

IKEA Limited

FINANCIAL STATEMENTS

for the year ended

31 August 2001



IKEA Limited

DIRECTORS AND OFFICERS

DIRECTORS

H E Gydell
C Thordson
J Rasmussen
G N Nilsson
M Ohlsson
J-L Ouellette

SECRETARY

Sisec Limited

COMPANY NUMBER

01986283 (England and Wales)

REGISTERED OFFICE

21 Holborn Viaduct
London EC1A 2DY

AUDITORS

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

IKEA Limited

DIRECTORS' REPORT

The directors submit their report and the group financial statements of IKEA Limited for the year ended 31 August 2001.

PRINCIPAL ACTIVITIES

The company operates as a retailer in the furniture trade.

REVIEW OF THE BUSINESS

There were 10 stores at 31 August 2001 and turnover increased by approximately 8%.

In the year to 31 August 2001, no stores were opened, however, our second Scottish store opened in Glasgow in September 2001.

This has created 600 new jobs and our ongoing establishment plan will mean that we are more easily available to as many people as possible.

Sales development in existing stores remains very strong. Customer surveys have shown an increase in perception of IKEA giving value for money which reflects the continued price reductions made. On average, prices were lowered by over 3% in this period ensuring that on comparable products, prices are substantially below the local competition.

The positive net result achieved reflects the benefits of the strong sterling when buying from overseas and a close control of costs. Purchases from UK suppliers have, though, increased during the period.

Our strong focus on investments has continued in both existing stores and new sites. The total number on the payroll has increased from 5,669 last year to 5,916 at 31 August 2001.

OUTLOOK

Growth in demand for IKEA products is expected to be maintained. Once again prices have been reduced, in the financial year starting 1 September 2001 the average price reduction being 5 %.

The company endeavours to look for prime retail sites and hopes to increase the number of stores in the next 5 years by 10.

DIVIDENDS

During the year the directors paid a dividend of £9.166 per ordinary share, amounting to £55,000,000 (2000: £13.333 per ordinary share, amounting to £80,000,000), leaving a profit of £58,188,000 to be retained.

IKEA Limited

DIRECTORS' REPORT (continued)

DIRECTORS

The following directors have held office during the year:

HE Gydell
C Thordson
J Rasmussen
GN Nilsson
A Nash (resigned 31 August 2001)
M Ohlsson
J-L Ouellette (appointed 31 August 2001)

The directors had no beneficial interest in the share capital of the company during the year.

MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the value of the land and buildings held by a subsidiary company is significantly higher than its net book value shown in these financial statements. They have commissioned an independent valuation which indicates that the value of the land and buildings (in accordance with Financial Reporting Standard 15) is approximately £196 million higher than the amount shown in the consolidated balance sheet.

EMPLOYEES AND EMPLOYEE POLICIES

It is the group's policy that employees should be kept as fully informed as is practicable about the group's progress through, for example, its team briefings and newsletters.

It is also the group's policy to give full consideration to applications for employment by disabled persons.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year the group made charitable contributions totalling £63,270. No political contributions were made.

AUDITORS

The company has passed an elective resolution to dispense with the laying of accounts, holding an AGM and the appointment of auditors annually.

By order of the Board



J-L Ouellette

3 December 2001

IKEA Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF IKEA LIMITED

We have audited the financial statements on pages 6 to 21.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures of the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 31 August 2001 and of the group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

3 December 2001

IKEA Limited
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 August 2001

	<i>Notes</i>	2001 £'000	2000 £'000
TURNOVER	1	800,869	744,562
Cost of sales		(452,955)	(454,287)
Gross profit		<u>347,914</u>	<u>290,275</u>
Other operating income		-	1
Administrative expenses		(178,632)	(141,257)
OPERATING PROFIT		<u>169,282</u>	<u>149,019</u>
Interest receivable	2	2,192	2,522
Interest payable	3	(8,217)	(9,192)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>163,257</u>	<u>142,349</u>
Taxation	6	(50,069)	(42,009)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>113,188</u>	<u>100,340</u>
Dividends paid	7	(55,000)	(80,000)
RETAINED PROFIT	16	<u>58,188</u>	<u>20,340</u>

The operating profit for the year arises from the group's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2001 £'000	2000 £'000
Reported profit on ordinary activities before taxation	163,257	142,349
Difference between an historical cost depreciation charge for the year and the actual depreciation charge for the year calculated on the revalued amount	171	171
Historical cost profit on ordinary activities before taxation	<u>163,428</u>	<u>142,520</u>
Historical cost profit for the year retained after taxation and dividends	<u>58,359</u>	<u>20,511</u>

