	43,084
Result for the year	287	1,579
<b>Total shareholder's equity (3)</b>	<b>47,631</b>	<b>45,224</b>
<b>Provisions (4)</b>	<b>26</b>	<b>28</b>
<b>Current liabilities</b>		
Other payables to subsidiaries	36	28
Other payables and accrued liabilities	27	1
<b>Total current liabilities</b>	<b>63</b>	<b>29</b>
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>	<b>47,720</b>	<b>45,281</b>

(The accompanying notes on pages 45 to 51 are an integral part of these company financial statements)



**COMPANY INCOME STATEMENT****Year ended August 31**

(in millions of EUR)

	<b>2022</b>	<b>2021</b>
Share in result of participating interests, after tax	330	1,608
Other income and expenses, after tax	(43)	(29)
<b>Net income</b>	<b>287</b>	<b>1,579</b>

(The accompanying notes on pages 45 to 51 are an integral part of these company financial statements)



## NOTES TO THE COMPANY FINANCIAL STATEMENTS

(all amounts in EUR million, unless otherwise indicated)

The company (separate) financial statements are part of the 2022 statutory financial statements of the Company. The financial information of the Company is included in the Company's consolidated financial statements.

### 1. ACCOUNTING POLICIES

The accounting policies are the same as for the consolidated financial statements.

In addition, participating interests in group companies are accounted for in the separate financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

The share of result of participating interests concerns the Company's share of the profit or loss of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realized.

The Company is the head of the Dutch fiscal unity. The Company recognises the portion of corporate income tax that it would owe as an independent taxpayer, taking into account the allocation of the advantages of the fiscal unity. Settlement within the fiscal unity between the Company and its subsidiaries takes place through current account positions.

### 2. FINANCIAL FIXED ASSETS – Participating interests in group companies

Changes in participating interests in group companies are as follows:

	2022	2021
<b>Opening balance</b>	<b>45,104</b>	<b>42,882</b>
Foreign currency translation adjustment	2,311	435
Capital contributions	3,664	3,032
Share in net income for the year	330	1,608
Dividends received	(3,901)	(2,886)
IAS19 remeasurement	140	47
Realisation through income statement	(18)	(14)
Other	3	-
<b>Total</b>	<b>47,633</b>	<b>45,104</b>



In accordance with Article 403, Book 2 of the Civil Code of the Netherlands, the Company has guaranteed the liabilities of certain Dutch majority-owned subsidiaries. Separate financial statements of these subsidiaries are therefore not filed at the Trade Register of the Chamber of Commerce. In relation to the financial year 2022, 403-statements have been issued for the following companies:

- Ingka Holding Europe B.V.
- Ingka Services B.V.
- Ingka Pro Holding B.V.
- IKEA Vastgoed B.V.
- Ingka Centres Europe B.V.
- Ingka Centres Asia B.V.
- Asia Center Holding B.V.
- Ingka Capital B.V.
- Ingka Investments Ventures B.V.
- Ingka Investments Ventures US B.V.
- Ingka Investments Ventures Europe B.V.
- FIXIT Investments I B.V.
- Ingka Centres China B.V.
- Ingka Centres Investment One B.V.
- Ingka Centres Investment Three B.V.
- Ingka Centres Investment Four B.V.
- Ingka Centres Investment Five B.V.
- Ingka Centres Investment Six B.V.
- Ingka Centres India B.V.
- Ingka Centres Holding B.V.
- Republic Holding I B.V.
- Republic Holding II B.V.
- Republic Holding III B.V.
- Ingka Centres UK Hammersmith B.V.
- Ingka Centres UK Car Park B.V.
- Ingka Digital Netherlands B.V.
- Ingka Investments Real Estate B.V.
- Ingka Centres Toronto B.V.
- Ingka Centres Berlin B.V.

### **3. SHAREHOLDER'S EQUITY**

The issued and outstanding share capital of the Company is comprised of 726,000 ordinary shares, each with a par value of EUR 1.



