IKEA LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 August 2006

COMPANY REGISTRATION NUMBER 01986283

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DIRECTORS
A G Dahlvig
P H Neilsen
J A Olie
J Rasmussen
C Thordson

SECRETARY

Sisec Limited

COMPANY NUMBER

01986283 (England and Wales)

REGISTERED OFFICE

21 Holborn Viaduct
London EC1A 2DY

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants & registered auditors
The Atrium
1 Harefield Road
Uxbridge
UB8 1EX

The directors submit their report and the audited consolidated financial statements of IKEA Limited for the year ended 31 August 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company operates as a retailer in the furniture trade The activities of the subsidiary undertakings are set out in note 10 to the financial statements

The total number of retail outlets in FY06 remained at 15 We opened our 2nd store in the Manchester area in October 2006, and Coventry and Belfast will open in FY08

KEY PERFORMANCE INDICATORS

Sales Growth
Our long term strategy continues to be one of expansion in the UK We continue to source suitable retail sites and obtain planning permission to facilitate this goal Turnover increased by 2% mainly due to the full year benefits of the Edmonton store

Profitability
The group profit for the year, after taxation, was £67 9 million (2005 £75 9m), and sales of £1,088 million (2005 £1,067m) The marginal fall in profitability was due to the expansion and refurbishment programme We expect to materialise the benefits of these in the following financial years

We continued to invest heavily in refurbishments of our existing retail outlets The year under review was typical of a year with heavy outlay to achieve this, which despite the growth in revenue resulted in the reduction of the profit after tax from £75 9m to £67 9m

DIVIDENDS

During the year the company paid a dividend of £12 50 per ordinary share, amounting to £75 million (2005 £15 per ordinary share amounting to £90 million) The decline in the dividends was also a result of the decision to invest more on the above expansion and refurbishment programme

BUSINESS ENVIRONMENT AND STRATEGY

Following challenging market conditions in 2005, the home furnishings market picked up marginally in the year fuelled by the revival of the housing market and increased consumer confidence Our strategy remains one of offering a wide range of well designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them

With the revival of the retail industry and the housing market we expect growth in the home furnishings market over the next 5 year period We remain confident that our expansion plans coupled with our commitment to quality and price will enable us to increase market share

RESEARCH AND DEVELOPMENT

Product design and development is one that continues to be carried out globally for IKEA outside the UK We continue to source suitable retail sites and obtain planning permission to facilitate our organic growth targets

PRINCIPAL RISKS AND UNCERTAINTIES

The execution of the company s strategy is subject to a number of risks

Competition

Non specialist retailers are expected to offer the strongest competition to our growth strategy We remain confident that we will be able to counter this threat via our store expansion goals

Planning

The strongest, non competitor led, resistance to growth in the UK has been due to the stringent rules surrounding planning permission, but we remain confident that we will materialise at a minimum 1-2 new store openings per year

DIRECTORS AND THEIR INTEREST IN SHARES

The following directors have held office during the year and up to the date of signing these financial statements

A G Dahlvig
P H Neilsen
J A Olie
J Rasmussen
C Thordson

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 *Training & Development was made available* to all employees to enable them to fulfil their full range of responsibilities A complete employee survey "Voice" was carried out in the UK and senior management have implemented a number of recommendations resultant from this survey A detailed succession planning tool was implemented in FY07 to further formulate a framework whereby employees are challenged and motivated to develop their careers

It is also the group's policy to give full consideration to applications for employment by disabled persons, and is one that encourages and supports a diverse work force

CHARITABLE AND POLITICAL CONTRIBUTIONS

The group did not make any political or significant charitable donations in the year

AUDITORS

The company passed elective resolutions to dispense with the laying of accounts before the company in general meetings, holding an AGM *and the appointment of auditors annually* The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office

By order of the Board

P Hogsted
Director
21 September 2007

IKEA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period

In preparing those 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with 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

The directors confirm that, as at the date this report was approved, so far as each director is aware, there is no relevant audit information of which the auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the board

P Hogsted

21 September 2007

IKEA LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF IKEA LIMITED

We have audited the group and parent company financial statements (the "financial statements") of IKEA Limited for the year ended 31 August 2006 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group s and the parent company's affairs as at 31 August 2006 and of the group's profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London
14 September 2007