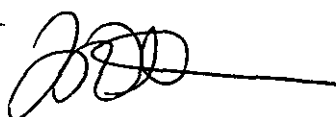
IKEA Limited
GROUP BALANCE SHEET
31 August 2001

	<i>Notes</i>	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible assets	8	249,997	195,285
Investments	9	480	480
		<u>250,477</u>	<u>195,765</u>
CURRENT ASSETS			
Stocks	10	127,525	84,873
Debtors	11	6,658	16,197
Investments		53,871	21,705
Cash at bank and in hand		1,181	6,394
		<u>189,235</u>	<u>129,169</u>
CREDITORS: Amounts falling due within one year	12	(310,323)	(253,733)
NET CURRENT LIABILITIES		<u>(121,088)</u>	<u>(124,564)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		129,389	71,201
PROVISION FOR LIABILITIES AND CHARGES	14	(3,000)	(3,000)
		<u>126,389</u>	<u>68,201</u>
CAPITAL AND RESERVES			
Called up share capital	16	6,000	6,000
Revaluation reserve	16	6,438	6,609
Profit and loss account	16	113,951	55,592
EQUITY SHAREHOLDERS' FUNDS	16	<u>126,389</u>	<u>68,201</u>

Approved by the Board on 3 December 2001

J-L Ouellette

Director



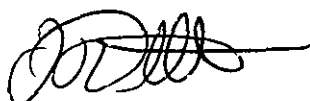
IKEA Limited
 COMPANY BALANCE SHEET
 31 August 2001

		2001 £'000	2000 £'000
FIXED ASSETS			
Tangible assets	8	21,129	15,186
Investments	9	76,090	76,090
		<u>97,219</u>	<u>91,276</u>
CURRENT ASSETS			
Stocks	10	25,311	22,336
Debtors	11	109,938	52,303
Investments		53,871	21,705
Cash at bank and in hand		50,727	24,111
		<u>239,847</u>	<u>120,455</u>
CREDITORS: Amounts falling due within one year	12	(242,684)	(159,336)
NET CURRENT LIABILITIES		<u>(2,837)</u>	<u>(38,881)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		94,382	52,395
PROVISION FOR LIABILITIES AND CHARGES	14	-	-
		<u>94,382</u>	<u>52,395</u>
CAPITAL AND RESERVES			
Called up share capital	16	6,000	6,000
Profit and loss account	16	88,382	46,395
EQUITY SHAREHOLDERS' FUNDS	16	<u>94,382</u>	<u>52,395</u>

Approved by the Board on 3 December 2001

J-L Ouellette

Director



IKEA Limited
CASH FLOW STATEMENT
For the year ended 31 August 2001

	<i>Notes</i>	2001 £'000	2000 £'000
Net Cash inflow from operating activities	18a	175,118	163,063
Returns on investments and servicing of finance	18b	(6,025)	(6,670)
Taxation	18b	(44,414)	(28,939)
Capital expenditure and financial investment	18b	(67,726)	(24,372)
Equity dividends paid		(55,000)	(80,000)
Cash inflow before use of liquid resources and financing		<u>1,953</u>	<u>23,082</u>
Management of liquid resources:			
Purchase of current asset investments		(32,166)	(21,705)
Financing:			
Increase in debt	18b	25,000	1,601
(Decrease)/increase in cash in the year		<u>(5,213)</u>	<u>2,978</u>
Reconciliation of net cash flow to movement in net debt			
		£'000	£'000
(Decrease)/increase in cash in the year		(5,213)	2,978
Cash inflow from increase in debt		(25,000)	(1,601)
Cash outflow from increase in liquid resources		32,166	21,705
Movement in net debt in the year		<u>1,953</u>	<u>23,082</u>
Net debt at 1 September 2000	18c	(114,383)	(137,465)
Net debt at 31 August 2001	18c	<u>(112,430)</u>	<u>(114,383)</u>

IKEA Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and are prepared in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

The group consolidates the accounts of IKEA Limited and its subsidiaries, made up to 31 August 2001, using the acquisition method.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:-

Buildings	50 years when completed
Building installation	10 years
Plant, machinery and equipment	5 years.

REVALUATION POLICIES

The freehold properties were professionally valued on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors, as at 31 August 1990 by Havill Sparks, Chartered Surveyors. On adoption of FRS 15, the Group followed the transitional provisions to retain the book value of land and buildings which were revalued in 1990, but not to adopt a policy of revaluation of these properties in the future. These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

INVESTMENTS

Long term investments are described as participating interests and are classified as fixed assets. Participating interests are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

STOCKS

Stocks are stated at the lower of cost or net realisable value. Cost is determined under the FIFO method and includes all costs of bringing each product to its present location and condition. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving and defective items.

