



IKEA Limited
FINANCIAL STATEMENTS
for the year ended
31 August 1998



Company Registration No. 01986283

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IKEA Limited

DIRECTORS AND OFFICERS

DIRECTORS

T Blomqvist
LEB Larsson
H Gydell
C Thordson
J Rasmussen (alternate director)
GN Nilsson

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 1998.

PRINCIPAL ACTIVITIES

The company operates as a retailer in the furniture trade. There were eight stores trading at 31 August 1998 and turnover increased by 33%.

REVIEW OF THE BUSINESS

The increase of over 32% in turnover compared to the prior year came from both a full year of trading at the Nottingham store which was opened in August 1997 and improved sales performance from comparable stores.

Sales development was much better than the market trend and the directors believe that demand was stimulated by an improved offer to the customer with an average price reduction against last year's prices and the strong range of home furnishing products.

Benefits from the strength of Sterling were gained in our overseas purchases this year but, with the volatility of Sterling in recent years, the directors maintain a cautious outlook for the future.

Despite the rapid growth of the business in this period, the company maintained a good control over costs giving a very positive profit development over the year.

Significant investments within the United Kingdom by IKEA UK group companies continued during this period. These included the development of both a new store in Bristol plus a distribution centre in Trapston. Both will be opened in the year to 31 August 1999 and together will create over 500 new jobs.

There have also been significant investments in existing stores with an ongoing programme of store rebuilds and the company has strengthened the London call centre facilities and staff.

The total number on the payroll at 31 August 1998 was over 3,500.

OUTLOOK

The company is again making an average price reduction for the year to 31 August 1999 and we foresee continued strong demand.

In addition to the new store in Bristol, the company will continue to look for new sites and ways to provide better availability for shoppers to IKEA.

DIVIDENDS

During the year the directors paid interim dividends of £6.939 per ordinary share, amounting to £41,634,000 (1997: £2.603 per share, amounting to £15,617,000). They also made a distribution to the holder of the unsecured participating loan stock 1988 amounting to £3,366,000 (1997: £1,383,000). They do not recommend a final dividend, leaving a profit of £15,114,000 to be retained.

IKEA Limited

DIRECTORS' REPORT

DIRECTORS

The following directors have held office during the year:

T Blomqvist
LEB Larsson
AG Dahlvig (resigned 7 March 1998)
H Gydell
C Thordson
J Rasmussen (alternate director)
GN Nilsson (appointed 10 March 1998)

The directors of the company 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 group's land and buildings is not significantly different from their net book value shown in these financial statements.

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.

THE YEAR 2000

The company has made enquiries to ensure that risks associated with the year 2000 date are properly assessed and appropriate corrective action taken to protect business and its assets.

Substantial progress has been made in identifying potential problems with tests being run on main data systems.

In the opinion of the directors, the cost of year 2000 compliance is not considered significant.

INTRODUCTION OF THE EURO

All relevant parts of the Group will be able to handle euro transactions when required.

CHARITABLE CONTRIBUTIONS

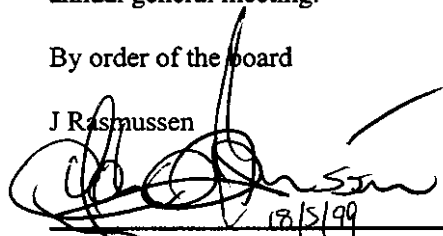
During the year the group made charitable contributions totalling £10,832.

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board

J Rasmussen



18/5/99

Baker Tilly

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 company 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 20.

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 1998 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

18 May 1999

IKEA Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 August 1998

	Notes	1998 £'000	1997 £'000
TURNOVER	1	481,178	362,869
Cost of sales		(302,924)	(246,179)
Gross profit		178,254	116,690
Other operating income		1,657	469
Administrative expenses		(92,015)	(78,713)
OPERATING PROFIT		87,896	38,446
Interest receivable	2	2,985	1,261
Interest payable	3	(5,060)	(5,891)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	85,821	33,816
Taxation	6	(25,707)	(9,370)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		60,114	24,446
Retained profit brought forward		14,228	6,611
		74,342	31,057
Dividends paid	7	(45,000)	(17,000)
Transferred from revaluation reserve	17	171	171
RETAINED PROFIT CARRIED FORWARD	17	29,513	14,228