IKEA LIMITED

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31 August 2006

	Notes	2006 £'000	2005 £'000
TURNOVER	1	**1,087,823**	1,066,600
Cost of Sales		**(626,502)**	(625,031)
Gross profit		**461,321**	441,569
Other operating income		**1,832**	1,326
Administrative expenses		**(350,813)**	(320,766)
OPERATING PROFIT	4	**112,340**	122,129
Profit/(Loss) on the sale of Fixed assets		**10,637**	(2,026)
Profit on ordinary activities before interest		**122,977**	120,103
Interest receivable	2	**958**	654
Interest payable	3	**(33,755)**	(16,189)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**90,180**	104,568
Tax on profit on ordinary activities	7	**(22,231)**	(28,621)
PROFIT FOR THE FINANCIAL YEAR		**67,949**	75,947

The group has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

The notes on page 10 to 21 form part of the financial statements

Approved by the board

P Hogstead
Director
29 September 2007

IKEA LIMITED

GROUP BALANCE SHEET
as at 31 August 2006

	Notes	2006 £'000	2005 £'000
FIXED ASSETS			
Tangible assets	9	**627,351**	560,041
CURRENT ASSETS			
Stocks	11	**145,216**	173,364
Debtors	12	**18,971**	20,023
Cash at bank and in hand		**14,204**	29,106
		178,391	222,493
CREDITORS ***Amounts falling due within one year***	13	**(364,501)**	(408,089)
NET CURRENT LIABILITIES		**(186,110)**	(185,596)
TOTAL ASSETS LESS CURRENT LIABILITIES		**441,241**	374,445
CREDITORS Amounts falling due after more than one year	14	**(320,683)**	(246,596)
PROVISIONS FOR LIABILITIES AND CHARGES	16	**(10,222)**	(10,462)
NET ASSETS		**110,336**	117,387
CAPITAL AND RESERVES			
Called up share capital	17	**6,000**	6,000
Revaluation reserve	17	**5,583**	5,754
Profit and loss reserve	17	**98,753**	105,633
TOTAL SHAREHOLDERS' FUNDS		**110,336**	117,387

The notes on page 10 to 21 form part of the financial statements

Approved by the board

P Hogstead
Director
29 September 2007

IKEA LIMITED

COMPANY BALANCE SHEET
as at 31 August 2006

	Notes	2006 £'000	2005 £'000
FIXED ASSETS			
Tangible assets	9	57,284	54,405
Investments	10	105,621	105,621
		162,905	160,026
CURRENT ASSETS			
Stocks	11	40,856	33,136
Debtors	12	239,054	957,656
Cash at bank and in hand		367	-
		280,277	990,792
CREDITORS Amounts falling due within one year	13	(327,575)	(1,025,816)
NET CURRENT LIABILITIES		(47,298)	(35,024)
TOTAL ASSETS LESS CURRENT LIABILITIES		115,607	125,002
CREDITORS Amounts falling due after more than one y	14	(11,040)	-
PROVISIONS FOR LIABILITIES AND CHARGERS	16	(5,270)	(5,361)
NET ASSETS		99,297	119,641
CAPITAL AND RESERVES			
Called up share capital	17	6,000	6,000
Profit and loss reserve	17	93,297	113,641
TOTAL SHAREHOLDERS' FUNDS		99,297	119,641

The notes on page 10 to 21 form part of the financial statements

Approved by the board

P Høgstead
Director
2/9 September 2007

STATEMENT OF ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 1985

BASIS OF CONSOLIDATION

The Group financial statements consist of the financial statements of the parent company and its subsidiary undertakings The Group's interests in subsidiary undertakings are accounted for using the equity method

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost 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 life, as follows

Plant and machinery, including fixtures, fittings, equipment and motor vehicles	5 years
Short leaseholds	10 years
Building installations	10 years
Buildings	35 years

Note that the useful economic life of buildings was reviewed by management in the period and was decreased, from its previous estimate of 50 years, to 35 years The financial impact in the current year was an additional depreciation charge of £2 5m

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

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

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

PENSIONS CONTRIBUTIONS

The company contributes to a defined contribution pension scheme operated by the group Payments made to the scheme are charged annually in these accounts as part of employment costs The funds are independently administered Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals in the balance sheet

TURNOVER

Turnover consists of sales through retail outlets and rental income, excluding value added tax Turnover is recognised when the risk and rewards are passed over to the customer and are stated net of returns

FOREIGN CURRENCY

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction All differences on exchange are taken to the profit and loss account