DEFERRED TAXATION

Provision is made for taxation deferred or accelerated by the effect of timing differences, to the extent that it is probable that a liability will crystallise, at the rate expected to be ruling at that date.

PENSION CONTRIBUTIONS

The group operates defined contribution pension schemes. Payments made to the funds are charged annually in these accounts as part of employment costs. The funds are independently administered by insurance companies. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date unless a hedge contract exists and then the applicable contract is used.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

IKEA Limited

ACCOUNTING POLICIES

OPERATING LEASES

Annual rentals for operating leases are charged to profit and loss on a straight line basis over the lease term.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers outside the group.

IKEA Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2001

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The group's turnover and profit before taxation were all derived from its principal activity. Sales were made in the following geographical markets:

	2001 £'000	2000 £'000
United Kingdom	793,790	736,217
Europe	7,079	8,285
	<u>800,869</u>	<u>744,502</u>

2 INTEREST RECEIVABLE

	2001 £'000	2000 £'000
Bank deposit interest	1,641	806
Interest receivable from group undertakings	551	1,716
	<u>2,192</u>	<u>2,522</u>

3 INTEREST PAYABLE

	2001 £'000	2000 £'000
On bank loans	2,254	1,300
On loans payable to group undertakings	5,963	7,892
	<u>8,217</u>	<u>9,192</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £'000	2000 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration		
- Audit services	75	75
- Non audit services	324	94
Depreciation and amounts written off owned tangible fixed assets	12,942	10,489
Loss on sale of tangible fixed assets	72	45
Exchange loss/(gain)	61	(1,288)
Operating lease rentals:		
Land and buildings	3,053	3,053
	<u></u>	<u></u>

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

5	STAFF COSTS	2001 £'000	2000 £'000
	Wages and salaries	64,840	46,802
	Social security costs	4,149	3,467
	Other pension costs	1,092	955
		<u>70,081</u>	<u>51,224</u>
		2001 No.	2000 No.
The average monthly number of persons (including directors) Employed by the company during the year was:			
Stores		5,854	5,085
Country management and co-ordination		146	150
		<u>6,000</u>	<u>5,235</u>
DIRECTORS' REMUNERATION		2001 £	2000 £
Aggregate emoluments		279,727	235,357
		<u>279,727</u>	<u>235,357</u>
Highest Paid Director		2001 £	2000 £
Emoluments		129,292	129,292
		<u>129,292</u>	<u>129,292</u>
6	TAXATION	2001 £'000	2000 £'000
	Group taxation based on the profit for the year:		
	UK corporation tax	49,900	42,950
	Under / (Over) provided in earlier years	169	(941)
		<u>50,069</u>	<u>42,009</u>

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

7	DIVIDENDS				2001 £'000	2000 £'000
	Ordinary:					
	Interim paid - £9.166 per share (2000: £13.333)				55,000	80,000
8	TANGIBLE FIXED ASSETS	<i>Assets in the Course of Construction £'000</i>	<i>Freehold land and buildings £'000</i>	<i>Building Installation £'000</i>	<i>Plant and Machinery £'000</i>	<i>Total £'000</i>
	GROUP					
	Cost or valuation					
	1 September 2000	65	180,296	34,825	37,374	252,560
	Additions	-	43,748	6,718	17,324	67,790
	Disposals	-	-	-	(3,042)	(3,042)
	Transfers	(65)	-	65	-	-
	31 August 2001	-	224,044	41,608	51,656	317,308
	Depreciation					
	1 September 2000	-	16,138	20,371	20,766	57,275
	Charged in the year	-	2,001	3,822	7,119	12,942
	Disposals	-	-	-	(2,906)	(2,906)
	31 August 2001	-	18,139	24,193	24,979	67,311
	Net book value					
	31 August 2001	-	205,905	17,415	26,677	249,997
	31 August 2000	65	164,158	14,454	16,608	195,285
	Cost or valuation at 31 August 2001 is represented by:					
	Cost	-	215,725	41,608	51,656	308,989
	Valuation	-	8,319	-	-	8,319
		-	224,044	41,608	51,656	317,308

The valuations of land and buildings were made in 1990 by Havill Sparks, Chartered Surveyors, on an existing use open market value basis, in accordance with the Statement of Assets Valuation Practice No. 4 and the Guidance Notes of the Royal Institution of Chartered Surveyors. That valuation has been frozen, as the group has taken advantage of the transitional provisions, on the adoption of Financial Reporting Standard 15 "FRS 15" and the buildings are being depreciated.