Changes in shareholder's equity for the year ended August 31, 2022 and August 31, 2021 are as follows:

	Share capital	Addition alpaid in capital	Revaluation reserves	Legal reserves participations	Translation reserves	Other reserves	Result for the year	Total 2021
<b>Opening balance</b>	<b>1</b>	<b>51</b>	<b>244</b>	<b>271</b>	<b>(1,695)</b>	<b>43,077</b>	<b>1,189</b>	<b>43,138</b>
Net income	-	-	-	-	-	-	1,579	1,579
Foreign translation	-	-	-	-	435	-	-	435
Dividend paid	-	-	-	-	-	-	-	-
Hedging reserve	-	-	-	-	-	-	-	-
Pension reserve	-	-	-	-	-	86	-	86
Realisation in income statement	-	-	(14)	-	-	-	-	(14)
Appropriation of result	-	-	-	-	-	1,189	(1,189)	-
Transfer	-	-	-	8	-	(8)	-	-
Other	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>1</b>	<b>51</b>	<b>230</b>	<b>279</b>	<b>(1,260)</b>	<b>44,344</b>	<b>1,579</b>	<b>45,224</b>
								<b>Total 2022</b>
<b>Opening balance</b>	<b>1</b>	<b>51</b>	<b>230</b>	<b>279</b>	<b>(1,260)</b>	<b>44,344</b>	<b>1,579</b>	<b>45,224</b>
Net income	-	-	-	-	-	-	287	287
Foreign translation	-	-	-	-	2,311	-	-	2,311
Dividend paid	-	-	-	-	-	(237)	-	(237)
Hedging reserve	-	-	-	-	-	-	-	-
Pension reserve	-	-	-	-	-	64	-	64
Realisation in income statement	-	-	(18)	-	-	-	-	(18)
Appropriation of result	-	-	-	-	-	1,579	(1,579)	-
Transfer	-	-	-	62	-	(62)	-	-
Other	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>1</b>	<b>51</b>	<b>212</b>	<b>341</b>	<b>1,051</b>	<b>45,688</b>	<b>287</b>	<b>47,631</b>

The Company's issued capital, amounting to EUR 0.7 million, consists of 0.7 million shares of EUR 1.

In determining the revaluation reserve for tangible fixed assets, an amount was deducted for deferred tax liabilities, calculated at the current tax rate.

The legal reserves participations at August 31, 2022 are not available for dividend distributions and represent retained earnings set aside by law in certain countries.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the reporting of foreign activities.



#### 4. PROVISIONS

	2022	2021
Provision for pension commitments	26	28
<b>Total</b>	<b>26</b>	<b>28</b>

The provision for pension commitments is related to international pension plans for expats. We refer to note 14 of the consolidated financial statements for detailed information on the net pension expense, movement overview and allocation of the plan assets, defined benefit obligation and the principal assumptions used in determining the defined benefit obligations for the pension plans.

The movement in provisions is as follows:

	<u>Pension provision</u>
<b>Opening balance</b>	<b>28</b>
Currency translation	3
Additions	8
Utilised	(13)
Released	-
Acquisitions	-
Divestment	-
<b>Closing balance</b>	<b>26</b>

#### 5. AUDIT FEES

The fees in relation to financial year 2022 by KPMG Accountants N.V. and Dutch member firms as Dutch auditor to legal entities within the group in connection with the audits of the statutory financial statements of these entities amount to EUR 2.4 million (2021: EUR 2.1 million). Audit related fees for services provided in financial year 2022 amount to EUR 0.1 million (2021: EUR 0.1 million). Non-audit fees, including tax, for services amount to EUR 0.1 million (2021: EUR 1.4 million).

#### 6. INCOMETAXES

Since October 1, 2004, the Company is head of a fiscal unit with the Dutch subsidiaries with respect to Dutch income tax. This implies that the Company is individually liable for Dutch income Tax of the fiscal unit as a whole. Income taxes are accounted for as if each entity in the fiscal unity would have been taxable for its own results.

#### 7. COMMITMENTS AND CONTINGENCIES

As part of the Transaction in 2016, Ingka Holding B.V. has provided certain indemnifications and warranties to the buyer in relation to the sold entities, including, but not limited to, corporate information, accounts, guarantees, assets, intellectual property, information technology, contracts and other agreements, employees, legal compliance, environment matters, litigation, insurance, products and taxes. The majority of indemnifications and warranties are capped to an aggregate maximum amount of EUR 1 billion. A provision is taken in the balance sheet for these items if the criteria are met as described in the relevant accounting policy around provisions.



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## 8. EMPLOYEES

The Company has 2 employees as at August 31, 2022 (August 31, 2021: 2).

## 9. REMUNERATION BOARD OF DIRECTORS

### *Management Board*

The management board of Ingka Group consists of the Group's CEO and Deputy CEO/CFO. The CEO and Deputy CEO/CFO are remunerated for all their tasks and duties for Ingka Group through their salary as employees of Ingka Holding B.V. These tasks and duties include membership of certain boards and committees, including the board of directors of Ingka Holding B.V.