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

	1998 £'000	1997 £'000
Reported profit on ordinary activities before taxation	85,821	33,816
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	85,992	33,987
Historical cost profit for the year retained after taxation and dividends	15,285	7,617

IKEA Limited
GROUP BALANCE SHEET
31 August 1998

	<i>Notes</i>	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	8	151,850	133,660
Investments	9	480	480
		<u>152,330</u>	<u>134,140</u>
CURRENT ASSETS			
Stocks	10	19,119	19,007
Debtors	11	10,569	5,936
Cash at bank and in hand		10,694	11,461
		<u>40,382</u>	<u>36,404</u>
CREDITORS: Amounts falling due within one year	12	(109,248)	(80,114)
NET CURRENT LIABILITIES		<u>(68,866)</u>	<u>(43,710)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		83,464	90,430
CREDITORS: Amounts falling due after more than one year	13	(38,000)	(60,080)
PROVISION FOR LIABILITIES AND CHARGES	15/16	(3,000)	(3,000)
		<u>42,464</u>	<u>27,350</u>
CAPITAL AND RESERVES			
Called up share capital	17	6,000	6,000
Revaluation reserve	17	6,951	7,122
Profit and loss account	17	29,513	14,228
EQUITY SHAREHOLDERS' FUNDS	17	<u>42,464</u>	<u>27,350</u>

Approved by the board on

18/5-99

J Rasmussen

Director



IKEA Limited
BALANCE SHEET
31 August 1998

	<i>Notes</i>	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	8	11,046	9,125
Investments	9	71,090	71,089
		<u>82,136</u>	<u>80,214</u>
CURRENT ASSETS			
Stocks	10	19,119	19,007
Debtors	11	55,323	26,479
Cash at bank and in hand		10,769	11,463
		<u>85,211</u>	<u>56,949</u>
CREDITORS: Amounts falling due within one year	12	(99,179)	(69,708)
NET CURRENT LIABILITIES		<u>(13,968)</u>	<u>(12,759)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		68,168	67,455
CREDITORS: Amounts falling due after more than one year	13	(38,000)	(48,000)
PROVISION FOR LIABILITIES AND CHARGES	15	-	-
		<u>30,168</u>	<u>19,455</u>
CAPITAL AND RESERVES			
Called up share capital	17	6,000	6,000
Profit and loss account	17	24,168	13,455
EQUITY SHAREHOLDERS' FUNDS	17	<u>30,168</u>	<u>19,455</u>

Approved by the board on

18/5-99

J Rasmussen

Director



IKEA Limited
CASH FLOW STATEMENT
for the year ended 31 August 1998

	<i>Notes</i>	1998 £'000	1997 £'000
Cash flow from operating activities	19a	107,437	57,214
Returns on investments and servicing of finance	19b	(2,075)	(4,501)
Taxation	19b	(9,358)	(9,628)
Capital expenditure and financial investment	19b	(25,528)	(24,330)
Equity dividends paid		(45,000)	(17,000)
Cash inflow before financing		<u>25,476</u>	<u>1,755</u>
Financing:			
Decrease in debt	19b	(26,243)	(9,804)
Decrease in cash in the year		<u>(767)</u>	<u>(8,049)</u>
Reconciliation of net cash flow to movement in net debt			
		£'000	£'000
Decrease in cash in the year		(767)	
Cash outflow from decrease in debt		26,243	
Change in debt resulting from cash flows		<u></u>	25,476
Movement in net debt in the year			<u>25,476</u>
Net debt at 1 September 1997	19c		(67,782)
Net debt at 31 August 1998	19c		<u>(42,306)</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 1998, 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	25 years when completed
Building installation	10 years
Plant, machinery and equipment	5 years.

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 permanent diminution 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 money purchase 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.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

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.

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 1998

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity in the United Kingdom.