The difference between the actual depreciation charge for the year calculated on the revalued amount and a historical depreciation charge for the year would be £171,000 (2000: £171,000).

IKEA Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2001

8	TANGIBLE FIXED ASSETS (<i>continued</i>)				<i>Plant and Machinery</i>
	COMPANY				£'000
	Cost				
	1 September 2000				35,062
	Additions				12,220
	Disposals				(3,024)
	31 August 2001				44,258
	Depreciation				
	1 September 2000				19,876
	Charged in the year				6,149
	Disposals				(2,896)
	31 August 2001				23,129
	Net book value				
	31 August 2001				21,129
	31 August 2000				15,186
9	FIXED ASSET INVESTMENTS				<i>Associated Undertaking</i>
	GROUP				£'000
	Cost at 1 September 2000 and 31 August 2001				480
	COMPANY	<i>Subsidiary undertakings</i>	<i>Associated undertaking</i>	<i>Total</i>	
		£'000	£'000	£'000	
	Cost at 1 September 2000 and 31 August 2001	75,610	480	76,090	

IKEA Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2001

9 **FIXED ASSET INVESTMENTS** (*continued*)

	Country of Incorporation	Class of Holding	Proportion held	Nature of business
Subsidiary undertakings:				
IKEA Properties Investments Limited	United Kingdom	Ordinary	100%	Property Investment
IKEA Wholesale Limited	United Kingdom	Ordinary	100%	Wholesale
IKEA Distribution Limited	United Kingdom	Ordinary	100%	Dormant
Associated undertaking:				
Morus Investments Limited	United Kingdom	Ordinary	48%	Property Investment

Morus Investments Limited had capital and reserves of £8,647,850 at 31 December 2000 and made a loss of £1,389,774 for the period ended 31 December 2000.

	2001 £'000	2000 £'000
10 STOCKS		
GROUP		
Finished goods and goods for resale	127,525	84,873
	<hr/>	<hr/>
COMPANY		
Finished goods and goods for resale	25,311	22,336
	<hr/>	<hr/>
11 DEBTORS	2001 £'000	2000 £'000
GROUP		
Due within one year:		
Trade debtors	1,442	1,721
Amounts due from group undertakings	231	11,187
Other debtors	784	651
Prepayments and accrued income	4,201	2,638
	<hr/>	<hr/>
	6,658	16,197
	<hr/>	<hr/>
COMPANY		
Due within one year:		
Trade debtors	1,438	1,721
Amounts due from group undertakings	106,459	49,393
Other debtors	800	452
Prepayments and accrued income	1,241	737
	<hr/>	<hr/>
	109,938	52,303
	<hr/>	<hr/>

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

12	CREDITORS: Amounts falling due within one year	2001 £'000	2000 £'000
	GROUP		
	Loans (see note 13)	100,000	75,000
	Trade creditors	26,475	19,510
	Amounts owed to group undertakings	127,718	100,682
	Corporation tax	29,771	24,116
	Other taxation and social security costs	6,484	17,910
	Other creditors	5,683	6,721
	Accruals and deferred income	14,192	9,794
		<u>310,323</u>	<u>253,733</u>
	COMPANY		
	Loans (see note 13)	25,000	21,314
	Trade creditors	9,947	6,448
	Amounts owed to group undertakings	141,376	79,405
	Corporation tax	24,481	23,631
	Other taxation and social security costs	23,735	17,930
	Other creditors	5,679	6,718
	Accruals and deferred income	12,466	3,890
		<u>242,684</u>	<u>159,336</u>

13	LOANS	2001 £'000	GROUP 2000 £'000	2001 £'000	COMPANY 2000 £'000
	Repayable in instalments				
	Bank loans:				
	within one year	100,000	75,000	25,000	21,314

The bank loans are unsecured and bear interest at 5.125% on £25 million and 5.02% on the remaining £75 million.