FINANCE LEASES

Lease arrangements that transfer substantially all the risks and rewards of ownership to the lessee are treated as finance leases Land and buildings which are the subject of finance leases are dealt with in the financial statements as tangible fixed assets and equivalent liabilities, at what would otherwise have been the cost of outright purchase

Rentals are apportioned between reductions of the respective liabilities and finance charges, the latter being calculated by reference to the rates of interest implicit in the leases The finance charges are dealt with under interest payable in the profit and loss account

Leased assets are depreciated in accordance with the depreciation accounting policy over the anticipated working lives of the assets, or the term of the lease of shorter

SALE AND LEASEBACK

A sale and leaseback transaction is where a vendor sells an asset and immediately reacquires the use of that asset by entering into a lease with the buyer The accounting treatment of the sale and leaseback depends upon the substance of the transaction (by applying lease classification principles described above) and whether or not the sale was made at the asset's fair value For sale and finance leasebacks, any apparent profit or loss from the sale is deferred and amortised over the lease term

For sale and operating leasebacks, generally the assets are sold at fair value, and accordingly the profit and loss from the sale is recognised immediately

Following initial recognition, the lease treatment is consistent with those principles described above

OPERATING LEASES

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

INTEREST

Interest payable and receivable are accounted for on an accruals basis Interest is charged on all intercompany balances and satisfies the arms length principle

The group's cash balances are pooled and bank interest is earned or paid on this group balance to/from the parent company, Ikea Limited The respective bank balances of the subsidiaries are taken in to account when computing the inter group interest

RETURNS PROVISION

The returns provision is managements best estimate of the value of goods recognised as turnover in the year that is expected to be returned post year end

DIVIDEND POLICY

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

INVESTMENTS IN SUBSIDIARIES

The company's investment in subsidiary undertakings is recognised at cost and is accounted for net of impairment losses Income from investments is recognised in the profit and loss to the extent that profits are received

CASH FLOW

The company is ultimately owned by INGKA Holding BV, and its accounts are publicly available and from KVK, Watermolenlaan 1, PO Box 265, 3440 AG Woerden, The Netherlands Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996)

1 SEGMENTAL REPORTING

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

	2006	2005
	£'000	£'000
United Kingdom	1,079,470	1,059,319
Rest of Europe	8,353	7,281
	1,087,823	1,066,600

2 INTEREST RECEIVABLE

	2006	2005
	£'000	£'000
Bank deposit interest	958	654

3 INTEREST PAYABLE

	2006	2005
	£'000	£'000
Interest paid on overdrafts and bank loans	20,586	9,987
Interest paid to group companies	962	1,902
Finance leases	12,207	4,300
	33,755	16,189

The group's cash balances are pooled and bank interest is earned or paid on this group balance to/from the parent company, Ikea Limited The respective bank balances of the subsidiaries are taken in to account when computing the inter group interest Interest is applied on group loan balances and inter UK trading balances at LIBOR plus a margin All other trading balances with other Ikea companies are interest free

4 OPERATING PROFIT

	2006	2005
	£'000	£'000
Operating profit is stated after charging		
Wages and Salaries	119,903	106,212
Social Security costs	9,267	6,911
Other Pension costs	1,683	1,581
Total Staff costs	130,853	114,704
Depreciation of tangible assets		
- owned assets	27,981	24,538
-leased assets	700	710
Operating Lease charges		
-plant and machinery	260	10
-other	4,048	3,894
Auditors' Remuneration		
Audit Services	80	110
Non Audit Services	44	105
Exchange gain	(564)	(178)

5 DIRECTORS' EMOLUMENTS

	2006	2005
	£	£
Aggregate emoluments	705,892	340,016

	2006	2005
Highest Paid Director	£	£
Total amount of emoluments	416,233	183,677

	2006	2005
	£	£
Pension contributions to the money purchase scheme	14,285	14,285

Retirement benefits are accruing to one (2005 1) director under the money purchase scheme

The emoluments of Mr C Thordson, J Rasmussen, A Dahlvig are paid by other IKEA group companies Their services to this company are of a non-executive nature and their emoluments are deemed to be wholly attributable to his services to other IKEA group companies Accordingly, the above details include no emoluments in respect of these directors

6 EMPLOYEE INFORMATION

The average monthly number of persons (including executive directors) employed by the group during the year was

	2006	2005
Stores and warehouses	8,120	8,537
Country management and co-ordination	223	127
	8,343	8,664