	1998 £'000	1997 £'000
2 INTEREST RECEIVABLE		
Bank deposit interest	618	465
Interest receivable from group undertakings	2,367	796
	<u>2,985</u>	<u>1,261</u>

	1998 £'000	1997 £'000
3 INTEREST PAYABLE		
Interest on loans wholly repayable within 5 years	1,574	2,826
Interest on loans payable to group undertakings	3,486	3,065
	<u>5,060</u>	<u>5,891</u>

	1998 £'000	1997 £'000
4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Auditors' remuneration		
- Audit services	39	31
- Non audit services	59	30
Depreciation and amounts written off owned tangible fixed assets	8,531	6,923
Profit on sale of tangible fixed assets	(1,193)	(16)
Exchange gains	(303)	(223)
Operating lease rentals:		
Land and buildings	3,053	3,053
	<u></u>	<u></u>

	1998 £'000	1997 £'000
5 STAFF COSTS		
Wages and salaries	29,935	25,496
Social security costs	2,225	1,885
Other pension costs	699	746
	<u>32,859</u>	<u>28,127</u>

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 1998

5	STAFF COSTS (<i>continued</i>)	1998 No.	1997 No.
	The average monthly number of persons (including directors) employed by the company during the year was:		
	Stores	3,000	2,342
	Country management and co-ordination	81	74
		<u>3,081</u>	<u>2,416</u>
	DIRECTORS' REMUNERATION	1998 £	1997 £
	Aggregate emoluments	99,108	97,730
	Company pension contributions to money purchase schemes	-	9,133
		<u>99,108</u>	<u>106,863</u>
6	TAXATION	1998 £'000	1997 £'000
	Group taxation based on the profit for the year:		
	UK corporation tax at 31% (1997: 32.2%)	25,700	9,560
	Deferred taxation (see note 15)	-	(190)
		<u>25,700</u>	<u>9,370</u>
	Underprovided in earlier years	7	-
		<u>25,707</u>	<u>9,370</u>
7	DIVIDENDS	1998 £'000	1997 £'000
	Ordinary:		
	Interim paid - £6.939 per share (1997: £2.603)	41,634	15,617
	Unsecured participating loan 1998:		
	Distribution paid	3,366	1,383
		<u>45,000</u>	<u>17,000</u>

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

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 1997	665	120,328	24,503	21,464	166,960
	Additions	22,655	7,362	-	5,229	35,246
	Disposals	-	(8,447)	-	(780)	(9,227)
	Transfers	(23,117)	17,594	5,523	-	-
	31 August 1998	203	136,837	30,026	25,913	192,979
	Depreciation					
	1 September 1997	-	9,944	11,017	12,339	33,300
	Charged in the year	-	2,574	2,727	3,230	8,531
	Disposals	-	-	-	(702)	(702)
	31 August 1998	-	12,518	13,744	14,867	41,129
	Net book value					
	31 August 1998	203	124,319	16,282	11,046	151,850
	31 August 1997	665	110,384	13,486	9,125	133,660
	Cost or valuation at 31 August 1998 is represented by:					
	Cost	203	128,518	30,026	25,913	184,660
	Valuation	-	8,319	-	-	8,319
		203	136,837	30,026	25,913	192,979

Freehold land and buildings were revalued on an existing use basis on 31 August 1990 by Havill Sparks, Chartered Surveyors.

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 (1997: £171,000).

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

8	TANGIBLE FIXED ASSETS (<i>continued</i>)		<i>Plant and machinery</i>	
			<i>£'000</i>	
	COMPANY			
	Cost or valuation			
	1 September 1997		21,464	
	Additions		5,229	
	Disposals		(780)	
	31 August 1998		25,913	
	Depreciation			
	1 September 1997		12,339	
	Charged in the year		3,230	
	Disposals		(702)	
	31 August 1998		14,867	
	Net book value			
	31 August 1998		11,046	
	31 August 1997		9,125	
9	FIXED ASSET INVESTMENTS		<i>Associated undertaking</i>	
	GROUP		<i>£'000</i>	
	Cost at 1 September 1997 and 31 August 1998		480	
	COMPANY			
		<i>Subsidiary undertakings</i>	<i>Associated undertaking</i>	<i>Total</i>
		<i>£</i>	<i>£</i>	<i>£</i>
	Cost at 1 September 1997	70,609,506	480,000	71,089,206
	Additions	200	-	200
	Cost at 31 August 1998	70,609,706	480,000	71,089,076
		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%
	IKEA Distribution Limited	United Kingdom	Ordinary	100%
				Wholesale Distribution
	Associated undertaking:			
	Morus Investments Limited	United Kingdom	Ordinary	48%
				Property Investment

Morus Investments Limited had capital and reserves of £923,479 at 31 December 1997 and made a loss of £127,494 for the period ended 31 December 1997.