14	PROVISIONS FOR LIABILITIES AND CHARGES	GROUP Deferred taxation 2001 2000 £'000 £'000		COMPANY Deferred taxation 2001 2000 £'000 £'000	
	Balance at 1 September 2000	3,000	3,000	-	-
	Transfer to profit and loss account	-	-	-	-
	Balance at 31 August 2001	<u>3,000</u>	<u>3,000</u>	<u>-</u>	<u>-</u>

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

15	DEFERRED TAXATION	Unprovided		Provided	
		2001	2000	2001	2000
		£'000	£'000	£'000	£'000
	GROUP				
	Accelerated capital allowances	624	411	3,000	3,000
		<hr/>	<hr/>	<hr/>	<hr/>
	COMPANY				
	Accelerated capital allowances	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
16	SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	Share Capital £'000	Profit and loss account £'000	Revaluation Reserve £'000	Total shareholders funds £'000
	GROUP				
	1 September 2000	6,000	55,592	6,609	68,201
	Profit after taxation	-	113,188	-	113,188
	Dividends	-	(55,000)	-	(55,000)
	Transfer between profit and loss account and revaluation reserve	-	171	(171)	-
	31 August 2001	<hr/> 6,000	<hr/> 113,951	<hr/> 6,438	<hr/> 126,389
	COMPANY				
	1 September 2000	6,000	46,395	-	52,395
	Profit for the year	-	96,987	-	96,987
	Dividends	-	(55,000)	-	(55,000)
	31 August 2001	<hr/> 6,000	<hr/> 88,382	<hr/> -	<hr/> 94,382

No profit and loss account is presented for IKEA Limited as provided by Section 230 of the Companies Act 1985. The retained profit for the year dealt with in the financial statements of the holding company was £41,987,356 (2000: £22,845,580).

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2001

16 SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS (*continued*)

	Authorised 2001 and 2000 No.	Allotted, issued and fully paid 2001 £'000	2000 £'000
Ordinary shares of £1 each	20,000,000	6,000	6,000

17 PENSION COMMITMENTS

Group companies operate a defined contribution money purchase scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund during the year and amounts to £1,092,000 (2000: £955,182). No contributions were unpaid at the year end.

18	CASH FLOWS	2001 £'000	2000 £'000
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating profit	169,282	149,019
	Depreciation	12,942	10,489
	Loss on sale of fixed assets	73	45
	(Increase)/decrease in stocks	(42,653)	7,240
	Decrease/(increase) in debtors	9,539	(10,843)
	(Decrease)/increase in creditors	25,935	7,113
		<u>175,118</u>	<u>163,063</u>

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

18	CASH FLOWS (<i>continued</i>)	2001 £'000	2000 £'000
b	Analysis of cash flows for headings netted in the cash flow statement		
	Returns on investments and servicing of finance		
	Interest received	2,192	2,522
	Interest paid	(8,217)	(9,192)
	Net cash outflow from returns on investments and servicing of finance	(6,025)	(6,670)
	Taxation		
	Corporation tax paid	(44,414)	(28,939)
	Tax paid	(44,414)	(28,939)
	Capital expenditure and financial investment		
	Purchase of fixed assets	(67,790)	(24,503)
	Sale of fixed assets	64	131
	Net cash outflow from investing activities	(67,726)	(24,372)
	Financing		
	Repayment of loans	-	(3,000)
	Loans advanced	25,000	4,601
	Net cash inflow from financing	25,000	1,601
c	Analysis of net debt	At 1 September 2000 £'000	At 31 August 2001 £'000
	Cash at bank and in hand	6,394	(5,213)
	Debt due within 1 year	(142,482)	(25,000)
	Current asset investments	21,705	32,166
		(114,383)	1,953
			(112,430)

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2001

19	CAPITAL COMMITMENTS	2001 £'000	2000 £'000
	GROUP		
	Capital expenditure contracted for but not provided in the financial statements	781	9,915
	COMPANY		
	Capital expenditure contracted for but not provided in the financial statements	-	-

20 COMMITMENTS UNDER OPERATING LEASES

At 31 August 2001 the group had annual commitments under non-cancellable operating leases for land and buildings as follows:

	2001 £'000	2000 £'000
Expiring within 5 years:		
GROUP	3,053	3,000
COMPANY	26,138	23,480

21 CONTINGENT LIABILITIES

The company has entered into an unlimited multilateral cross guarantee with its subsidiary undertakings to secure all present and future indebtedness and liabilities to its bankers howsoever arising. At 31 August 2001 this liability amounted to £Nil (2000: £Nil).

The company is registered under a group registration for Value Added Tax and is jointly liable for the amount payable of £4 million at 31 August 2001 (2000:£17 million) in respect of certain UK companies.

22 ULTIMATE PARENT UNDERTAKING

The directors consider Skandia AG, a company registered in Switzerland, to be the parent and ultimate parent undertaking. Accounts are available from Eiweg 10, CH-4460 Gelterkinden, Switzerland.

23 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 from disclosing details of transactions with other group companies within the 90% group.