7 TAXATION ON THE PROFIT FOR THE YEAR

	2006	2005
(a) Analysis of tax charge on ordinary activities	£'000	£'000
Current tax		
UK corporation tax on profits of the period	26,118	29,899
Adjustments in respect of previous periods	(3,738)	(954)
Total current tax charge / (credit)	22,380	28,945
Deferred tax		
Origination & reversal of timing differences	(149)	(324)
Tax on profit / (loss) on ordinary activities	22,231	28,621

(b) Factors affecting tax charge for the current period
The tax assessed for the period is lower than the standard rate of UK corporation tax (30%) The differences are explained below

Profit on ordinary activities before tax	90,180	104,568
Profit on ordinary activities at the UK tax rate of 30% (2005 30%)	27,054	31,370
Effects of		
Expenses not deductible for tax purposes	2,884	(431)
Gains rolled over	(1,350)	-
Accelerated capital allowances	(1,493)	(1,069)
Other timing differences/consolidation adjustments	(1,703)	29
Losses carried forward	726	-
Adjustments in respect of previous periods	(3,738)	(954)
Current tax charge for the period	22,380	28,945

The effect of the changes to be enacted in the Finance Act 2007 would be to reduce the deferred tax liability provided at 31 August 2006 by £379k as the corporation tax rate will change from 30 per cent to 28 per cent with effect from 1 April 2008 The other changes to be enacted should have no further effects on the quantum of the deferred tax liability recognised at 31 August 2006

8 DIVIDENDS

	2006	2005
	£'000	£'000
Ordinary		
Interim Paid- £12 50 Per Share (2005 £15)	75,000	90,000
Final Paid	-	-
	75,000	90,000

9 TANGIBLE FIXED ASSETS

GROUP	Leasehold land and *Buildings* £'000	Freehold land *and buildings* £'000	Building Installations £'000	Plant Machinery and equipment £'000	Total £'000
Cost or Valuation					
1 September 2005	75,100	438,448	79,918	99,158	692,624
Additions	-	107,355	20,185	25 010	152,550
Disposals	-	(52,254)	(6,671)	(8,254)	(67,179)
31 August 2006	75,100	493,549	93,432	115,914	777,995
Depreciation					
1 September 2005	(6,518)	(31,984)	(42,859)	(51,222)	(132,583)
Charge in the Year	(700)	(2,803)	(11,400)	(13,778)	(28,681)
Disposals	-	795	2,896	6,929	10,620
31 August 2006	(7,218)	(33,992)	(51,363)	(58,071)	(150,644)
Net book value					
31 August 2006	67,882	459,557	42,069	57,843	627,351
31 August 2005	68,582	406,464	37,059	47,936	560,041

	Leasehold land and Buildings	Freehold land and buildings	Building Installations	Plant Machinery and equipment	Total
Cost or valuation at 31 August 2006 is represented by					
Cost	75,100	485 230	93,432	115,914	769,676
Valuation	-	8,319	-	-	8,319
	75,100	493,549	93,432	115,914	777,995

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 an historical depreciation charge for the year would be £171,000 (2005 £171,000)

If the land and buildings had not been revalued, they would have been included at the following amounts

	2006 £'000	2005 £'000
Cost	485,230	430,129
Aggregate depreciation	(31,085)	(29,248)
Net Book value	454,145	400,881

9 TANGIBLE FIXED ASSETS (Continued)

COMPANY	Leasehold land and Buildings £'000	Freehold land and buildings £'000	Building Installations £'000	Plant Machinery and equipment £'000	Total £'000
Cost or Valuation					
1 September 2005	19,991	201	1,641	78,350	100,183
Additions	-	118	-	19,204	19,322
Disposals	-	-	(64)	(8,123)	(8,187)
31 August 2006	19,991	319	1,577	89,431	111,318
Depreciation					
1 September 2005	(3,665)	(150)	(391)	(41,572)	(45,778)
Charge in the Year	(2,000)	(51)	(358)	(12,776)	(15,185)
Disposals	-	-	-	6,929	6,929
31 August 2006	(5,665)	(201)	(749)	(47,419)	(54,034)
Net book value					
31 August 2006	14,326	118	828	42,012	57,284
31 August 2005	16,326	51	1,250	36,778	54,405

10 FIXED ASSET INVESTMENTS

COMPANY	Subsidiary undertakings £'000
At cost	
01 September 2005	105,621
Additions in the year	-
31 August 2006	105,621

The company holds the following undertakings

	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 Leasing Limited	United Kingdom	Ordinary	100%	Non trading
IKEA Retail Services Limited	United Kingdom	Ordinary	100%	Non trading
Victory Retail Park	United Kingdom	Ordinary	100%	Dormant