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

		1998 £'000	1997 £'000
10	STOCKS		
	GROUP AND COMPANY		
	Finished goods and goods for resale	19,119	19,007
		<hr/>	<hr/>
11	DEBTORS	1998 £'000	1997 £'000
	GROUP		
	Trade debtors	1,661	1,646
	Amounts due from group undertakings	374	611
	Other debtors	6,864	2,185
	Prepayments and accrued income	1,670	1,494
		<hr/>	<hr/>
		10,569	5,936
		<hr/>	<hr/>
	COMPANY		
	Due within one year:		
	Amounts due from group undertakings	45,142	19,782
	Trade debtors	1,661	1,646
	Other debtors	6,850	1,687
	Prepayments and accrued income	1,670	3,364
		<hr/>	<hr/>
		55,323	26,479
		<hr/>	<hr/>
12	CREDITORS: Amounts falling due within one year	1998 £'000	1997 £'000
	GROUP		
	Loans (see note 14)	12,000	16,163
	Amounts owed to group undertakings	26,598	23,005
	Trade creditors	8,950	8,201
	Corporation tax	22,693	6,344
	Other taxation and social security costs	13,318	11,240
	Other creditors	3,459	2,356
	Accruals and deferred income	22,230	12,805
		<hr/>	<hr/>
		109,248	80,114
		<hr/>	<hr/>
	COMPANY		
	Loans (see note 14)	12,000	10,000
	Amounts owed to group undertakings	26,598	23,005
	Trade creditors	8,870	7,984
	Corporation tax	21,643	5,478
	Other taxation and social security costs	13,318	11,240
	Other creditors	3,459	2,356
	Accruals and deferred income	13,291	9,645
		<hr/>	<hr/>
		99,179	69,708
		<hr/>	<hr/>

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

		1998 £'000	1997 £'000
13	CREDITORS: Amounts falling due in more than one year		
	GROUP		
	Loans (see note 14)	-	12,080
	Amounts owed to group undertakings	38,000	48,000
		<u>38,000</u>	<u>60,080</u>
	COMPANY		
	Amounts owed to group undertakings	38,000	48,000
		<u>38,000</u>	<u>48,000</u>

Included in amounts owed to group undertakings are the following:

- a) £35,000,000 loan repayable on 31 August 2001.
- b) £6,000,000 which is repayable in annual instalments of £3,000,000.

		GROUP		COMPANY	
		1998 £'000	1997 £'000	1998 £'000	1997 £'000
14	LOANS				
	Repayable in instalments				
	Bank loans:				
	within one year	12,000	16,163	12,000	10,000
	between one and two years	-	6,693	-	-
	between two and five years	-	5,387	-	-
		<u>12,000</u>	<u>28,243</u>	<u>12,000</u>	<u>10,000</u>
	Included in:				
	Amounts falling due within one year	12,000	16,163	12,000	10,000
	Amounts falling due in more than one year	-	12,080	-	-
		<u>12,000</u>	<u>28,243</u>	<u>12,000</u>	<u>10,000</u>

The bank loans are secured on the assets of the group.

		GROUP		COMPANY	
		Deferred taxation		Deferred taxation	
		1998 £'000	1997 £'000	1998 £'000	1997 £'000
15	PROVISIONS FOR LIABILITIES AND CHARGES				
	Balance at 1 September	3,000	3,190	-	190
	Transfer to profit and loss account	-	(190)	-	(190)
	Balance at 31 August	<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 1998

16	DEFERRED TAX	Unprovided		Provided	
		1998 £'000	1997 £'000	1998 £'000	1997 £'000
	GROUP				
	Accelerated capital allowances	275	155	3,000	3,000
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	COMPANY				
	Accelerated capital allowances	-	-	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
17	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 1997	6,000	14,228	7,122	27,350
	Retained profit	-	15,114	-	15,114
	Transfer between profit and loss account and revaluation reserve	-	171	(171)	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	31 August 1998	6,000	29,513	6,951	42,464
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	COMPANY				
	1 September 1997	6,000	13,455	-	19,455
	Retained profit	-	10,713	-	10,713
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
	31 August 1998	6,000	24,168	-	30,168
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 £10,713,000 (1997: profit, £2,739,000).