As a general principle, employees of the Ingka Group (i.e. Ingka Holding B.V. and its (in)direct subsidiaries) are remunerated through payment of salary, which consists of base salary, incentive plans, employer's pension commitments and any other periodic contributions. As appropriate for their roles, the task, and duties of certain employees of Ingka Group may include that they will assume board positions in Ingka Group companies or committees/councils. As a principle, no remuneration additional to employee salary is granted for such board, committee or council memberships for reason that this is part of the tasks and duties of the employee.

In accordance with the principle above, the CEO and Deputy CEO/ CFO do not receive any remuneration in addition to their salary for their task to act as management board of Ingka Holding B.V.

The total compensation (consisting of the salary elements mentioned above) to the current CEO and CFO amounts to EUR 4.5 million for 2022 (2021: EUR 5.1 million) of which EUR 19 thousand is related to social securities (2021: EUR 21 thousand) and EUR 0.8 million to pensions (2021: EUR 0.7 million).

### *Supervisory Board*

Each member of the Supervisory Board receives a fixed annual fee. The total remuneration of the members of the Company's board of Supervisory directors amounts to EUR 1.1 million for 2022 (2021: EUR 1.1 million).

## 10. INVESTMENTS

A list containing the Company's investments is filed at the Chamber of Commerce.

The following affiliated companies, which are included in the consolidated group financial statements of Ingka Holding B.V. are in accordance with § 264b German Commercial Code ("HGB") relieved of drawing up, auditing and disclosing their financial statements, notes and management reports in line with the regulations on the second paragraph within the third book of the German Commercial Code:

- IKEA Holding Deutschland GmbH & Co. KG
- IKEA Deutschland GmbH & Co. KG
- IKEA Distribution Services GmbH & Co. KG



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**PROPOSED PROFIT APPROPRIATION**

(in millions of EUR)	<b>2022</b>	<b>2021</b>
Dividend	43	237
Additions to reserves	244	1,342
<b>Total</b>	<b>287</b>	<b>1,579</b>

**SUBSEQUENT EVENTS**

No subsequent events occurred after balance sheet date that should be disclosed.



**BOARD OF MANAGING  
DIRECTORS**

Leiden, November 23, 2022

J. Brodin (Chairman)

J.P. Maeztu Herrera

**BOARD OF SUPERVISORY  
DIRECTORS**

L-J. Jarnheimer (Chairman)

T. Bertilsson

L. Delgado

L. Fønss Schrøder

J. Kamprad

P. Kamprad

M. Newton-Jones

I. Worling



## **OTHER INFORMATION**

### **NET INCOME APPROPRIATION**

According to Article 12 of the Company's statutes, the annual meeting of shareholders will decide on the appropriation of the net income for the year.

### **Independent auditor's report**

The financial statements have been audited and the independent auditor's report is included on the next three pages.





## **Independent auditor's report**

To: the Shareholder and the Supervisory Board of Ingka Holding B.V.

### **Report on the audit of the accompanying financial statements**

#### ***Our opinion***

We have audited the financial statements for the year ended as at 31 August 2022 of Ingka Holding B.V., registered in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Ingka Holding B.V. as at 31 August 2022 and of its result for the year ended on 31 August 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- 1 the consolidated and company balance sheet as at 31 August 2022;
- 2 the consolidated and company income statement for the year ended on 31 August 2022;
- 3 the consolidated statement of comprehensive income for the year ended on 31 August 2022;
- 4 the consolidated statement of cash flows for the year ended on 31 August 2022; and
- 5 the notes comprising a summary of the accounting policies and other explanatory information.

#### ***Basis for our opinion***

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Ingka Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Report on the other information included in the annual report**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- report from the Board of Managing Directors;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;





— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Managing Directors is responsible for the preparation of the other information, including the Report from the Board of Managing Directors, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

### **Description of the responsibilities for the financial statements**

#### ***Responsibilities of the Board of Managing Directors and the Supervisory Board for the financial statements***

The Board of Managing Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Managing Directors is responsible for such internal control as the Board of Managing Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Managing Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Managing Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Managing Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Managing Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

#### ***Our responsibilities for the audit of the financial statements***

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.





We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managing Directors;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 23 November 2022

KPMG Accountants N.V.

E.J.L. van Leeuwen RA