11 STOCKS

	2006 £'000	2005 £'000
GROUP		
Finished goods and goods for resale	145,216	173,364
COMPANY		
Finished goods and goods for resale	40,856	33,136

12 DEBTORS

	2006 £'000	2005 £'000
GROUP		
Due within one year		
Trade debtors	2 102	4,049
Amounts due from group undertakings	2,318	153
Other debtors	1,424	1,798
Corporation tax receivable	1,284	3,813
Prepayments and accrued income	11,843	10,210
	18,971	20,023

All trading and loan balances with fellow Ikea subsidiaries are unsecured and are repayable on demand Interest is applied on group loan balances at LIBOR plus a margin All other trading balances with other Ikea companies are interest free

	2006 £'000	2005 £'000
COMPANY		
Due within one year		
Trade debtors	1,890	3,042
Amounts due from group undertakings	221,383	940,871
Corporation tax recoverable	6,847	6,493
Deferred tax asset	1,198	1,195
Other debtors	1,316	1,157
Prepayments and accrued income	6,420	4,898
	239,054	957,656

The amounts due from group undertakings in the company consists of an inter UK group loan balance of £90m, the remainder are trading balances

All trading and loan balances with fellow Ikea subsidiaries are unsecured and are repayable on demand Interest is applied on group loan balances and inter UK trading balances at LIBOR plus a margin All other trading balances with other Ikea companies are interest free

13 CREDITORS Amounts falling due within one year

	2006 £'000	2005 £'000
GROUP		
Bank Loans (see note 15)	188,998	221,000
Obligations under finance leases	34,557	13
Trade creditors	43,255	43,610
Amounts owed to group undertakings	40,462	95,023
Corporation tax payable	-	
Other taxation and social security costs	23,549	10,441
Other creditors	33,680	38,002
	364,501	408,089

All trading and loan balances with fellow Ikea subsidiaries are unsecured and are repayable on demand Interest is applied on group loan balances at LIBOR plus a margin All other trading balances with other Ikea companies are interest free

All short term bank loans are repayable on demand and bear interest at LIBOR plus a margin and are secured

13 CREDITORS Amounts falling due within one year (Continued)

	2006	2005
	£'000	£'000
COMPANY		
Bank overdraft	38,010	545,664
Bank Loans (see note15)	188,998	221,000
Obligations under finance leases	-	13
Trade creditors	10,599	7,319
Amounts owed to group undertakings	29,508	188,953
Other taxation and Social security costs	36,020	31,514
Other creditors	24,440	31,353
	327,575	1,025,816

Bank loans are secured via a floating charge, are repayable on demand and bear interest at LIBOR plus a margin

All trading and loan balances with fellow Ikea subsidiaries are unsecured and are repayable on demand Interest is applied on group loan balances and inter UK trading balances at LIBOR plus a margin All other trading balances with other Ikea companies are interest free

Bank overdrafts bear interest at LIBOR plus a margin

14 CREDITORS Amounts falling due in more than one year

	GROUP		COMPANY	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Deferred income	11,040	-	11,040	-
Loans (see note15)	200,000	105,000	-	-
Finance lease liabilities	109,643	141,596	-	-
	320,683	246,596	11,040	-

The deferred income balance relates to the lease incentive received subsequent to a renegotiation of a operating lease during the year

15 Maturity analysis

LOANS	GROUP		COMPANY	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Repayable in instalments				
Within one year	188,998	221,000	188,998	221,000
amounts due in more than 2 but not more than 5 years	75,000	-	-	-
in more than 5 years	125,000	105,000	-	-
	388,998	326,000	188,998	221,000

FINANCE LEASE COMMITMENTS	GROUP		COMPANY	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Repayable in instalments				
Within one year	34,557	13	-	-
amounts due in more than 2 but not more than 5 years	18,802	44,565	-	-
in more than 5 years	90,841	97,031	-	-
	144,200	141,609	-	-

The finance lease liabilities above include two finance leases of £31m and £113m, and are at effective interest rates of 5 5% and 5 3% respectively

All loans are secured by way of fixed and floating charges and carry interest at LIBOR plus a margin