The revaluation reserve of £6,951,000 realised within the company's profit and loss account is not distributable.

	Authorised 1998 and 1997 No.	Allotted, issued and fully paid	
		1998 £'000	1997 £'000
Ordinary shares of £1 each	20,000,000	6,000	6,000
	<u> </u>	<u> </u>	<u> </u>

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

18 PENSION COMMITMENTS

Group companies operate a defined contribution money purchase scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund during the year and amounts to £699,000 (1997: £746,000).

19	CASH FLOWS	1998 £'000	1997 £'000
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating profit	87,896	38,446
	Depreciation	8,531	6,923
	Profit on sale of fixed assets	(1,193)	(16)
	Increase in stocks	(112)	(3,481)
	Increase in debtors	(4,633)	(1,954)
	Increase in creditors	16,948	17,296
		<u>107,437</u>	<u>57,214</u>
		1998 £'000	1997 £'000
b	Analysis of cash flows for headings netted in the cash flow statement		
	Returns on investments and servicing of finance		
	Interest received	2,985	1,261
	Interest paid	(5,060)	(5,762)
	Net cash outflow from returns on investments and servicing of finance	<u>(2,075)</u>	<u>(4,501)</u>
	Taxation		
	Corporation tax paid (including advance corporation tax)	(9,358)	(9,628)
	Tax paid	<u>(9,358)</u>	<u>(9,628)</u>
	Capital expenditure and financial investment		
	Purchase of fixed assets	(35,246)	(24,441)
	Sale of fixed assets	9,718	111
	Net cash outflow from investing activities	<u>(25,528)</u>	<u>(24,330)</u>
	Financing		
	Repayment of loans	(38,243)	(9,804)
	Loans advanced	12,000	-
	Net cash outflow from financing	<u>(26,243)</u>	<u>(9,804)</u>

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

19 CASH FLOWS (*continued*)

c	Analysis of net debt	At 1 September 1997 £'000	Cashflows £'000	At 31 August 1998 £'000
	Cash at bank and in hand	11,461	(767)	10,694
	Debt due after 1 year	(60,080)	22,080	(38,000)
	Debt due within 1 year	(19,163)	4,163	(15,000)
		<u>(67,782)</u>	<u>25,476</u>	<u>(42,306)</u>

20 CAPITAL COMMITMENTS

	1998 £'000	1997 £'000
GROUP		
Capital expenditure contracted for but not provided in the financial statements	2,300,000	-
COMPANY		
Capital expenditure contracted for but not provided in the financial statements	-	-

21 COMMITMENTS UNDER OPERATING LEASES

At 31 August 1998 the company had annual commitments under non-cancellable operating leases for land and buildings as follows:

	1998 £'000	1997 £'000
Expiring within 5 years:		
GROUP	3,053	3,053
COMPANY	14,427	14,427

22 CONTINGENT LIABILITIES

The company has entered into an unlimited cross guarantee with its subsidiary undertaking to secure all present and future indebtedness and liabilities to its bankers howsoever arising. At 31 August 1998 this liability amounted to £Nil (1997: £1,024,000).

The company is registered under a group registration for value added tax and is jointly liable for the amount payable of £12.5 million at 31 August 1998 (1997: £10.4 million) in respect of certain UK companies.

IKEA Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 1998

23 ULTIMATE PARENT UNDERTAKING

The directors consider INGKA Holding BV, a company registered in the Netherlands, to be the parent and ultimate parent undertaking.

24 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.

IKEA Properties Investments Limited sold some land to Morus Investments Limited, a company for which IKEA Limited holds 48% of the shares. The land was sold at market value of £6,167,286, leading to a profit on disposal of £1,215,472.