16 Provisions for liabilities and charges

	GROUP 2006 £'000	GROUP 2005 £'000	COMPANY 2006 £'000	COMPANY 2005 £'000
Deferred taxation-				
01 September 2005	5,101	5,425	-	-
Transfer from Profit and loss	(149)	(324)	-	-
31 August 2006	4,952	5,101	-	-
Returns provision-				
01 September 2005	5,361	2,001	5,361	2,001
Transfer from Profit and loss	(91)	3,360	(91)	3,360
31 August 2006	5,270	5,361	5,270	5,361
Total				
01 September 2005	10,462	7,426	5,361	2,001
Transfer from Profit and loss	(240)	3,036	(91)	3,360
31 August 2006	**10,222**	**10,462**	**5,270**	**5,361**

	2006 £'000	2005 £'000
Deferred tax (assets)/liabilities comprise		
GROUP		
Accelerated capital allowances	5,768	5,174
Other timing differences	(816)	(73)
	4,952	5,101
COMPANY		
Accelerated capital allowances	(1,108)	(1,125)
Other timing differences	(90)	(70)
	(1,198)	(1,195)

17 Share capital, movement on reserves and reconciliation of movement in equity shareholders' funds

GROUP	Share capital	Revaluation reserve	Profit and loss account	Total shareholders' funds
01 September 2005	6,000	5,754	105,633	117,387
Profit after taxation	-	-	67,949	67,949
Dividends	-	-	(75,000)	(75,000)
Transfer between profit and loss and revaluation reserve	-	(171)	171	-
31 August 2006	6,000	5,583	98,753	110,336

COMPANY	Share capital	Profit and loss account	Total shareholders' funds
01 September 2005	6,000	113,641	119,641
Profit after taxation		54,656	54,656
Dividends		(75,000)	(75,000)
31 August 2006	6,000	93,297	99,297

No profit and loss account is presented for IKEA Limited as permitted by Section 230 of the Companies Act 1985

During the year the company received dividends of £11 3m from Ikea Retail Services Limited, when the distributable reserves of this company was only £9 6m This dividend contravened the requirements of the Companies Act 1985 The directors of Ikea Retail Services Limited and Ikea Limited are considering legal remedies to resolve this matter

A number of adjustments relating prior year issues in Ikea Properties Investments Limited were reflected in the current year profit and loss account If these adjustments had been made in the relevant year, the company would have paid dividends of £3 6m, in the year ended 31 august 2004, to its parent, Ikea Limited, when it did not have sufficient distributable reserves to do so The directors of both Ikea Limited and Ikea Properties Investments Limited are considering legal remedies to resolve this matter as these distributions contravened the Companies Act

17 Share capital, movement on reserves and reconciliation of movement in equity shareholders' funds (Continued)

	Authorised	Allotted, issued and Fully paid
GROUP AND COMPANY	**2006 and 2005**	**2006 and 2005**
	No	£'000
Ordinary shares of £1 each	20,000,000	6,000

18 PENSION COMMITMENTS

Details of the group's pension scheme are set out within the Accounting Policies on page 10 The pension cost charge represents contributions payable by the group to the funds during the year and amounts to £1,683,000 (2005 £1,581,000) No contributions were unpaid at the year end

19 CAPITAL COMMITMENTS

GROUP AND COMPANY	2006 £'000	2005 £'000
Capital expenditure contracted for but not provided in the financial statements	75,412	50,447

Expansion has been via new stores (Ashton & Coventry totalling £33 9m), construction of Mezzanine floors (Bristol and Thorrock totalling £16 6m) and external extensions (Birmingham & Gateshead £10 4m)

In addition, the above capital commitments relate to the refurbishment of existing retail outlets of Brent Park, Warrington and Wednesbury (totalling £13 5m) £1m has been contracted to extend the Doncaster Warehouse for additional storage requirements warranted by the expansion program above

20 **COMMITMENTS UNDER OPERATING LEASES**

At 31 August 2006 there were annual commitments under non-cancellable operating leases for land and buildings as follows

	2006	2005
GROUP	£'000	£'000
Plant and Machinery		
Expiring after		
1 year	87	47
2-5 years	527	213
Land and Buildings		
after 5 years	6,500	3,594

21 CONTINGENT LIABILITIES

The company has entered into an unlimited multilateral cross guarantee with Ikea Properties Investments Limited to secure all present and future indebtedness and liabilities to its bankers howsoever arising

The company is registered under a group registration for Value Added Tax and is jointly liable for the amount payable of £21 1 million at 31 August 2006 (2005 8 4 million) in respect of certain UK companies

22 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 from disclosing details of transactions with its immediate parent company and any other company within the 90% group

22 ULTIMATE CONTROLLING PARTY

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